

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re:

UCI INTERNATIONAL, LLC, et al.<sup>1</sup>

Debtors.

Chapter 11

Case No. 16-11354 (MFW)

(Jointly Administered)

**DISCLOSURE STATEMENT FOR THE JOINT PLAN OF REORGANIZATION FOR  
UCI INTERNATIONAL, LLC AND ITS DEBTOR AFFILIATES PROPOSED  
BY THE DEBTORS, THE AD HOC COMMITTEE OF SENIOR NOTEHOLDERS  
AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS**

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**Dated: October 13, 2016**

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<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are listed on the next page.

**SOLICITATION OF VOTES WITH RESPECT TO THE JOINT  
PLAN OF REORGANIZATION FOR UCI INTERNATIONAL, LLC  
AND ITS DEBTOR AFFILIATES PROPOSED BY THE DEBTORS,  
THE AD HOC COMMITTEE OF SENIOR NOTEHOLDERS AND  
THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS**

**Date Filed: October 13, 2016**

The Debtors in these chapter 11 cases, together with the last four digits of each Debtor's federal tax identification number, are as follows: UCI International, LLC (0186); Airtex Industries, LLC (0830); Airtex Products, LP (0933); ASC Holdco, Inc. (9758); ASC Industries, Inc. (7793); Champion Laboratories, Inc. (5645); UCI Acquisition Holdings (No. 1) Corp (5732); UCI Acquisition Holdings (No. 3) Corp (8277); UCI Acquisition Holdings (No. 4) LLC (8447); UCI-Airtex Holdings, Inc. (5425); UCI Holdings Limited (N/A); UCI Pennsylvania, Inc. (1527); and United Components, LLC (9857). The mailing address for each Debtor is 1900 West Field Court, Lake Forest, Illinois 60045.

## **IMPORTANT INFORMATION ABOUT THIS DISCLOSURE STATEMENT**

**THE DEADLINE TO VOTE ON THE PLAN IS NOVEMBER 28, 2016 AT 4:00 P.M., PREVAILING EASTERN TIME (THE “VOTING DEADLINE”).**

**FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE *ACTUALLY RECEIVED* BY THE VOTING AND SOLICITATION AGENT (AS DEFINED BELOW) BEFORE THE VOTING DEADLINE AS DESCRIBED HEREIN.**

**THE DATE BY WHICH OBJECTIONS TO CONFIRMATION MUST BE FILED AND SERVED IS NOVEMBER 28, 2016 AT 4:00 P.M., PREVAILING EASTERN TIME.**

**THE HEARING ON CONFIRMATION OF THE PLAN IS SCHEDULED ON DECEMBER 6, 2016 AT 2:00 P.M., PREVAILING EASTERN TIME.**

UCI Acquisition Holdings (No. 1) Corp. (“UCI”), UCI International, LLC (“UCI International”), and those Affiliates of UCI listed on the previous page as debtors and debtors in possession (collectively, the “Debtors”) in the above-captioned chapter 11 cases (the “Chapter 11 Cases”), are providing you with the information in this Disclosure Statement because you may be a creditor entitled to vote on the *Joint Plan of Reorganization of UCI International, LLC and its Debtor Affiliates Proposed by the Debtors, the Ad Hoc Committee of Senior Noteholders and the Official Committee of Unsecured Creditors* (as may be amended from time to time, the “Plan”).<sup>2</sup>

The Debtors, the Plan Sponsors and the Creditors’ Committee (collectively, the “Plan Proponents”) believe that the Plan is in the best interests of creditors and other stakeholders. All creditors entitled to vote thereon are urged to vote in favor of the Plan. A summary of the voting instructions is set forth in Section I.F. of this Disclosure Statement and in the Disclosure Statement Order (as defined below). More detailed instructions are contained on the Ballots distributed to the creditors entitled to vote on the Plan. To be counted, your Ballot must be properly completed in accordance with the voting instructions on the Ballot and **actually received** by the Voting and Solicitation Agent, via regular mail, overnight courier, or personal delivery at the appropriate address, by the Voting Deadline.

The effectiveness of the Plan is subject to material conditions precedent. See Section V.K.1 below and Section 9.1 of the Plan. There is no assurance that the Plan will be confirmed, or if confirmed, that the conditions required to be satisfied for the Plan to go effective will be satisfied (or waived).

This Disclosure Statement, the Plan Supplement, and any attachments, exhibits, supplements and annexes hereto are the only documents to be used in connection with the solicitation of votes on the Plan. The Debtors have not authorized any person to give any information or to make any representation in connection with the Plan or the solicitation of acceptances of the Plan other than as contained in this Disclosure Statement, the Plan

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<sup>2</sup> Except as otherwise set forth herein, capitalized terms used in this Disclosure Statement but not defined herein have the meanings ascribed to them in the Plan.

Supplement, and any attachments, exhibits, supplements and annexes attached hereto or incorporated by reference or referred to herein. If given or made, such information or representation may not be relied upon as having been authorized by the Debtors. The delivery of this Disclosure Statement will not under any circumstances imply that the information herein is correct as of any time after the date hereof.

**ALL CREDITORS ENTITLED TO VOTE ON THE PLAN ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING THE PLAN ATTACHED HERETO AS EXHIBIT A, ANY PLAN SUPPLEMENTS, AND THE RISK FACTORS DESCRIBED IN ARTICLE IX BELOW, BEFORE SUBMITTING BALLOTS IN RESPONSE TO THIS SOLICITATION.**

**THE DEBTORS URGE EACH HOLDER OF A CLAIM TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO ANY LEGAL, FINANCIAL, SECURITIES, TAX, OR BUSINESS ADVICE IN REVIEWING THIS DISCLOSURE STATEMENT, THE PLAN, AND THE PROPOSED TRANSACTIONS CONTEMPLATED THEREBY. FURTHERMORE, THE COURT'S APPROVAL OF THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE THE COURT'S APPROVAL OF THE PLAN.**

**ARTICLE X OF THE PLAN CONTAINS RELEASE, EXCULPATION, AND INJUNCTION PROVISIONS, WHICH ARE DISCUSSED IN SECTION V.L OF THIS DISCLOSURE STATEMENT. YOU SHOULD REVIEW AND CONSIDER THE PLAN CAREFULLY BECAUSE IT MAY AFFECT YOUR RIGHTS.**

The summaries of the Plan and other documents contained in this Disclosure Statement are qualified in their entirety by reference to the Plan itself, the exhibits thereto, and documents described therein as filed prior to approval of this Disclosure Statement or subsequently as part of the Plan Supplement. In the event that any inconsistency or conflict exists between this Disclosure Statement and the Plan, the terms of the Plan will control.

This Disclosure Statement contains, among other things, descriptions and summaries of provisions of the Plan. The Debtors reserve the right to modify the Plan consistent with section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019.

The statements contained in this Disclosure Statement are made only as of the date of this Disclosure Statement, and there can be no assurance that the statements contained herein will be correct at any time after this date. Although the Debtors may subsequently update the information in this Disclosure Statement, the Debtors have no affirmative duty to do so, except as otherwise provided in the Plan or in accordance with applicable law. The information contained in this Disclosure Statement, including the information regarding the history, businesses and operations of the Debtors, the financial information regarding the Debtors and the liquidation analyses relating to the Debtors, is included for purposes of soliciting acceptances of the Plan, but, as to contested matters and adversary proceedings, is not to be construed as an admission or stipulation, but rather as a statement made in settlement negotiations as part of the

Debtors' attempt to settle and resolve claims and controversies pursuant to the Plan. This Disclosure Statement will not be admissible in any non-bankruptcy proceeding, nor will 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 Interests in, either the Debtors or the Reorganized Debtors. The Debtors do not represent or warrant that the information contained herein or attached hereto is without any material inaccuracy or omission. Except where specifically noted, the financial information contained in this Disclosure Statement and in its exhibits has not been audited by a certified public accountant and has not been prepared in accordance with generally accepted accounting principles in the United States.

The Debtors reserve the right to file an amended or modified Plan and related Disclosure Statement from time to time, subject to the terms of the Plan and consultation with the Plan Proponents.

If the Plan is confirmed by the Court and the Effective Date occurs, all Holders of Claims and Interests (including those Holders of Claims and Interests who do not submit ballots to accept or reject the Plan, who vote to reject the Plan, or who are not entitled to vote on the Plan) will be bound by the terms of the Plan.

Upon Confirmation of the Plan, certain of the securities described in this Disclosure Statement will be issued without registration under the Securities Act of 1933, 15 U.S.C. §§ 77A-77AA, together with the rules and regulations promulgated thereunder (the "Securities Act"), or similar federal, state, local, or foreign laws, in reliance on the exemption set forth in section 1145 of the Bankruptcy Code. In addition, other securities may be issued pursuant to other applicable exemptions under the federal securities laws. To the extent exemptions from registration under section 1145 of the Bankruptcy Code or applicable federal securities law do not apply, the securities may not be offered or sold except pursuant to a valid exemption or upon registration under the Securities Act.

## **FORWARD-LOOKING STATEMENTS**

### **A. SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BY ITS NATURE FORWARD LOOKING AND CONTAINS ESTIMATES, ASSUMPTIONS AND PROJECTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL FUTURE RESULTS. THE WORDS "BELIEVE," "MAY," "WILL," "ESTIMATE," "CONTINUE," "ANTICIPATE," "INTEND," "EXPECT" AND SIMILAR EXPRESSIONS IDENTIFY THESE FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO A NUMBER OF RISKS, UNCERTAINTIES AND ASSUMPTIONS, INCLUDING THOSE DESCRIBED IN ARTICLE IX, "RISK FACTORS." IN LIGHT OF THESE RISKS AND UNCERTAINTIES, THE FORWARD-LOOKING EVENTS AND CIRCUMSTANCES DISCUSSED IN THIS DISCLOSURE STATEMENT MAY NOT OCCUR, AND ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THE FORWARD-LOOKING STATEMENTS. NONE OF THE DEBTORS OR REORGANIZED DEBTORS UNDERTAKES ANY OBLIGATION TO UPDATE PUBLICLY OR REVISE ANY FORWARD LOOKING STATEMENTS,

WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

THE DEBTORS' MANAGEMENT, IN CONSULTATION WITH THE DEBTORS' FINANCIAL ADVISORS, PREPARED THE PROJECTIONS PROVIDED IN THIS DISCLOSURE STATEMENT. WHILE THE DEBTORS HAVE PRESENTED THESE PROJECTIONS WITH NUMERICAL SPECIFICITY, THEY HAVE NECESSARILY BASED THE PROJECTIONS ON A VARIETY OF ESTIMATES AND ASSUMPTIONS THAT, THOUGH CONSIDERED REASONABLE BY MANAGEMENT, MAY NOT BE REALIZED, AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, COMPETITIVE, INDUSTRY, REGULATORY, MARKET AND FINANCIAL UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH WILL BE BEYOND THE DEBTORS' OR REORGANIZED DEBTORS' CONTROL. THE DEBTORS CAUTION THAT THEY CANNOT MAKE ANY REPRESENTATIONS AS TO THE ACCURACY OF THESE PROJECTIONS OR TO THE DEBTORS' OR REORGANIZED DEBTORS' ABILITY TO ACHIEVE THE PROJECTED RESULTS. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE. FURTHERMORE, EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THESE PROJECTIONS WERE PREPARED MAY DIFFER FROM ANY ASSUMED FACTS AND CIRCUMSTANCES. ALTERNATIVELY, ANY EVENTS AND CIRCUMSTANCES THAT COME TO PASS MAY WELL HAVE BEEN UNANTICIPATED, AND THUS MAY AFFECT FINANCIAL RESULTS IN A MATERIALLY ADVERSE OR MATERIALLY BENEFICIAL MANNER. THE PROJECTIONS, THEREFORE, MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 3016 AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAWS. THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY STATE SECURITIES COMMISSION OR ANY SECURITIES EXCHANGE OR ASSOCIATION NOR HAS THE SEC, ANY STATE SECURITIES COMMISSION OR ANY SECURITIES EXCHANGE OR ASSOCIATION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

## **B. QUESTIONS AND ADDITIONAL INFORMATION**

If you would like to obtain copies of this Disclosure Statement, the Plan, the Plan Supplement, or any of the documents attached hereto or referenced herein, or have questions about the solicitation and voting process or the Chapter 11 Cases generally, please contact Garden City Group, LLC ("GCG"), by (i) visiting the Debtors' document website at <http://cases.gardencitygroup.com/uci>, (ii) calling (855) 907-3238, or (iii) sending email correspondence to [UCIInfo@gardencitygroup.com](mailto:UCIInfo@gardencitygroup.com).

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## **INDEX OF EXHIBITS**

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<u>Exhibit B</u>	-	Liquidation Analysis
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## I. INTRODUCTION

### A. GENERAL BACKGROUND

UCI, UCI International, and their affiliated Debtors submit this Disclosure Statement pursuant to section 1125 of Title 11 of the United States Code (the “Bankruptcy Code”) in connection with the solicitation of acceptances of the Plan. A copy of the Plan is attached hereto as **Exhibit A**. **Please note that to the extent any inconsistencies exist between this Disclosure Statement and the Plan, the Plan shall govern.**

The Plan provides for the reorganization of the Debtors under chapter 11 of the Bankruptcy Code. If the Plan is confirmed and consummated, the Debtors, as Reorganized Debtors, will emerge from bankruptcy with a substantially deleveraged capital structure.

Under the Plan, (1) all existing equity interests in both UCI and UCI Holdings will be extinguished and cancelled, (2) the Holders of Prepetition ABL Credit Facility Claims will be Unimpaired, and Holders of Prepetition ABL Credit Facility Claims will have such Claims paid in full, in cash, and (3) 91% of the New Common Stock of Reorganized UCI (with 5% reserved for the Management Equity Incentive Plan and 4% for the Backstop Fee) will be distributed to (a) the Holders of Senior Notes Claims in exchange for the cancellation of their prepetition indebtedness, (b) General Unsecured Claims not electing cash, and (c) parties participating in the Rights Offering.

The Plan also provides for the reinstatement or payment in full in Cash of Claims entitled to administrative expense or priority status under the Bankruptcy Code.

**In addition, the Plan includes certain release, injunctive, and exculpatory provisions described in greater detail below.**

The Debtors are proposing the Plan following extensive arm’s length, good faith discussions with certain of their key stakeholders, including the Plan Sponsors and the Creditors’ Committee. The Plan Proponents believe the Plan represents the best available option for all creditors and parties in interest. For all of the reasons described in this Disclosure Statement, the Debtors, the Plan Sponsors and the Creditors’ Committee urge you to return your Ballot accepting the plan by the Voting Deadline (i.e., the date by which your Ballot must be actually received), which is November 28, 2016, at 4:00 p.m. (prevailing Eastern Time).

This Disclosure Statement sets forth certain information regarding the prepetition operating and financial history of the Debtors, the events leading up to the commencement of the Chapter 11 Cases, material events that have occurred during the Chapter 11 Cases, and the anticipated organization, operations, and capital structure of the Reorganized Debtors if the Plan is confirmed and becomes effective. This Disclosure Statement also describes terms and provisions of the Plan, including certain effects of Confirmation of the Plan, certain risk factors (including those associated with securities to be issued under the Plan), the manner in which Distributions will be made under the Plan, and certain alternatives to the Plan.

On October 14, 2016, the Bankruptcy Court entered an order [D.I. 728] approving this Disclosure Statement as containing “adequate information,” *i.e.*, information of a kind and in sufficient detail to enable a hypothetical reasonable investor typical of the Holders of Claims or Interests to make an informed judgment about the Plan. **THE BANKRUPTCY COURT’S APPROVAL OF THIS DISCLOSURE STATEMENT CONSTITUTES NEITHER A GUARANTEE OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN NOR AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE MERITS OF THE PLAN.**

**EACH HOLDER OF A CLAIM ENTITLED TO VOTE ON THE PLAN SHOULD REVIEW THIS DISCLOSURE STATEMENT AND THE PLAN AND ALL EXHIBITS HERETO AND THERETO BEFORE CASTING A BALLOT. THIS DISCLOSURE STATEMENT CONTAINS A SUMMARY OF CERTAIN PROVISIONS OF THE PLAN AND CERTAIN OTHER DOCUMENTS AND FINANCIAL INFORMATION. THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE AS OF THE DATE HEREOF AND PROVIDE ADEQUATE INFORMATION WITH RESPECT TO THE DOCUMENTS SUMMARIZED; HOWEVER, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF THOSE DOCUMENTS AND AS OTHERWISE PROVIDED HEREIN.**

**B. GENERAL OVERVIEW OF THE PLAN**

The Plan provides for the reorganization of the Debtors as a going concern and will significantly reduce long-term debt and annual interest payments, resulting in a stronger, de-levered balance sheet for the Debtors. Specifically, the Plan contemplates (i) a restructuring of the Debtors through a debt-for-equity conversion of the Debtors’ outstanding Senior Unsecured Notes, (ii) the issuance of the New First Lien Exit Facility, and (iii) unless the Debtors and the Plan Sponsors elect otherwise, the issuance of a Second Lien Rights Offering Facility or New Second Lien Exit Facility.

The following chart summarizes the projected distributions to Holders of Allowed Claims against and Interests in each of the Debtors under the Plan. Although every reasonable effort was made to be accurate, the projections of estimated recoveries are only an estimate. Any estimates of Claims or Interests in this Disclosure Statement may vary from the final amounts allowed by the Bankruptcy Court. As a result of the foregoing and other uncertainties which are inherent in the estimates, the estimated recoveries in this Disclosure Statement may vary from the actual recoveries received. In addition, the ability to receive distributions under the Plan depends upon the ability of the Debtors to obtain Confirmation of the Plan and meet the conditions to Confirmation and effectiveness of the Plan, as discussed in this Disclosure Statement. The recoveries set forth below are projected recoveries only and may change based upon changes in the amount of Allowed Claims as well as other factors related to the Debtors’ business operations and general economic conditions. Reference should be made to the entire Disclosure Statement and the Plan for a complete description of the classification and treatment of Allowed Claims against and Interests in each of the Debtors.

<b>Class</b>	<b>Claim/Interest</b>	<b>Treatment</b>	<b>Estimated Allowed Amount<sup>3</sup></b> (in millions)		<b>Estimated Recovery for Allowed Claims (%)</b>	
			<b>With Rank Contribution</b>	<b>Without Rank Contribution</b>	<b>With Rank Contribution<sup>4</sup></b>	<b>Without Rank Contribution<sup>5</sup></b>
N/A	Administrative Expense Claims	Unimpaired	\$8–10 <sup>6</sup>	\$8–10 <sup>6</sup>	100%	100%
N/A	Priority Tax Claims	Unimpaired	\$0–1	\$0–1	100%	100%
A	Priority Non-Tax Claims	Unimpaired	\$0–1	\$0–1	100%	100%
B	Other Secured Claims	Unimpaired	Undetermined	Undetermined	100%	100%
C	Prepetition ABL Credit Facility Claims <sup>7</sup>	Unimpaired	\$69.44	\$69.44	100%	100%
D	Senior Notes Claims	Impaired	\$428.43	\$428.43	Approx. 26%	Approx. 20%
E	General Unsecured Claims	Impaired	\$25–30	\$150–175	Either ~26% in the form of equity or 19% if electing cash	Either ~20% in the form of equity or 13% if electing cash
F	Convenience Claims	Unimpaired	\$1–3	\$1–3	100%	100%
G	Intercompany Claims	Impaired	N/A	N/A	100%	100%
H	510(b) Claims	Impaired	\$0	\$0	0%	0%
I	Interests in UCI and UCI Holdings	Impaired	N/A	N/A	0%	0%
J	Interests in Subsidiary Debtors	Impaired	N/A	N/A	0%	0%

The key terms of the Plan are as set forth below.

### **1. Senior Notes Claims**

Pursuant to the Plan, except to the extent a Holder of an Allowed Senior Notes Claim agrees to a less favorable or different treatment, Holders of Allowed Senior Notes Claims will receive (i) their GUC Pro Rata Allocation of New Common Stock and (ii) unless the Plan

<sup>3</sup> Figures with respect to the allowed amounts of the claims set forth in this chart are based upon the Debtors' best estimates of such claims as of the date of this Disclosure Statement.

<sup>4</sup> Represents estimated recovery if Rank makes the Rank Contribution Election or Rank otherwise assumes the Debtors' Pension Plans without making the Rank Contribution Election.

<sup>5</sup> The estimated recovery assumes the Debtors' Pension Plans are terminated and include no future expense, assets or liabilities, or cash funding for the Pension Plans. In the event the Pension Plans are terminated, the Reorganized Debtors may have liability for a "termination premium" of \$1,250 per plan participant per year for three (3) years following the termination date, an amount estimated at \$19.0 million in aggregate. This potential liability is not reflected in the recovery to Class D and Class E of approximately 20% in the form of equity. If incurred, the recovery to Class D and Class E in the form of equity would be reduced by approximately 2.0%.

<sup>6</sup> This estimate does not include amounts outstanding for goods or services provided in the ordinary course of business. The Debtors intend to pay such amounts as they become due in the ordinary course of business.

<sup>7</sup> Subject to the terms of the Committee Challenge Stipulation.

Sponsors and the Debtors elect not to consummate the Rights Offering, such party's (A) Notes Pro Rata Allocation of the Second Lien Rights Offering Facility and (B) Rights Offering Stock Pro Rata Allocation that such party elected to purchase through the Rights Offering, if any. The issuance of the New Common Stock, including pursuant to the Rights Offering and other equity awards reserved under the Management Equity Incentive Plan, shall be authorized on the Effective Date without the need for any further action by the Holders of Claims or Interests.

## **2. *Treatment of General Unsecured Claims***

Each Holder of an Allowed General Unsecured Claim will have the option of receiving (a) its GUC Pro Rata Allocation of New Common Stock or (b) if such Holder's Allowed General Unsecured Claim is (1) equal to or less than \$1,000,000, or (2) such Holder elects on its Ballot to reduce such Holder's Allowed General Unsecured Claim to \$1,000,000, a Cash payment (the "GUC Cash Election") equal to (i) if the Pension Plans are assumed by a member of the Rank Group on or prior to the Effective Date, 19% of the face amount of such Holder's Allowed General Unsecured Claim as of the Effective Date, or (ii) if the Pension Plans are not assumed, 13% of the face amount of such Holder's Allowed General Unsecured Claim as of the Effective Date; provided, however, that if the total amount of Cash payments that would be made to Holders of Allowed General Unsecured Claims pursuant to the GUC Cash Election exceeds \$4,500,000 (the "GUC Cash Pool"), each Holder of Allowed General Unsecured Claims making the GUC Cash Election shall receive their Pro Rata Share of the GUC Cash Pool; provided, further, however, that if a Holder of an Allowed General Unsecured Claim votes to reject the Plan, any GUC Cash Election made by such Holder will be invalid.

## **3. *The Rank Contribution Election and Treatment of Pension Plans***

Pursuant to the Plan, on or before fourteen (14) days following the commencement of solicitation of the Plan, Rank, on behalf of itself and each other member of the Rank Group, may elect to (a) provide the Debtors and/or Reorganized Debtors with agreed upon non-Cash consideration that is acceptable to the Debtors, the Creditors' Committee and the Plan Sponsors and/or pay the Debtors an amount of Cash (which amount may be used (A) for payment of Allowed Claims and (B) general corporate purposes) that is acceptable to the Debtors, the Creditors' Committee and the Plan Sponsors, and (b), become the sponsor of the Pension Plans upon consummation of the Plan ((a) and (b) together, the "Rank Contribution Election"). If Rank, the Debtors, the Plan Sponsors and the Creditors' Committee mutually agree, the Rank Contribution Election may be effectuated pursuant to an Acceptable Settlement subject to approval of the Bankruptcy Court upon a motion pursuant to Bankruptcy Rule 9019.

If the Rank Contribution Election is made, among other things: (a) the Debtors shall either seek approval of (i) the settlement embodied by the Rank Contribution Election in connection with Confirmation of the Plan, or (ii) if mutually agreed by the parties thereto, the Acceptable Settlement upon a motion pursuant to Bankruptcy Rule 9019, with a hearing to be held on or prior to the Confirmation Date; (b) each member of the Rank Group and each of their Related Persons (including any former directors or officers of any of the Debtors that are or were Related Persons of the Rank Group) shall receive releases under the Plan to the extent permitted by applicable law, which releases may be (i) in addition to any releases contained in any Acceptable Settlement and (ii) set forth in Exhibit 5.6.2 of the Plan, to be filed with the Plan

Supplement, (c) the Debtors and each of their Related Persons shall be deemed to have received releases from each member of the Rank Group and each of their Related Persons to the extent permitted by applicable law, which releases may be (i) in addition to any releases contained in any Acceptable Settlement and (ii) shall be set forth in Exhibit 5.6.2, to be filed with the Plan Supplement, provided, that neither any Prepetition ABL Credit Facility Claim nor any other Claim in respect of which any member of the Rank Group or any of their Related Persons shall have timely filed a proof of claim shall be released except to the extent provided in the Acceptable Settlement, (d) Holders of General Unsecured Claims that make a valid GUC Cash Election shall be entitled to receive a Pro Rata Share (together with Senior Notes Claims in Class D) of any Cash consideration provided by Rank pursuant to the Rank Contribution Election, (e) each Debtor that is a sponsor of the Pension Plans shall resign as a sponsor of the Pension Plans, and the Debtors, Reorganized Debtors, and their respective subsidiaries shall be released from any liability on account of the Pension Plans in a manner satisfactory to the Plan Proponents, or, in the absence of a release, one or more members of the Rank Group will indemnify the Reorganized Debtors and their subsidiaries for any liability on account of the Pension Plans under a control group theory or otherwise, which indemnity shall be satisfactory in form and substance to the Plan Proponents, and (f) approval of the Acceptable Settlement by a final, non-appealable order of the Bankruptcy Court shall be a condition of the occurrence of the Effective Date (as such condition may be waived by the Plan Proponents and Rank, pursuant to Section 9.2 of the Plan).

If the Rank Contribution Election is not made, (i) the Debtors or the Reorganized Debtors, as applicable, shall seek to terminate the Pension Plans and any resulting termination liability shall be treated as a Class E General Unsecured Claim and (ii) Claims against each member of the Rank Group and each of their Related Persons shall be Preserved Causes of Action.

#### **4. *Treatment of Prepetition ABL Facility, Committee Challenge Stipulation and New First Lien Exit Facility***

On the Effective Date, the Prepetition ABL Credit Facility Claims shall be deemed Allowed in the aggregate principal amount of \$69,443,839.66 in respect of loans made and \$5,803,837.00 in respect of undrawn letters of credit plus any accrued but unpaid interest thereon (including default interest) payable pursuant to the terms of the Prepetition ABL Credit Facility Documents and the Final Cash Collateral Order, plus fees, charges and expenses incurred through the Effective Date that are required to be paid under the Prepetition ABL Credit Facility Documents, subject to any agreements by the parties to the Prepetition ABL Credit Facility Documents modifying the fees, charges and expenses required to be paid under the Prepetition ABL Credit Facility Documents

Pursuant to the Plan, each Holder of an Allowed Prepetition ABL Credit Facility Claim shall receive on account of, in full and complete satisfaction, release and discharge of, and in exchange for such Claim, payment in full, in Cash (excluding any amounts in respect of undrawn letters of credit) on the Effective Date or as soon as reasonably practicable thereafter. Any undrawn letters of credit outstanding on the Effective Date shall be collateralized with Cash in an amount equal to 103% of the face amount of such undrawn letter of credit in form and substance and issued by a bank or other financial institution acceptable to the issuer thereof until such

undrawn letter of credit is (x) replaced by a letter of credit issued in form and substance and issued by a bank or other financial institution acceptable to the issuer thereof or (y) returned to the issuer undrawn and marked cancelled.

Under the Committee Challenge Stipulation, the Debtors, the Prepetition ABL Secured Parties and the Creditors' Committee agreed, in pertinent part, as follows: (a) the Prepetition ABL Secured Parties do not hold properly perfected, non-avoidable prepetition liens on or security interests in (i) any real property owned by the Debtors or (ii) Excluded Collateral (as defined in the Prepetition ABL Credit Agreement), and such real estate and Excluded Collateral does not constitute Prepetition ABL Collateral; (b) as of September 29, 2016: (i) the Challenge Period (as defined in the Committee Challenge Stipulation) ended; (ii) the Creditors' Committee is prohibited from asserting any Challenge Proceeding (as defined in the Final Cash Collateral Order) against the Prepetition ABL Secured Parties (as defined in the Committee Challenge Stipulation) and is deemed to have waived the right to assert any Challenge Proceeding against the Prepetition ABL Secured Parties; and (iii) each of the Debtors' Stipulations (as defined in the Final Cash Collateral Order) is final and binding on all parties, including the Creditors' Committee; provided, however, that notwithstanding the end of the Challenge Period and the Creditors' Committee's waiver of the right to assert any Challenge Proceeding against the Prepetition ABL Secured Parties, the Creditors' Committee may later elect to assert a Challenge Proceeding solely relating to (i) the purported Rabobank Transfer Challenge (as defined in the Committee Challenge Stipulation) but solely as otherwise provided therein; and (ii) the purported Preference Challenge (as defined in the Committee Challenge Stipulation) (together with the Rabobank Transfer Challenge, the "Preserved Challenges") but solely as otherwise provided therein; provided, further, that the Creditors' Committee shall not (and shall not be permitted to) commence a Preserved Challenge unless both the going concern value and the liquidation value of the Debtors' Prepetition ABL Collateral (as defined in the Final Cash Collateral Order) (excluding any Cash Collateral (as defined in the Final Cash Collateral Order)) as set forth in any plan of reorganization or liquidation or disclosure statement then properly on file with the Court is less than the amount of outstanding Prepetition ABL Debt (as defined in the Final Cash Collateral Order) (such a plan of reorganization or liquidation, a "Specified Plan"); provided, further, that any such Preserved Challenge shall be barred as untimely and deemed waived unless it is asserted within fourteen (14) days after the filing with the Court of any Specified Plan (and for greater certainty, if any plan of reorganization or liquidation that is not a Specified Plan is confirmed in these Chapter 11 Cases, the Creditors' Committee's right to bring a Preserved Challenge shall expire upon the effective date of such plan); provided, further, that for the avoidance of doubt, other than the preservation of the Preserved Challenges in accordance with the Committee Challenge Stipulation, the ability of the Creditors' Committee to file a Preserved Challenge remains subject entirely to any and all of the terms, conditions and limitations contained in the Final Cash Collateral Order, including, without limitation, the limitations contained in paragraph 16 thereof; provided, further, that the Prepetition ABL Secured Parties shall retain each and every claim, counterclaim or cause of action, objection, contest or defense with respect to the Preserved Challenges and, for the avoidance of doubt, shall not be prohibited from asserting any such claim, counterclaim or cause of action, objection, contest or defense in response to any Preserved Challenge; and (c) the Creditors' Committee stipulates and agrees that any plan of reorganization or liquidation (other than a Specified Plan, with respect to which the Creditors' Committee's right to bring a Preserved Challenge is reserved under and to the extent provided above) shall provide for allowance of all claims of the Prepetition ABL Secured Parties



on or prior to the effective date of such plan. For greater certainty, the Plan is not a “Specified Plan” under the Committee Challenge Stipulation.

Reorganized UCI (at the election of the Plan Sponsors) may obtain financing for the New First Lien Exit Facility, a new term and/or revolving loan facility provided under the New First Lien Credit Agreement, from any third party financing source(s) on terms and conditions mutually acceptable to the Plan Sponsors and the Reorganized Debtors.

The New First Lien Exit Facility shall (i) be in the aggregate principal amount of up to \$130,000,000; provided, however, that the aggregate principal amount of (i) the New First Lien Exit Facility and (ii) the Second Lien Rights Offering Facility or New Second Lien Exit Facility, as applicable, shall not exceed \$130,000,000. The New First Lien Lenders will have valid, binding and enforceable liens on the collateral specified in the New First Lien Credit Agreement. It is anticipated that approximately \$70,000,000 will be drawn at the Effective Date unless the Debtors determine not to commence and consummate the Rights Offering or obtain the New Second Lien Exit Facility, in which case the amount drawn could be substantially higher unless the Prepetition ABL Credit Facility Claims are provided treatment under section 1129(b)(a)(i) of the Bankruptcy Code, in which case the drawn amount could be substantially lower. The New First Lien Exit Facility shall be used (i) to refinance the Prepetition ABL Credit Facility on the Effective Date, including any letters of credit; (ii) pay certain Allowed Claims; and (iii) to provide working capital for and to pay other general corporate expenses of the Reorganized Debtors.

## **5. *The Rights Offering and Backstop Commitment***

Unless the Required Backstop Parties (as defined in the Backstop Agreement) and the Debtors elect otherwise, on or before the Effective Date, the Reorganized Debtors may raise up to \$30 million in new capital by commencing the Rights Offering of (i) up to \$30,000,000 of second lien secured debt to be issued pursuant to a Second Lien Rights Offering Facility and (ii) 15% of the New Common Stock to be issued by Reorganized UCI on the Effective Date (the “Rights Offering Stock”). Unless the Debtors and Required Backstop Parties elect otherwise, a Second Lien Rights Offering Facility will be funded with the proceeds from the Rights Offering and the Second Lien Rights Offering Facility Lenders will have a second priority lien on substantially all of the assets of Reorganized UCI.

To facilitate the Rights Offering, certain Senior Noteholders (the “Backstop Parties”) will backstop the \$30,000,000 of the Rights Offering. On September 30, 2016, the Debtors and the Backstop Parties entered into that certain Backstop Agreement (the “Backstop Agreement”). Pursuant to the Backstop Agreement (and subject to approval of the Backstop Agreement by the Bankruptcy Court), in exchange for each Backstop Party’s commitment to purchase its Backstop Commitment (as defined in the Backstop Agreement) and support the Plan, the Backstop Parties will be entitled to receive an aggregate commitment fee of 4% of the New Common Stock (the “Backstop Fee”) as well reimbursement of professional fees (the “Backstop Expenses”).

Each Holder of an Allowed Senior Unsecured Notes Claim (each, an “Eligible Party”) may elect to participate in the Rights Offering, pursuant to the procedures approved by the Court on October 14, 2016 [D.I. 720, 728] (the “Rights Offering Procedures”). The closing of the

Rights Offering is conditioned upon consummation of the Plan. On the Effective Date, Senior Noteholders that elected to participate in the Rights Offering will receive their pro rata share of the Second Lien Rights Offering Facility and the Rights Offering Stock.

If, however, the Debtors and the Plan Sponsors so elect, in lieu of commencing and consummating the Rights Offering and entering into the Second Lien Rights Offering Facility, the Reorganized Debtors may obtain financing, to the extent necessary, for a New Second Lien Exit Facility. The New Second Lien Exit Facility will consist of a term loan facility in an aggregate principal amount of up to \$30,000,000 provided under the New Second Lien Credit Agreement, obtained from any third party financing source(s) on terms and conditions mutually acceptable to the Debtors and the Reorganized Debtors, as applicable.

#### **6. *Creditors' Committee as Plan Proponent***

In connection with the negotiations of the Plan and the Backstop Agreement, the Debtors, the Plan Sponsors and the Creditors' Committee reached an agreement with respect to the treatment of General Unsecured Claims. Pursuant to this agreement, distributions to Holders of Allowed General Unsecured Claims will be allocated and shared among the Debtors, solely for purposes of distributions under the Plan and in accordance with the provisions of Section 5.1 of the Plan. The Plan Proponents believe that this agreement will result in greater distributions to Holders of Allowed General Unsecured Claims than such Holders would otherwise be entitled to.

#### **7. *The Management Equity Incentive Plan***

Following the Effective Date, Reorganized UCI shall implement the Management Equity Incentive Plan that will provide for 5% of the New Common Stock (defined below) on a fully diluted basis to be reserved for grants of options and/or restricted stock for the Reorganized Debtors' management, directors and employees as determined by the board of Reorganized UCI.

#### **8. *General Settlement of Claims and Interests***

As described more fully in Section 5.17 of the Plan, pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan will constitute a good faith compromise and settlement of all Claims or controversies relating to the rights that a Holder of a Claim or Interest may have with respect to any Allowed Claim or Allowed Interest or any distribution to be made pursuant to the Plan on account of any Allowed Claim or Allowed Interest.

#### **9. *Releases***

The Plan contains certain releases (as described more fully in Section V.L hereof), including mutual releases between the Debtors and Reorganized Debtors, on the one hand, and the Released Parties, on the other hand (each solely in their capacity as such). The Plan also provides that each Holder of a Claim or an Interest that (i) votes to accept or is deemed to accept the Plan or (ii) is entitled to vote to accept or reject the Plan and returns a Ballot by the Voting Deadline, but does not expressly opt out of the release by marking the Ballot indicating his/her/its refusal to grant such a release, will be deemed to have expressly, unconditionally,



generally, individually, and collectively released and discharged all Claims and Causes of Action against the Debtors and the Released Parties.

Under the Plan, “Released Parties” means each of the following solely in its capacity as such: (a) the Debtors; (b) the Reorganized Debtors; (c) the Plan Sponsors; (d) the Senior Unsecured Notes Indenture Trustee; (e) the New First Lien Lenders; (f) the New First Lien Agent; (g) the New Second Lien Agent; (h) the new Second Lien Lenders; (i) the Second Lien Rights Offering Facility Agent; (j) the Second Lien Rights Offering Facility Lenders; (k) the Creditors’ Committee; (l) the Prepetition Administrative Agent and (m) with respect to each of the foregoing parties under (a) through (l), such Entities’ Related Persons; provided, however, that any Holder of a Claim or Interest that would otherwise constitute a “Released Party” but opts out of the releases contained in the Plan shall not be a “Released Party”; provided, further, that, in the event the Rank Contribution Election is made, the parties and such parties’ Related Persons set forth on Exhibit 5.6.2 shall constitute “Released Parties.” For the avoidance of doubt, no member of the Rank Group or any of its Related Persons shall be Released Parties unless the Rank Contribution Election is made.

### **C. U.S. FEDERAL SECURITIES LAW MATTERS**

To the extent available, the Debtors are relying on section 1145(a)(1) of the Bankruptcy Code and applicable federal or state securities laws to the fullest extent permissible under applicable bankruptcy law and non-bankruptcy law, to exempt the exchange, issuance and distribution of any securities to be issued by the Reorganized Debtors under the Plan from the provisions of the Securities Act, and other U.S. and non-U.S. federal and state securities and “blue sky” laws insofar as: the securities will be issued by a debtor, an affiliate of a debtor, or a successor to a debtor under a plan approved by a Bankruptcy Court; the recipients of the securities hold a claim against, an interest in, or a claim for an administrative expense in a case concerning a debtor or such affiliate; and the securities are issued entirely in exchange for the recipient’s claim against or interest in the debtor, or are issued “principally” in such exchange and “partly” in exchange for Cash or property.

The solicitation of acceptances and rejections from creditors of Classes D and E (each, a “Voting Class”) and the deemed offer of the securities to be issued by the Reorganized Debtors under the Plan as a result thereof are being made on the basis of the Solicitation Package (as defined below) and in reliance upon one or more exemptions from the registration requirements of the Securities Act and any U.S. and non-U.S. state or local laws requiring registration, including section 4(2) of the Securities Act and/or Regulation D, Rule 144A or Regulation S thereof, as applicable, with respect to transactions not involving a public offering and with accredited investors, qualified institutional buyers or non-U.S. persons, and also, in part, upon the truth and accuracy of the certifications made by creditors in the Voting Classes in their applicable Ballots.

### **D. OVERVIEW OF CHAPTER 11**

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor is authorized to reorganize its business for the benefit of itself, its creditors and its equity security holders. In addition to permitting the rehabilitation of a debtor,

another goal of chapter 11 is to promote the equality of treatment of similarly situated creditors and equity interest holders with respect to the distribution of a debtor's assets.

The commencement of a chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the commencement date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor-in-possession."

The consummation of a plan of reorganization is the principal objective of a chapter 11 reorganization case. A plan of reorganization sets forth the means for satisfying claims against and equity interests in the debtor. Confirmation of a plan of reorganization by the bankruptcy court makes the plan binding upon the debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor or equity interest holder of a debtor. Subject to certain limited exceptions, the order approving confirmation of a plan discharges a debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therefor the obligations specified under the confirmed plan.

#### **E. VOTING ON THE PLAN**

The Disclosure Statement Order (as defined below) approved certain procedures governing the solicitation of votes on the Plan from Holders of Claims against the Debtors, including setting the deadline for voting, specifying which Holders of Claims are eligible to receive Ballots to vote on the Plan, and establishing other voting procedures.

**THE DISCLOSURE STATEMENT ORDER IS HEREBY INCORPORATED BY REFERENCE AS THOUGH FULLY SET FORTH HEREIN. YOU SHOULD READ THE DISCLOSURE STATEMENT ORDER, THE CONFIRMATION HEARING NOTICE (AS DEFINED BELOW), AND THE INSTRUCTIONS ATTACHED TO YOUR BALLOT IN CONNECTION WITH THIS SECTION, AS THEY SET FORTH IN DETAIL PROCEDURES GOVERNING VOTING DEADLINES AND OBJECTION DEADLINES.**

The Plan, though proposed jointly and consolidated for purposes of making distributions to Holders of Claims under the Plan, constitutes a separate Plan proposed by each Debtor. Therefore, the classifications set forth in the Plan apply separately with respect to each Plan proposed by, and the Claims against and Interests in, each Debtor. Your vote will count as votes for or against, as applicable, each Plan proposed by each Debtor.

This summary does not contain all of the information that is important to you and is qualified in its entirety by the more detailed information concerning solicitation of votes on the Plan included in Section I.F of this Disclosure Statement and in the accompanying Plan.

<b>Voting Classes:</b>	The Debtors are soliciting votes to accept or reject the Plan from the Holders of Claims in Classes D and E.
<b>Voting Record Date:</b>	Only Holders in the Voting Classes as of October 14, 2016 (the " <u>Voting Record Date</u> "), will be entitled to vote on the Plan. The Debtors reserve the right to set a later Voting Record Date if the Debtors and the Plan

	Sponsors decide to extend the Voting Deadline.
<b>Voting Deadline; Extension:</b>	The Voting Deadline is 4:00 p.m., prevailing Eastern Time, on November 28, 2016, unless the Debtors and the Plan Sponsors decide to extend the date by which Ballots will be accepted. If the Voting Deadline is extended, the term Voting Deadline will mean the time and date that is designated. Any extension of the Voting Deadline will be followed as promptly as practicable by notice of the extension.
<b>Voting Procedures:</b>	If you are a Holder of a Claim in the Voting Classes, you should deliver a properly completed Ballot to the Voting and Solicitation Agent (as defined below). Ballots must be received by the Voting and Solicitation Agent on or before the Voting Deadline. Ballots may be delivered via mail, overnight mail or other delivery service; <u>provided</u> , that delivery of a Ballot by facsimile or other electronic means will not be valid.
<b>Revocation or Withdrawal of Ballots:</b>	Upon the expiration or termination of the solicitation, Holders may not revoke or withdraw their Ballots; <u>provided</u> , that prior to the Voting Deadline, as may be extended, voting Holders may withdraw any votes cast even if such votes have been delivered to the Voting and Solicitation Agent.
<b>Voting and Solicitation Agent:</b>	The Debtors have retained GCG as the notice, claims, and solicitation agent (the “ <u>Voting and Solicitation Agent</u> ”) in connection with the solicitation. Deliveries of Ballots should be directed to the Voting and Solicitation Agent as set forth below or pursuant to the instructions contained in the Ballots.

## **F. VOTING PROCEDURES, BALLOTS, AND VOTING DEADLINE**

The following instructions for voting to accept or reject the Plan, together with the instructions contained in the Ballot, constitute the “Voting Instructions”. To vote on the Plan, you must be a Holder of a Claim in the Voting Classes as of the Voting Record Date. To vote, you must fill out and sign the Ballot enclosed with the Solicitation Package.

### **1. *Holders of Claims and Interests Entitled to Vote***

Under section 1124 of the Bankruptcy Code, a class of claims or equity interests is deemed to be “impaired” under a plan unless (1) the plan leaves unaltered the legal, equitable and contractual rights to which such claim or equity interest entitles the holder thereof or (2) notwithstanding any legal right to an accelerated payment of such claim or equity interest, the plan (a) cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy or defaults of a kind that do not require cure), (b) reinstates the maturity of such claim or equity interest as it existed before the default, (c) compensates the holder of such claim or equity interest for any damages from such holder’s reasonable reliance on such legal right to an accelerated payment, (d) if such claim or such interest arises from a failure to perform nonmonetary obligations, other than a default arising from a failure to operate a nonresidential real property lease, compensates the holder of such claim or such interest (other than the debtor or an insider) for any actual pecuniary loss incurred by such holder as a result of such failure and (e) does not otherwise alter the legal, equitable or contractual rights to which such claim or equity interest entitles the holder of such claim or equity interest.

The following table sets forth (a) a simplified summary of which Classes are entitled to vote on the Plan and which are not, and (b) the estimated Allowed amount (in USD millions), the estimated recovery percentage and/or the voting status for each of the separate Classes of Claims provided for in the Plan. The Claim estimates set forth below assume a December 31, 2016 Effective Date.

<b><u>Class</u></b>	<b><u>Designation</u></b>	<b><u>Entitled to Vote</u></b>	<b><u>Estimated Allowed Amount<sup>8</sup></u></b> (in millions)		<b><u>Estimated Recovery for Allowed Claims (%)</u></b>	
			<b><i>With Rank Contribution</i></b>	<b><i>Without Rank Contribution</i></b>	<b><i>With Rank Contribution<sup>9</sup></i></b>	<b><i>Without Rank Contribution<sup>10</sup></i></b>
A	Priority Non-Tax Claims	No	\$0–1	\$0–1	100%	100%
B	Other Secured Claims	No	Undetermined	Undetermined	100%	100%
C	Prepetition ABL Credit Facility Claims <sup>11</sup>	No	\$69.44	\$69.44	100%	100%
D	Senior Notes Claims	Yes	\$428.43	\$428.43	Approx. 26%	Approx. 20%
E	General Unsecured Claims	Yes	\$25–30	\$150–175	Either ~26% in the form of equity or 19% if electing cash	Either ~20% in the form of equity or 13% if electing cash
F	Convenience Claims	No	\$1–3	\$1–3	100%	100%
G	Intercompany Claims	No	N/A	N/A	100%	100%
H	510(b) Claims	No	\$0	\$0	0%	0%
I	Interests in UCI and UCI Holdings	No	N/A	N/A	0%	0%
J	Interests in Subsidiary Debtors	No	N/A	N/A	0%	0%

In accordance with sections 1126 and 1129 of the Bankruptcy Code, the Voting Classes are impaired under the Plan and, to the extent Claims in the Voting Classes are deemed Allowed,

<sup>8</sup> Figures with respect to the Allowed amounts of the Claims set forth in this chart are based upon the Debtors' best estimates of such Claims as of the date of this Disclosure Statement.

<sup>9</sup> Represents estimated recovery if Rank makes the Rank Contribution Election or Rank otherwise assumed the Debtors' defined benefit pension plans without making the Rank Contribution Election.

<sup>10</sup> The estimated recovery assumes the Debtors' defined benefit pension plans are terminated and include no future expense, assets or liabilities, or cash funding for the plans. In the event the plans are terminated, the Reorganized Debtors may have liability for a "termination premium" of \$1,250 per plan participant per year for three (3) years following the termination date, an amount estimated at \$19.0 million in aggregate. This potential liability is not reflected in the recovery to Class D and Class E of approximately 20% in the form of equity. If incurred, the recovery to Class D and Class E in the form of equity would be reduced by approximately 2.0%.

<sup>11</sup> Subject to the terms of the Committee Challenge Stipulation.

the Holders of such Claims will receive distributions under the Plan. As a result, the Holders of Allowed Claims in each of these Classes are entitled to vote to accept or reject the Plan.

Claims in Classes A, B, C, F and J are Unimpaired under the Plan, and the Holders of Allowed Claims in each of these Classes are conclusively presumed to have accepted the Plan and are not entitled to vote on the Plan.

Claims in Class G are Unimpaired or are Impaired. As set forth in Section 4.4 of the Plan, Holders of Claims in Class G (Intercompany Claims) shall be conclusively presumed to have accepted the Plan and are not entitled to vote on the Plan.

Classes H and I are impaired under the Plan and will not receive or retain any property of the Debtors in respect thereof. Pursuant to section 1126(g) of the Bankruptcy Code, the Holders of Claims or Interests in each of these Classes are conclusively deemed to have rejected the Plan and their votes on the Plan will not be solicited.

Accordingly, the Debtors are only soliciting votes on the Plan from Holders of Allowed Claims in Classes D and E. If your Claim or Interest is not in one of these Classes, you are not entitled to vote on the Plan and you will not receive a Ballot in connection with this Disclosure Statement. If your Claim is in one of these Classes, you should read your Ballot and follow the listed instructions carefully. Please use only the Ballot that is associated with this Disclosure Statement.

If an objection has been filed with respect to your Claim, other than a “reduce and allow” objection that is filed with the Bankruptcy Court on or prior to fourteen (14) days before the Voting Deadline, you are not entitled to vote on the Plan (unless your Claim is only disputed in part, in which case you shall be entitled to vote solely on account of the undisputed portion of your Claim) unless you obtain an order of the Bankruptcy Court either resolving the objection or temporarily allowing your claim for voting purposes. In addition, if your Claim is identified in the Schedules as disputed, contingent, or unliquidated, you are not entitled to vote on the Plan unless you obtain an order of the Bankruptcy Court temporarily allowing such Claim for voting purposes (or otherwise allowing such Claim).

If you wish to challenge the temporary allowance of your Claim for voting purposes, you must file a motion, pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure (a “Rule 3018 Motion”), for an order temporarily allowing your Claim in a different amount for purposes of voting to accept or reject the Plan and serve such motion on the Debtors so that it so that it is received on or before 4:00 p.m. (prevailing Eastern Time) on October 28, 2016, with any response by the Debtors due November 28, 2016. Such motion will be heard on December 6, 2016. For further information, please see the Solicitation and Voting Procedures.

**As set forth in the Confirmation Hearing Notice and in the Disclosure Statement Order, Holders of Claims who seek to have their claims temporarily allowed by the Bankruptcy Court for voting purposes must file on the docket and serve on parties entitled to receive service thereof a motion seeking such relief no later than 4:00 p.m., prevailing Eastern Time, on October 28, 2016.**

A vote on the Plan may be disregarded if the Bankruptcy Court determines, pursuant to section 1126(e) of the Bankruptcy Code, that it was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code. The Disclosure Statement Order also sets forth assumptions and procedures for determining the amount of Claims that each creditor is entitled to vote in the Chapter 11 Cases and how votes will be counted under various scenarios.

**Your vote on the Plan is important.** The Bankruptcy Code requires as a condition to confirmation of a plan of reorganization that each class that is impaired and entitled to vote under a plan votes to accept such plan, unless the plan is being confirmed under the “cramdown” provisions of section 1129(b) of the Bankruptcy Code. Section 1129(b) permits confirmation of a plan of reorganization, notwithstanding the nonacceptance of the plan by one or more impaired classes of claims or equity interests, so long as at least one impaired class of claims or interests votes to accept a proposed plan. Under that section, a plan may be confirmed by a bankruptcy court if it does not “discriminate unfairly” and is “fair and equitable” with respect to each nonaccepting class.

## **2. *Vote Required for Acceptance by a Class of Claims***

A Class of Claims shall have accepted the Plan if it is accepted by at least two-thirds ( $\frac{2}{3}$ ) in amount and more than one-half ( $\frac{1}{2}$ ) in number of the Claims in such Class that have voted on the Plan.

## **3. *Solicitation Package***

The package of materials (the “Solicitation Package”) sent to Holders of Claims entitled to vote on the Plan contains:

- a copy of the procedures for (i) soliciting, receiving, and tabulating votes to accept or reject the Plan, (ii) voting to accept or reject the Plan, and (iii) filing objections to the Plan (the “Solicitation and Voting Procedures”);
- for Holders of Claims in the Voting Classes (*i.e.*, Classes D and E), the applicable form of Ballot, together with detailed voting instructions on how to complete the Ballot and a pre-addressed, postage pre-paid return envelope;
- a cover letter describing the contents of the Solicitation Package and urging the Holders of Claims in each of the Voting Classes to accept the Plan;
- instructions for accessing the approved Disclosure Statement (and exhibits thereto);
- instructions for accessing the Plan;
- a copy of the order entered by the Bankruptcy Court ([D.I. 728] (the “Disclosure Statement Order”) that approves this Disclosure Statement, establishes the voting procedures, schedules a Confirmation Hearing, and sets the Voting Deadline and the deadline for objecting to Confirmation of the Plan;

- the *Notice of Hearing to Consider Confirmation of the Chapter 11 Plan Filed by the Debtors and Related Voting and Objection Deadlines* (the “Confirmation Hearing Notice”); and
- any additional documents that the Court has ordered to be made available.

In addition, the Plan, this Disclosure Statement, and, once they are filed, all exhibits to both documents (including the Plan Supplement) will be made available online at no charge at the website maintained by the Voting and Solicitation Agent, at <http://cases.gardencitygroup.com/uci>. In addition, the Debtors will provide parties in interest (at no charge) with paper copies of the Plan and/or Disclosure Statement, as well as any exhibits thereto, upon request to the Voting and Solicitation Agent by toll-free call at (855) 907-3238, or by email at [UCIInfo@gardencitygroup.com](mailto:UCIInfo@gardencitygroup.com), or by writing to UCI International LLC, *et al.*, c/o GCG, P.O. Box 10278, Dublin, OH 43017-5778.

#### **4. Voting Procedures, Ballots and Voting Deadlines**

If you are entitled to vote to accept or reject the Plan, one or more Ballot(s) has been enclosed in your Solicitation Package for the purpose of voting on the Plan. Please vote and return your Ballot(s) in accordance with the instructions accompanying your Ballot(s).

You should carefully review the following materials prior to voting on the Plan: (1) the Plan, (2) this Disclosure Statement, (3) the Disclosure Statement Order, (4) the Confirmation Hearing Notice, and (5) the detailed instructions accompanying your Ballot.

After carefully reviewing these materials, including the detailed instructions accompanying your Ballot(s), please indicate your acceptance or rejection of the Plan by completing the Ballot(s). All votes to accept or reject the Plan with respect to any Class of Claims entitled to vote on the Plan must be cast by properly submitting the duly completed and executed form of Ballot designated for such Class. Holders of Claims voting on the Plan should complete and sign the Ballot(s) in accordance with the instructions thereon, being sure to check the appropriate box entitled “Accept the Plan” or “Reject the Plan.” In order for your vote to be counted, you must complete and return your Ballot(s) in accordance with the instructions accompanying your Ballot(s) on or before the Voting Deadline. Each Ballot has been coded to reflect the Class of Claims it represents. Accordingly, in voting to accept or reject the Plan, you must use only the coded Ballot or Ballots sent to you.

If you hold a General Unsecured Claim in an amount greater than \$5,000, you may choose to make the Convenience Class Election on your Ballot. By making the Convenience Class Election, your General Unsecured Claim shall be reduced to \$5,000. Holders of Claims in Class F (Convenience Claims) shall receive payment in full in Cash on account of such Claim and deemed to accept the Plan.

If you (1) hold Claims in more than one voting Class, or (2) hold multiple Claims within one Class, including if you (a) are the beneficial owner of Senior Notes Claims held under the name of your broker, bank, dealer, or other agent or nominee (each, a “Nominee”) (rather than

under your own name) through one or more than one Nominee or (b) are the beneficial owner of Senior Notes Claims registered in your own name as well as the beneficial owner of Senior Notes Claims registered under the name of your Nominee (rather than under your own name), you may receive more than one Ballot.

If you are the beneficial owner of Senior Notes Claims held under the name of your Nominee (rather than under your own name) through one or more than one Nominee, for your votes with respect to such Senior Notes Claim to be counted, your Ballot(s) must be mailed to the appropriate Nominee(s) at the addresses on the envelopes enclosed with your Ballot(s) (or otherwise delivered to the appropriate Nominee(s) in accordance with such Nominee(s)' instructions) so that such Nominee(s) have sufficient time to record your votes on a master ballot (each, a "Master Ballot") and return such Master Ballot so it is actually received by the Voting and Solicitation Agent by the Voting Deadline.

All other Ballots, in order to be counted, must be properly completed in accordance with the voting instructions on the Ballot and **actually received** no later than the Voting Deadline (*i.e.*, **November 28, 2016, at 4:00 p.m.** (prevailing Eastern Time)) by the Voting and Solicitation Agent via regular mail, overnight courier, or personal delivery at the appropriate address (in accordance with the instructions accompanying your Ballot). **ALL BALLOTS MUST BE SENT TO THE FOLLOWING ADDRESS:**

<b><u>If by U.S. mail or email:</u></b>	<b><u>If by courier/hand delivery:</u></b>
UCI International, LLC, <i>et al.</i> c/o GCG P.O. Box 10278 Dublin, OH 43017-5778	UCI International, LLC, <i>et al.</i> c/o GCG 5151 Blazer Parkway, Suite A Dublin, Ohio 43017

**Ballots may not be submitted by facsimile or other electronic means, and any Ballots submitted by facsimile or other electronic means will not be accepted by the Voting and Solicitation Agent.** Again, Ballots should not be sent directly to the Debtors, the Creditors' Committee, the Senior Unsecured Notes Indenture Trustee, or the Bankruptcy Court.

Any Holder who has submitted to the Voting and Solicitation Agent prior to the Voting Deadline a properly completed Ballot may change its vote by submitting to the Voting and Solicitation Agent prior to the voting deadline a subsequent properly completed Ballot for acceptance or rejection of the Plan. If a Holder of a Claim delivers to the Voting and Solicitation Agent more than one timely, properly completed Ballot with respect to such Claim prior to the Voting Deadline, the Ballot that will be counted for purposes of determining whether sufficient acceptances required to confirm the Plan have been received will be the last timely, properly completed Ballot, as determined by the Voting and Solicitation Agent, received last from such Holder with respect to such Claim.

If you are a Holder of a Claim who is entitled to vote on the Plan and did not receive a Ballot, received a damaged Ballot, lost your Ballot or if you have any questions regarding the procedures for voting on the Plan, you should contact the Voting and Solicitation Agent:



GARDEN CITY GROUP, LLC  
P.O. Box 10278  
Dublin, OH 43017-5778  
Telephone: (855) 907-3238  
Email: UCIinfo@gardencitygroup.com

Ballots must be delivered to the Voting and Solicitation Agent, at the address set forth above, and **actually received** by the Voting Deadline. THE METHOD OF SUCH MAIL DELIVERY IS AT THE ELECTION AND RISK OF THE VOTER. It is recommended that voters use an air courier with a guaranteed next day delivery or registered mail, properly insured, with return receipt requested. In all cases, sufficient time should be allowed to ensure timely delivery.

**BALLOTS WILL NOT BE COUNTED IF THEY ARE RECEIVED BY THE VOTING AND SOLICITATION AGENT AFTER THE VOTING DEADLINE OR ARE ILLEGIBLE, INCOMPLETE OR UNSIGNED.**

**In order for your vote to be counted, your Ballot(s) must be properly completed in accordance with the voting instructions on the Ballot(s) and actually received no later than the Voting Deadline by the Voting and Solicitation Agent. Do not return any debt instruments or equity securities with your Ballot(s).**

**Any executed Ballot not marked to accept or reject the Plan or marked both to accept or reject the Plan will not be counted as a vote either to accept or reject the Plan.**

Before voting on the Plan, each Holder of a Claim in the Voting Classes should read, in its entirety, this Disclosure Statement, the Plan, the Disclosure Statement Order, the Confirmation Hearing Notice, and the instructions accompanying the Ballot(s). These documents contain important information concerning how Claims are classified for voting purposes and how votes will be tabulated. Holders of Claims in the Voting Classes are also encouraged to review the relevant provisions of the Bankruptcy Code and Bankruptcy Rules and/or consult their own attorney.

## **5. *Confirmation Hearing and Deadline for Objections to Confirmation***

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on whether the Debtors have fulfilled the confirmation requirements of section 1129 of the Bankruptcy Code. The Confirmation Hearing has been scheduled for **December 6, 2016, at 2:00 p.m.** (prevailing Eastern Time), before the Honorable Judge Mary F. Walrath, United States Bankruptcy Judge for the District of Delaware, in the United States Bankruptcy Court for the District of Delaware, located at 824 North Market Street, 5th Floor, Courtroom #4, Wilmington, Delaware. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice. Any objection to Confirmation must: (a) be in writing; (b) conform to the Bankruptcy Rules and the Local Rules; (c) state, with particularity, the legal and factual bases for the objection and, if practicable, a proposed modification to the Plan (or related materials) that would resolve such objection; and (d) be filed with the Bankruptcy Court (contemporaneously with a proof of service) and served upon the notice parties so as to be

**actually received** on or before **November 28, 2016, at 4:00 p.m.**, prevailing Eastern Time, by each of the notice parties identified in the Confirmation Hearing Notice.

**6. *Advisors***

The Debtors' bankruptcy legal advisors are Sidley Austin LLP and Young Conaway Stargatt & Taylor, LLP. The Debtors' investment banker is Moelis & Company LLC ("Moelis") and their financial advisor is Alvarez & Marsal North America, LLC ("Alvarez"). The Debtors' advisors can be contacted at:

SIDLEY AUSTIN LLP  
One South Dearborn Street  
Chicago, Illinois 60603  
Telephone: (312) 853-7000  
Facsimile: (312) 853-7036  
Attn: Larry J. Nyhan and Jessica C.K. Boelter

MOELIS & COMPANY, LLC  
399 Park Avenue, 5th Floor  
New York, New York 10022  
Telephone: (212) 883-3800  
Facsimile: (212) 880-4260  
Attn: Adam Keil

-and-

YOUNG CONAWAY STARGATT &  
TAYLOR, LLP  
Rodney Square  
1000 North King Street  
Wilmington, Delaware 19801  
Telephone: (302) 571-6600  
Facsimile: (302) 571-1253  
Attn: Robert S. Brady and Edmon L. Morton

ALVAREZ & MARSAL NORTH AMERICA  
LLC  
540 West Madison Street, Suite 1800  
Chicago, Illinois 60661  
Telephone: (312) 601-4220  
Facsimile: (312) 332-4599  
Attn: Brian Whittman

**7. *Withdrawal or Change of Votes on the Plan***

After the Voting Deadline, no vote may be withdrawn without the prior consent of the Debtors, which consent shall be given in the Debtors' sole discretion.

Any Holder who has submitted to the Voting and Solicitation Agent prior to the Voting Deadline a properly completed Ballot may change its vote by submitting to the Voting and Solicitation Agent prior to the Voting Deadline a subsequent properly completed Ballot for acceptance or rejection of the Plan. If more than one timely, properly completed Ballot is received with respect to the same Claim, the Ballot that will be counted for purposes of determining whether sufficient acceptances required to confirm the Plan have been received will be the Ballot that the Voting and Solicitation Agent determines was the last to be received.

**II. OVERVIEW OF THE DEBTORS' OPERATIONS**

**A. THE DEBTORS' BUSINESSES**

The Debtors are a leader in the design, manufacturing, and distribution of vehicle original and replacement parts, including a broad range of filtration, fuel delivery systems, and cooling systems products in the automotive, trucking, marine, mining, construction, agricultural, and

industrial vehicles markets. Headquartered in Lake Forest, Illinois, the Debtors conduct their business through three principal operating subsidiary Debtors and their respective affiliates: Airtex Products, LP (“Airtex”), Champion Laboratories, Inc. (“Champion”), and ASC Industries, Inc. (“ASC”). UCI and UCI International are direct and indirect, respectively, wholly-owned subsidiaries of UCI Holdings Limited, a New Zealand limited liability company (“UCI Holdings”). UCI International is an intermediate parent of the other Debtors and their respective non-Debtor subsidiaries (collectively with UCI Holdings and UCI, the “UCI Group”). The UCI Group is ultimately owned by an individual, Mr. Graeme Richard Hart. Mr. Hart controls his holdings in the UCI Group, as well as other non-Debtor affiliates through Rank Group Limited (together with other subsidiaries and affiliates other than UCI Holdings and its direct and indirect subsidiaries, the “Rank Group”) for whom he is the sole shareholder and director. A summary chart of the equity structure for UCI Holdings and its subsidiaries is attached hereto as Exhibit F.<sup>12</sup>

Together with their non-Debtor subsidiaries, the Debtors operate out of seven primary manufacturing facilities and ten primary distribution and warehouse facilities in North America, Europe and Asia. The Debtors have approximately 1,900 employees, all of whom are located in the United States. For the year ended December 31, 2015, the Debtors had net sales of approximately \$784.7 million, resulting in a net loss of approximately \$501.3 million. The Debtors had approximately \$433.3 million in total assets and \$714.8 million in total liabilities on a consolidated basis for the year ended December 31, 2015.

## **B. THE DEBTORS’ CORPORATE HISTORY AND STRUCTURE**

UCI International, through its predecessors, has been in operation since 1958. In 2003, UCI International purchased all of the equity interests of Champion, Wells Manufacturing Corporation, Wells Manufacturing Canada Limited (together with Wells Manufacturing Corporation, “Wells”), and Airtex along with certain affiliates. With the exception of Wells and together with ASC, purchased in 2006, these companies represent the Debtors’ primary operating subsidiaries.

UCI International was initially incorporated on March 8, 2006 as a holding company for United Components, LLC (“United Components”). UCI Holdings, an entity domiciled in New Zealand and indirectly wholly-owned by Mr. Graeme Richard Hart, was incorporated on November 26, 2010 for the purpose of consummating the acquisition of UCI International. On November 29, 2010, UCI International entered into the Merger Agreement by and among UCI International, Rank, an affiliate of UCI Holdings wholly-owned by Mr. Graeme Richard Hart, and Uncle Acquisition 2010 Corp. (“Acquisition Co.”), an indirect wholly-owned subsidiary of UCI Holdings, pursuant to which Acquisition Co. agreed to be merged with and into UCI International, with UCI International continuing as the surviving corporation and an affiliate of Rank Group. On January 26, 2011, the merger was consummated for a purchase price of \$375 million and the assumption of UCI International’s indebtedness, and UCI International, through its merger with Acquisition Co. and survival, became a wholly-owned indirect subsidiary of UCI

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<sup>12</sup> As reflected on Exhibit F, the immediate parent of UCI Holdings is non-Debtor UCI Holdings (No. 1) Limited (“UCI No. 1”), which is, in turn, a wholly-owned subsidiary of non-Debtor UCI Holdings (No. 2) Limited (“UCI No. 2”). The ultimate sole shareholder of UCI No. 2 is Mr. Graeme Richard Hart.

Holdings (the “UCI Acquisition”). The Merger Agreement did not include any post-closing indemnification obligations or any provision for adjusting the amount payable to stockholders (whether for working capital or otherwise).

At the time of the UCI Acquisition in 2011, UCI International (i) repaid and terminated its term loan facility in an aggregate principal amount of \$425.0 million and terminated its undrawn revolving credit facility in an aggregate principal amount of \$75.0 million; (ii) purchased \$315.0 million aggregate principal amount of its floating rate senior PIK notes due 2013 (the “Senior PIK Notes”) pursuant to a tender offer; (iii) called for redemption of all the remaining Senior PIK Notes that were not purchased as of the date of the UCI Acquisition; and (iv) deposited \$41.2 million for the satisfaction and discharge of such remaining Senior PIK Notes with the trustee under the indenture for the Senior PIK Notes. The redemption of the remaining Senior PIK Notes was completed on February 25, 2011.

At the same time, UCI International entered into (i) a \$300.0 million senior secured term loan facility (the “Senior Secured Term Loan Facility”) drawn at the closing of the UCI Acquisition, and (ii) a \$75.0 million senior revolving credit facility (together with the Senior Secured Term Loan Facility, the “Senior Secured Credit Facilities”), which was undrawn at closing. UCI International also issued \$400.0 million in aggregate principal amount of the Senior Unsecured Notes and executed related guarantees. As set forth below, the Senior Secured Credit Facilities were refinanced in full and terminated as of September 30, 2015, when UCI International entered into the Prepetition ABL Credit Facility (as defined below). The transactions that occurred at the time of the UCI Acquisition were financed with (i) the net proceeds from the issuance of the Senior Unsecured Notes; (ii) Cash in the amount of \$320.0 million contributed to Acquisition Co. in connection with the UCI Acquisition; (iii) borrowings under the Senior Secured Term Loan Facility; (iv) advances from Rank Group; and (v) available Cash of UCI International.

### **C. THE DEBTORS’ OPERATIONS AND INTERNAL SEGMENTS**

The Debtors’ operations include three product lines—(i) filtration, (ii) fuel delivery systems, and (iii) cooling systems—through which the Debtors supply a broad range of products in the automotive, trucking, construction, mining, agricultural, marine, and other industrial markets. The Debtors’ products can be used in a substantial majority of light vehicles in operation in North America, including approximately 94% of pre-2009 models, and are generally classified into two groups:

- *Non-Discretionary*: The UCI Group’s fuel delivery systems and cooling systems are critical to vehicle operation and must be replaced upon failure; and
- *Recurring Maintenance*: The UCI Group’s filtration products are replaced at regular maintenance intervals.

The Debtors’ three product lines may be broken down into two primary internal segments: filtration and pumps. The Debtors also maintain a small corporate function to provide certain accounting, tax, and human resources support to each of the segments.

## **1.     *Filtration***

The Debtors design and manufacture filtration products for the automotive, trucking, construction, mining, agricultural, marine and other industrial markets through their Champion operating subsidiary. Champion is headquartered in Lake Forest, Illinois within the Debtors' UCI International headquarters and maintains primary manufacturing and distribution operations in Albion, Illinois. The UCI Group's filtration segment consists of approximately 6,100 part numbers, including oil, air, fuel, cartridge, transmission and cabin air filters, PCV valves, hydraulic filters, fuel dispensing filters and fuel/water separators. These filtration products serve approximately 1,700 customers across multiple channels, domestically and internationally, including premier retailers as well as the heavy duty, installer, and original equipment manufacturer ("OEM") and original equipment service providers ("OES") channels, as described further below.

The Debtors maintain a broad portfolio of filtration brands, including private label brands such as ACDelco, Motorcraft, K&N and Service Champ, national consumer brands including STP and Mobil 1, and the Debtors' proprietary brands—Champ, Luber-finer, ACE and Kleener.

The UCI Group's filtration products are manufactured in three plants operated by the Debtors, with two located in Albion, Illinois and one in Shelby Township, Michigan. As described in further detail below, the Debtors' vehicle filtration business sells certain product to, purchases certain product from and previously shared certain distribution facilities with the filtration business of non-Debtor affiliate Autoparts Holding Limited ("APH") and APH's subsidiaries, including FRAM Group Holdings Inc. (the "FRAM Group").

## **2.     *Pumps***

The Debtors' pumps business segment is comprised of the Airtex and ASC subsidiaries, which manufacture and distribute fuel delivery and cooling systems to the light and heavy duty vehicle markets. Airtex and ASC share a common management team, distribution, and sales force, and the international non-Debtor subsidiaries share manufacturing and assembly operations.

Airtex's products include electric and mechanical fuel pumps, fuel pump assemblies, and strainers and kits. Approximately 5,100 part numbers are sold to approximately 400 customers. These products are distributed under the proprietary brand Airtex, as well as certain private labels, such as CARQUEST and NAPA. In 2016, Airtex closed its owned manufacturing and distribution facility in Fairfield, Illinois and transferred production to a joint ASC-Airtex facility in Puebla, Mexico, operated by a non-Debtor subsidiary, and is in the process of transferring distribution to an ASC facility in North Canton, Ohio.

ASC is a leading manufacturer of cooling systems products, including aluminum and cast iron cooling systems, cooling systems for strategic OEM applications, and fan clutches. The Debtors maintain the number one market position by net sales in cooling systems in the North American light vehicle aftermarket. Overall, ASC supplies over 800 customers with approximately 2,000 part numbers under the Airtex and ASC brands as well as private labels such as CARQUEST, Duralast, and Murray. In addition to leading the aftermarket business, ASC maintains strong OEM sales in North America, including supplying parts for GM's "Gen

V” engine program and as a preferred supplier to Ford Motor Company (“Ford”). ASC has a casting plant in Tianjin, China, which provide benefits such as competitive labor costs and attractive raw materials pricing, and assembly facilities in North Canton, Ohio, Puebla, Mexico, and Tianjin, China. ASC also maintains a distribution center in North Canton, Ohio. In addition to these operations, ASC assembles and distributes water and fuel pumps for the European market through its facility in Zaragoza, Spain.

#### **D. THE DEBTORS’ CUSTOMERS**

The UCI Group sells into multiple sales channels, including retailers, wholesale distributors, dealers and the heavy-duty vehicle market. In order to capture demand throughout the life cycle of a vehicle, the Debtors attempt to diversify sales among various aftermarket sales channels. In the early part of a vehicle’s life, the OES channel services a significant percentage of vehicle maintenance and repair because the vehicle is generally still under the OEM warranty period. As a vehicle ages, and the OEM warranty expires, vehicle owners will increasingly rely on traditional and retail aftermarket channels for vehicle repair and maintenance.

The UCI Group generates a large percentage of its net sales from business with top customers. In 2015, the Debtors’ top three customers included AutoZone, Inc. (“AutoZone”), General Motors Company (“GM”), and Advance Stores Company, Inc. (“Advance”), which accounted for approximately 40% of total net sales in 2015. In 2016, year to date through June, these three customers, plus Ford, represent 44.2% of total net sales.

The UCI Group also generates net sales from business with non-Debtor Affiliates. In 2016, year to date through June, the Debtors had sales to their non-Debtor Affiliate APH of approximately \$23.5 million, which are expected to decline over time.

##### **1. *Light Vehicle Aftermarket Customer Channels***

Replacement parts for light vehicle aftermarket products are typically distributed through two main channels: (1) retail channels consisting of national chains and mass merchandisers, and (2) the “traditional” channel consisting of independent repair shops, warehouses, quick lubes, tire dealers, full service gas stations and professional installers. The retail channel is the UCI Group’s largest channel, accounting for approximately 29% of net sales. The UCI Group distributes products to mass merchandisers and national retail chains, which turn sell it to do-it-yourself (“DIY”) customers and independent repair shops that provide installation services for customers through the “do-it-for-me” (“DIFM”) market. The traditional channel represented approximately 20% of the UCI Group’s 2015 net sales. This customer channel is also important to the UCI Group’s operations, as it is the primary source of products for professional mechanics operating in the DIFM market.

##### **2. *Heavy-Duty Vehicle Aftermarket***

In contrast to the light vehicle aftermarket, the heavy duty vehicle aftermarket tends to be highly fragmented. The heavy-duty vehicle aftermarket accounted for approximately 11% of the UCI Group’s 2015 net sales. Within this channel, the UCI Group has developed certain well-recognized brands with the Luber-finer brand of filtration products. Within this channel, the



Debtors supply several points, including distributors such as FleetPride and TruckPro as well as individual service depots.

### **3. *Original Equipment***

The original equipment channel consists of OEM and OES. Combined, this channel comprised approximately 32% of the UCI Group's 2015 net sales.

The UCI Group sells products to a strategic mix of OEMs within each of the following categories:

- *Automotive*: Ford and GM
- *Heavy-duty Truck*: Caterpillar/Perkins, Freightliner, Cummins and Parker-Hannifin
- *Motorcycle*: Harley-Davidson
- *Recreational Equipment*: Onan and Polaris
- *Agriculture*: Deere and Kubota
- *Marine*: Mercury Marine
- *Lawn and Garden*: Briggs and Stratton, Deere and Kohler

The Debtors have selectively engaged in long life-cycle OEM contracts with Caterpillar/Perkins, Ford, and GM in their cooling systems and fuel delivery systems product lines.

The Debtors' OES channel is comprised of a diverse mix of dealership service bays in the automotive, truck, motorcycle and watercraft vehicle markets, and a substantial majority of sales from this channel are derived from sales of filtration products. The UCI Group's most significant OES channel customers include service parts operations associated with companies such as GM, Ford and Chrysler.

The Debtors maintain a leading market position in each of their product lines, offering approximately 13,200 unique part numbers. In the year ended December 31, 2015, approximately 60% of the UCI Group's net sales, including approximately 11% related to the OES channel, were generated from sales to a diverse group of aftermarket customers. The Debtors are a supplier to some of the largest companies in the aftermarket and have maintained certain key customer relationships for approximately 20 years on average.

## **E. INTERNATIONAL OPERATIONS**

### **1. *Foreign Facilities and Operations***

The UCI Group has significant operations in foreign countries. Through its non-Debtor subsidiaries, the UCI Group operates manufacturing facilities in low-cost countries, including a presence of over 20 years in both China and Mexico. Currently, approximately 31%, 4% and 5% of the UCI Group's total workforce is located in China, Mexico and Europe, respectively.

The UCI Group's foreign manufacturing facilities are integral to the UCI Group's business operations. Through these plants, the UCI Group successfully utilizes a coordinated global manufacturing operation, allowing the UCI Group to offer customers a low-cost and

timely manufacturing, sourcing and distribution platform.<sup>13</sup> For example, the UCI Group, through foreign subsidiaries, operates manufacturing facilities in Tianjin, China and Puebla, Mexico. These plants supply critical components to the plants in the United States as well as certain finished products to the UCI Group's customers. ASC also assembles and distributes water and fuel pumps for the European market through its facility in Zaragoza, Spain. In addition to foreign manufacturing facilities, the UCI Group also operates two sourcing offices in China, with low-cost product development, supplier development, engineering resources and procurement capabilities.

During 2016, the Debtors transitioned certain fuel pump product lines to facilities in Mexico operated by non-Debtor subsidiary Talleres Mecanicos Montserrat, S.A. de C.V. ("TMM") in connection with the closure of the Debtors' Fairfield, Illinois Facility. Transitioning these product lines to TMM will result in cost savings for the Debtors' operations going forward.

## **2. *Presence in International Markets***

In addition to foreign facilities and operations, the UCI Group has a long-standing presence in the international light and heavy-duty vehicle aftermarket. In the year ended December 31, 2015, the UCI Group generated \$176.5 million of non-U.S. net sales and continues to strategically invest in targeted international markets by expanding international product offerings, leveraging internationally recognized brands, such as Luber-finer and Airtex, and expanding the UCI Group's international catalog.

## **F. RECENT OPERATIONS OF THE DEBTORS**

The consolidated operating results of UCI Holdings and its consolidated subsidiaries, including non-Debtors, for the year ended December 31, 2015 and the six months ended June 30, 2016 are shown below:<sup>14</sup>

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<sup>13</sup> The Debtors purchase components and finished goods from their foreign subsidiaries on a cost-plus basis in accordance with typical transfer pricing rules.

<sup>14</sup> The Consolidated Statements of Net Income are preliminary and unaudited. The Debtors use Adjusted EBITDA to evaluate internal performance. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization, less factoring expense, and excluding items of a significant or unusual nature that cannot be attributed to ordinary business operations, such as goodwill and intangible impairment losses, restructuring costs, business optimization costs and costs related to the unwinding of sharing arrangements with Rank and APH. Adjusted EBITDA is a non-GAAP financial measure and should not be considered as a substitute for net income (loss), operating profit or any other performance measure derived in accordance with GAAP or as a substitute for cash flow from operating activities as a measure of liquidity in accordance with GAAP.



**UCI Holdings Limited**  
**Consolidated Statements of Net Income (Loss)**  
*(US\$'s in millions)*

	Year-Ended December 31, 2015	6 Months-Ended June 30, 2016
<b>Net sales</b>		
Pumps	\$ 363.1	\$ 176.0
Filters	421.7	187.0
<b>Total net sales</b>	<b>784.8</b>	<b>363.0</b>
Cost of sales	(743.5)	(334.8)
<b>Gross profit</b>	<b>41.3</b>	<b>28.2</b>
<i>Gross Profit %</i>	5.3%	7.8%
Selling, general and administrative	(68.1)	(19.3)
Goodwill and intangible impairment losses	(452.9)	-
Restructuring expense	(11.4)	(19.0)
<b>EBIT</b>	<b>(491.2)</b>	<b>(10.2)</b>
Interest expense, net	(27.6)	(19.3)
Other expense	(5.8)	-
Loss from continuing operations before income taxes	(524.6)	(29.4)
Income tax benefit (expense)	20.8	(2.7)
Income (Loss) from Continuing Operations	(503.8)	(32.2)
Income from discontinued operations, net of tax	2.5	-
<b>Net loss</b>	<b>(501.3)</b>	<b>(32.2)</b>
<b>Adjusted EBITDA from Continuing Operations</b>		
EBIT, less factoring expense	(495.0)	(12.0)
Depreciation and amortization	45.7	12.6
Restructuring expense	11.4	19.0
Goodwill, intangible impairment & other adjustments	457.8	-
<b>Adjusted EBITDA</b>	<b>\$ 20.0</b>	<b>\$ 19.6</b>
<i>Adjusted EBITDA Margin %</i>	2.5%	5.4%
<b>Adjusted EBITDA less Capex</b>		
Capital investment	(11.7)	(2.1)
<b>Adjusted EBITDA less Capex</b>	<b>\$ 8.3</b>	<b>\$ 17.6</b>

UCI Holdings' audited 2014 and unaudited third quarter 2015 financial statements as filed with the SEC are attached hereto as Exhibit C.

As reflected in the monthly cash forecast attached to the Supplemental Cash Collateral Motion (as defined below), UCI Holdings had approximately \$44 million in cash on hand on a consolidated basis as of July 22, 2016, and projects sufficient cash through the expected completion of the restructuring process at year-end.

**G. THE DEBTORS' RELATIONSHIP WITH THE FRAM GROUP**

**1. *Historical Joint Services and Cost-Sharing with the FRAM Group***

The UCI Group historically engaged in various business relationships with affiliated entities in the FRAM Group in connection with certain corporate services and filtration operations. In addition, the UCI Group and FRAM Group were, until recently, previously

operated by a common senior management team. Historically, the relationship between the FRAM Group and the UCI Group included:

- A Joint Services Agreement (the “Joint Services Agreement”) with APH on behalf of itself and the FRAM Group. Pursuant to the Joint Services Agreement, the UCI Group and the FRAM Group each agreed to purchase certain services from the other party. These services include legal, corporate executive management, human resources, procurement management, finance, IT management, sales and marketing, integration, non-plant staff operation, use of facilities and services related to filtration operations (including certain finance, technical and administrative services); and
- Certain cost-sharing and manufacturing arrangements between the UCI Group and FRAM Group. The UCI Group’s and FRAM Group’s respective businesses each include the production of vehicle filtration products. In order to take advantage of the operational efficiencies between the two filtration businesses, Champion and the AH Group historically manufactured and supplied products to each other, and certain FRAM Group production was relocated to the UCI Group’s filtration manufacturing locations and certain of the UCI Group’s product was relocated to FRAM Group filtration manufacturing locations.

The Debtors’ cost sharing and manufacturing activities with the FRAM Group have largely been unwound during 2015 and 2016, although the Debtors continue to purchase certain product from and sell certain product to FRAM Group. The Debtors do not expect to have a continuing relationship with the FRAM Group upon emergence other than some continued purchases and sales of filtration products on an arm’s length basis.

## **2. *Prepetition Notices of Termination***

Prior to the commencement of the Chapter 11 Cases on June 2, 2016 (the “Petition Date”), certain Rank affiliates served the Debtors with the following notices purporting to terminate certain shared services (the “Shared Services Terminations”) between the Debtors and their affiliates:

- that certain Notice of Termination (the “JSA Termination Notice”) dated May 6, 2016 from Autoparts Holdings Limited to UCI International, LLC;
- that certain Notice of Termination dated May 6, 2012 from Reynolds Services Inc. (“Reynolds”) to UCI International, LLC (the “IT Services Termination Notice”);
- that certain letter (the “Notice of Discontinuance”) dated June 1, 2016 from Autoparts Holdings Limited to UCI International, LLC; and
- that certain Notice of Termination dated May 6, 2016, from Rank Group affiliate Pactiv LLC to UCI International, LLC (the “Lease Termination”);

Notice”, and, together with the Notice of Discontinuance, JSA Termination Notice and IT Services Termination Notice, the “Termination Notices”).

Pursuant to the Termination Notices, Rank affiliates purported to notify the Debtors that certain critical shared services would be terminated as early as August 1, 2016. Thereafter, Rank and the Debtors continued to discuss the best way to proceed regarding separation of the parties’ respective businesses. Ultimately, the parties agreed to certain extensions on termination dates under the Shared Services Terminations and critical asset transfers in exchange for agreeing to certain terms of the Debtors’ DIP Facility (as defined below), which, as described in further detail below, the Debtors felt were critical to ongoing operations. This agreement was set forth in a letter agreement (the “Letter Agreement”) between UCI International, APH, and Reynolds, and was an essential component of the Debtors’ DIP Facility. Upon approval of the proposed DIP Facility by the Bankruptcy Court (which, as discussed in more detail below, was not ultimately obtained), the Letter Agreement provided that certain shared services would be extended through October 1, 2016 in addition to critical asset transfers between the Debtors and certain Rank affiliates. Moreover, as a result of the Debtors’ good faith efforts in seeking approval of the DIP Facility, the termination date of certain shared services was extended through September 10, 2016 upon the filing of the DIP Motion (as defined below). Ultimately, on August 3, 2016, the Debtors, APH and Reynolds announced that they had entered into an amended and restated Letter Agreement (the “A&R Letter Agreement”), which provides the critical transition services through October 1, 2016 and asset transfers without a postpetition financing contingency. *See Notice of Filing of Amended and Restated Letter Agreement and Proposed Order Authorizing the Debtors to Enter Into and Perform Under the Amended and Restated Letter Agreement* [D.I. 391]. The Debtors continue to believe that the transition services, as amplified by the A&R Letter Agreement, provide a significant benefit to the Debtors and their Estates.

## **H. PREPETITION CAPITAL STRUCTURE**

As of the Petition Date, the Debtors had approximately \$469.4 million in aggregate funded indebtedness, comprised of approximately \$69,443,839.66 outstanding under the Prepetition ABL Credit Facility (as defined below), plus an additional \$5,803,837 in outstanding letters of credit issued under the Prepetition ABL Credit Facility and excluding accrued and unpaid interest, and \$400.0 million outstanding under the Senior Unsecured Notes (as defined below), excluding accrued interest. The Debtors have granted security interests in and liens on all or substantially all of their assets to secure their obligations under the Prepetition ABL Credit Facility.

### **1. *Prepetition ABL Credit Facility***

Pursuant to the Prepetition ABL Credit Facility Agreement, dated as of September 30, 2015, by and among UCI International, as parent borrower, certain of its subsidiaries, as subsidiary borrowers (collectively, the “Prepetition Borrowers”), UCI Holdings and UCI, and Credit Suisse AG, Cayman Islands Branch (“Credit Suisse”) as Administrative Agent, Collateral Agent and Issuing Lender (the “Prepetition ABL Agent”) (as amended from time to time, the “Prepetition ABL Credit Facility” and together with all agreements, documents, notes, instruments and any other agreements delivered pursuant thereto or in connection therewith, the

“Prepetition ABL Credit Facility Documents”), the Prepetition ABL Agent initially provided the Debtors with senior secured asset-based revolving loans and letters of credit of up to a maximum aggregate principal amount of \$125 million outstanding at any time. The Debtors used the proceeds of the Prepetition ABL Credit Facility to refinance in full and terminate all of the \$74.9 million outstanding under the Debtors’ then-existing Senior Secured Credit Facilities, and to pay certain related fees and expenses. On November 30, 2015, the Prepetition Borrowers decreased the aggregate lender commitments under the Prepetition ABL Credit Facility by \$25 million to \$100 million as subsequently memorialized in an amendment dated December 14, 2015.

The Prepetition ABL Credit Facility is guaranteed by each of the Debtors, and the Debtors’ obligations arising under the Prepetition ABL Credit Facility are secured by a first-priority lien (subject to certain permitted liens) on substantially all of the assets of the Debtors (subject to certain specified exclusions), including, without limitation, (i) the Debtors’ accounts, cash, contracts, equipment, intellectual property, inventory and certain commercial tort claims, together with all of the proceeds of the foregoing, (ii) pursuant to that certain Guarantee and Collateral Agreement dated as of September 30, 2015, 100% of each of the Debtors’ equity interests in its domestic subsidiaries and 65% of its equity interests in its foreign subsidiaries, (iii) pursuant to that certain General Security Deed dated as of September 30, 2015, all of UCI Holdings’ personal property and a mortgage of all of its interests in any land if the fair market value of such interests is \$10 million or more individually, and (iv) pursuant to that certain Specific Security Deed, dated as of September 30, 2015, UCI Holdings’ right, title and interest in all shares in UCI Acquisition Holdings (No. 1) Corp (collectively, the “Prepetition ABL Collateral”).

Borrowings under the Prepetition ABL Credit Facility bear interest at a fluctuating rate per annum measured by reference, at the option of the Prepetition Borrowers, to either adjusted LIBOR or an alternate base rate, in each case plus an applicable margin. The Prepetition Borrowers are also obligated to pay various fees, commissions and related charges and expenses, including professional fees, under the Prepetition ABL Credit Facility Agreement. The Prepetition ABL Credit Facility matures on November 15, 2018 if the Senior Unsecured Notes are not repaid in full or refinanced by such date in accordance with the applicable terms of the Prepetition ABL Credit Facility Agreement. Otherwise, the Prepetition ABL Credit Facility matures on September 30, 2020.

After Credit Suisse funded the Prepetition ABL Credit Facility on September 30, 2015, on December 22, 2015, Credit Suisse and Rank Group Finance Holdings Limited (“Rank Group Finance”)<sup>15</sup> (together with Credit Suisse, the “Prepetition ABL Secured Parties”) entered into that certain Affiliated Lender Assignment and Acceptance (the “Assignment and Acceptance”). The Assignment and Acceptance provided, among other things, for the sale and assignment by Credit Suisse to Rank Group Finance of \$65.0 million of the commitments and approximately \$35.7 million of the then-outstanding principal amount of revolving loans under the Prepetition ABL Credit Facility Agreement. As a result, as of December 22, 2015, Rank Group Finance held 65% and Credit Suisse held 35% of the commitments and outstanding loans under the Prepetition ABL Credit Facility Agreement. On March 15, 2016, UCI International submitted a

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<sup>15</sup> Rank Group Finance is owned by Mr. Graeme Richard Hart, who, as noted above, also indirectly owns 100% of the equity interests of the Debtors.

request to Credit Suisse for an additional borrowing of \$22.25 million under the Prepetition ABL Credit Facility. On the same date, Rank Group Finance funded its pro rata share of this borrowing in the amount of \$14,462,500, while Credit Suisse did not. As a result, as of the Petition Date, Rank Group Finance held 65% and Credit Suisse held 35% of the commitments, and Rank Group Finance held 72% and Credit Suisse held 28% of the outstanding loans under the Prepetition ABL Credit Facility Agreement.

As of the Petition Date, approximately \$69.4 of aggregate indebtedness was outstanding under the Prepetition ABL Credit Facility, plus an additional \$5.8 million in outstanding letters of credit issued under the Prepetition ABL Credit Facility.

## **2. *The Senior Unsecured Notes***

On January 26, 2011, pursuant to that certain Indenture, dated as of January 26, 2011 (as amended, restated, supplemented, or otherwise modified from time to time, the “Indenture”), between UCI International and Wilmington Trust, N.A., as successor by merger to Wilmington Trust FSB, as Trustee, Paying Agent, Transfer Agent and Registrar, UCI International issued \$400 million in aggregate principal amount of 8.625% senior unsecured notes due 2019 (the “Senior Unsecured Notes”). On April 17, 2015, Debtor UCI Acquisition Holdings (No. 3) LLC joined the Indenture as a co-issuer of the Senior Unsecured Notes. The Senior Unsecured Notes mature on February 15, 2019 and pay interest at a rate of 8.625% per annum, payable in cash in arrears semi-annually on February 15 and August 15 of each year. The Senior Unsecured Notes are guaranteed by each of the Debtors.

As of the Petition Date, \$400 million in aggregate principal amount of Senior Unsecured Notes and \$27,846,411.46 in accrued prepetition interest was outstanding.

## **3. *Trade and Other Indebtedness***

In addition to the Prepetition ABL Credit Facility and Senior Unsecured Notes, as of the Petition Date, the Debtors had approximately \$111 million of outstanding unsecured debt. This amount is comprised of (i) approximately \$59 million of trade debt outstanding to parties that are unaffiliated with the Debtors, (ii) approximately \$52 million of trade debt owed by the Debtors to their non-Debtor subsidiaries and non-Debtor Affiliates, and (iii) approximately \$0.6 million outstanding in connection with a litigation settlement entered in 2014. Additionally, the Debtors sponsor three defined benefit pension plans (collectively, the “Pension Plans”) that were underfunded by an aggregate amount of approximately \$66 million at December 31, 2015.

As of the Petition Date, the Debtors had capital lease obligations totaling approximately \$0.1 million, which were used to finance various computer equipment and vehicles. During the year ended December 31, 2013, the Debtors entered into equipment leases accounted for as capital leases. At the inception of the leases, the capitalized lease assets and capitalized leased obligations were less than \$0.1 million. The Debtors did not enter into any new capital leases during the years ended December 31, 2015 and 2014.

## **I. CORPORATE GOVERNANCE**

As of the date hereof, the Debtors’ current senior leadership team consists of:

<b>Name</b>	<b>Position</b>
Greg Noethlich	President, Champion Laboratories
Brett McBrayer	President, ASC & Airtex
Ricardo F. Alvergue	Vice President, CFO
Keith A. Zar	General Counsel, Secretary & Vice President
David Forbes	Assistant Secretary, Treasurer & Vice President
Brian Whittman	Chief Restructuring Officer

As of the date hereof, UCI Holdings' board of directors consists of four members, all of whom are independent directors. The members of UCI Holdings' board of directors are Alan Carr, Marc Beilinson, Neil Goldman, who together make up the restructuring committee, and Michael Stiassny. Alan Carr is Chairman of the UCI Holdings' board of directors. Mr. Carr was appointed to the UCI Holdings board of directors on February 10, 2016. He had no prior affiliation with the Debtors prior to his appointment. Mr. Carr is the Chief Executive Officer of Drivetrain Advisors and has more than 20 years of experience advising financially distressed companies.

### **III. KEY EVENTS LEADING TO THE DECISION TO COMMENCE THE VOLUNTARY CHAPTER 11 CASES**

#### **A. REASONS FOR FINANCIAL DISTRESS**

The Debtors' bankruptcy filings were the result of the convergence of both industry-wide trends and factors specific to the Debtors that combined to put pressure on the Debtors' businesses and adversely impacted the Debtors' financial results.

##### **1. *Macroeconomic Trends***

Four significant macroeconomic trends adversely impacted the Debtors' business operations prior to the Petition Date. First, certain of the Debtors faced competition from countries with lower production costs, particularly China. Second, there has been a decrease in the percentage of vehicles manufactured in the United States, which is the market in which the Debtors have historically been the strongest. Third, there has occurred a concentration of buying power among a smaller group of customers, and finally, improvements in technology and product quality have extended the longevity of light vehicle parts, delaying or reducing aftermarket sales.

While the Debtors had undertaken efforts to counteract these trends, each had adversely impacted the Debtors' revenue and earnings. While some of these efforts helped to offset the impact of these trends, the Debtors' efforts also resulted in increased manufacturing costs as the Debtors restructured their manufacturing footprint, additional write-offs of excess and obsolete inventory as the Debtors shifted their product offerings to remain competitive, and other issues that adversely impacted earnings in the near term for expected longer term profitability.

##### **2. *Factors Specific to the Debtors***

In addition to macroeconomic trends affecting the industry as a whole, in the fourth quarter of 2015, three discrete developments occurred that caused a liquidity crisis for the Debtors. First, Airtex lost all of its business at Advance, a leading retailer in the aftermarket car products sector. The loss of Advance was compounded by the declining sales to AutoZone over the first three quarters of 2015. As of December 31, 2014, approximately 54% of Airtex's sales were generated from the retail component of the aftermarket sector, with AutoZone and Advance as Airtex's primary retail customers. In addition, Advance now sources directly from a manufacturer in China and has the capability to become a direct competitor of Airtex by providing volumes to Airtex's remaining customers. The Debtors' management anticipated that the loss of the Advance business could cause other retail customers to review their purchase of Airtex products. The significance of the lost Advance volumes triggered a comprehensive review of the sustainability of the Airtex business, resulting in Airtex management's decision to exit the retail sector for the supply of aftermarket fuel pumps. As a result, it is estimated that the Airtex business will contract from sales of approximately \$140 million in 2015 to an estimated \$50 million in 2016, and that its EBITDA will fall from \$0.5 million in 2015 to a projected -\$5.6 million in 2016, turning positive on a run rate basis in the second half of 2016.

Second, in the fourth quarter of 2015, AutoZone notified ASC, which supplied seven of AutoZone's eight distribution centers, that ASC had lost the right to supply three of AutoZone's distribution centers. This volume ceased by December 2015. The reduction in volume was the result of an AutoZone competitive re-bid that was initiated by a competitor of ASC. The loss of the AutoZone distribution centers is expected to have a \$4 million negative impact on ASC's EBITDA in 2016.

Third, ASC was notified by GM that ASC's bid to supply GM with the "Gen V+" water pump was unsuccessful. ASC has a contract for the supply of the "Gen V" water pump for GM, which is used in a significant portion of GM's current production. The Gen V+ will replace the Gen V beginning in late 2017. The Gen V contract represents a significant component of ASC's volumes, revenue and contribution to EBITDA. While ASC expects to continue to supply GM under its existing contract through at least 2017, and expects to continue with lower volumes during the changeover period through to late 2019, the pending loss of such a significant contract is expected to have an adverse impact on ASC.

Finally, Champion faced pricing pressures combined with operational issues as the Debtors attempted to mitigate price reductions by maximizing plant capacity through new volume and facility consolidation.

Together, these factors contributed to a need to address the capital structure issues facing the Debtors in late 2015 and early 2016, the urgency of which was heightened by the Debtors' \$17.25 million semi-annual interest payment on the Senior Unsecured Notes due on February 16, 2016. Due to the Debtors' highly leveraged financial position, as discussed further below, the Debtors engaged their principal stakeholders in negotiations concerning a consensual resolution of the Company's financial challenges.



**B. RESTRUCTURING EFFORTS WITH THE KEY CREDITOR CONSTITUENCIES**

In January 2016, the Debtors met with representatives of the ad hoc group of Senior Noteholders (the “Ad Hoc Group”) to begin discussions concerning a more appropriate and sustainable capital structure for the Debtors. Also, on February 10, 2016, the Debtors appointed Alan J. Carr as independent director to each of their respective boards of directors to facilitate the discussions with the Ad Hoc Group and other key stakeholders.

During the course of the Debtors’ restructuring discussions, a cash interest payment for the Senior Unsecured Notes came due on February 16, 2016. In an effort to conserve cash while they continued restructuring negotiations, and after consulting with their advisors, the Board of Directors for UCI Holdings determined that it was in the Debtors’ best interests not to make the cash payment at that time. Accordingly, on February 18, 2016, UCI Holdings announced that it had elected to exercise the grace period under the Indenture with respect to the \$17.25 million interest payment due on the Senior Unsecured Notes. As it became clear that a comprehensive restructuring with all of the Debtors’ stakeholders was unlikely to be consummated within the 30-day grace period, the Debtors and the Ad Hoc Group worked towards a forbearance agreement as restructuring discussions were ongoing. On March 18, 2016, UCI Holdings announced that the Ad Hoc Group and the Debtors had entered into a forbearance agreement with respect to the non-payment of the interest payment due February 16, 2016. In addition, on or about March 17, 2016, the Prepetition ABL Agent agreed to provide the Debtors with 24 hours’ notice before exercising remedies under the Prepetition ABL Credit Facility Agreement.

Intermittently, for several months thereafter through the Petition Date, the Debtors continued to engage in discussions with the Ad Hoc Group. These discussions included several diligence meetings (including on-site tours), sessions to review the Debtors’ five year business plans, and negotiations concerning the contours of a restructuring of the Debtors’ balance sheet. In addition, during this time, the Debtors engaged in active discussions with Credit Suisse and Rank Group Finance regarding restructuring options and potential proposals. The Debtors subsequently informed the Prepetition ABL Agent of their intention to commence bankruptcy proceedings without DIP financing and on the basis of the nonconsensual use of cash collateral, prompting the Prepetition ABL Agent on May 31, 2016 to provide notice to the Debtors that it may begin exercising remedies as of 4:00 p.m. Eastern Time on June 1, 2016.

**IV. THE CHAPTER 11 CASES**

**A. VOLUNTARY PETITIONS**

On June 2, 2016, the Debtors commenced the Chapter 11 Cases by filing voluntary petitions for relief under chapter 11 of the Bankruptcy Code. The Chapter 11 Cases have been consolidated for procedural purposes only and are being administered jointly. The Debtors have continued, and will continue until the Effective Date, to operate their business as debtors-in-possession.

**B. FIRST DAY RELIEF**

On the Petition Date, the Debtors filed a number of “first day” motions and other



pleadings. These were proposed to ensure the Debtors' orderly transition into chapter 11. The Bankruptcy Court entered orders granting all of first day motions. In certain cases, such motions were first granted on an interim basis, and later on a final basis. Certain of those orders reflected comments from the Creditors' Committee, the Office of the United States Trustee (the "U.S. Trustee"), and other stakeholders. The following table describes the most significant first day motions and lists the date and docket number (*i.e.*, [D.I.]) of each related order:

<b>Description of Relief Requested</b>	<b>Date of Interim Order</b>	<b>Date of Final Order</b>
Joint administration of the Chapter 11 Cases [D.I. 2]	6/03/16 [D.I. 49]	
Prohibit utilities from discontinuing service and approve adequate assurance of payment to utilities [D.I. 6]	6/03/16 [D.I. 57]	7/12/16 [D.I. 291]
Employ GCG as the Claims and Noticing Agent [D.I. 5]	6/03/16 [D.I. 54]	
Continue customer programs, practices and policies and honor related prepetition practices [D.I. 10]	6/03/16 [D.I. 71]	
Pay certain prepetition taxes [D.I. 12]	6/03/16 [D.I. 73]	
Continue and maintain certain ordinary course transactions with non-Debtor Affiliates and pay certain prepetition trade payables of certain non-Debtor foreign subsidiaries [D.I. 15]	6/03/16 [D.I. 76]	7/12/16 [D.I. 297]
Authorizing Brian Whittman to act as Foreign Representative [D.I. 16]	6/03/16 [D.I. 77]	
Continue to maintain factoring receivables under various factoring agreements [D.I. 17]	6/03/16 [D.I. 78]	7/12/16 [D.I. 296]
Pay prepetition claims of critical vendors [D.I. 11]	6/03/16 [D.I. 72]	7/12/16 [D.I. 298]
Pay prepetition claims of foreign vendors [D.I. 14]	6/03/16 [D.I. 75]	
Pay prepetition claims of shippers, warehousemen, and other lienholders [D.I. 13]	6/03/16 [D.I. 74]	
Pay employee wages and honor employee-related programs [D.I. 9]	6/03/16 [D.I. 70]	7/12/16 [D.I. 299]
Maintain cash management system [D.I. 8]	6/03/16 [D.I. 65]	7/12/16 [D.I. 300]
Utilize prepetition cash collateral (described below) [D.I. 18]	6/03/16 [D.I. 79]  6/22/16 [D.I. 165]  7/21/16 [D.I. 333]	

Additional time to file schedules of assets and liabilities and statements of financial affairs [D.I. 7]	6/03/16 [D.I. 58]	
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### **C. RETENTION OF ADVISORS FOR THE DEBTORS**

Soon after the commencement of the Chapter 11 Cases, the Debtors requested and received Bankruptcy Court approval to employ the following professional firms: (i) Sidley Austin LLP as the Debtors' co-counsel; (ii) Young Conaway Stargatt & Taylor, LLP as the Debtors' Delaware co-counsel; (iii) Alvarez to provide the Debtors with a Chief Restructuring Officer and certain other personnel; (iv) Moelis as the Debtors' investment banker; and (iv) GCG as the Debtors' administrative agent.

In connection with retaining these professionals, the Debtors sought [D.I. 172] and obtained approval to establish procedures for interim monthly compensation of professionals [D.I. 285].

The Debtors also sought [D.I. 173] and obtained approval to employ certain professionals not involved in the administration of the Chapter 11 Cases in the ordinary course of business [D.I. 286].

### **D. THE CREDITORS' COMMITTEE**

On June 10, 2016, the U.S. Trustee appointed the Creditors' Committee in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code [D.I. 103]. The Creditors' Committee consists of the following members: the Pension Benefit Guaranty Corporation, Wilmington Trust, National Association, Randall Metals Corp., Jasper Rubber Products, Inc., AL Solutions, Inc., VII Peaks Capital, LLC and J.P. Morgan Investment Management, Inc.

Upon or shortly following its appointment, the Creditors' Committee retained Morrison & Foerster LLP and Cole Schotz, P.C. as legal advisors to the Creditors' Committee and Zolfo Cooper, LLC as financial advisor to the Creditors' Committee. Each of those retentions was approved by the Bankruptcy Court on August 3, 2016.

### **E. THE PLAN SPONSORS**

The Plan Sponsors are represented by Willkie Farr & Gallagher LLP, Morris Nichols Arsht & Tunnell LLP, Conway MacKenzie, Inc., and GLC Advisors & Co. On June 17, 2016, Willkie Farr & Gallagher LLP filed a joint verified statement, pursuant to Bankruptcy Rule 2019 disclosing the members of the Ad Hoc Group, which includes the Plan Sponsors [D.I. 146].

### **F. USE OF CASH COLLATERAL**

Prior to the Petition Date, both the Ad Hoc Group and the Prepetition ABL Secured Parties offered to provide the Debtors with debtor-in-possession financing in connection with the Chapter 11 Cases. The Debtors discussed terms of a DIP facility with both creditor groups prior to filing the Chapter 11 Cases, but ultimately determined that it was in the Debtors' best interests to enter the Chapter 11 Cases seeking to utilize cash on hand during the interim period as the Debtors continued to evaluate pursuing a DIP facility with either party. On June 3, 2016, the

Court entered an interim order [D.I. 79] (the “First Interim Cash Collateral Order”) authorizing the Debtors to continue to utilize their Cash Collateral (as defined in the Interim Cash Collateral Order) and all other Prepetition ABL Collateral under the Prepetition ABL Credit Facility.

Following entry of the First Interim Cash Collateral Order, the Debtors continued to evaluate pursuing DIP financing with either the Ad Hoc Group or the Prepetition ABL Secured Parties to backstop the ongoing restructuring efforts. As discussions continued, on June 22, 2016, the Court entered the second interim cash collateral order [D.I. 165] (the “Second Interim Cash Collateral Order.”).

On June 28, 2016, the Debtors filed the *Motion for Entry of an Order (I) Authorizing the Debtors to (A) Obtain Postpetition Financing Pursuant to 11 U.S.C. §§ 105(a), 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e) and 507(b) and (B) To Use Cash Collateral Pursuant to 11 U.S.C. § 363; (II) Granting Adequate Protection to the Prepetition ABL Secured Parties Pursuant to 11 U.S.C. §§ 361, 362, 363, 364 and 507(b); (III) Authorizing the Debtors to Enter into and Perform Under the Letter Agreement; and (IV) Granting Related Relief* [D.I. 194] (the “DIP Motion”). The DIP Motion sought authority to enter into a postpetition asset-based revolving credit facility (the “DIP Facility”) that would provide additional liquidity to the Debtors and contemplated a “roll-up” of the Prepetition ABL Secured Parties’ debt.

The Debtors, at the direction of Independent Director Alan Carr and Brian Whittman, the Debtors’ Chief Restructuring Officer, ultimately determined that the DIP Facility provided the best terms available to the Debtors for several reasons. First, the DIP Facility included certain extensions on the Termination Notices and the transfer of certain valuable equipment to the Debtors that would provide value to the Estates. Second, the Ad Hoc Group’s financing proposal included a priming of the Prepetition ABL Secured Parties’ liens. It was the Debtors’ belief that, if the Debtors had selected the proposal from the Ad Hoc Group, litigation would have ensued over complex issues with respect to adequate protection that would have required valuation analyses, expert testimony and extensive discovery. The Debtors believed that a priming fight would have been detrimental to the Debtors’ Estates and their creditors. Finally, the Debtors believed that the DIP Facility had the least relative execution risk because it was being provided by the Prepetition ABL Secured Parties, who already held a first-priority prepetition security interest in and lien on substantially all of the Debtors’ assets. As discussed above, in connection with the DIP Facility, UCI International, APH, and Reynolds Services, Inc. (“Reynolds”) entered into the Letter Agreement, whereby the parties agreed to provide certain services and transfer certain assets in accordance with the timelines set forth in the Letter Agreement. In addition, the Debtors were able to secure an initial extension of the Termination Notices with the filing of the DIP Motion through and including September 10, 2016.

The Creditors’ Committee and the Ad Hoc Group both filed objections to the DIP Motion. Among other things, the Creditors’ Committee contended that the DIP Facility was unnecessary, that the terms of the proposed Letter Agreement and the “roll up” under the DIP Facility were unreasonable, that the proposal from the Ad Hoc Group was more favorable than the DIP Facility. The Creditors’ Committee also contended that the prepetition Termination Notices issued by Rank were improper, and enabled Rank to exert undue leverage on the Debtors to move forward with the DIP Facility.

A contested hearing on the DIP Motion was held on July 12, 2016 (the “DIP Hearing”). At the conclusion of the DIP Hearing, the Court declined to enter the order approving the DIP Facility (the “DIP Order”) and encouraged the parties to negotiate further, as the Court recognized that the Debtors did not have an immediate need for postpetition financing and still had time to continue to work on potential alternatives.

Following the DIP Hearing, the Court entered a third interim cash collateral order on July 21, 2016 [D.I. 333] (the “Third Interim Cash Collateral Order”). The Debtors, consistent with the Court’s remarks, continued to engage in good-faith discussions and negotiations with the Prepetition ABL Secured Parties, the Ad Hoc Group and the Creditors’ Committee on the best possible postpetition financing solution. Ultimately, the Debtors determined that their cash collateral would provide sufficient liquidity through the Effective Date. As a result, on August 2, 2016, the Debtors filed the *Debtors’ Supplemental Motion For Entry of an Order (I) Authorizing the Debtors to Utilize Cash Collateral on a Final Basis Pursuant to 1 U.S.C. § 363; (II) Granting Adequate Protection to the Prepetition ABL Secured Parties Pursuant to 11 U.S.C. §§ 105(a), 361, 362, 363 and 507; and (III) Granting Related Relief* [D.I. 385] (the “Supplemental Cash Collateral Motion,” seeking use of cash collateral on a final basis. On August 16, 2016, the Court entered an order authorizing use of cash collateral on a final basis [D.I. 435] (the “Final Cash Collateral Order”).

Under the Final Cash Collateral Order, the Debtors are required to reach certain plan milestones (the “Milestones”). If the Debtors fail to achieve any of the Milestones, the Debtors’ right to use cash collateral under the terms of the Final Cash Collateral Order will terminate without further order of the Court upon five (5) days prior written notice from the Prepetition ABL Agent to the Debtors of a failure to achieve a Milestone. The Milestones are as follows:

1. The Debtors shall have filed a plan of reorganization by the date that is thirty (30) days following entry of the Final Cash Collateral Order;
2. The Court shall have approved a disclosure statement with respect to the Plan by the date that is one hundred (100) days following entry of the Final Cash Collateral Order;
3. The Court shall have entered an order confirming the Plan by the date that is one hundred and sixty (160) days following entry of the Final Cash Collateral Order; and
4. The confirmed Plan shall have been consummated no later than one hundred and eighty (180) days following entry of the Final Cash Collateral Order.

#### **G. COMMITTEE INVESTIGATION AND ESTATE CAUSES OF ACTION**

During the pendency of these Chapter 11 Cases, the Creditors’ Committee undertook an investigation to identify potential claims and causes of action that the Debtors’ Estates may hold against Rank Group, their non-Debtor Affiliates, and certain of the Debtors’ current and former directors and officers. As part of this investigation, the Creditors’ Committee reviewed approximately 25,000 documents that were produced to it by the Debtors and Rank Group,

conducted substantial legal and financial analysis, and took depositions of the following individuals (in both their personal capacities and as Debtor or Rank Group corporate designees pursuant to Federal Rule of Civil Procedure 30(b)(6)): (i) Brian Whittman, the Debtors' Chief Restructuring Officer; (ii) Allen Hugli, Rank Group's Chief Financial Officer; (iii) Greg Noethlich, President and Chief Executive Officer of Champion; (iv) Ricardo Alvergue, the Debtors' Chief Financial Officer; and (v) Carl Cooper, the Chief Financial Officer of APH.

As a result of its investigation, the Creditors' Committee has identified numerous categories of potential claims and causes of action (the "Affiliate/Insider Claims"), which will be described in detail and quantified (to the extent possible) in the Plan Supplement if the Rank Contribution Election is not made. The Debtors intend to reserve, preserve and vest in the Reorganized Debtors, all such Affiliate/Insider Claims as well as all other claims or causes of action belonging to, or capable of assertion by, any of the Debtors, unless specifically released pursuant to the Plan and an Acceptable Settlement

## **H. ADMINISTRATIVE MATTERS IN THE PROCEEDINGS**

### **1. *Bankruptcy Rule 2015.3 Reports***

The Debtors are required to comply with Bankruptcy Rule 2015.3 ("Rule 2015.3"), which became effective on December 1, 2008. Pursuant to Rule 2015.3, the Debtors are required to file certain reports with the Bankruptcy Court, which provide additional financial reporting for non-Debtor entities in which the Debtors hold a "controlling or substantial" interest (the "2015.3 Reports"). On July 1, 2016, the Debtors filed their 2015.3 Reports [D.I. 213]. The Debtors hold a direct ownership interest of at least 50% in nine (9) non-Debtor entities.

### **2. *Schedules of Assets and Liabilities; Statement of Financial Affairs***

On August 1, 2016, the Debtors filed (i) their Schedules of Assets and Liabilities (as amended, modified, or supplemented, the "Schedules") identifying the assets and liabilities of their estates and (ii) their Statements of Financial Affairs (as amended, modified, or supplemented, the "Statements") [D.I. 356–381].

### **3. *Claims Process and Bar Date***

On August 15, 2016, the Bankruptcy Court entered an order [D.I. 427] (the "Bar Date Order") establishing the deadlines for the filing of proofs of Claim in the Chapter 11 Cases. These dates are as follows:

- the deadline for creditors (other than governmental units and certain other parties excused from filing proofs of claim under the Bar Date Order) to file proofs of Claim (including requests for payment pursuant to section 503(b)(9) of the Bankruptcy Code for the value of any good sold to any of the Debtors in the ordinary course of business and received by the Debtors during the 20 days before the Petition Date (*i.e.*, May 13, 2016 through June 1, 2016)) against any of the Debtors was September 30, 2016, at 5:00 p.m. (ET) (the "General Bar Date");

- the deadline for Governmental Units to file proofs of Claim against any of the Debtors is November 29, 2016, at 5:00 p.m. (ET) (the “Governmental Unit Bar Date”);
- a bar date for Claims amended or supplemented by an amendment to the Debtors’ Schedules by the later of (a) the General Bar Date; and (b) the date that is twenty-one (21) days after the date that notice of the applicable amendment to the Schedules is served on the claimant; and
- a bar date for any claims arising from or relating to the rejection of Executory Contracts or Unexpired Leases by the later of (i) the General Bar Date or (ii) thirty (30) days after the entry of the order providing for the rejection of such Executory Contract or Unexpired Lease.

The Debtors have provided notice of the bar dates above as required by the Bar Date Order.

## **V. THE PLAN OF REORGANIZATION**

**THE FOLLOWING SECTIONS SUMMARIZE CERTAIN KEY INFORMATION CONTAINED IN THE PLAN. THIS SUMMARY REFERS TO, AND IS QUALIFIED IN ITS ENTIRETY BY, THE PLAN, A COPY OF WHICH IS ATTACHED HERETO AS EXHIBIT A. THE TERMS OF THE PLAN WILL GOVERN IN THE EVENT ANY INCONSISTENCY ARISES BETWEEN THIS SUMMARY AND THE PLAN. THE BANKRUPTCY COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN DO NOT YET BIND ANY PERSON OR ENTITY. IF THE BANKRUPTCY COURT DOES CONFIRM THE PLAN, HOWEVER, THEN IT WILL BIND ALL CLAIM AND INTEREST HOLDERS.**

**THE STATEMENTS CONTAINED IN THE DISCLOSURE STATEMENT DO NOT PURPORT TO BE PRECISE OR COMPLETE STATEMENTS OF ALL THE TERMS AND PROVISIONS OF THE PLAN OR DOCUMENTS REFERRED TO THEREIN, AND REFERENCE IS MADE TO THE PLAN AND TO SUCH DOCUMENTS FOR THE FULL AND COMPLETE STATEMENT OF SUCH TERMS AND PROVISIONS OF THE PLAN OR DOCUMENTS REFERRED TO THEREIN. HOLDERS OF CLAIMS AGAINST, AND EQUITY INTERESTS IN, THE DEBTORS AND OTHER INTERESTED PARTIES ARE URGED TO READ THE PLAN AND THE EXHIBITS THERETO IN THEIR ENTIRETY SO THAT THEY MAY MAKE AN INFORMED JUDGMENT CONCERNING THE PLAN.**

**CAPITALIZED TERMS USED IN THIS ARTICLE V THAT ARE NOT OTHERWISE DEFINED IN THIS ARTICLE V SHALL HAVE THE MEANINGS ASCRIBED TO THEM IN THE PLAN.**

### **A. CLASSIFICATION AND ALLOWANCE OF CLAIMS AND EQUITY INTERESTS GENERALLY**

Section 1123 of the Bankruptcy Code provides that, except for administrative expense claims and priority tax claims, a plan of reorganization must categorize claims against and equity interests in a debtor into individual classes. Although the Bankruptcy Code gives a debtor significant flexibility in classifying claims and interests, section 1122 of the Bankruptcy Code dictates that a plan of reorganization may only place a claim or an equity interest into a class containing claims or equity interests that are substantially similar.

The Plan creates numerous “Classes” of Claims and Interests. These Classes take into account the differing nature and priority of Claims against and Interests in the Debtors. Administrative Expense Claims and Priority Tax Claims are not classified for purposes of voting or receiving distributions under the Plan, but are treated separately as unclassified Claims.

The Plan provides specific treatment for each Class of Claims and Interests. Only Holders of Allowed Claims are entitled to receive distributions under the Plan.

Unless otherwise provided in the Plan or the Confirmation Order, the treatment of any Claim or Interest under the Plan will be in full satisfaction, settlement, release and discharge of, and in exchange for, such Claim or Interest.

**B. PROVISIONS FOR PAYMENT OF ADMINISTRATIVE EXPENSE CLAIMS AND PRIORITY TAX CLAIMS**

**1. *Administrative Expense Claims***

Administrative Expense Claims are any claims for the payment of administrative expenses, defined in the Plan as any Claim for costs and expenses of administration of the Chapter 11 Cases arising on or after the Petition Date and prior to the Effective Date under sections 328, 330, 363, 364(c)(1), 365, 503(b), or 507(a)(2) of the Bankruptcy Code, including, without limitation, (a) any actual and necessary costs and expenses of preserving the Estates and operating the businesses of the Debtors from and after the Petition Date (such as wages, salaries and commissions for services and payments for inventory, leased equipment and premises) and Claims of governmental units for taxes (including tax audit Claims) related to tax years commencing after the Petition Date, but excluding Claims related to tax periods, or portions thereof, ending on or before the Petition Date; (b) all compensation for actual and necessary legal, financial, advisory, accounting and other services provided by the Professionals and the reimbursement of actual and necessary expenses incurred by the Professionals pursuant to sections 328 or 330 of the Bankruptcy Code; (c) with the exception of section 507(b) Claims, any indebtedness or obligations incurred or assumed by the Debtors during the Chapter 11 Cases; (d) any payment to be made under the Plan or otherwise to cure a default under an Executory Contract or Unexpired Lease that has been or will be assumed by any of the Debtors; or (e) any fees and charges assessed against the Estates under section 1930, Chapter 123, of Title 28 of the United States Code.

The Bankruptcy Code does not require that administrative expense claims be classified under a plan. It does, however, require that allowed administrative expense claims be paid in full in cash in order for a plan to be confirmed, unless the holder of such claim consents to different treatment.



Pursuant to the Plan and subject to the provisions of sections 328, 330, 331 and 503(b) of the Bankruptcy Code, on either: (i) the latest to occur of (x) the Effective Date, (y) the date upon which such Administrative Expense Claim becomes an Allowed Claim and (z) such other date as agreed upon by the Debtors and the Holder of such Administrative Expense Claim, or (ii) such other date as the Bankruptcy Court may order, each Holder of an Allowed Administrative Expense Claim shall receive, on account of and in full and complete settlement, release and discharge of, and in exchange for, such Allowed Administrative Expense Claim, (a) Cash equal to the full unpaid amount of such Allowed Administrative Expense Claim, or (b) such other less favorable treatment as the applicable Debtor and such Holder shall have agreed; provided, however, that Allowed Administrative Expense Claims not yet due or that represent obligations incurred by the Debtors in the ordinary course of their business during the Chapter 11 Cases, or assumed by the Debtors during the Chapter 11 Cases, shall be paid or performed when due in the ordinary course of business and in accordance with the terms and conditions of the particular agreements governing such obligations.

Notwithstanding anything to the contrary, Allowed Administrative Expense Claims representing the Debtors' postpetition liabilities incurred in the ordinary course of business will continue to be paid by the Debtors during the Chapter 11 Cases in accordance with the terms and conditions of the particular transactions and any agreement or Bankruptcy Court order relating thereto.

Each Allowed Administrative Expense Claim will be paid from, and to the extent of available assets of, the respective Debtor's Estate to which such Claim applies or has been allocated. To the extent that an Administrative Expense Claim is Allowed against the Estate of both Debtors, there shall be only a single recovery on account of such Allowed Claim.

## **2. *Priority Tax Claims***

Priority Tax Claims are Allowed Claims of governmental units for taxes owed by the Debtors that are entitled to priority in payment pursuant to sections 502(i) and 507(a)(8) of the Bankruptcy Code. These taxes include (a) taxes on income or gross receipts that meet the requirements of section 507(a)(8)(A); (b) property taxes meeting the requirements of section 507(a)(8)(B); (c) taxes that were required to be collected or withheld by the Debtors and for which the Debtors are liable in any capacity as described in section 507(a)(8)(C), (d) employment taxes on wages, salaries, or commissions that are entitled to priority pursuant to section 507(a)(4), to the extent such taxes also meet the requirements of section 507(a)(8)(D); (e) excise taxes of the kind specified in section 507(a)(8)(E); (f) customs duties arising out of the importation of merchandise that meet the requirements of section 507(a)(8)(F); and (g) prepetition penalties relating to any of the foregoing taxes to the extent such penalties are in compensation for actual pecuniary loss as provided in section 507(a)(8)(G).

The Bankruptcy Code does not require that priority tax claims be classified under a plan. It does, however, require that such claims receive the treatment described below in order for a plan to be confirmed unless the holder of such claims consents to different treatment.



Pursuant to the Plan, except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment (in which event such other agreement shall govern), each Holder of an Allowed Priority Tax Claim against any of the Debtors that is due and payable on or before the Effective Date shall receive, on account of and in full and complete settlement, release and discharge of, and in exchange for, such Allowed Priority Tax Claim, at the sole option of the Reorganized Debtors, either (a) payment in full in Cash after such Priority Tax Claim becomes an Allowed Claim, or as soon as practicable thereafter, together with interest from the Effective Date on any outstanding balance calculated at a rate determined under section 511 of the Bankruptcy Code, (b) except as otherwise determined by the Bankruptcy Court at the Confirmation Hearing, regular installment payments in Cash equal to the Allowed amount of such Claim over a period ending not later than the fifth anniversary of the Petition Date, together with interest from the Effective Date on any outstanding balance calculated at a rate determined under section 511 of the Bankruptcy Code, which installment payments shall commence after such Priority Tax Claim becomes an Allowed Claim, or (c) such other treatment as agreed to by the Holder of an Allowed Priority Tax Claim and the Reorganized Debtors. All Allowed Priority Tax Claims against any of the Debtors that are not due and payable on the Effective Date shall be paid in the ordinary course of business by the Reorganized Debtors in accordance with the terms thereof.

**C. SUMMARY OF CLASSIFICATION AND TREATMENT OF ALLOWED CLAIMS AGAINST AND INTERESTS IN EACH OF THE DEBTORS UNDER THE PLAN**

Pursuant to sections 1122 and 1123 of the Bankruptcy Code, Claims and Interests are classified for all purposes, including, without limitation, voting, Confirmation and distributions pursuant to the Plan, as set forth in the Plan and described in this Disclosure Statement. A Claim or Interest shall be deemed classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class, and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Interest qualifies within the description of such different Class. A Claim or Interest is in a particular Class only to the extent that such Claim or Interest is Allowed in that Class and has not been paid or otherwise settled prior to the Effective Date.

The Plan is a joint plan that does not provide for substantive consolidation of the Debtors' Estates, and on the Effective Date, the Debtors' Estates shall not be deemed to be substantively consolidated for purposes thereof. Allowed Claims held against one Debtor will be satisfied solely from the Cash and assets of such Debtor and its Estate. Except as specifically set forth in the Plan, nothing in the Plan or this Disclosure Statement shall constitute or be deemed to constitute an admission that one Debtor is subject to or liable for any claim against any other Debtor.

Additionally, claimants holding Claims against multiple Debtors, to the extent Allowed in each Debtor's Chapter 11 Case, will be treated as a separate claim against each Debtor's Estate, provided, however, that no Holder shall be entitled to receive more than payment in full of its Allowed Claim (plus postpetition interest, if and to the extent provided in the Plan), and such Claims will be administered and treated in the manner provided in the Plan.

The categories of Claims and Interests listed below, which exclude Administrative Expense Claims and Priority Tax Claims in accordance with section 1123(a)(1) of the Bankruptcy Code, are classified for all purposes, including voting, Confirmation, and distribution pursuant to the Plan, as follows:

<b>Class</b>	<b>Designation</b>	<b>Impairment</b>	<b>Entitled to Vote</b>
A	Priority Non-Tax Claims	No	No
B	Other Secured Claims	No	No
C	Prepetition ABL Credit Facility Claims	No	No
D	Senior Notes Claims	Yes	Yes
E	General Unsecured Claims	Yes	Yes
F	Convenience Claims	No	No
G	Intercompany Claims	Yes	No
H	Section 510(b) Claims	Yes	No
I	Interests in UCI and UCI Holdings	Yes	No
J	Interests in Subsidiary Debtors	No	No

#### **D. PROVISIONS FOR TREATMENT OF CLAIMS AND INTERESTS**

##### **1. *Priority Non-Tax Claims (Class A)***

Classification: Class A consists of all Priority Non-Tax Claims against the Debtors.

Treatment: On or as soon as reasonably practicable following the later to occur of the Effective Date and the date such Claim becomes an Allowed Claim, each Holder of an Allowed Priority Non-Tax Claim shall have such Claim Reinstated.

Voting: Claims in Class A are Unimpaired. Each Holder of an Allowed Claim in Class A shall be conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code, and, therefore, shall not be entitled to vote to accept or reject the Plan.

##### **2. *Other Secured Claims (Class B)***

Classification: Class B consists of all Other Secured Claims against the Debtors.

Treatment: On or as soon as reasonably practicable following the later to occur of the Effective Date and the date such Claim becomes an Allowed Claim, each Holder of an Allowed Other Secured Claim shall have such Claim Reinstated.

Voting: Claims in Class B are Unimpaired. Each Holder of an Allowed Claim in Class B shall be conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code, and, therefore, shall not be entitled to vote to accept or reject the Plan.

##### **3. *Prepetition ABL Credit Facility Claims (Class C)***

Classification: Class C consists of all Prepetition ABL Credit Facility Claims against the Debtors.

Allowance: The Prepetition ABL Credit Facility Claims shall be deemed Allowed on the Effective Date in the aggregate principal amount of \$69,443,839.66 in respect of loans made and \$5,803,837.00 in respect of undrawn letters of credit plus any accrued but unpaid interest thereon (including default interest) payable pursuant to the terms of the Prepetition ABL Credit Facility Documents and the Final Cash Collateral Order, plus fees, charges and expenses incurred through the Effective Date that are required to be paid under the Prepetition ABL Credit Facility Documents, subject to any agreements by the parties to the Prepetition ABL Credit Facility Documents modifying the fees, charges and expenses required to be paid under the Prepetition ABL Credit Facility Documents

Treatment: Except to the extent the Holder of an Allowed Prepetition ABL Credit Facility Claim agrees to a less favorable or different treatment, each Holder of an Allowed Prepetition ABL Credit Facility Claim shall receive on account of, in full and complete satisfaction, release and discharge of, and in exchange for such Claim, payment in full, in Cash (excluding any amounts in respect of undrawn letters of credit) on the Effective Date or as soon as reasonably practicable thereafter. Any undrawn letters of credit outstanding on the Effective Date shall be collateralized with Cash in an amount equal to 103% of the face amount of such undrawn letter of credit in form and substance and issued by a bank or other financial institution acceptable to the issuer thereof until such undrawn letter of credit is (x) replaced by a letter of credit issued in form and substance and issued by a bank or other financial institution acceptable to the issuer thereof or (y) returned to the issuer undrawn and marked cancelled.

Voting: Claims in Class C are Unimpaired. Each Holder of an Allowed Claim in Class C shall be conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code, and, therefore, shall not be entitled to vote to accept or reject the Plan.

#### **4. *Senior Notes Claims (Class D)***

Classification: Class D consists of all Senior Notes Claims against the Debtors.

Allowance: The Senior Notes Claims shall be deemed Allowed on the Effective Date in the aggregate principal amount of \$400,000,000, plus any accrued but unpaid interest thereon (including default interest) payable through the Petition Date at the interest rate applicable pursuant to the terms of the Senior Unsecured Notes Indenture.

Treatment: Each Eligible Party shall have the option to participate in the Rights Offering, subject to the terms and conditions set forth in Section 5.4 of the Plan. On the Effective Date or as soon as reasonably practicable thereafter, except to the extent the Holder of an Allowed Senior Notes Claim agrees to a less favorable or different treatment, each Holder of an Allowed Senior Notes Claim shall receive in full satisfaction, settlement, release and discharge of and in exchange for such Holder's Allowed Senior Notes Claim, (i) its GUC Pro Rata Allocation of New Common Stock and (ii) unless the Plan Sponsors and the Debtors elect not to consummate the Rights Offering, and if such party elected to participate in the Rights Offering, such party's (A) Notes Pro Rata Allocation of the Second Lien Rights Offering Facility and (B) Rights

Offering Stock Pro Rata Allocation that such party elected to purchase through the Rights Offering, if any.

Voting: Claims in Class D are Impaired. Each Holder of an Allowed Claim in Class D shall be entitled to vote to accept or reject the Plan.

## **5. General Unsecured Claims (Class E)**

Classification: Class E consists of all General Unsecured Claims.

Treatment: On or as soon as reasonably practicable following the next Distribution Date after such Holder's General Unsecured Claim becomes an Allowed Claim, except to the extent the Holder of an Allowed General Unsecured Claim agrees to a less favorable or different treatment, such Holder shall have the option to receive in full satisfaction, settlement, release and discharge of and in exchange for such Allowed General Unsecured Claim either:

- i. its GUC Pro Rata Allocation of New Common Stock; or
- ii. if such Holder's Allowed General Unsecured Claim is (a) equal to or less than \$1,000,000, or (b) such Holder elects on its Ballot to reduce its Allowed General Unsecured Claim to \$1,000,000, a Cash payment (the "GUC Cash Election") equal to (1) if the Pension Plans are assumed by a member of the Rank Group, 19% of the face amount of such Holder's Allowed General Unsecured Claim as of the Effective Date, or (2) if the Pension Plans are not assumed by a member of the Rank Group, 13% of the face amount of such Holder's Allowed General Unsecured Claim as of the Effective Date, provided, however, that if the total amount of Cash payments that would be made to Holders of Allowed General Unsecured Claims pursuant to the GUC Cash Election exceeds \$4,500,000 (the "GUC Cash Pool"), each Holder of Allowed General Unsecured Claims making the GUC Cash Election shall receive their Pro Rata Share of the GUC Cash Pool; provided, further, however, that if a Holder of an Allowed General Unsecured Claim votes to reject the Plan, any GUC Cash Election made by such Holder will be invalid.

If an eligible Holder of an Allowed General Unsecured Claim votes to accept the Plan, such Holder may, on such Holder's Ballot, elect the applicable treatment specified in Section 3.2.5(b)(i) of the Plan or Section 3.2.5(b)(ii) of the Plan. Each such Holder that votes to reject the Plan, does not submit a Ballot or that submits a Ballot but fails to affirmatively elect the treatment set forth in Section 3.2.5(b)(ii) of the Plan shall be deemed to have elected the treatment specified in Section 3.2.5(b)(i) of the Plan with respect to its Allowed General Unsecured Claim.

Voting: Claims in Class E are Impaired. Each Holder of an Allowed Claim in Class E shall be entitled to vote to accept or reject the Plan.

## **6. Convenience Claims (Class F)**

Classification: Class F consists of all Convenience Claims.

Treatment: In full satisfaction, settlement, release and discharge of and in exchange for Allowed Convenience Claims, on or as soon as practicable after the applicable Distribution Date, each Holder of an Allowed Convenience Claim shall receive payment in full in Cash on account of such Claim; provided, however, that, subject to Section 7.3 of the Plan, postpetition Interest shall not be paid to any Holder on any Convenience Claim without regard to whether such amount has accrued for federal income tax purposes.

Voting: Allowed Claims in Class F are Unimpaired, and the Holders of such Claims are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Claims in Class F are not entitled to vote to accept or reject the Plan; provided, however, that all Claims in Class F shall be subject to allowance or disallowance in whole or in part under the applicable provisions of the Plan, including, but not limited to, Article VIII of the Plan.

#### **7. *Intercompany Claims (Class G)***

Classification: Class G consists of all Intercompany Claims against the Debtors.

Treatment: On the Effective Date, at the option of the Plan Sponsors and the Reorganized Debtors, all Intercompany Claims shall either be (i) Reinstated, in whole or in part, (ii) deemed satisfied, or (iii) discharged and extinguished, in full or in part, and shall be eliminated as of the Effective Date, in whole or in part, in which case such discharged and extinguished portion shall be eliminated and the Holders thereof shall not be entitled to and shall not receive or retain any property or interest on account of such discharged and extinguished portion under the Plan; provided, however, that prior to such discharge and extinguishment such Intercompany Claims may be contributed to capital, transferred, setoff or subject to any other arrangement at the option of the Debtors and the Plan Sponsors.

Voting: Claims in Class G are Unimpaired or are Impaired. As set forth in Section 4.4 of the Plan, Holders of Intercompany Claims shall be conclusively deemed to have accepted the Plan, and, therefore, shall not be entitled to vote to accept or reject the Plan.

#### **8. *Section 510(b) Claims (Class H)***

Classification: Class H consists of all Section 510(b) Claims against the Debtors.

Treatment: On the Effective Date, all Section 510(b) Claims shall be discharged and extinguished and the Holders thereof shall not receive or retain any property under the Plan on account of such Section 510(b) Claims.

Voting: Claims in Class H are Impaired. Each Holder of an Allowed Claim in Class H shall be conclusively deemed to have rejected the Plan pursuant to section 1126(f) of the Bankruptcy Code, and, therefore, shall not be entitled to vote to accept or reject the Plan.

#### **9. *Interests in UCI and UCI Holdings (Class I)***

Classification: Class I consists of all Interests in UCI and UCI Holdings.

Treatment: On the Effective Date, all Interests in UCI and UCI Holdings shall be cancelled, annulled, and extinguished and the Holders of such Interests shall not receive or retain any property under the Plan on account of such Interests, subject to the provisions of Section 5.19 of the Plan.

Voting: Interests in Class I are Impaired. Each Holder of an Allowed Claim in Class I shall be conclusively deemed to have rejected the Plan pursuant to section 1126(f) of the Bankruptcy Code, and, therefore, shall not be entitled to vote to accept or reject the Plan.

#### **10. *Interests in the Subsidiary Debtors (Class J)***

Classification: Class J consists of all Interests in the Subsidiary Debtors.

Treatment: On the Effective Date, all Interests in the Subsidiary Debtors shall be Reinstated, subject to the consummation of one or more Restructuring Transactions pursuant to Section 5.7 of the Plan. Reorganized UCI and the other Reorganized Debtors that are Holders of Interests in the Subsidiary Debtors shall retain, unaltered, the legal, equitable, and contractual rights to which such Interests entitled the Holders thereof immediately prior to the Effective Date.

Voting: Interests in Class J are Unimpaired. Each Holder of an Interest in Class J shall be conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code, and, therefore, shall not be entitled to vote to accept or reject the Plan.

#### **11. *Unimpaired Claims and Interests***

Except as otherwise explicitly provided in the Plan, nothing herein shall affect the Debtors' or the Reorganized Debtors' rights and defenses, both legal and equitable, with respect to any Unimpaired Claims or Interests, including, but not limited to, the legal and equitable defenses of setoff or recoupment with respect to the Unimpaired Claims.

### **E. IDENTIFICATION OF CLASSES OF CLAIMS AND INTERESTS THAT ARE IMPAIRED; ACCEPTANCE OR REJECTION OF THE PLAN**

#### **1. *Holders of Claims and Interests Entitled to Vote***

Each of Class A (Priority Non-Tax Claims), Class B (Other Secured Claims), Class C (Prepetition ABL Credit Facility Claims), Class F (Convenience Claims), and Class J (Interests in Subsidiary Debtors) is Unimpaired by the Plan and the Holders of Allowed Claims in each of such Classes are conclusively presumed to have accepted the Plan and are not entitled to vote to accept or reject the Plan.

Each of Classes D (Senior Notes Claims) and E (General Unsecured Claims) are Impaired and the Holders of Allowed Claims in such Classes are entitled to vote to accept or reject the Plan.

#### **2. *Presumed Rejection by Certain Impaired Classes***



Each of Class H (Section 510(b) Claims) and Class I (Interests in UCI and UCI Holdings) is Impaired by the Plan, and the Holders of Claims and Interests in these Classes will not receive or retain any property under the Plan on account of such Claims or Interests. Accordingly, Holders of Claims and Interests in Class H (Section 510(b) Claims) and Class I (Interests in UCI and UCI Holdings), respectively, are conclusively presumed to have rejected the Plan and are not entitled to vote to accept or reject the Plan.

### **3. *Acceptance by an Impaired Class of Claims***

Pursuant to section 1126(c) of the Bankruptcy Code, an Impaired Class of Claims shall have accepted the Plan if, after excluding any Claims held by any Holder whose Claims have been designated pursuant to section 1126(e) of the Bankruptcy Code, (a) the Holders of at least two-thirds ( $\frac{2}{3}$ ) in dollar amount of the Allowed Claims actually voting in such Class have voted to accept such Plan, and (b) more than one half ( $\frac{1}{2}$ ) in number of such Allowed Claims actually voting in such Class have voted to accept the Plan.

Except for Holders of Claims in Classes that are deemed or presumed to have accepted or rejected the Plan pursuant to the terms of the Plan other than Section 4.2.2, if Holders of Claims in a particular Impaired Class of Claims were given the opportunity to vote to accept or reject the Plan and such Holders of Claims failed to vote to accept or reject the Plan, then such Class of Claims shall be deemed to have accepted the Plan.

### **4. *Presumed Acceptance by Unimpaired Classes***

Classes A (Priority Non-Tax Claims against the Debtors), B (Other Secured Claims against the Debtors), C (Prepetition ABL Credit Facility Claims), F (Convenience Claims), and I (Interests in the Subsidiary Debtors) are Unimpaired by the Plan. Pursuant to section 1126(f) of the Bankruptcy Code, the Holders of Claims and Interests in such Classes are conclusively presumed to have accepted the Plan and therefore shall not be entitled to vote to accept or reject the Plan.

### **5. *Presumed Acceptance by the Holders of Intercompany Claims***

As proponents of the Plan (or subsidiaries thereof), Holders of Intercompany Claims in Class G are conclusively deemed to accept the Plan and votes shall not be solicited from the Holders of such Claims.

### **6. *Nonconsensual Confirmation***

With respect to the Impaired Classes of Claims and Interests that are deemed to reject the Plan (Classes H and I), the Debtors shall request that the Bankruptcy Court confirm the Plan pursuant to section 1129(b) of the Bankruptcy Code.

## **F. MEANS OF IMPLEMENTATION**

### **1. *Non-Substantive Consolidation***

The Plan is a joint plan that does not provide for substantive consolidation of the Estates and, on the Effective Date, the Estates shall not be deemed to be substantively consolidated for purposes hereof. Except as specifically set forth herein, nothing in the Plan, the Plan Supplement, or this Disclosure Statement shall constitute or be deemed to constitute an admission that any one of the Debtors is subject to or liable for any claim against any other Debtor. Additionally, claimants holding Claims against multiple Debtors, to the extent such Claims are Allowed in each Debtor's Chapter 11 Case, will be treated as Holders of separate Claims against each applicable Estate for all purposes (including, but not limited to, voting and distributions); provided, however, that no Holder shall be entitled to receive more than payment in full of its Allowed Claim (plus postpetition interest, if and to the extent provided in the Plan), and such Claims will be administered and treated in the manner provided in the Plan. Unless otherwise provided by the Plan or the Confirmation Order, Allowed Claims held against any Debtor shall be satisfied solely from the Cash and other assets of such Debtor and its Estate, provided that, to the extent of any insufficiency, funds or other property may be advanced to the relevant Debtor(s) by the Estate of any the Debtors, at the option of the advancing Debtor.

## **2. *Sources of Cash Consideration for Plan Distributions***

The Reorganized Debtors shall fund distributions and satisfy applicable Allowed Claims under the Plan with Cash on hand, including Cash from operations, Cash provided pursuant to the New First Lien Credit Facility, the Rights Offering (unless the Debtors and the Plan Sponsors elect not to consummate the Rights Offering), the New Second Lien Exit Facility (if any), and/or the Rank Contribution Election.

## **3. *New First Lien Credit Agreement***

On the Effective Date, the Reorganized Debtors shall be authorized to enter into the New First Lien Credit Agreement. The New First Lien Lenders shall have valid, binding and enforceable liens on the collateral specified in the New First Lien Credit Agreement. The guarantees, mortgages, pledges, liens and other security interests granted pursuant to the New First Lien Credit Agreement are granted in good faith as an inducement to the New First Lien Lenders to extend credit thereunder and shall be deemed not to constitute a fraudulent conveyance or fraudulent transfer, shall not otherwise be subject to avoidance, and the priorities of such liens and security interests shall be as set forth in the New First Lien Credit Agreement.

## **4. *Rights Offering***

Unless the Plan Sponsors and the Debtors elect otherwise, the Debtors shall commence the Rights Offering in accordance with the terms of the Rights Offering Procedures. Notwithstanding anything in the Plan or the Rights Offering Procedures to the contrary, the Debtors may modify the Rights Offering Procedures or adopt additional procedures prior to consummation of the Rights Offering with the consent of the Plan Sponsors. The right to participate in the Rights Offering may not be sold, transferred, or assigned. The closing of the Rights Offering is conditioned upon consummation of the Plan.

If the Debtors elect to commence and consummate the Rights Offering, the Rights Offering shall be commenced and completed in accordance with the dates set forth in the Rights



Offering Procedures. Pursuant to the Rights Offering Procedures, each Eligible Senior Noteholder will have the right to purchase its Notes Pro Rata Share of the Second Lien Rights Offering Facility and its Rights Offering Stock Pro Rata Allocation (each as defined in the Backstop Agreement).

The closing of the Rights Offering will occur on the Effective Date contemporaneously with substantial consummation of the Plan. On the Effective Date, the Second Lien Rights Offering Facility will be funded with the proceeds of the Rights Offering and Reorganized UCI will issue the Rights Offering Stock.

## **5. Rights Offering Participants**

Unless the Debtors and Plan Sponsors elect not to commence and consummate the Rights Offering, each Eligible Party shall be offered the Subscription Rights, pursuant to the Plan and the Rights Offering Procedures. The Subscription Rights shall entitle each holder thereof to purchase its Notes Pro Rata Allocation of the Second Lien Rights Offering Facility and its Rights Offering Stock Pro Rata Allocation for a purchase price equal to the aggregate dollar amount of Second Lien Rights Offering Facility such Eligible Party elects to purchase (the “Subscription Payment Amount”). In accordance with the terms of the Rights Offering Procedures, the Debtors shall deliver a Subscription Form to each Eligible Party to determine which such parties desire to participate in the Rights Offering. In order to properly exercise a Subscription Right, each Eligible Party shall: (i) return a duly completed and signed Subscription Form to the Subscription Agent so that such form is actually received by such Subscription Agent at or prior to the Election Expiration Time; and (ii) pay to the Subscription Agent (on behalf of the Debtors), at or prior to the Election Expiration Time, the Subscription Payment Amount indicated on such Subscription Form, which payment shall be made by wire transfer in accordance with the wire instructions set forth on the Subscription Form. If, prior to the Election Expiration Time, the Subscription Agent for any reason has not received from an Eligible Party (i) a duly completed and signed Subscription Form, and (ii) such party’s Subscription Payment Amount, then such party shall be deemed to have not validly exercised its Subscription Rights and to have relinquished and waived its ability to participate in the Rights Offering.

## **6. Backstop Agreement**

On September 23, 2016, the Debtors filed the *Debtors’ Motion for Entry of an Order Approving (I) the Adequacy of the Disclosure Statement, (II) the Solicitation and Voting Procedures, (III) the Forms of Ballots and Notices in Connection Therewith, (IV) the Rights Offering Procedures and Related Forms, (V) Scheduling Certain Dates with Respect Thereto, and (VI) Granting Related Relief* [D.I. 584] (the “Solicitation and Rights Offering Procedures Motion”). On September 30, 2016, the Debtors filed the *Debtors’ Motion for Entry of an Order Authorizing and Approving (I) (A) Entry into the Backstop Commitment Agreement and (B) Payment of the Backstop Fees and Expenses and (II) Granting Related Relief* [D.I. 638] (the “Backstop Commitment Motion”). On October 14, 2016, the Bankruptcy Court entered an order [D.I. 727] approving the Backstop Commitment Motion, and entered an order [D.I. 728] approving the Solicitation and Rights Offering Procedures Motion. Pursuant to the Backstop Agreement, unless the Debtors and Required Backstop Parties elect otherwise, the Debtors shall conduct the Rights Offering and each Backstop Party shall commit to purchase its Backstop

Party Pro Rata Share of the Second Lien Rights Offering Facility (the “Backstop Commitment”) in accordance with the terms of the Backstop Agreement applicable to such party. In exchange for providing the Backstop Commitment, whether or not it is called upon, each Backstop Party shall receive its Backstop Fee Share of the Backstop Fee upon the earlier of termination of the Backstop Agreement or the Effective Date, subject to the terms and conditions set forth in the Backstop Agreement, equal to 4% of the New Common Stock. Backstop Parties will also be reimbursed for incurred professional fees. In addition, the Backstop Parties will serve as Plan Sponsors. The key terms of the Backstop Agreement are as follows:<sup>16</sup>

<b>Backstop Commitments</b>	<p>Subject to and in accordance with the terms and conditions set forth in the Backstop Agreement, each Backstop Party hereby commits, on behalf of itself and no other Backstop Party, to purchase its Backstop Commitment by: (i) electing to purchase its Notes Pro Rata Allocation of the Second Lien Rights Offering and causing its Subscription Payment Amount to be delivered to the Subscription Agent prior to the Election Expiration Time, and (ii) paying to the Company, on the Effective Date, the dollar amount of its Backstop Party Pro Rata Share of the Second Lien Rights Offering Facility not subscribed for in the Rights Offering as calculated pursuant to Section 2.1 of the Backstop Agreement. Notwithstanding anything else contained in the Backstop Agreement to the contrary, the obligation of each Backstop Party to purchase its Backstop Commitment may be assigned to an affiliate in the sole discretion of such Backstop Party.</p> <p>Subject to and in accordance with the terms and conditions set forth in the Backstop Agreement, the Company or Reorganized UCI, as applicable, agrees to issue to each Backstop Party: (i) an amount of the Second Lien Rights Offering Facility equal to such Party’s Backstop Commitment; (ii) its Rights Offering Stock Pro Rata Allocation; and (iii) its Backstop Fee Share of the Backstop Fee.</p> <p>The closing of the Rights Offering will occur on the Effective Date contemporaneously with substantial consummation of the Plan. On the Effective Date, funding of the Second Lien Rights Offering Facility not funded by the Subscription Payment Amounts paid to the Subscription Agent shall be effected by the Backstop Parties through the delivery to the Company, in immediately available funds, of their respective Backstop Party Pro Rata Share of the Second Lien Rights Offering not subscribed for in the Rights Offering in exchange for delivery by the Company or Reorganized UCI, as applicable, to each Backstop Party of such certificates, documents or instruments required to be delivered by the Company in connection with the consummation of the funding of the Second Lien Rights Offering Facility and the issuance of the Rights Offering Stock.</p>
<b>Conditions Precedent</b>	<p>The obligations of each of the Backstop Parties to consummate the transactions contemplated in the Backstop Agreement on the Effective Date shall be subject to the satisfaction at or prior to the Effective Date of each of the following conditions, any one or more of which may be waived in writing by the Required Backstop Parties:</p> <p style="padding-left: 40px;"><b>A. Representations and Warranties.</b> (a) All of the representations and warranties made by the Company in the Backstop Agreement shall be true and correct in all material respects as of the Effective Date as though made at and as of the Effective Date (except to the extent such representations and warranties expressly speak as of an earlier date, which shall be true and correct as of such date); and (b) the Company shall have performed and complied in all material respects with all agreements and covenants required by the Backstop Agreement to be performed by the Company on</p>

<sup>16</sup> Capitalized terms used in this summary of key terms but not defined herein shall have the meanings ascribed to them in the Backstop Commitment Agreement.

	<p>or prior to the Effective Date or such earlier date as may be applicable.</p> <p><b>B.</b> <u>Approval Order.</u> The Approval Order shall have been entered by the Bankruptcy Court.</p> <p><b>C.</b> <u>Confirmation Order.</u> The Confirmation Order shall have been entered by the Bankruptcy Court, shall not have been stayed pending appeal, and there shall not have been entered by any court of competent jurisdiction any reversal, modification or vacatur, in whole or in part, of the Confirmation Order.</p> <p><b>D.</b> <u>Conditions to Effective Date.</u> Each of the conditions precedent to the effectiveness of the Plan and the occurrence of the Effective Date shall have been satisfied or waived in accordance with the Plan.</p> <p><b>E.</b> <u>Payment of Amounts.</u> The Company shall have paid the accrued and unpaid Backstop Party Expenses, and the Company and/or Reorganized UCI's obligation to pay each Backstop Party (that is not a Defaulting Backstop Party) its Backstop Fee Share of the Backstop Fee shall remain in full force and effect.</p> <p>The obligations of the Company to consummate the Rights Offering shall be subject to the satisfaction at or prior to the Effective Date of each of the following conditions, any one or more of which may be waived in writing by the Company:</p> <p><b>A.</b> <u>Representations and Warranties.</u> (a) All of the representations and warranties made by the applicable Backstop Party in the Backstop Agreement shall be true and correct in all material respects as of the date of entry into the Backstop Agreement and as of the Effective Date as though made at and as of the Effective Date (except to the extent such representations and warranties expressly speak as of an earlier date, which shall be true and correct as of such date), and (b) the applicable Backstop Party shall have performed and complied in all material respects with all agreements and covenants required by the Backstop Agreement to be performed by such Backstop Party on or prior to the Effective Date.</p> <p><b>B.</b> <u>Approval Order.</u> The Approval Order shall have been entered by the Bankruptcy Court.</p> <p><b>C.</b> <u>Confirmation Order.</u> The Confirmation Order shall have been entered by the Bankruptcy Court, shall not have been stayed pending appeal, and there shall not have been entered by any court of competent jurisdiction any reversal, modification or vacatur, in whole or in part, of the Confirmation Order.</p> <p><b>D.</b> <u>Conditions to Effective Date.</u> Each of the conditions precedent to the effectiveness of the Plan and the occurrence of the Effective Date shall have been satisfied in accordance with the Plan.</p> <p><b>E.</b> <u>Fiduciary Obligations.</u> Notwithstanding anything to the contrary in the Backstop Agreement, nothing in the Backstop Agreement shall require the Company, or any Backstop Party that is a member of the Official Committee of Unsecured Creditors in the Debtors' bankruptcy cases, or any director, manager or officer of the foregoing, in such person's capacity as such, to take any action, or to refrain from taking any action that is reasonably determined, after consulting with and not inconsistent with advice received from counsel, to be inconsistent with such Party's or such director's, manager's or officer's fiduciary obligations under applicable</p>
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<b>Backstop Fees</b>	<p>In consideration of each Backstop Party's commitment to purchase its Backstop Commitment of the Second Lien Rights Offering Facility, whether or not called upon, the Company or Reorganized UCI, as applicable, shall issue and grant to each Backstop Party its Backstop Fee Share of the Backstop Fee. The Backstop Fee, with respect to each Backstop Party, shall be fully vested, nonrefundable and non-avoidable upon entry of the Approval Order and shall be payable upon the earlier of (a) the Effective Date, or (b) termination of the Backstop Agreement in accordance with Section 7 (in which case the Backstop Fee shall be payable in cash, in an amount equal to \$3 million), <u>provided</u>, that no portion of the Backstop Fee shall be payable to a Defaulting Backstop Party in the event of a Backstop Party Default or termination of the Backstop Agreement by the Company pursuant to Section 7(e). For the avoidance of doubt, subject to entry of the Approval Order and the conditions set forth herein, the Backstop Fee will be payable regardless of whether the Rights Offering is consummated. The provisions for the payment of the Backstop Fee and the Backstop Party Expenses, are an integral part of the transactions contemplated by the Backstop Agreement and without these provisions the Backstop Parties would not have entered into the Backstop Agreement, and the Backstop Fee and the Backstop Party Expenses shall, pursuant to the Approval Order, constitute allowed administrative expenses of the Debtors' Estates under Sections 503(b) and 507 of the Bankruptcy Code.</p>
<b>Termination Events</b>	<p><u>Termination by the Backstop Parties.</u> The Backstop Agreement may be terminated at any time by any Backstop Party with respect to itself (and not with respect to any other Backstop Party) upon the occurrence of any of the following events (each a "Backstop Party Termination Event"), by delivering written notice of the occurrence of such event to the Company in accordance with Section 9.7, <u>provided</u>, that (a) upon a Backstop Party Termination Event under subsections 7.1(k) through (m) of the Backstop Agreement, the Backstop Agreement shall terminate immediately upon written notice thereof; and (b) upon any other Backstop Termination Event, the Backstop Agreement shall terminate (with respect to such terminating Backstop Party) three (3) business days after written notice to the Company thereof and of the intent to terminate the Backstop Agreement and the breach or other matter giving rise to the right to so terminate the Backstop Agreement shall not have been cured during the three (3) business day period after receipt of such notice;</p> <ul style="list-style-type: none"> <li><b>A.</b> The Debtors have not filed revisions to the Plan in form and substance acceptable to the Required Backstop Parties (an "<u>Acceptable Plan</u>") on or prior to October 3, 2016;</li> <li><b>B.</b> The Bankruptcy Court has not (i) entered the Approval Order and (ii) approved a disclosure statement with respect to the Acceptable Plan in form and substance reasonably acceptable to the Required Backstop Parties (the "<u>Acceptable Disclosure Statement</u>") on or prior to October 19, 2016;</li> <li><b>C.</b> The Acceptable Plan or Acceptable Disclosure Statement or any documents included in the solicitation package applicable to Reorganized UCI are materially modified, amended or supplemented without the consent of the Required Backstop Parties;</li> <li><b>D.</b> The Bankruptcy Court shall not have entered the Confirmation Order on or prior to January 23, 2016;</li> <li><b>E.</b> The occurrence of the Commitment Outside Date;</li> <li><b>F.</b> The Bankruptcy Court shall have entered an order appointing, in respect of any of the Debtors, (A) a trustee under chapter 11 of the Bankruptcy Code, (B) a responsible officer, or (C) an examiner with enlarged powers relating to the operation of the business (powers beyond those set forth in subclauses (3) and (4) of section 1106(a)) under section 1106(b) of the</li> </ul>

	<p>Bankruptcy Code; <u>provided</u> that the appointment of any of the parties identified in the immediately preceding clauses (A) through (C) shall not result in a Backstop Party Termination Event enforceable by any Backstop Party that requested or supported such appointment;</p> <p><b>G.</b> The Bankruptcy Court shall have entered an order terminating the Debtors' exclusive right to file or solicit acceptances of a plan; <u>provided</u> that such termination of the Debtors' rights shall not result in a Backstop Party Termination Event enforceable by any Backstop Party in the event that one or more Backstop Party(ies) requested or supported such termination or in the event that one or more Backstop Party(ies) that opposed any extension of the Debtors' exclusive periods to file or solicit acceptance of the plan;</p> <p><b>H.</b> Any of the Debtors' Chapter 11 Proceedings is dismissed or converted to a case under chapter 7 of the Bankruptcy Code;</p> <p><b>I.</b> Any governmental authority, including the Bankruptcy Court, or any other regulatory authority or court of competent jurisdiction, enters a final, non-appealable judgment or order (A) declaring the Backstop Agreement or any material portion hereof to be unenforceable, (B) preventing consummation of the Plan or any material portion thereof or (C) that grants relief that is inconsistent with the Backstop Agreement and materially adverse to the Backstop Parties;</p> <p><b>J.</b> On or after October 1, 2016, if the Debtors withdraw the Plan or any of the Debtors publicly announces its intention not to support the Plan, or the Debtors file any motion or pleading with the Bankruptcy Court that is inconsistent with the Backstop Agreement and materially adverse to the Backstop Parties;</p> <p><b>K.</b> At any time, if the Debtors are party to any plan support, restructuring or similar agreement that provides for a restructuring or plan that is not, in the determination of the terminating Backstop Party, consistent in all material respects with the Backstop Agreement, or the Plan as filed on or after October 1, 2016.</p> <p><b>L.</b> The Approval Order or the orders of the Bankruptcy Court approving the disclosure statement or confirming the Plan are stayed, reversed, vacated, or otherwise modified in a material manner for greater than 14 days;</p> <p><b>M.</b> At any time, subject to the provisions of the Backstop Agreement, following either (i) termination of the Backstop Agreement by another Backstop Party (a "<u>Backstop Party Termination</u>") and any such terminating Backstop Party, a "<u>Terminating Backstop Party</u>"), (ii) any other Backstop Party breaches any representation or warranty or breaches any covenant applicable to it in any material respect under the Backstop Agreement (each, a "<u>Backstop Party Default</u>") and any such defaulting Backstop Party, a "<u>Defaulting Backstop Party</u>"), or (iii) receipt of a Shortfall Notice from the Company as set forth in Section 7.4;</p> <p><b>N.</b> The occurrence of a "Termination Date" in accordance with the Final Order (I) Authorizing the Debtors to Utilize Cash Collateral Pursuant to 11 U.S.C. § 363; (II) Granting Adequate Protection to the Prepetition ABL Secured Parties Pursuant to 11 U.S.C. §§ 105(a), 361, 362, 363, and 507; and (III) Granting Related Relief [Docket No. 436] (the "<u>Final Cash Collateral Order</u>") entered by the Bankruptcy Court on August 16, 2016, or any subsequent order of the Bankruptcy Court regarding the Debtors' right</p>
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	<p>to use cash collateral unless, following termination of the Debtors' use of cash collateral pursuant to the Final Cash Collateral or any subsequent order entered by the Bankruptcy Court, the Bankruptcy Court enters an order authorizing interim or final use of cash collateral within five (5) days following such termination;</p> <p><b>O.</b> The occurrence of a Material Adverse Effect;</p> <p><b>P.</b> On or after the date the Plan Supplement is filed, if any documents applicable to Reorganized UCI included in the Plan Supplement are not in form and substance acceptable to the Required Backstop Parties, or are modified, amended or supplemented in any manner that adversely affects any Backstop Party in any capacity without the consent of the Required Backstop Parties;</p> <p><b>Q.</b> Any material breach of any provision of the Backstop Agreement by any of the Debtors; or</p> <p><b>R.</b> If a Backstop Party that is a member of the Official Committee of Unsecured Creditors in the Debtors' bankruptcy cases determines, after consultation with and not inconsistent with the advice received from counsel, that the failure to terminate the Backstop Agreement would be inconsistent with its fiduciary duties under applicable law as referenced in Section 6.5 above;</p> <p><u>provided further that</u>, any of the dates set forth above may be extended by agreement between the Debtors and the Required Backstop Parties. In addition, no Party may seek to terminate the Backstop Agreement based upon a breach or a failure of a condition (if any) in the Backstop Agreement if such breach or failure is caused by, results from, or arises out of, solely such Party's own actions or omissions.</p> <p><u>Effect of Backstop Party Termination.</u> Upon a termination of the Backstop Agreement in accordance with <u>Section 7.1</u> (with respect to such Terminating Backstop Party), the Terminating Backstop Party shall have no continuing liability or obligation to any other Party hereunder and the provisions of the Backstop Agreement shall have no further force or effect with respect to such Terminating Backstop Party, except for the provisions in <u>Sections 2.3, 4.6, 7.2, 7.6 and 9</u>, each of which shall survive termination of this Agreement; <i>provided, however</i>, that the Backstop Fee or Backstop Expenses shall not be payable to any Backstop Party in the event of a Backstop Party Termination pursuant solely to Section 7.1(b) of the Backstop Agreement; <i>provided, further</i> that no such termination shall relieve any Terminating Backstop Party from liability for its breach or non-performance of its obligations hereunder prior to the date of such termination and the rights of any Party as it relates to such breach or non-performance by any Backstop Party shall be preserved in the event of the occurrence of such breach or non-performance.</p> <p><u>Termination by the Company.</u> The Backstop Agreement may be terminated by the Debtors following the occurrence of any of the following events immediately upon delivery of written notice to the Parties except as set forth below:</p> <p><b>A.</b> An order converting all of the Chapter 11 Proceedings to cases under chapter 7 of the Bankruptcy Code is entered by the Bankruptcy Court;</p> <p><b>B.</b> Any court has entered a final, non-appealable judgment or order declaring the Backstop Agreement or any material portion hereof to be unenforceable;</p> <p><b>C.</b> If the Debtors reasonably determine, after consultation with and not inconsistent with the advice received from counsel, that the failure to terminate the Backstop Agreement would be inconsistent with their</p>
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	<p>fiduciary duties under applicable law as referenced in Section 6.5 above;</p> <p><b>D.</b> The entry of an order dismissing all of the Debtors' Chapter 11 Proceedings; or</p> <p><b>E.</b> Following the conclusion of the Backstop Replacement Period, if, following either a Backstop Party Termination or a Backstop Party Default, the amount of the Terminating Backstop Party's or Defaulting Backstop Party's Backstop Pro Rata Share (the "<u>Unfunded Backstop Commitment</u>") is not re-allocated in accordance with Section 7.4.</p> <p><u>Mutual Termination</u>. The Backstop Agreement may be terminated immediately by the mutual written consent of the Company and the Required Backstop Parties.</p>
<b>Representations, Warranties, Conditions &amp; Covenants</b>	<p>Each Backstop Party represents and warrants, as to itself and no other Backstop Party, to the Debtors that the following statements are true, correct, and complete as of the date hereof:</p> <p><b>A.</b> such Backstop Party is the sole legal owner, beneficial owner, or holder of investment and voting authority over the aggregate amount of Senior Unsecured Notes set forth below in the Backstop Agreement, and does not legally or beneficially own, or hold investment or voting authority over, any other Senior Unsecured Notes; and</p> <p><b>B.</b> such Backstop Party (i) is a sophisticated investor with respect to the transactions described in the Backstop Agreement with sufficient knowledge and experience in financial and business matters and is capable of evaluating the merits and risks of owning and investing in securities (including any securities that may be issued in connection with the transactions contemplated by the Plan), in making an informed decision with respect thereto and has made its own analysis and decision to enter into the Backstop Agreement, (ii) is an "accredited investor" within the meaning of Rule 501 of the Securities Act of 1933, as amended, and (iii) with respect to any New Common Stock or Rights Offering Stock that may be acquired under the Plan or pursuant to the Backstop Agreement, is not acquiring such new equity with a view to a distribution in violation of applicable securities laws;</p> <p>Each Party represents and warrants, severally and not jointly, to the other Parties that the following statements, as applicable, are true, correct, and complete as of the date hereof:</p> <p><b>A.</b> It has all requisite, individual, corporate, partnership, or limited liability company power and authority to enter into the Backstop Agreement and to carry out the transactions contemplated hereby, and to perform its obligations hereunder;</p> <p><b>B.</b> To the extent applicable, it is duly organized, validly existing, and in good standing under the laws of its state or jurisdiction of organization;</p> <p><b>C.</b> To the extent applicable, the execution and delivery of the Backstop Agreement and the performance of its obligations hereunder have been duly authorized by all necessary corporate, partnership, or limited liability company action on its part;</p> <p><b>D.</b> Subject to obtaining each of the approvals and consents set forth in Section 3.2, the execution, delivery and performance of the Backstop Agreement does not and shall not (A) violate any provision of law, rule, or regulation applicable to it, except to the extent the failure to comply therewith could not reasonably be expected to materially and adversely affect its ability to perform its obligations hereunder; (B) to the extent applicable, violate its</p>

	<p>articles or certificate of incorporation, bylaws, or other organizational documents; or (C) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which it or any of its subsidiaries is a party, except in the case of the Debtors to the extent such contractual obligation relates to the Senior Unsecured Notes or related loan documents;</p> <p><b>E.</b> The execution, delivery, and performance by it of the Backstop Agreement does not and shall not require any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any federal, state, or other governmental authority or regulatory body, except such filings, approvals, and consents as (i) may be necessary or required under antitrust or federal securities laws or regulations; (ii) may be necessary and/or required under any laws or regulations of any state; or (iii) may be necessary or required in connection with the Debtors' bankruptcy cases, the approval of the disclosure statement, and the Confirmation and effectiveness of the Plan; and</p> <p><b>F.</b> Subject in the case of the Debtors to entry of the Approval Order, the Backstop Agreement is a legally valid and binding obligation of such Party, enforceable against such Party in accordance with its terms.</p>
<b>Plan Support</b>	<p>From and after the date of entry into the Backstop Agreement, and provided that (a) the Backstop Agreement has not been terminated and (b) neither the Acceptable Plan nor the Acceptable Disclosure Statement have been materially modified, amended or supplemented without the consent of the Required Backstop Parties (which acceptance shall not be unreasonably withheld, conditioned or delayed), each of Backstop Parties shall (i) take any and all actions reasonably requested by the Debtors to support (A) approval of the Acceptable Disclosure Statement in accordance with section 1125 of the Bankruptcy Code and (B) confirmation of the Acceptable Plan in accordance with section 1129 of the Bankruptcy Code, and (ii) not vote for or support any chapter 11 plan not proposed or supported by the Debtors. Notwithstanding anything contained in this Section 4 or elsewhere in the Backstop Agreement to the contrary, the Backstop Agreement is not, and shall not be deemed to be, a solicitation of acceptances of the Plan. The Debtors and the Backstop Parties acknowledge and agree that the acceptance of the Plan will not be solicited unless and until the Bankruptcy Court has approved the Disclosure Statement and related Ballots, and such Disclosure Statement and Ballots have been transmitted to parties entitled to receive same.</p>

## **7. Refund of Payments**

Unless the Debtors and Plan Sponsors elect not to commence and consummate the Rights Offering, once an Eligible Party has properly exercised its Subscription Rights pursuant to its Subscription Form, such exercise cannot be revoked, rescinded or annulled for any reason, without the consent of the Debtors and the Plan Sponsors. In the event the Debtors and Plan Sponsors elect to revoke, withdraw or fail to consummate the Rights Offering or the Plan, or the conditions precedent to the Effective Date shall not have been satisfied in accordance with Section 9.1 of the Plan, the Subscription Agent shall, as soon as reasonably practicable after such revocation, withdrawal or failure to consummate the Rights Offering or the Plan, return to each party that exercised a Subscription Right or paid its Backstop Commitment any payment made by such party pursuant to the Rights Offering or the Backstop Agreement, without interest or deduction.



## **8. *Distribution of Consideration***

Unless the Debtors and Plan Sponsors elect not to commence and consummate the Rights Offering, on or as soon as reasonably practicable after the Effective Date, the Reorganized Debtors shall distribute the Second Lien Rights Offering Facility and Rights Offering Stock in accordance with the terms of the Plan and the Rights Offering Procedures to (i) the Eligible Parties that properly exercised their Subscription Rights in accordance with the terms of the Plan and the Rights Offering Procedures and (ii) the Backstop Parties, subject to the terms of the Backstop Agreement.

## **9. *Second Lien Rights Offering Facility***

Unless the Debtors and Plan Sponsors elect not to commence and consummate the Rights Offering, Confirmation of the Plan shall be deemed to constitute approval of the Rights Offering and Second Lien Rights Offering Facility. On the Effective Date, the Reorganized Debtors shall be authorized to enter into the Second Lien Rights Offering Facility Agreement. The Second Lien Rights Offering Facility Lenders shall have valid, binding and enforceable liens on the collateral specified in the Second Lien Rights Offering Facility Agreement. The guarantees, mortgages, pledges, liens and other security interests granted pursuant to the Second Lien Rights Offering Facility Agreement are granted in good faith as an inducement to the Second Lien Rights Offering Facility Lenders to extend credit thereunder and shall be deemed not to constitute a fraudulent conveyance or fraudulent transfer, shall not otherwise be subject to avoidance, and the priorities of such liens and security interests shall be as set forth in the Second Lien Rights Offering Facility Agreement. The proceeds of the Second Lien Rights Offering Facility shall be used (i) for payment of Allowed Claims and (ii) general corporate purposes.

## **10. *Rights Offering Stock***

Unless the Debtors and Plan Sponsors elect not to commence and consummate the Rights Offering, on the Effective Date, the Reorganized Debtors shall be authorized to issue the Rights Offering Stock in accordance with the terms of the Plan and the Rights Offering Procedures to (i) the Eligible Parties that properly exercise their Subscription Rights in accordance with the terms of the Plan and the Rights Offering Procedures and (ii) the Backstop Parties, subject to the terms of the Backstop Agreement.

## **11. *New Second Lien Exit Facility***

If, on or prior to the Effective Date, the Debtors and Plan Sponsors elect for the Reorganized Debtors to enter into the New Second Lien Credit Agreement, then, on the Effective Date, the Reorganized Debtors shall be authorized to enter into the New Second Lien Credit Agreement. The New Second Lien Exit Facility Lenders shall have valid, binding and enforceable liens on the collateral specified in the New Second Lien Credit Agreement. The guarantees, mortgages, pledges, liens and other security interests granted pursuant to the New Second Lien Credit Agreement are granted in good faith as an inducement to the New Second Lien Exit Facility Lenders to extend credit thereunder and shall be deemed not to constitute a fraudulent conveyance or fraudulent transfer, shall not otherwise be subject to avoidance, and the priorities of such liens and security interests shall be as set forth in the New Second Lien Credit Agreement.

## **12. Rank Contribution Election and Treatment of Pension Plans**

On or before fourteen (14) days following the commencement of solicitation of the Plan, Rank, on behalf of itself and each other member of the Rank Group, may elect to (a) provide the Debtors and/or Reorganized Debtors with agreed upon non-Cash consideration that is acceptable to the Debtors, the Creditors' Committee and the Plan Sponsors and/or pay the Debtors an amount of Cash (which amount may be used (A) for payment of Allowed Claims and (B) general corporate purposes) that is acceptable to the Debtors, the Creditors' Committee and the Plan Sponsors, and (b), become the sponsor of the Pension Plans upon consummation of the Plan ((a) and (b) together, the "Rank Contribution Election"). If Rank, the Debtors, the Plan Sponsors and the Creditors' Committee mutually agree, the Rank Contribution Election may be effectuated pursuant to an Acceptable Settlement subject to approval of the Bankruptcy Court upon a motion pursuant to Bankruptcy Rule 9019.

If the Rank Contribution Election is timely made,

a. The Debtors shall either seek approval of (i) the settlement embodied by the Rank Contribution Election in connection with Confirmation of the Plan; or (ii) if mutually agreed by the parties thereto, the Acceptable Settlement upon a motion pursuant to Bankruptcy Rule 9019, with a hearing to be held on or prior to the Confirmation Date,

b. Each member of the Rank Group and each of their Related Persons (including any former directors or officers of any of the Debtors that are or were Related Persons of the Rank Group) shall receive releases under the Plan to the extent permitted by applicable law, which releases may be (i) in addition to any releases contained in any Acceptable Settlement and (ii) set forth in Exhibit 5.6.2, to be filed with the Plan Supplement,

c. The Debtors and each of their Related Persons shall be deemed to have received releases from each member of the Rank Group and each of their Related Persons to the extent permitted by applicable law, which releases may be (i) in addition to any releases contained in any Acceptable Settlement and (ii) shall be set forth in Exhibit 5.6.2, to be filed with the Plan Supplement, provided, that neither any Prepetition ABL Credit Facility Claim nor any other Claim in respect of which any member of the Rank Group or any of their Related Persons shall have timely filed a proof of claim shall be released except to the extent provided in the Acceptable Settlement,

d. Holders of General Unsecured Claims that make a valid GUC Cash Election shall be entitled to receive a Pro Rata Share (together with Senior Notes Claims in Class D) of any Cash consideration provided by Rank pursuant to the Rank Contribution Election,

e. Each Debtor that is a sponsor of the Pension Plans shall resign as a sponsor of the Pension Plans, and the Debtors, Reorganized Debtors, and their respective subsidiaries shall be released from any liability on account of the Pension Plans in a manner satisfactory to the Plan Proponents, or, in the absence of a release, one or more members of the Rank Group will indemnify the Reorganized Debtors and their subsidiaries for any liability on account of the Pension Plans under a control group theory or otherwise, which indemnity shall be satisfactory in form and substance to the Plan Proponents, and

f. Approval of the Acceptable Settlement by a final, non-appealable order of the Bankruptcy Court shall be a condition of the occurrence of the Effective Date (as such condition may be waived by the Plan Proponents and Rank pursuant to Section 9.2 of the Plan).

If the Rank Contribution Election is not made, (i) the Debtors or the Reorganized Debtors, as applicable, shall seek to terminate the Pension Plans if not otherwise terminated in accordance with applicable law, and any resulting termination liability shall be treated as a Class E General Unsecured Claim and (ii) Claims against each member of the Rank Group and each of their Related Persons shall be Preserved Causes of Action.

### **13. *Restructuring Transactions***

On or as soon as reasonably practicable after the Effective Date, any Reorganized Debtor may enter into Restructuring Transactions and may take such actions as may be necessary or appropriate to effect such Restructuring Transactions, as may be determined by such Reorganized Debtor to be necessary or appropriate. The actions to effect the Restructuring Transactions may include: (i) the execution and delivery of appropriate agreements or other documents of merger, consolidation, restructuring, disposition, liquidation or dissolution containing terms that are consistent with the terms herein and that satisfy the applicable requirements of applicable law and such other terms to which the applicable entities may agree; (ii) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, duty or obligation on terms consistent with the terms herein and having such other terms to which the applicable entities may agree; (iii) the filing of appropriate certificates or articles of merger, consolidation or dissolution pursuant to applicable law; and (iv) all other actions which the applicable entities may determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law in connection with such transactions. The Restructuring Transactions may include one or more mergers, consolidations, restructurings, dispositions, liquidations or dissolutions, as may be determined by the Reorganized Debtors to be necessary or appropriate to result in substantially all of the respective assets, properties, rights, liabilities, duties and obligations of all or certain of the Reorganized Debtors vesting in one or more surviving, resulting or acquiring corporations. In each case in which the surviving, resulting or acquiring corporation in any such transaction is a successor to a Reorganized Debtor, such surviving, resulting or acquiring corporation will perform the obligations of the applicable Reorganized Debtor pursuant to the Plan to pay or otherwise satisfy the Allowed Claims against such Reorganized Debtor, except as provided in any contract, instrument or other agreement or document effecting a disposition to such surviving, resulting or acquiring corporation, which may provide that another Reorganized Debtor will perform such obligations. On or prior to, or as soon as practicable after, the Effective Date, the Debtors or the Reorganized Debtors may take such steps as may be necessary or appropriate to effectuate Restructuring Transactions that satisfy the requirements set forth in Section 5.7.

### **14. *Issuance and Distribution of New Securities***

#### **a. Issuance of New Securities**

On the Effective Date Reorganized UCI shall issue for distribution in accordance with the terms of the Plan the New Common Stock. The New Common Stock shall not be transferable to Rank or any of its Related Persons, provided, that, nothing in Section 5.8.1 of the Plan shall prohibit Rank or any of its Related Persons from receiving New Common Stock as part of any distribution pursuant to the Plan to which Rank or any its Related Persons is otherwise entitled to receive as Holder of an Allowed Claim. The New Common Stock and the Rights Offering Stock shall be issued with any and all instruments, certificates and other documents required to be issued pursuant to the Plan in order to effect such issuance and distribution without further act or action under applicable law, regulation, order or rule. The issuance and distribution of the New Common Stock and Rights Offering Stock, if any, under or in connection with the Plan shall be, and shall be deemed to be, exempt from registration under any applicable federal or state securities laws to the fullest extent permissible under applicable bankruptcy law and non-bankruptcy law, including, without limitation, section 1145(a) of the Bankruptcy Code. Without limiting the effect of section 1145 of the Bankruptcy Code, all documents, agreements and instruments entered into on or as of the Effective Date contemplated by or in furtherance of the Plan shall become effective and binding in accordance with their respective terms and conditions upon the parties thereto. In the event the Debtors and the Plan Sponsors determine that a Shareholders Agreement will be executed and delivered in connection with the Plan, upon receipt of its portion of the New Common Stock issued pursuant to the Plan and/or the Rights Offering, each recipient of New Common Stock shall be deemed to have executed, as of the Effective Date, the Shareholders Agreement.

b. Distribution of New Securities

The New Common Stock shall be distributed to the Holders of Allowed Senior Notes Claims, Allowed General Unsecured Claims, Eligible Parties that properly exercised their Subscription Rights in accordance with the terms of the Plan and the Rights Offering Procedures (unless the Debtors and the Plan Sponsors elect not to consummate the Rights Offering), and Backstop Parties as provided in Section 3.2.4(c), Section 3.2.5(b), Section 5.4.6(i), and Section 5.4.6(ii) of the Plan, respectively; provided, however, that distribution of the Rights Offering Stock shall be subject to (a) the terms and conditions set forth in Section 5.4, including the Rights Offering Procedures, and (b) the terms of the Backstop Agreement if the recipient is a party to the Backstop Agreement. Distribution of the New Common Stock may be made by means of book-entry exchange through the facilities of The Depository Trust Company (“DTC”) in accordance with the customary practices of the DTC, as and to the extent practicable. In connection with such book-entry exchange, the Disbursing Agent(s) shall deliver instructions to the DTC instructing the DTC to effect distributions of New Common Stock and Rights Offering Stock as provided under the Plan. In the period pending distribution of the New Common Stock to any Holder of Allowed Senior Notes Claims and Allowed General Unsecured Claim, such Holder shall be entitled to exercise any voting rights and receive any dividends or other distributions payable in respect of such Holder’s New Common Stock and to exercise all other rights in respect of the New Common Stock (so that such Holder shall be deemed for tax and all other purposes to be the owner of the New Common Stock).

**15. *Corporate Governance, Directors, Officers and Corporate Action***

a. Certificate of Incorporation; By-Laws; Limited Liability Company Agreements

On the Effective Date, the Certificate of Incorporation and the By-Laws substantially in the form of Exhibit 1.26 and Exhibit 1.24, respectively, to be included with the Plan Supplement, shall go into effect. Consistent with, but only to the extent required by, section 1123(a)(6) of the Bankruptcy Code, on the Effective Date, the Certificate of Incorporation shall be amended to prohibit the issuance of non-voting equity securities. The certificates or articles of incorporation, by-laws, certificates of formation, limited liability company agreements, or similar governing documents, as applicable, of the other Debtors or Reorganized Debtors shall be amended as necessary to satisfy the provisions of this Plan and the Bankruptcy Code. After the Effective Date, the Reorganized Debtors may amend and restate their certificates or articles of incorporation, by-laws, certificates of formation, limited liability company agreements, partnership agreements or similar governing documents, as applicable, as permitted by applicable law.

b. Directors and Officers of Reorganized UCI

Subject to any requirement of Bankruptcy Court approval pursuant to section 1129(a)(5) of the Bankruptcy Code, on the Effective Date, the initial directors and officers of Reorganized UCI shall be selected by the Plan Sponsors, in consultation with the Creditors' Committee, and identified prior to the Confirmation Hearing; provided, however, that any Holder of a General Unsecured Claim that, if allowed, would hold in excess of fifteen percent (15%) of the New Common Stock as of the Effective Date shall have the ability to object to the composition of the new board at the Confirmation Hearing. After the Effective Date, the Certificate of Incorporation and the By-Laws, as each may be amended thereafter from time to time, shall govern the designation and election of directors

c. Directors and Managers or Officers of the Reorganized Debtors Other than Reorganized UCI

Subject to any requirement of Bankruptcy Court approval pursuant to section 1129(a)(5) of the Bankruptcy Code, on the Effective Date, the initial directors and managers or officers of the Reorganized Debtors other than Reorganized UCI shall be selected by the Plan Sponsors, in consultation with the Creditors' Committee, and identified prior to the Confirmation Hearing. After the Effective Date, the certificates or articles of incorporation, by-laws, certificates of formation, limited liability company agreements, or similar governing documents, as applicable, of the Reorganized Debtors other than Reorganized UCI, as each may be amended thereafter from time to time, shall govern the designation and election of directors.

d. Corporate Action

On the Effective Date, (i) the implementation of the Restructuring Transactions, (ii) the selection of directors and officers for Reorganized UCI and each other Reorganized Debtor, (iii) the incurrence of the New First Lien Exit Facility, Second Lien Rights Offering Facility, if any, and New Second Lien Exit Facility, if any, (iv) the issuance and distribution of the New

Common Stock and Rights Offering Stock, and (v) all other actions contemplated by the Plan shall be deemed authorized and approved in all respects (subject to the provisions of the Plan). All matters provided for in the Plan involving the corporate structure of the Debtors or the Reorganized Debtors, and any corporate action required by the Debtors or the Reorganized Debtors in connection with the Plan, shall be deemed to have timely occurred in accordance with applicable law and shall be in effect, without any requirement of further action by the security holders or directors of the Debtors or the Reorganized Debtors. On and after the Effective Date, the appropriate officers of Reorganized UCI and/or the other Reorganized Debtors and members of the boards of directors or managers of Reorganized UCI and/or the other Reorganized Debtors shall be authorized and directed to issue, execute and deliver the agreements, documents, securities and instruments contemplated by the Plan in the name of and on behalf of Reorganized UCI and/or the other Reorganized Debtors.

**16. *Continued Corporate Existence and Vesting of Assets in the Reorganized Debtors***

On and after the Effective Date, after giving effect to each of the Restructuring Transactions contemplated under the Plan, each of the Reorganized Debtors shall continue to exist as separate entities in accordance with the applicable law in the respective jurisdiction in which they are formed and pursuant to their respective certificates or articles of incorporation (or similar organizational documents) and by-laws in effect prior to the Effective Date, except to the extent such certificates or articles of incorporation (or similar organizational documents) and by-laws are to be amended and/or restated pursuant to the terms of the Plan. Notwithstanding anything to the contrary in the Plan, the Reinstated Claims against and Interests in a particular Debtor or Reorganized Debtor shall remain the obligations solely of such Debtor or Reorganized Debtor following the Effective Date and shall not become obligations of any other Debtor or Reorganized Debtor by virtue of the Plan, the Chapter 11 Cases, or otherwise. Pursuant to section 1141(b) of the Bankruptcy Code, except as otherwise provided under the Plan (including as specifically contemplated by the Restructuring Transactions), all property of the respective Estate of each Debtor, including all claims, rights and causes of action and any property acquired by the Debtors or the Reorganized Debtors under or in connection with the Plan, together with any property of each Debtor that is not property of its Estate and that is not specifically disposed of pursuant to the Plan, shall revert in the applicable Reorganized Debtor on the Effective Date free and clear of all Claims, Liens, charges, other encumbrances and Interests. Thereafter, the Reorganized Debtors may operate their businesses and may use, acquire and dispose of property free of any restrictions of the Bankruptcy Code and the Bankruptcy Rules. As of the Effective Date, all property of each Reorganized Debtor shall be free and clear of all Liens and non-Reinstated Claims and Interests, except as specifically provided in the Plan or the Confirmation Order.

**17. *Cancellation of Certain Credit and Debt Documents***

On the Effective Date, in consideration for the distributions to be made on the Effective Date pursuant to the Plan and except as otherwise provided herein, all (a) Prepetition ABL Credit Facility Documents, Senior Unsecured Notes, and any other instruments, documents, plans or agreements evidencing or creating any indebtedness or obligations of a Debtor related thereto shall be cancelled, and (b) the obligations of any of the Debtors under any Prepetition ABL Credit Facility Documents, Senior Unsecured Notes, or any other agreements evidencing or creating any indebtedness or obligations of a Debtor that relate to Claims or Interests related thereto shall be discharged pursuant to Section 10.2 of the Plan; provided, however, that the



Senior Unsecured Notes Indenture shall continue in effect solely for purposes of (i) allowing Senior Noteholders to receive distributions under the Plan, (ii) preserving the Senior Unsecured Notes Indenture Trustee's right to compensation and indemnification under the Senior Unsecured Notes Indenture as against any money or property distributable to Senior Noteholders, including without limitation, permitting the Senior Unsecured Notes Indenture Trustee to maintain, enforce and exercise its charging lien against such distributions, and (iii) permitting the Senior Unsecured Notes Indenture Trustee to enforce any obligation owed to it under the Plan.

#### **18. *Cancellation of Liens***

Except as otherwise provided in the Plan, on the Effective Date, in consideration for the distributions to be made on the Effective Date pursuant to the Plan, all Liens, charges, encumbrances and rights related to any Claim or Interest, including, without limitation, those existing under the Prepetition ABL Credit Facility Documents, but excluding any Lien securing an Other Secured Claim that is Reinstated pursuant to the Plan, shall be terminated, null and void and of no effect. The Holders of Secured Claims (other than Other Secured Claims that are Reinstated pursuant to the Plan) shall be authorized and directed to release any collateral or other property of any Debtor (including any Cash collateral) held by such Holder and to take such actions as may be requested by the Debtors (or the Reorganized Debtors, as the case may be) to evidence the release of any Liens, including the execution, delivery, and filing or recording of such release documents as may be requested by the Debtors (or the Reorganized Debtors, as the case may be).

#### **19. *Payment of Indenture Trustee Allowed Fees***

On the Effective Date, the Debtors or Reorganized Debtors, as applicable, shall pay in Cash all reasonable Senior Unsecured Notes Indenture Trustee Fees that are required to be paid under the Senior Unsecured Notes Indenture, without the need for the Senior Unsecured Notes Indenture Trustee to file a fee application with the Bankruptcy Court. From and after the Effective Date, the Reorganized Debtors shall pay in Cash all Senior Unsecured Notes Indenture Trustee Fees, including, without limitation, all Senior Unsecured Notes Indenture Trustee Fees incurred in connection with distributions to the Senior Unsecured Notes Noteholders. Nothing in Section 5.13 of the Plan shall in any way affect or diminish the right of the Senior Unsecured Notes Indenture Trustee to exercise any charging lien against distributions to Holders of Senior Unsecured Notes Claims with respect to any unpaid Senior Unsecured Notes Indenture Trustee Fees, as applicable.

#### **20. *Preservation of Rights of Action and Settlement of Ordinary Litigation Claims and Preserved Causes of Action***

Except as otherwise provided in the Plan, the Confirmation Order, or in any document, instrument, release or other agreement entered into in connection with the Plan, in accordance with section 1123(b)(3)(B) of the Bankruptcy Code, the Debtors and their Estates shall retain the Ordinary Litigation Claims and Preserved Causes of Action. The Reorganized Debtors, as the successors in interest to the Debtors and the Estates, may enforce, sue on, settle or compromise (or decline to do any of the foregoing) any or all of the Ordinary Litigation Claims, Preserved Causes of Action, or any other claims, rights of action, suits or proceedings that any Debtor or

Estate may hold against any Person. If the Rank Contribution Election is made, the Preserved Causes of Action shall be released.

## **21. *Registration of New Common Stock***

On the Effective Date, the New Common Stock and Rights Offering Stock shall not be listed for public trading on any securities exchange, the Reorganized Debtors will not be reporting companies under the Securities Exchange Act of 1934, and the Reorganized Debtors shall not be required to file reports with the SEC or any other governmental entity

## **22. *Additional Transactions Authorized Under the Plan***

On or prior to the Effective Date, the Debtors, with the consent of the Plan Sponsors shall be authorized to take any such actions as may be necessary or appropriate to Reinstate Claims or Interests or render Claims or Interests not Impaired, as provided for under the Plan.

## **23. *Release of Certain Avoidance Actions***

On the Effective Date, the Reorganized Debtors shall be deemed to waive and release all Avoidance Actions that may be asserted against any UCI Trade Creditor.

## **24. *Comprehensive Settlement of Claims and Controversies***

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan will constitute a good faith compromise and settlement of all Claims or controversies relating to the rights that a Holder of a Claim or Interest may have with respect to any Allowed Claim or Allowed Interest or any distribution to be made pursuant to the Plan on account of any Allowed Claim or Allowed Interest. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval, as of the Effective Date, of the compromise or settlement of all such claims or controversies and the Bankruptcy Court's finding that all such compromises or settlements are in the best interests (i) of the Debtors, the Reorganized Debtors and their respective Estates and property, and (ii) Claim and Interest holders, and are fair, equitable and reasonable.

## **25. *Dissolution of UCI Holdings***

As soon as reasonably practicable following the Effective Date, UCI Holdings Limited may be liquidated, dissolved, administered, restructured or otherwise wound up under applicable law and procedure, at the discretion of the Debtors, the Reorganized Debtors and the Plan Sponsors.

## **26. *Pension Plans***

UCI International and each of the other Debtors are contributing sponsors for the Pension Plans, *i.e.*, the Pension Plan for Employees of Airtex Products, LP, the Champion Laboratories Pension Plan, and the Neapco Inc. Employees' Pension Plan, or a member of the sponsor's controlled group, within the meaning of 29 U.S.C. §§ 1301(a)(13), (14). The Pension Plans are



defined benefit pension plans covered by Title IV of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). 29 U.S.C. §§ 1301-1461.

The Pension Benefit Guaranty Corporation (“PBGC”) is the federal agency that administers the pension insurance program under Title IV of ERISA. When an underfunded pension plan terminates with insufficient assets to pay benefits, PBGC generally becomes statutory trustee of the plan and pays benefits to the plan’s participants up to statutory limits.

All of the Debtors, as either the sponsor or a member of the sponsor’s controlled group, are jointly and severally liable to contribute to the Pension Plans the amounts necessary to satisfy the minimum funding standards in ERISA and the Internal Revenue Code of 1986, as amended (“IRC”). *See* 29 U.S.C. §§ 1082, 1083; 26 U.S.C. §§ 412, 430. The Debtors are also jointly and severally liable for insurance premiums owed to PBGC. *See* 29 U.S.C. §§ 1306, 1307.

Should the Debtors decide to terminate the Pension Plans, Title IV of ERISA provides the exclusive means for terminating a covered pension plan. *See* 29 U.S.C. § 1341(a)(1). The Debtors may terminate the Pension Plans in a standard termination in accordance with 29 U.S.C. § 1341(b) and corresponding regulations. *See* 29 C.F.R. §§ 4041.21-4041.31. A standard termination would require the Pension Plans to have sufficient assets to satisfy their benefit liabilities. *See* 29 U.S.C. § 1341(b)(2)(A)(i)(III). The Debtors may also seek to terminate the Pension Plans in a distress termination in accordance with 29 U.S.C. § 1341(c) and corresponding regulations. Among other factors, the Debtors would likely have to demonstrate to the Bankruptcy Court that they would be unable to pay their debts under the Plan unless the Pension Plans are terminated. *See* 29 U.S.C. 1341(c)(2)(B)(ii)(IV). The PBGC has asserted that, in order to effectuate a distress termination, the Debtors must establish that each Debtor and each non-Debtor controlled group member satisfies a statutory distress test. *See* 29 C.F.R. §§ 4041.41-4041.51.

Additionally, PBGC may seek to terminate one or more of the Pension Plans in certain circumstances. *See* 29 U.S.C. § 1342.

PBGC has filed timely proofs of claims against the Debtors for (1) each of the Pension Plans’ underfunded benefit liabilities under 29 U.S.C. § 1362, (2) unpaid minimum funding contributions owed to each of the Pension Plans, and (3) unpaid premiums owed to PBGC. The Debtors reserve all rights with respect to objecting to or otherwise opposing any proofs of claim.

As of June 30, 2016, PBGC estimates that the Pension Plans’ collective unfunded benefit liabilities are approximately \$123 million. PBGC’s claim for each Pension Plan’s unfunded benefit liabilities is contingent on that Pension Plan terminating, other than through a standard termination, during the pendency of the Chapter 11 Cases.

If any of the Pension Plans terminate in a distress termination pursuant to 29 U.S.C. § 1341(c)(2)(B)(ii) or a PBGC-initiated termination under 29 U.S.C. § 1342 while the Debtors are attempting to reorganize in the Chapter 11 Cases, and the Debtors ultimately are the subject of a confirmed Plan, the Reorganized Debtors (and any non-Debtor controlled group members) may be liable to PBGC – in addition to the flat- and variable-rate premiums – for termination premiums in the amount of \$1,250 for each Pension Plan participant for three years. The

termination premium is estimated to be \$19 million in the aggregate, or approximately 7.5% of Total Enterprise Value (as defined below). The termination premium liability does not exist until after the Plan is confirmed and the Debtors exit from bankruptcy. See 29 U.S.C. § 1306(a)(7)(B). Thus, under those circumstances, termination premiums are not a dischargeable claim or debt within the meaning of 11 U.S.C. §§ 101(5) and 1141. As a result, the termination premium could potentially affect the Reorganized Debtors' financial condition upon the Effective Date of the Plan. However, as evidenced by the significant reduction in debt over the period of the Financial Projections, the Debtors believe they have sufficient liquidity to address the potential impact of the pension termination premium. As described further on page 11 of this Disclosure Statement, the impact of this potential liability on recoveries for Class D Senior Notes Claims and Class E General Unsecured Claims is approximately 2%.

PBGC may contend that the Debtors' non-Debtor subsidiaries are members of the Debtors' controlled group. See 29 U.S.C. 1301(a)(14). If any Pension Plan terminates through a distress or involuntary termination, and the non-Debtor subsidiaries (or any other non-Debtor controlled group members) neglect or refuse to pay the Pension Plans' unfunded benefit liabilities after PBGC's demand, then Title IV of ERISA provides for the creation of a lien against those entities. See 29 U.S.C. § 1368. In addition, the PBGC may assert a claim for the termination premiums against the non-Debtor subsidiaries (and any other non-Debtors) that are members of the Debtors' controlled group. Any lien or claim against the non-Debtor subsidiaries would potentially be structurally senior the Debtors' equity interest in their non-Debtor subsidiaries. This may affect the ability of the non-Debtor subsidiaries to provide value to the Debtors and Reorganized Debtors.

The Plan provides for several potential outcomes as to a definitive resolution of the Pension Plans. The Plan provides Rank with the option to elect, among other things, assumption of the Pension Plans. If Rank does not elect to assume sponsorship of the Pension Plans, then the Debtors may decide to seek termination of one or more of the Pension Plans. PBGC may also determine to seek termination of one or more of the Pension Plans, depending on whether PBGC determines that the statutory criteria in 29 U.S.C. § 1342 are satisfied. And even if Rank does assume sponsorship of the Pension Plans, PBGC will need to be comfortable with the specific Rank entity that will assume the Pension Plans.

If the Debtors decide to continue one or more of the Pension Plans, then they may fund those Pension Plans in accordance with the minimum funding standards under the IRC and ERISA, pay all required PBGC insurance premiums, and continue to administer and operate those Pension Plans in accordance with the plan terms and the provisions of ERISA. If the Debtors continue one or more of the Pension Plans, then the Debtors anticipate that PBGC's contingent claims with respect to those Pension Plans may either be withdrawn, denied, or rendered moot.

No provision contained herein, the Plan, the Confirmation Order, section 1141 of the Bankruptcy Code, or any other document filed in the Debtors' Chapter 11 cases shall be construed as discharging, releasing, or relieving any party, in any capacity, from any liability with respect to the Pension Plans under any law, government policy, or regulatory provision. PBGC and the Pension Plans shall not be enjoined or precluded from enforcing such liability or responsibility against any party as a result of any of provisions for satisfaction, release,

injunction, exculpation, and discharge of claims in the Plan, the Confirmation Order, the Bankruptcy Code, or any other document filed in any of the Chapter 11 Cases.

**G. PROVISIONS GOVERNING DISTRIBUTIONS UNDER THE PLAN**

THE FOLLOWING IS A SUMMARY OF THE PROVISIONS GOVERNING DISTRIBUTIONS UNDER THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY THE TERMS OF THE PLAN.

**1. *Distributions on Account of Claims Allowed as of the Effective Date***

Unless the Holder of an Allowed Claim and the Debtors or the Reorganized Debtors agree to a different Distribution Date and except as otherwise provided herein or as ordered by the Bankruptcy Court, distributions to be made on account of Claims that are Allowed as of the Effective Date shall be made on the Initial Distribution Date or as soon thereafter as is practicable. Any payment or distribution required to be made under the Plan on a day other than a Business Day shall be made on the next succeeding Business Day.

**2. *Distributions on Account of Claims that Become Allowed after the Effective Date***

Unless the Holder of a Claim that becomes an Allowed Claim after the Effective Date and the Reorganized Debtors agree to a different Distribution Date and except as otherwise provided herein or as ordered by the Bankruptcy Court, distributions on account of Claims that become Allowed Claims after the Effective Date shall be made on the succeeding Quarterly Distribution Date after such Claim becomes Allowed.

**3. *Interest on Claims***

Except as otherwise specifically provided for in the Plan, the Confirmation Order or other order of the Bankruptcy Court, or required by applicable bankruptcy or non-bankruptcy law, post-petition interest shall not accrue or be paid on any Claims (other than Secured Claims), and no Holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any Claim (other than the Secured Claims).

**4. *Distributions by Disbursing Agent(s)***

Other than as specifically set forth in the Plan, the Disbursing Agent(s) shall make all distributions required to be made under the Plan. The Reorganized Debtors may act as Disbursing Agent or may employ or contract with other Entities to assist in or make the distributions required by the Plan.

**5. *Delivery of Distributions and Undeliverable or Unclaimed Distributions***

The following terms shall govern the delivery of distributions and undeliverable or unclaimed distributions with respect to Claims.

- a. Delivery of Distributions in General. Distributions to Holders of Allowed Claims shall be made at the addresses set forth in the Debtors' records.
- b. Delivery of Distributions to Holders of Prepetition ABL Credit Facility Claims and Holders of Senior Notes Claims. Other than as specifically set forth in the Plan, (i) distributions made on account of Allowed Prepetition ABL Credit Facility Claims shall be made by the Disbursing Agent to the Prepetition Administrative Agent for further distribution to the Holders of such Claims in accordance with the terms of the Prepetition ABL Credit Facility Agreement and (ii) distributions made on account of Allowed Senior Notes Claims shall be made by the Disbursing Agent or at the direction of the Senior Unsecured Notes Indenture Trustee for further distribution to the Holders of such Claims in accordance with the terms of the Senior Unsecured Notes Indenture. The Senior Unsecured Notes Indenture Trustee may transfer or direct the transfer of such distributions directly through the facilities of DTC.
- c. Undeliverable and Unclaimed Distributions.

- i. Holding and Investment of Undeliverable and Unclaimed Distributions. If the distribution to any Holder of an Allowed Claim is returned to the Reorganized Debtors or the Disbursing Agent(s) as undeliverable or is otherwise unclaimed, no further distributions shall be made to such Holder unless and until the Reorganized Debtors or the Disbursing Agent(s) are notified in writing of such Holder's then-current address.

- ii. Non-Negotiated Check Distributions. Checks issued on account of Allowed Claims shall be null and void if not negotiated within ninety (90) calendar days from and after the date of issuance thereof. Requests for reissuance of any check must be made directly and in writing to the Disbursing Agent by the Holder of the relevant Allowed Claim within the 90-calendar-day period. After such date, such Allowed Claim (and any Claim for reissuance of the original check) shall be automatically discharged and forever barred, and such funds shall revert to the Reorganized Debtors, notwithstanding any federal or state escheat laws to the contrary.

- iii. Failure to Claim Undeliverable Distributions. Any Holder of an Allowed Claim that does not assert a claim pursuant to the Plan for an undeliverable or unclaimed distribution within one (1) year after the Effective Date shall be deemed to have forfeited its claim for such undeliverable or unclaimed distribution and shall be forever barred and enjoined from asserting any such claim for an undeliverable or unclaimed distribution against the Debtors or their Estates or the Reorganized Debtors or their property. In such cases, any Cash for distribution on account of such claims for undeliverable or unclaimed distributions shall become the property of the Estates and the Reorganized Debtors free of any restrictions thereon and notwithstanding any federal or state escheat laws to the contrary. Any New Common Stock held for distribution on account of such Claim shall be canceled and of no further force or effect. Nothing contained in the Plan shall require any Disbursing Agent,

including, but not limited to, any of the Reorganized Debtors, to attempt to locate any Holder of an Allowed Claim.

#### **6. *Record Date for Distributions***

The Reorganized Debtors and the Disbursing Agent(s) will have no obligation to but may, in their sole and absolute discretion, recognize the transfer of, or the sale of any participation in, any Allowed Claim that occurs after the close of business on the Distribution Record Date, and will be entitled for all purposes herein to recognize and distribute only to those Holders of Allowed Claims that are Holders of such Claims, or participants therein, as of the close of business on the Distribution Record Date.

#### **7. *Allocation of Plan Distributions Between Principal and Interest***

To the extent that any Allowed Claim entitled to a distribution under the Plan is comprised of indebtedness and accrued but unpaid interest thereon, such distribution shall, for all income tax purposes, be allocated to the principal amount of the Claim first and then, to the extent that the consideration exceeds the principal amount of the Claim, to the portion of such Claim representing accrued but unpaid interest

#### **8. *Means of Cash Payment***

Payments of Cash made pursuant to the Plan shall be in U.S. dollars and shall be made, at the option and in the sole discretion of the Reorganized Debtors, by (a) checks drawn on or (b) wire transfers from a bank selected by the Reorganized Debtors. Cash payments to foreign creditors may be made, at the option of the Reorganized Debtors, in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

#### **9. *Withholding and Reporting Requirements***

In connection with the Plan and all distributions thereunder, the Reorganized Debtors shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority, and all distributions hereunder shall be subject to any such withholding and reporting requirements. The Reorganized Debtors shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements. All persons holding Claims or Interests shall be required to provide any information necessary to effect information reporting and the withholding of such taxes. Each Holder of an Allowed Claim that is to receive a distribution pursuant to the Plan shall have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding and other tax obligations, on account of such distribution. No distribution shall be made to or on behalf of such Holder pursuant to the Plan unless and until such Holder has made arrangements satisfactory to the Reorganized Debtors for the payment and satisfaction of such tax obligations.

#### **10. *Setoff and Recoupment***

The Reorganized Debtors may, pursuant to sections 553 and/or 558 of the Bankruptcy Code or applicable non-bankruptcy laws, but shall not be required to, set off and/or recoup

against any Claim the payments or other distributions to be made pursuant to the Plan in respect of such Claim, or claims of any nature whatsoever that any of the Debtors or the Reorganized Debtors may have against the Holder of such Claim; provided, however, that neither the failure to assert such rights of setoff and/or recoupment nor the allowance of any Claim hereunder shall constitute a waiver or release by any of the Reorganized Debtors of any claim that any of the Debtors or the Reorganized Debtors may assert against any Holder of an Allowed Claim.

#### **11. *Fractional Securities***

No fractional securities shall be distributed. Where a fractional security would otherwise be called for, the actual issuance shall reflect a rounding up (in the case of more than .50) of such fraction to the nearest whole share of New Common Stock, or a rounding down of such fraction (in the case of .50 or less than .50) to the nearest whole share of New Common Stock. The total number of shares of New Common Stock and the total number of Rights Offering Stock to be distributed pursuant to the Plan shall be adjusted as necessary to account for the rounding provided for herein.

#### **12. *De Minimis Distributions***

No distribution shall be made by the Disbursing Agent on account of an Allowed Claim if the amount to be distributed to the specific Holder of an Allowed Claim on the applicable Distribution Date has an economic value of less than \$25.

### **H. TREATMENT OF EXECUTORY CONTRACTS, UNEXPIRED LEASES, INSURANCE POLICIES AND EMPLOYEE BENEFIT PLANS**

THE FOLLOWING IS A SUMMARY OF THE PROVISIONS GOVERNING THE TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES UNDER THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY THE TERMS OF THE PLAN.

#### **1. *Assumption of Executory Contracts and Unexpired Leases***

On the Effective Date, all Executory Contracts or Unexpired Leases of the Debtors will be deemed assumed in accordance with, and subject to, the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code, regardless of whether such Executory Contract or Unexpired Lease is set forth on the Schedule of Assumed Executory Contracts and Unexpired Leases, attached to the Plan as Exhibit 6.1.2, unless such Executory Contract or Unexpired Lease (i) was previously assumed or rejected by the relevant Debtor(s), (ii) previously expired or terminated pursuant to its own terms, (iii) is subject to a motion to reject Executory Contracts or Unexpired Leases that is pending on the Confirmation Date; (iv) is subject to a motion to reject an Executory Contract or Unexpired Lease pursuant to which the requested effective date of such rejection is after the Effective Date; or (v) is identified on the Rejected Executory Contract and Unexpired Lease List, attached to the Plan as Exhibit 6.1, in form and substance acceptable to the Debtors and the Plan Sponsors (which shall not be unreasonably withheld, conditioned or delayed); provided, however, that, notwithstanding any such assumption, the A&R Letter Agreement and Letter Agreement Order shall each remain in full force and effect, and no party's rights under any agreement affected by either the A&R Letter Agreement or Letter Agreement

Order shall be expanded or reduced by the Plan or the Confirmation Order. Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assignments and/or assumptions and the rejection of the Executory Contracts or Unexpired Leases listed on the Rejected Executory Contract and Unexpired Lease List pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Each Executory Contract and Unexpired Lease assumed pursuant to Article VI of the Plan, which has not been assigned to a third party before the Effective Date, shall revert in and be fully enforceable by the respective Reorganized Debtor in accordance with its terms, except as modified by the provisions of the Plan, or any order of the Bankruptcy Court authorizing and providing for its assumption. Any motions to assume Executory Contracts or Unexpired Leases pending on the Effective Date shall be subject to approval by the Court on or after the Effective Date. Notwithstanding anything to the contrary in the Plan, the Debtors or the Reorganized Debtors, as applicable, with the consent of the Plan Sponsors, reserve the right to alter, amend, modify, or supplement the Rejected Executory Contract and Unexpired Lease List at any time through and including forty-five (45) days after the Effective Date.

**2. *Cure of Defaults Under Assumed Executory Contracts and Unexpired Leases***

Any monetary amounts by which each Executory Contract and Unexpired Lease to be assumed is in default shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the default amount in Cash on the Effective Date or on such other terms as the parties to each such Executory Contract or Unexpired Lease may otherwise agree. In the event of a dispute regarding (a) the amount of any cure payments, (b) the ability of the Reorganized Debtors or any assignee to provide “adequate assurance of future performance” (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or (c) any other matter pertaining to assumption, the cure payments required by section 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order resolving the dispute and approving the assumption. Pending the Bankruptcy Court’s ruling on such motion, the Executory Contract or Unexpired Lease at issue shall be deemed assumed by the relevant Debtor unless otherwise ordered by the Bankruptcy Court.

Unless otherwise provided by an order of the Bankruptcy Court, at least ten (10) days prior to the Voting Deadline, the Debtors shall cause notice of proposed assumption and proposed Cure Obligations to be sent to applicable counterparties. Any objection by such counterparty must be Filed, served, and actually received by the Debtors not later than fourteen (14) days after service of notice of the Debtors’ proposed assumption and associated Cure Obligations. Any counterparty to an Executory Contract or Unexpired Lease that fails to object timely to the proposed assumption or cure amount will be deemed to have assented to such assumption or Cure Obligation.

**3. *Claims Procedures Related to Rejection of Executory Contracts or Unexpired Leases***

Unless otherwise provided by a Bankruptcy Court order, any Proofs of Claim asserting Claims arising from the rejection of the Executory Contracts and Unexpired Leases pursuant to the Plan or otherwise must be filed with the Claims, Noticing, and Solicitation Agent no later than 30 days after the later of the Effective Date or the effective date of rejection. Any Proofs of



Claim arising from the rejection of the Executory Contracts or Unexpired Leases that are not timely filed shall be disallowed automatically and forever barred, estopped, and enjoined from assertion and shall not be enforceable against the Debtors or the Reorganized Debtors, without the need for any objection by the Reorganized Debtors or any further notice to or action, order, or approval of the Bankruptcy Court, and any Claim arising out of the rejection of the Executory Contract or Unexpired Lease shall be deemed fully satisfied, released, and discharged, notwithstanding anything in the Schedules or a Proof of Claim to the contrary. All Allowed Claims arising from the rejection of the Executory Contracts and Unexpired Leases shall be classified as General Unsecured Claims, except as otherwise provided by order of the Bankruptcy Court.

#### **4. *Assumption of Collective Bargaining Agreements***

All Collective Bargaining Agreements shall be deemed to have been assumed by the applicable Debtor(s) party thereto upon the occurrence of the Effective Date. Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the pertinent Reorganized Debtor's assumption of each Collective Bargaining Agreement to which it is a party for the remaining term of agreement of each such Collective Bargaining Agreement as in effect on the Effective Date, except to the extent that such agreements have already been assumed prior to the Effective Date.

#### **5. *Insurance Policies and Agreements***

Insurance policies issued to, or insurance agreements entered into by, the Debtors prior to the Petition Date (including, without limitation, any policies covering directors' or officers' conduct) shall continue in effect after the Effective Date. To the extent that such insurance policies or agreements are considered to be Executory Contracts, the Plan shall constitute a motion to assume or ratify such insurance policies and agreements, and, subject to the occurrence of the Effective Date, the entry of the Confirmation Order shall constitute approval of such assumption pursuant to section 365(a) of the Bankruptcy Code and a finding by the Bankruptcy Court that each such assumption is in the best interest of each Debtor and its Estate. Unless otherwise determined by the Bankruptcy Court pursuant to a Final Order or agreed to by the parties thereto prior to the Effective Date, no payments shall be required to cure any defaults of the Debtors existing as of the Confirmation Date with respect to each such insurance policy.

#### **6. *Management Equity Incentive Plan***

On or after the Effective Date, the new board of directors of Reorganized UCI shall adopt and implement the Management Equity Incentive Plan, the principal terms of which are set forth on Exhibit 6.5 to the Plan, to be filed with the Plan Supplement. The Management Equity Incentive Plan shall provide for grants of options and/or restricted units/equity reserved for management, directors and employees in an amount of New Common Stock representing up to 5% of the New Common Stock.

#### **7. *Employee Compensation and Benefit Plans***

From and after the Effective Date, each of the Reorganized Debtors shall continue to perform its obligations (whether statutory or contractual) under all employment and severance



contracts assumed on or before the Effective Date and all Employee Benefit Plans applicable to its employees, retirees and non-employee directors, including, without limitation, the payment of all retiree benefits, as that term is defined in section 1114 of the Bankruptcy Code, that such Reorganized Debtor had the obligation to pay and was paying prior to the Petition Date, at the level established pursuant to subsection (e)(1)(B) or (g) of section 1114 of the Bankruptcy Code at any time prior to the Confirmation Date, for the duration of the period (if any) that the applicable Reorganized Debtor(s) are obligated to provide such benefits. For the avoidance of doubt, the Pension Plans shall be treated as set forth in Section 5.6 of the Plan.

## **8. *Postpetition Contracts and Leases***

All contracts, agreements and leases that were entered into by the Debtors or assumed by the Debtors after the Petition Date shall be deemed assigned by the Debtors to the Reorganized Debtors on the Effective Date.

### **I. PROCEDURES FOR RESOLVING DISPUTED CLAIMS**

THE FOLLOWING IS A SUMMARY OF THE PROVISIONS FOR TREATMENT OF DISPUTED CLAIMS AND DISPUTED INTERESTS UNDER THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY THE TERMS OF THE PLAN.

#### **1. *Objection To and Estimation of Claims***

After the Effective Date, only the Reorganized Debtors may object to the allowance of any Claim or Administrative Expense Claim. After the Effective Date, the Reorganized Debtors shall be accorded the power and authority to allow or settle and compromise any Claim without notice to any other party, or approval of, or notice to the Bankruptcy Court. In addition, the Debtors or the Reorganized Debtors may, at any time, request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Debtors or Reorganized Debtors have previously objected to such Claim.

#### **2. *No Distributions Pending Allowance***

No payments or distributions shall be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by Final Order and the Disputed Claim, or some portion thereof, has become an Allowed Claim.

### **3. *Distributions on Account of Disputed Claims Once They Are Allowed***

To the extent that a Disputed Claim ultimately becomes an Allowed Claim, distributions (if any) shall be made to the Holder of such Allowed Claim in accordance with the provisions of the Plan. As soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing any Disputed Claim becomes a Final Order, the Disbursing Agent(s) shall provide to the Holder of such Claim the distribution (if any) to which such Holder is entitled under the Plan as of the Effective Date, without any post-Effective Date interest to be paid on account of such Claim.

### **4. *Reinstated Claims and Interests***

Notwithstanding anything contained herein to the contrary, nothing shall affect, diminish or impair the Debtors' or the Reorganized Debtors' rights and defenses, both legal and equitable, with respect to any Reinstated Claim or Interest, including, but not limited to, legal and equitable rights of setoff and/or recoupment against the Holders of any Reinstated Claims

### **5. *Disputed Claims Reserve(s)***

a. Administrative Expense Reserve(s). On or as soon as reasonably practicable after the Effective Date, the Reorganized Debtors shall create the Administrative Expense Reserve(s). The amount of Cash contributed by the Reorganized Debtors to the Administrative Expense Reserve(s) shall be the amount equal to the Reorganized Debtors' reasonable estimate of Cash required to satisfy distributions to Holders of Disputed Administrative Expense Claims and Holders of Allowed Administrative Claims that are not due and payable on the Effective Date (unless such Allowed Administrative Claims are due and payable in the ordinary course of business). In the event a Disputed Administrative Expense Claim becomes an Allowed Claim after the Effective Date or an Allowed Administrative Claim becomes due and payable following the Effective Date, the Disbursing Agent shall, out of the Administrative Expense Reserve(s), distribute to the Holder thereof the distribution, if any, to which such Holder is entitled in accordance with Article VII of the Plan. After all Administrative Expense Claims have become either Allowed Claims or Disallowed Claims and all distributions to which such Holders are entitled have been made in accordance with Article VII of the Plan, the Disbursing Agent shall, at the direction of the Reorganized Debtors, distribute any Cash remaining in the Administrative Expense Reserve(s) to the Reorganized Debtors.

b. Disputed Unsecured Claims Reserve(s). On or as soon as reasonably practicable after the Initial Distribution Date, the Reorganized Debtors shall establish the Disputed Unsecured Claims Reserve(s) to make distributions to the Holders of Disputed General Unsecured Claims that become Allowed Claims after the Effective Date, including any filed or anticipated rejection damages claims. The amount of Cash and New Common Stock contributed to the Disputed Unsecured Claims Reserve(s) shall be equal to the Reorganized Debtors' reasonable estimate of the sum of (i) the amount of New Common Stock that would have been distributed to the Holders of Disputed General Unsecured Claims electing to receive the treatment set forth in Section 3.2.5(b)(i) of the Plan if such Disputed Claims had been Allowed on the Effective Date and (ii) an amount of Cash that would have been distributed to

Holders of Disputed General Unsecured Claims electing the treatment set forth in Section 3.2.5(b)(ii) of the Plan if such Disputed Claims had been Allowed on the Effective Date. To the extent that the Disputed Unsecured Claims Reserve(s) is based on the amount of any Disputed Claim that is less than the amount of the proof of claim filed with respect to such Disputed Claim, or if such Disputed Claim is unliquidated, the Debtors shall file a list of such affected Disputed Claims with the Bankruptcy Court and shall serve such list on any affected Holders of Disputed Claims no later than ten (10) Business Days prior to the last date for filing objections to Confirmation of the Plan. To the extent that the Disputed Unsecured Claims Reserve(s) incorporates rejection damages claims arising from the rejection of any Executory Contracts or Unexpired Leases under the Plan, the Debtors shall, at such time as they file a motion to reject such Executory Contract or Unexpired Lease, identify the amount of the Disputed Unsecured Claims Reserve(s) allocated for the putative Rejection Damages Claims arising from the rejection of such Executory Contracts or Unexpired Leases. Absent an objection filed on or before the deadline for filing objections to Confirmation of the Plan and an order of the Bankruptcy Court sustaining such objection, the Debtors' estimation of each Disputed Claim for purposes of the Disputed Unsecured Claims Reserve(s) for such Claim shall be final and the Holder of such Disputed Claim shall not be entitled to receive any greater distribution on account of its Claim, once Allowed, than the pro rata distribution it would have received based on the Debtors' estimation. Shares of the New Common Stock held in the Disputed Unsecured Claims Reserve(s) pending the resolution of all Disputed Claims shall be deemed to have been voted in the same proportion as the shares of New Common Stock issued on the Initial Distribution Date. Any transfer or surrender of shares out of the Disputed Unsecured Claims Reserve(s) shall be accompanied by any distributions or proceeds received in respect of such shares while in the Disputed Unsecured Claims Reserve(s).

c. Distribution After Allowance. In the event a Disputed General Unsecured Claim becomes an Allowed Claim after the Effective Date, the Disbursing Agent will, out of the Disputed Unsecured Claims Reserve(s), distribute to the Holder thereof the distribution, if any, to which such Holder is entitled in accordance with Article VII of the Plan, provided, that if a Disputed Claim that subsequently becomes an Allowed Claim has already been satisfied in full or in part (whether through insurance or another source of recovery), then the distribution to the Holder for the Allowed Claim shall be reduced by the amount of such recovery. After all Disputed General Unsecured Claims have become either Allowed Claims or Disallowed Claims and all distributions to which such Holders are entitled have been made in accordance with Article VII of the Plan, the Disbursing Agent shall, at the direction of the Reorganized Debtors (i) distribute any Cash remaining in the Disputed Unsecured Claims Reserve(s) to the Reorganized Debtors and (ii) cancel any New Common Stock remaining in the Disputed Unsecured Claims Reserve(s).

**J. [RESERVED]**

## **K. CONFIRMATION AND CONSUMMATION OF THE PLAN**

### **1. *Conditions to Effective Date***

The Plan shall not become effective and the Effective Date shall not occur unless and until the following conditions shall have been satisfied or waived in accordance with Section 9.2 of the Plan:

a. The Confirmation Order confirming the Plan shall have been entered by the Bankruptcy Court and there shall not be a stay or injunction (or similar prohibition) in effect with respect thereto.

b. The aggregate cash payments on account of Allowed General Unsecured Claims under the Plan shall not exceed \$4.5 million.

c. The New First Lien Exit Facility shall be consummated, and, if pursued, the New Second Lien Exit Facility or the Second Lien Rights Offering Facility shall be consummated.

d. If the Rank Contribution Election is made, (a) the Bankruptcy Court shall have entered a Final Order, acceptable to Rank and the Plan Proponents, approving the Acceptable Settlement under Bankruptcy Rule 9019, (b) Rank shall have: (i) paid the Reorganized Debtors an amount (which amount may be used (A) for payment of Allowed Claims and (B) general corporate purposes) and/or provided non-cash consideration, in each case that is acceptable to the Plan Proponents, and (ii) become the sponsor of the Pensions, and (c) UCI shall have resigned as sponsor of the Pensions, and UCI and Reorganized UCI (including all subsidiaries) shall have been released from any liability on account of the Pensions in a manner satisfactory to the Plan Proponents, or, in the absence of a release, Rank or an affiliate, shall have indemnified Reorganized UCI and its subsidiaries for any liability on account of the Pensions under a control group theory or otherwise, which indemnity shall be satisfactory in form and substance to the Plan Proponents.

e. All authorizations, consents, certifications, approvals, rulings, no-action letters, opinions or other documents or actions required by any law, regulation or order to be received or to occur in order to implement the Plan on the Effective Date shall have been obtained or shall have occurred unless failure to do so will not have a material adverse effect on the Reorganized Debtors in the discretion of the Reorganized Debtors and the Plan Sponsors.

f. The Pension Plans shall have either been (a) assumed by a member of the Rank Group, or (b) terminated in accordance with applicable law.

### **2. *Waiver of Conditions***

Each of the conditions set forth in Section 9.1 of the Plan may be waived in whole or in part by the Plan Proponents after notice to the Bankruptcy Court and parties in interest but without the need for a hearing, provided, that, the condition set forth in Section 9.1.4(a) may only be waived in whole or in part by the Plan Proponents and Rank, collectively, and (b) the

condition set forth in Section 9.1.6 may only be waived in whole or in part by the Debtors and the Plan Sponsors, collectively.

### **3. *Vacatur of Confirmation Order***

If the Confirmation Order is vacated, (a) the Plan shall be null and void in all respects; (b) any settlement of Claims or Interests provided for hereby shall be null and void without further order of the Bankruptcy Court; and (c) the time within which the Debtors may assume and assign or reject all Executory Contracts and Unexpired Leases shall be extended for a period of one hundred twenty (120) days after the date the Confirmation Order is vacated.

### **4. *Notice of Effective Date***

The Debtors shall file with the Bankruptcy Court a notice of the occurrence of the Effective Date within a reasonable period of time after the conditions in Section 9.1 of the Plan have been satisfied or waived pursuant to Section 9.2 of the Plan.

## **L. SETTLEMENT, RELEASE, INJUNCTION AND RELATED PROVISION**

### **1. *Binding Effect***

On the Effective Date, except as otherwise provided in section 1141(d)(3) of the Bankruptcy Code, all provisions of the Plan, including all agreements, instruments and other documents filed in connection with the Plan and executed by the Debtors or the Reorganized Debtors in connection with the Plan, shall be binding upon the Debtors, the Reorganized Debtors, all Holders of Claims against and Interests in each of the Debtors and such Holder's respective successors and assigns, whether or not the Claim or Interest of such Holder is Impaired under the Plan and whether or not such Holder has accepted the Plan, and all other parties that are affected in any manner by the Plan. All agreements, instruments and other documents filed in connection with the Plan shall be given full force and effect, and shall bind all parties referred to therein as of the Effective Date, whether or not such agreements are actually issued, delivered or recorded on the Effective Date or thereafter and whether or not a party has actually executed such agreement.

### **2. *Discharge Provisions***

a. Discharge of Claims and Termination of Interests. Except as otherwise provided herein or in the Confirmation Order, all consideration distributed under the Plan shall be in exchange for, and in complete satisfaction, settlement, discharge and release of, all Claims and Interests (other than Unimpaired Claims that are Allowed and Unimpaired Interests) of any nature whatsoever against the Debtors or any of their Estates, assets, properties or interest in property, and regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Interests. On the Effective Date, the Debtors shall be deemed discharged and released under section 1141(d)(1)(A) of the Bankruptcy Code from any and all Claims and Interests (other than Unimpaired Claims that are Allowed and Unimpaired Interests), including, but not limited to, demands and liabilities that arose before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the

Bankruptcy Code, , the Prepetition ABL Credit Facility Claims, Senior Notes Claims, General Unsecured Claims, and Interests in UCI and UCI Holdings.

b. Discharge Injunction. As of the Effective Date, except as otherwise expressly provided in the Plan or the Confirmation Order, all Entities shall be precluded from asserting against the Debtors or the Reorganized Debtors and their respective assets, property and Estates, any other or further Claims (other than those Reinstated under the Plan), or any other obligations, suits, judgments, damages, debts, rights, remedies, causes of action or liabilities of any nature whatsoever, relating to any of the Debtors or Reorganized Debtors or any of their respective assets, property and Estates, based upon any act, omission, transaction or other activity of any nature that occurred prior to the Effective Date. In accordance with the foregoing, except as expressly provided in the Plan or the Confirmation Order, the Confirmation Order shall constitute a judicial determination, as of the Effective Date, of the discharge of all non-Reinstated Claims or other obligations, suits, judgments, damages, debts, rights, remedies, causes of action or liabilities, pursuant to sections 524 and 1141 of the Bankruptcy Code, and such discharge shall void and extinguish any judgment obtained against the Debtors, the Reorganized Debtors, or any of their respective assets, property and Estates at any time, to the extent such judgment is related to a discharged Claim, debt or liability.

### **3. *Releases by the Debtors***

**Except as otherwise expressly provided in the Plan or the Confirmation Order, on the Effective Date, for good and valuable consideration, to the fullest extent permissible under applicable law, each of the Debtors and Reorganized Debtors on its own behalf and as a representative of its respective Estate, shall, and shall be deemed to, completely and forever release, waive, void, extinguish and discharge unconditionally, each and all of the Released Parties of and from any and all Claims and causes of action (including, without limitation, Avoidance Actions), any and all other obligations, suits, judgments, damages, debts, rights, remedies, causes of action and liabilities of any nature whatsoever, 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 or may be based in whole or part on any act, omission, transaction, event or other circumstance taking place or existing on or prior to the Effective Date (including prior to the Petition Date) in connection with or related to any of the Debtors, the Reorganized Debtors, their respective assets, property and Estates, the Chapter 11 Cases, the Plan, the Plan Supplement or this Disclosure Statement that may be asserted by or on behalf of any of the Debtors, the Reorganized Debtors or their respective Estates against any of the Released Parties; provided, however, that nothing in Section 10.3 of the Plan shall be construed to release any party from willful misconduct or gross negligence as determined by a Final Order. For the avoidance of doubt, no member of the Rank Group or any of its Related Persons shall be Released Parties unless the Rank Contribution Election is made.**

### **4. *Releases by Certain Holders of Claims***

**Except as otherwise expressly provided in the Plan or the Confirmation Order, on the Effective Date, for good and valuable consideration, to the fullest extent permissible**



under applicable law, each Holder of a Claim or an Interest that (i) votes to accept or is deemed to accept the Plan or (ii) is entitled to vote to accept or reject the Plan and returns a Ballot by the Voting Deadline, but does not expressly opt out of the release by marking the Ballot indicating his/her/its refusal to grant such release, shall be deemed to have completely and forever released, waived, and discharged unconditionally each of the Released Parties and their respective Related Persons of and from any and all Claims, any and all other obligations, suits, judgments, damages, debts, rights, remedies, causes of action and liabilities of any nature whatsoever (including, without limitation, those arising under the Bankruptcy Code), 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 or may be based in whole or part on any act, omission, transaction, event or other circumstance taking place or existing on or prior to the Effective Date (including prior to the Petition Date) in connection with or related to any of the Debtors, the Reorganized Debtors or their respective assets, property and Estates, the Chapter 11 Cases, the Plan, the Plan Supplement, and/or or the Disclosure Statement; provided, however, that (i) each Holder of a Claim that has submitted a Ballot may elect, by checking the appropriate box on its Ballot, not to grant the releases set forth in Section 10.4 of the Plan, and (ii) nothing in Section 10.4 of the Plan shall be construed to release any party from willful misconduct or gross negligence as determined by a Final Order. For the avoidance of doubt, no member of the Rank Group or any of its Related Persons shall receive any release under Section 10.4 of the Plan unless the Rank Contribution Election is made.

## **5.     *Exculpation***

From and after the Effective Date, the Exculpated Parties shall neither have nor incur any liability to, or be subject to any right of action by, any Holder of a Claim or an Interest, or any other party in interest, or any of their respective employees, representatives, financial advisors, attorneys, or agents acting in such capacity, or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of, the Chapter 11 Cases, formulating, negotiating or implementing the Plan, the Plan Supplement, and/or the Disclosure Statement, the solicitation of acceptances of the Plan, the pursuit of Confirmation of the Plan, the Confirmation of the Plan, the consummation of the Plan, the administration of the Plan, the property to be distributed under the Plan, or any other act taken or omitted to be taken in connection with or in contemplation of the Chapter 11 Cases or implementation of the Plan; provided, however, that Section 10.5 of the Plan shall not apply to release (x) obligations under the Plan, and obligations under the contracts, instruments, releases, agreements, and documents delivered, Reinstated or assumed under the Plan, and (y) any claims or causes of action arising out of willful misconduct or gross negligence as determined by a Final Order. Any of the Released Parties shall be entitled to rely, in all respects, upon the advice of counsel with respect to their duties and responsibilities under the Plan. For the avoidance of doubt, no member of the Rank Group or any of its Related Persons shall be Released Parties unless the Rank Contribution Election is made.

## **6. *Injunction Related to Exculpation***

Except as expressly provided in the Plan or the Confirmation Order, as of the Effective Date, all Persons and Entities that hold, have held, or may hold a Claim or any other obligation, suit, judgment, damages, debt, right, remedy, cause of action or liability of any nature whatsoever, of the types described in Section 10.4 of the Plan and relating to any of the Debtors or the Reorganized Debtors or any of their respective assets, property and/or Estates, are, and shall be, permanently, forever and completely stayed, restrained, prohibited, barred and enjoined from taking any of the following actions against any Released Party or its property on account of such released liabilities, whether directly or indirectly, derivatively or otherwise, on account of or based on the subject matter of such discharged Claims or other obligations, suits, judgments, damages, debts, rights, remedies, causes of action or liabilities: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding (including, without limitation, any judicial, arbitral, administrative or other proceeding) in any forum; (ii) enforcing, attaching (including, without limitation, any prejudgment attachment), collecting, or in any way seeking to recover any judgment, award, decree, or other order; (iii) creating, perfecting or in any way enforcing in any matter, directly or indirectly, any Lien; (iv) setting off, seeking reimbursement or contributions from, or subrogation against, or otherwise recouping in any manner, directly or indirectly, any amount against any liability or obligation that is discharged under Section 10.1 of the Plan; and/or (v) commencing or continuing in any manner any judicial, arbitration or administrative proceeding in any forum, that does not comply with or is inconsistent with the provisions of the Plan or the Confirmation Order. For the avoidance of doubt, none of the Rank Group or any of its Related Persons shall be considered Released Parties and receive the benefit of any injunction under Section 10.6 of the Plan unless the Rank Contribution Election is made.

## **7. *Survival of Indemnification Obligations***

The obligations of the Debtors to indemnify any past and present directors, officers, agents, employees and representatives who provided services to the Debtors on or after the Petition Date, pursuant to certificates or articles of incorporation, by-laws, contracts and/or applicable statutes, in respect of all actions, suits and proceedings against any of such officers, directors, agents, employees and representatives, based upon any act or omission related to service with, for or on behalf of the Debtors, shall not be discharged or impaired by Confirmation or consummation of the Plan and shall be assumed by the Reorganized Debtors (other than any obligations of the Debtors' to indemnify members of the Rank Group and their Related Persons if the Rank Contribution Election is not made). If the Rank Contribution Election is not made, the Debtors shall honor any obligations to indemnify members of the Rank Group and their Related Persons solely for services provided to the Debtors on or after the Petition Date solely to the extent a member claiming indemnity has filed a proof of claim against the Debtors' Estates on account of such indemnification obligations on or before on or before the date that is thirty (30) days following the Effective Date, and such claim is an Allowed Claim and is not subordinated; provided, that the Debtors or Reorganized Debtors, as applicable, reserve all rights to seek disallowance of such filed claims on any basis, including but not limited to, the basis that such claims relate to prepetition services or conduct. For the avoidance of doubt, Section 10.7 of the Plan affects only the obligations of the Debtors and Reorganized Debtors with respect to any indemnity owed to or for the benefit of past and present directors,



officers, agents, employees and representatives of the Debtors, and shall have no effect on nor in any way discharge or reduce, in whole or in part, any obligation of any other Person, including any provider of director and officer insurance, owed to or for the benefit of such past and present directors, officers, agents, employees and representatives of the Debtors.

## **8. *Environmental Law***

Nothing in the Confirmation Order or the Plan discharges, releases, resolves, precludes, exculpates, or enjoins: (i) any liability to any governmental unit as defined in 11 U.S.C. § 101(27) (“Governmental Unit”) that is not a “claim” as defined in 11 U.S.C. § 101(5) (a “Claim”); (ii) any Claim of a Governmental Unit arising on or after the Confirmation Date ; (iii) any police or regulatory liability to a Governmental Unit to the extent of such entity’s liability under non-bankruptcy law on account of its status as the owner or operator of property after the Confirmation Date ; or (iv) any liability to a Governmental Unit on the part of any Person other than the Debtors or Reorganized Debtors. For the avoidance of doubt, the foregoing shall not limit the scope of discharge of all Claims and Equity Interests arising prior to the Effective Date under sections 524 and 1141 of the Bankruptcy Code. Nor shall anything in the Confirmation Order or the Plan enjoin or otherwise bar a Governmental Unit from asserting or enforcing, outside this Court, any liability described in the preceding sentence; provided, however, that the Bankruptcy Court retains jurisdiction, to determine whether or not any such asserted liability described in the preceding sentence is a Claim. Nothing in the Confirmation Order or the Plan authorizes the transfer or assignment of any governmental (a) license, (b) permit, (c) registration, (d) authorization, or (e) approval, or the discontinuation of any obligation thereunder, without compliance with all applicable legal requirements under Environmental Law. Nothing in the Confirmation Order or the Plan shall affect any setoff or recoupment rights of any Governmental Unit.

## **9. *Terms of Bankruptcy Injunctions or Stays***

All injunctions or stays provided for in the Chapter 11 Cases under section 105 or section 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date

## **M. MISCELLANEOUS PLAN PROVISIONS**

THE FOLLOWING IS A SUMMARY OF CERTAIN MISCELLANEOUS PROVISIONS UNDER THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY THE TERMS OF THE PLAN.

### **1. *Retention of Jurisdiction***

Pursuant to sections 105(c) and 1142 of the Bankruptcy Code and notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of, and related to, the Chapter 11 Cases and the Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

a. allow, disallow, determine, liquidate, classify, estimate or establish the priority or secured or unsecured status of any Claim or Interest, including the resolution of any request for payment of any Administrative Expense Claim, or Priority Tax Claim, and the resolution of any objections to the allowance or priority of Claims or Interests;

b. resolve any matters related to the assumption or assumption and assignment of any Executory Contract or Unexpired Lease to which any Debtor is a party or with respect to which any Debtor or Reorganized Debtor may be liable and to hear, determine, and, if necessary, liquidate any Claims arising therefrom;

c. ensure that distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;

d. decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters and grant or deny any applications involving the Debtors that may be pending on the Effective Date;

e. enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases and other agreements or documents created in connection with the Plan, the Disclosure Statement or the Confirmation Order, and issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any entity with consummation, implementation or enforcement of the Plan or the Confirmation Order;

f. resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation, or enforcement of the Plan or any contract, instrument, release or other agreement or document that is executed or created pursuant to the Plan, or any entity's rights arising from or obligations incurred in connection with the Plan or such documents;

g. approve any modification of the Plan before or after the Effective Date pursuant to section 1127 of the Bankruptcy Code or approve any modification of the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, in such manner as may be necessary or appropriate to consummate the Plan;

h. subject to Section 13.2 of the Plan, hear and determine all applications for compensation and reimbursement of expenses of Professionals under the Plan or under sections 330, 331, 363, 503(b), 1103 and 1129(c)(9) of the Bankruptcy Code, which shall be payable by the Debtors only upon allowance thereof pursuant to an order of the Bankruptcy Court;

i. hear and determine causes of action by or on behalf of the Debtors or the Reorganized Debtors;

j. hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;

k. enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason or in any respect modified, stayed, reversed, revoked or vacated, or if distributions pursuant to the Plan are enjoined or stayed;

l. determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, or other agreement, or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order;

m. enforce all orders, judgments, injunctions, releases, exculpations, indemnifications and rulings entered in connection with the Chapter 11 Cases;

n. hear and determine all matters related to (i) the property of the Estates from and after the Confirmation Date and (ii) the activities of the Reorganized Debtors;

o. hear and determine (i) all Ordinary Litigation Claims and (ii) all Preserved Causes of Action;

p. hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under the Bankruptcy Code; and

q. enter an order closing the Chapter 11 Cases.

## **2. *Surrender of Instruments***

As a condition to participation in distributions under the Plan, each Senior Noteholder and the Holder(s) of any evidence of indebtedness of the Debtors relating to a non-Reinstated Claim that desires to receive the property to be distributed on account of an Allowed non-Reinstated Claim based on such Senior Unsecured Note or evidence of indebtedness shall surrender such Senior Unsecured Note or evidence of indebtedness to the Debtors, or their designee, and shall execute and deliver such other documents as are necessary to effectuate the Plan; provided, however, that if a claimant is a Holder of a Senior Unsecured Note or other evidence of indebtedness for which no physical certificate was issued to the Holder but which instead is held in book-entry form pursuant to a global security held by DTC or other securities depository or custodian thereof, then the Debtors or the Senior Unsecured Notes Indenture Trustee may waive the requirement of surrender. Except as otherwise provided in this Section 13.1, if no surrender of a Senior Unsecured Note or evidence of indebtedness relating to a non-Reinstated Claim occurs and a claimant does not provide an affidavit and indemnification agreement, in form and substance satisfactory to the Debtors, that such Senior Unsecured Note or evidence of indebtedness was lost, then no distribution may be made to any claimant whose Claim is based on such security, note, debenture or evidence of indebtedness thereof. The Debtors shall make subsequent distributions only to the persons who surrender Senior Unsecured Notes or evidence of indebtedness, as applicable, for exchange (or their assignees) and the record holders of such Senior Unsecured Notes or other indebtedness shall be those holders of record as of the Distribution Record Date.

### **3. *Post-Confirmation Date Retention of Professionals***

On the Effective Date, any requirement that Professionals employed by the Reorganized Debtors comply with sections 327 through 331 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date will terminate, and the Reorganized Debtors will be authorized to employ and compensate professionals in the ordinary course of business and without the need for application to or approval by the Bankruptcy Court.

### **4. *Bar Date for Certain Administrative Expense Claims***

All applications for final allowance of compensation or reimbursement of expenses incurred by any Professional, and all other requests for the payment of Administrative Expense Claims, including all requests for the allowance of any Administrative Expense Claim pursuant to section 503(b)(3)(D) of the Bankruptcy Code for substantial contributions made in the Chapter 11 Cases (but excluding all requests for the payment of obligations incurred by the Debtors in the ordinary course of their business operations after the Petition Date), must be filed with the Bankruptcy Court and served on the Reorganized Debtors and their counsel at the addresses set forth in Section 12.3 of the Plan not later than thirty (30) days after the Effective Date, unless otherwise ordered by the Bankruptcy Court. Any request for the payment of an Administrative Expense Claim that is not timely filed and served may be discharged and forever barred and the Holder of such Administrative Expense Claim may be enjoined from commencing or continuing any action, process, or act to collect, offset or recover such Claim. The Debtors and the Reorganized Debtors shall have sole responsibility for filing objections to and resolving all requests for the allowance of Administrative Expense Claims.

### **5. *Effectuating Documents and Further Transactions***

Each of the Debtors and the Reorganized Debtors is authorized to execute, deliver, file or record such contracts, instruments, certificates, notes, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement and further evidence the terms and conditions of the Plan and the New Common Stock issued under or in connection with to the Plan.

### **6. *Corporate Action***

Prior to, on, or after the Effective Date (as appropriate), all matters expressly provided for under the Plan that would otherwise require approval of the stockholders or directors of one or more of the Debtors or the Reorganized Debtors shall be deemed to have occurred and shall be in effect prior to, on, or after the Effective Date (as appropriate) pursuant to the applicable general corporation law of the states in which the Debtors or the Reorganized Debtors are incorporated or organized without any requirement of further action by the stockholders or directors of the Debtors or the Reorganized Debtors.

### **7. *Exemption from Transfer Taxes***

Pursuant to section 1146(a) of the Bankruptcy Code, (a) the issuance, transfer or exchange of notes or equity securities under the Plan; (b) the creation of any mortgage, deed of

trust, lien, pledge or other security interest; (c) the making or assignment of any lease or sublease; or (d) the making or delivery of any deed or other instrument of transfer under the Plan, including, without limitation, merger agreements, agreements of consolidation, restructuring, disposition, liquidation or dissolution, deeds, bills of sale, and transfers of tangible property, will not be subject to any stamp tax or other similar tax.

#### **8. *Payment of Statutory Fees***

All fees due and payable pursuant to section 1930(a)(6) of Title 28 of the U.S. Code (“Quarterly Fees”) prior to the Effective Date shall be paid by the Debtors on the Effective Date. After the Effective Date, the Reorganized Debtor shall be jointly and severally liable for any and all Quarterly Fees when they are due and payable after the Effective Date. The Debtors shall file all Quarterly Reports due prior to the Effective Date when they become due, in a form reasonably acceptable to the U.S. Trustee. After the Effective Date, the Reorganized Debtors shall file with the Bankruptcy Court Quarterly Reports in a form reasonably acceptable to the U.S. Trustee, which reports shall include a separate schedule of disbursements made by the Reorganized Debtors during the applicable period, attested to by an authorized representative of the Reorganized Debtors. The Reorganized Debtors shall remain obligated to pay Quarterly Fees to the Office of the U.S. Trustee until the earliest of the Debtors’ case being closed, dismissed or converted to a case under Chapter 7 of the Bankruptcy Code.

#### **9. *Creditors’ Committee***

On the Effective Date, the Creditors’ Committee shall dissolve without need for a further order of the Bankruptcy Court; provided, however, that, following the Effective Date, the Creditors’ Committee shall continue in existence and have standing and a right to be heard for the following limited purposes: (i) Claims and/or applications, and any relief related thereto, for compensation by Professionals and requests for allowance of Administrative Claims for substantial contribution pursuant to section 503(b)(3)(D) of the Bankruptcy Code; and (ii) appeals of the Confirmation Order as to which the Creditors’ Committee is a party. Upon dissolution of the Creditors’ Committee, the members thereof and their respective officers, employees, counsel, advisors, and agents shall be released and discharged from all rights and duties from or related to the Chapter 11 Cases; provided, further, however that obligations arising under confidentiality agreements, joint interest agreements and protective orders, if any, entered during the Chapter 11 Cases shall remain in full force and effect according to their terms.. The Debtors and the Reorganized Debtors shall have no obligation to pay or reimburse any fees of the Creditors’ Committee incurred after the Effective Date except with regard to the limited purposes identified above or as otherwise provided herein.

#### **10. *Amendment or Modification of the Plan***

Subject to section 1127 of the Bankruptcy Code, the Debtors may alter, amend or modify the Plan or the Exhibits at any time prior to or after the Confirmation Date but prior to the substantial consummation of the Plan with the consent of the Plan Proponents. Any Holder of a Claim or Interest that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended or modified, if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim or Interest of such Holder.

## **11. Severability of Plan Provisions**

If, prior to the Confirmation Date, any term or provision of the Plan is determined by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court will have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision will then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired or invalidated by such holding, alteration, or interpretation. The Confirmation Order will constitute a judicial determination and will provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

## **12. Successors and Assigns**

The Plan shall be binding upon and inure to the benefit of the Debtors, and their respective successors and assigns, including, without limitation, the Reorganized Debtors. The rights, benefits and obligations of any entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign of such entity.

## **13. Revocation, Withdrawal or Non-Consummation**

Subject to certain restrictions and requirements set forth herein (including, without limitation, Section 12.9 of the Plan), in section 1127 of the Bankruptcy Code and in Bankruptcy Rule 3019, the Debtors, with the consent of the Plan Sponsors reserve the right to revoke or withdraw the Plan as to any or all of the Debtors prior to the Confirmation Date and to file one or more subsequent Plans. If the Debtors revoke or withdraw the Plan as to any or all of the Debtors or if Confirmation or consummation of the Plan as to any or all of the Debtors does not occur, then, with respect to such Debtors, (a) the Plan shall be null and void in all respects, (b) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain any Claim or Interest or Class of Claims or Interests), assumption or rejection of Executory Contracts or leases affected by the Plan, and any document or agreement executed pursuant to the Plan shall be deemed null and void and (c) nothing contained in the Plan shall (i) constitute a waiver or release of any Claims by or against, or any Interests in, such Debtors or any other Person, (ii) prejudice in any manner the rights of such Debtors or any other Person or (iii) constitute an admission of any sort by the Debtors or any other Person.

## **14. Notice**

All notices, requests and demands to or upon the Debtors or the Reorganized Debtors to be effective shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

UCI INTERNATIONAL, LLC

1900 West Field Court  
Lake Forest, IL 60045  
Attn: Keith A. Zar

with a copy to:

SIDLEY AUSTIN LLP  
One South Dearborn Street  
Chicago, Illinois 60603  
Telephone: (312) 853-7000  
Facsimile: (312) 853-7036  
Attn: Larry J. Nyhan  
Jessica C.K. Boelter

-and-

YOUNG CONAWAY STARGATT & TAYLOR, LLP  
Rodney Square  
1000 North King Street  
Wilmington, Delaware 19801  
Telephone: (302) 571-6600  
Facsimile: (302) 571-1253  
Attn: Edmon L. Morton

Counsel to Debtors and Debtors-in-Possession

#### **15. *Governing Law***

Subject to the provisions of any contract, certificates or articles of incorporation, by-laws, instruments, releases, or other agreements or documents entered into in connection with the Plan, and subject further to Section 11.1 of the Plan, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with (i) the Bankruptcy Code, the Bankruptcy Rules or other federal law to the extent applicable and (ii) if none of such law is applicable, the laws of the State of Delaware, without giving effect to the principles of conflicts of law of such jurisdiction.

#### **16. *Tax Reporting and Compliance***

The Reorganized Debtors are hereby authorized, on behalf of each of the Debtors, to request an expedited determination under section 505 of the Bankruptcy Code of the tax liability of the Debtors for all taxable periods ending after the Petition Date through, and including, the Effective Date

#### **17. *Exhibits***

All Exhibits to the Plan and Plan Supplement are incorporated into and are a part of the Plan as if set forth in full herein.



## **18. *Filing of Additional Documents***

On or before substantial consummation of the Plan, the Reorganized Debtors and the Debtors shall, as applicable, file such agreements and other documents as may be necessary or appropriate to effectuate and evidence further the terms and conditions of the Plan. The Plan and the Plan Supplement, including all Exhibits, supplements, appendices and schedules thereto, and any modifications to any of the foregoing, all shall be in form and substance acceptable to the Plan Sponsors.

## **19. *Consent/Approval Rights***

The Plan and the Plan Supplement, including all Exhibits, supplements, appendices and schedules thereto, and any modifications to any of the foregoing, shall be in form and substance acceptable to the Plan Sponsors.

## **20. *Reservation of Rights***

Except as expressly set forth herein, the Plan shall have no force and effect unless the Bankruptcy Court has entered the Confirmation Order. The filing of the Plan, any statement or provision contained in the Plan, or the taking of any action by the Debtors with respect to the Plan shall not be and shall not be deemed to be an admission or waiver of any rights of the Debtors or any other Person with respect to Claims against and Interests in the Debtors.

# **VI. CONFIRMATION OF THE PLAN**

## **A. CONFIRMATION IN CHAPTER 11 CASES**

### **1. *Confirmation Hearing***

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on Confirmation of a plan. The Confirmation Hearing pursuant to section 1128 of the Bankruptcy Code will be held on **December 6, 2016 at 2:00 p.m.**, prevailing Eastern Time, before the Honorable Judge Mary F. Walrath, United States Bankruptcy Judge for the District of Delaware, in the United States Bankruptcy Court for the District of Delaware, located at 824 North Market Street, 5th Floor, Courtroom #4, Wilmington, Delaware. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of adjournment at the Confirmation Hearing, or at any subsequent adjourned Confirmation Hearing.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan. Any objection to Confirmation of the Plan must: (a) be in writing; (b) conform to the Bankruptcy Rules and the Local Rules; (c) state, with particularity, the legal and factual bases for the objection and, if practicable, a proposed modification to the Plan (or related materials) that would resolve such objection; and (d) be filed with the Bankruptcy Court (contemporaneously with a proof of service) and served upon the notice parties so as to be **actually received** on or before **November 28, 2016, at 4:00 p.m.**, prevailing Eastern Time, by the following parties:



The Debtors:

UCI International, LLC  
1900 West Field Court  
Lake Forest, Illinois 60045  
Attn: Keith A. Zar, General Counsel

Counsel to the Debtors:

Sidley Austin LLP  
One South Dearborn Street  
Chicago, Illinois 60603  
Facsimile: (312) 853-7036  
Attn: Larry J. Nyhan  
Jessica C.K. Boelter  
Kerriann S. Mills  
Geoffrey M. King

Young Conaway Stargatt & Taylor, LLP  
Rodney Square  
1000 N. King Street  
Wilmington, Delaware 19801  
Facsimile: (302) 571-1253  
Attn: Robert S. Brady  
Edmon L. Morton

The United States Trustee:

Office of the United States Trustee  
J. Caleb Boggs Federal Building  
844 King Street, Suite 2207  
Lock Box 35  
Wilmington, Delaware 19801  
Facsimile: (302) 573-6497  
Attn: Richard L. Schepacarter

Counsel to the Official Committee of  
Unsecured Creditors:

Morrison & Foerster LLP  
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Objections to Confirmation of the Plan are governed by Rule 9014 of the Bankruptcy Rules. **UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY AND PROPERLY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

**B. STATUTORY REQUIREMENTS FOR CONFIRMATION OF THE PLAN IN CHAPTER 11 CASES**

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for Confirmation are that the Plan (i) is accepted by all Impaired Classes of Claims and Interests or, if rejected by an Impaired Class, that the Plan “does not discriminate unfairly” and is “fair and equitable” as to such Class, (ii) is feasible and (iii) is in the “best interests” of Holders of Claims and Interests Impaired under the Plan.

**AS EXPLAINED ABOVE, THE BANKRUPTCY CODE CONTAINS PROVISIONS FOR CONFIRMATION OF A PLAN EVEN IF IT IS NOT ACCEPTED BY ALL CLASSES. THESE SO-CALLED “CRAMDOWN” PROVISIONS ARE SET FORTH IN SECTION 1129(b) OF THE BANKRUPTCY CODE, WHICH PROVIDES THAT A PLAN OF REORGANIZATION CAN BE CONFIRMED EVEN IF IT HAS NOT BEEN ACCEPTED BY ALL IMPAIRED CLASSES OF CLAIMS AND INTERESTS AS LONG AS AT LEAST ONE IMPAIRED CLASS OF NON-INSIDER CLAIMS HAS VOTED TO ACCEPT THE PLAN.**

**1. *Acceptance***

Claims and Interests in Classes D and E are Impaired under the Plan, and, therefore, must accept the Plan in order for it to be confirmed without application of the “fair and equitable test,” described below, to such Classes. As stated above, Impaired Classes of Claims will have accepted the Plan if the Plan is accepted by at least two-thirds in dollar amount and a majority in number of the Claims of each such Class (other than any Claims of creditors designated under section 1126(e) of the Bankruptcy Code) that have voted to accept or reject the Plan.

Classes A, B, C, F, G and J are Unimpaired under the Plan, and the Holders of Allowed Claims in each of these Classes are conclusively presumed to have accepted the Plan.

Classes H and I are Impaired and the Holders of such Claims and Interests will not receive or retain any property under the Plan. Accordingly, Classes H and I are deemed not to have accepted the Plan and Confirmation of the Plan will require application of the “fair and equitable test,” described below.

**2. *Fair and Equitable Test***

The Debtors will seek to confirm the Plan notwithstanding the deemed nonacceptance of the Plan by Classes H and I. To obtain such Confirmation, it must be demonstrated that the Plan

“does not discriminate unfairly” and is “fair and equitable” with respect to each such dissenting Impaired Class. A plan does not discriminate unfairly if the legal rights of a dissenting class are treated in a manner consistent with the treatment of other classes whose legal rights are substantially similar to those of the dissenting class and if no class receives more than it is entitled to on account of its claims or interests. The Debtors believe that the Plan satisfies these requirements.

The Bankruptcy Code establishes different “fair and equitable” tests for secured claims, unsecured claims and equity interests, as follows:

a. Secured Creditors. Either (i) each holder of an impaired secured claim retains its liens securing its secured claim and receives on account of its secured claim deferred Cash payments having a present value equal to the amount of its allowed secured claim, (ii) each impaired secured creditor realizes the “indubitable equivalent” of its allowed secured claim, or (iii) the property securing the claim is sold free and clear of liens, with such liens attaching to the proceeds of the sale and the treatment of such liens on proceeds is as provided in clauses (i) or (ii) above.

b. Unsecured Creditors. Either (i) each holder of an impaired unsecured claim receives or retains under the plan property of a value equal to the amount of its allowed claim or (ii) the holders of claims and equity interests that are junior to the claims of the dissenting class will not receive or retain any property under the plan.

c. Interest Holders. Either (i) each holder of an equity interest will receive or retain under the plan property of a value equal to the greater of the fixed liquidation preference to which such holder is entitled, or the fixed redemption price to which such holder is entitled or the value of the equity interest, or (ii) the holders of equity interests that are junior to the nonaccepting class will not receive or retain any property under the plan.

**THE DEBTORS BELIEVE THAT THE PLAN MAY BE CONFIRMED ON A NONCONSENSUAL BASIS PROVIDED AT LEAST ONE IMPAIRED CLASS OF CLAIMS VOTES TO ACCEPT THE PLAN. ACCORDINGLY, THE DEBTORS WILL DEMONSTRATE AT THE CONFIRMATION HEARING THAT THE PLAN SATISFIES THE REQUIREMENTS OF SECTION 1129(b) OF THE BANKRUPTCY CODE AS TO ANY NON-ACCEPTING CLASS.**

### **3. *Feasibility***

Pursuant to section 1129(a)(11) of the Bankruptcy Code, among other things, the Bankruptcy Court must determine that Confirmation of the Plan is not likely to be followed by the liquidation or need for further financial reorganization of the Debtors or any successors to the Debtors under the Plan. This condition is often referred to as the “feasibility” of the Plan. The Debtors believe that the Plan satisfies this requirement.

For purposes of determining whether the Plan meets this requirement, the financial advisors of the Debtors have analyzed the Debtors’ ability to meet its obligations under the Plan. In conjunction with that analysis, the Debtors have prepared consolidated projected financial

results for each of the years ending 2016 through and including 2020. These financial Projections, and the assumptions on which they are based, are discussed in Section VII.A below and annexed hereto as Exhibit D (the “Projections”). Based upon the Projections, the Debtors believe that the Reorganized Debtors will be able to make all payments required pursuant to the Plan, and therefore, that Confirmation of the Plan is not likely to be followed by liquidation or the need for further reorganization. The Debtors also believe that they will be able to repay or refinance on commercially reasonable terms any and all of the indebtedness under the Plan at or prior to the maturity of such indebtedness.

The Debtors have prepared the Projections based upon certain assumptions that they believe to be reasonable under the current circumstances. Those assumptions the Debtors considered to be significant are described in the notes that are part of the Projections. The Projections have not been examined or compiled by independent accountants. Many of the assumptions on which the Projections are based are subject to significant uncertainties. Inevitably, some assumptions will not materialize, and unanticipated events and circumstances may affect the actual financial results. Therefore, the actual results achieved throughout the period covered by the Projections may vary from the projected results, and the variations may be material. All Holders of Claims that are entitled to vote to accept or reject the Plan are urged to examine carefully all of the assumptions on which the Projections are based in evaluating the Plan.

#### **4. *Best Interests Test***

The “best interests” test under section 1129 of the Bankruptcy Code requires as a condition to confirmation of a plan of reorganization that each holder of impaired claims or impaired interests receive property with a value not less than the amount such holder would receive in a chapter 7 liquidation. As indicated above, the Debtors believe that under the Plan, Holders of Impaired Claims and Impaired Interests will receive property with a value equal to or in excess of the value such Holders would receive in a liquidation of the Debtors under chapter 7 of the Bankruptcy Code. The chapter 7 liquidation analysis (the “Liquidation Analysis”), attached hereto as Exhibit B, demonstrates that the Plan satisfies the requirements of the “best interests” test.

To estimate potential returns to Holders of Claims and Interests in a chapter 7 liquidation, the Debtors determined, as might a Bankruptcy Court conducting such an analysis, the amount of liquidation proceeds that might be available for distribution (net of liquidation-related costs) and the allocation of such proceeds among the Classes of Claims and Interests based on their relative priority as set forth in the Bankruptcy Code. For a further description of the factors and data considered by the Debtors in connection with the Liquidation Analysis, please see Exhibit B, attached hereto.

In general, as to each entity, liquidation proceeds would be allocated in the following priority:

- first, to the Claims of secured creditors to the extent of the value of their collateral;

- second, to the costs, fees and expenses of the liquidation, as well as other administrative expenses of the Debtors' chapter 7 cases, including tax liabilities;
- third, to unpaid Administrative Expense Claims;
- fourth, to Priority Tax Claims and Priority Non-Tax Claims entitled to priority in payment under the Bankruptcy Code;
- fifth, to General Unsecured Claims; and
- sixth, to Interests.

The Debtors' liquidation costs in a chapter 7 case would include the compensation of a bankruptcy trustee, as well as compensation of counsel and other professionals retained by such trustee, asset disposition expenses, applicable taxes, litigation costs, Claims arising from the Debtors' operation during the pendency of the chapter 7 cases and all unpaid Administrative Expense Claims that are allowed in the chapter 7 case. The liquidation itself might trigger certain Priority Claims and would likely accelerate Claims or, in the case of taxes, make it likely that the Internal Revenue Service would assert all of its claims as Priority Tax Claims rather than asserting them in due course as is expected to occur under the Chapter 11 Cases. These Priority Claims would be paid in full out of the net liquidation proceeds, after payment of secured Claims, chapter 7 costs of administration and other Administrative Expense Claims, and before the balance would be made available to pay General Unsecured Claims or to make any distribution in respect of Interests.

The Liquidation Analysis is provided solely to discuss the effects of a hypothetical chapter 7 liquidation of the Debtors and is subject to the assumptions set forth below and in the Liquidation Analysis, attached hereto as Exhibit B. The Debtors cannot assure you that these assumptions would be accepted by a Bankruptcy Court. The chapter 7 Liquidation Analysis has not been independently audited or verified.

## **5.     *Liquidation Analysis***

The Liquidation Analysis is based upon a number of estimates and assumptions that are inherently subject to significant uncertainties and contingencies, many of which would be beyond the Debtors' control. Accordingly, while the analyses contained in the Liquidation Analysis are necessarily presented with numerical specificity, the Debtors cannot assure you that the values assumed would be realized if the Debtors were in fact liquidated, nor can the Debtors assure you that the Bankruptcy Court would accept this analysis or concur with these assumptions in making its determinations under section 1129(a) of the Bankruptcy Code.

**ACTUAL LIQUIDATION PROCEEDS COULD BE MATERIALLY LOWER OR HIGHER THAN THE AMOUNTS SET FORTH IN EXHIBIT B. NO REPRESENTATION OR WARRANTY CAN OR IS BEING MADE WITH RESPECT TO THE ACTUAL PROCEEDS THAT COULD BE RECEIVED IN A CHAPTER 7 LIQUIDATION OF THE DEBTORS. THE LIQUIDATION VALUATIONS HAVE**

**BEEN PREPARED SOLELY FOR PURPOSES OF ESTIMATING PROCEEDS AVAILABLE IN A CHAPTER 7 LIQUIDATION OF THE ESTATES AND DO NOT REPRESENT VALUES THAT MAY BE APPROPRIATE FOR ANY OTHER PURPOSE. NOTHING CONTAINED IN THESE VALUATIONS IS INTENDED TO OR MAY BE ASSERTED TO CONSTITUTE A CONCESSION OR ADMISSION OF THE DEBTORS FOR ANY OTHER PURPOSE.**

The Liquidation Analysis is based upon the Debtors' unaudited balance sheets as of August 31, 2016, with certain items projected forward to an assumed liquidation date of December 31, 2016, and assumes that the unaudited August 31, 2016, 2016 balance sheets are conservative proxies for the balance sheets that would exist at the time the chapter 7 liquidation would commence.

Under section 704 of the Bankruptcy Code, a chapter 7 trustee must, among other duties, collect and convert the property of a debtor's estate to Cash and close the estate as expeditiously as is compatible with the best interests of the parties-in-interest. Consistent with these requirements, it is assumed for purposes of the Liquidation Analysis that a liquidation of the Debtors would commence under the direction of a chapter 7 trustee appointed by the Bankruptcy Court and would continue for a period of three (3) months, during which time all of the Debtors' major assets would either be sold or conveyed to their respective lien holders, and the Cash proceeds of such sales, net of liquidation-related costs, would then be distributed to the Debtors' creditors. Although the liquidation of some assets might not require three months to accomplish, other assets would be more difficult to collect or sell and hence would require a liquidation period substantially longer than three (3) months.

As set forth in detail in the Liquidation Analysis, attached hereto as Exhibit B, the Debtors believe that the Plan will produce a greater recovery for the Holders of Claims and Interests than would be achieved in a chapter 7 liquidation. Consequently, the Debtors believe that the Plan, which provides for the continuation of the Debtors' businesses, will provide a substantially greater ultimate return to the Holders of Claims and Interests than would a chapter 7 liquidation.

## **VII. PROJECTED FINANCIAL INFORMATION AND REORGANIZATION VALUE**

### **A. PROJECTED FINANCIAL INFORMATION**

Attached as Exhibit D are the Projections prepared by the Debtors' management (with the assistance of their advisors), setting forth the *pro forma* projections of the intended business operations of the Reorganized Debtors.

The Projections set forth in Exhibit D reflect the Debtors' best judgment as to the cash flows of the Reorganized Debtors based upon assumptions the Debtors believe are reasonable; however, there can be no assurance that any of the assumptions on which they are based will prove to be accurate, that any of the forecasted expenses will not exceed assumptions or that the projected results will be realized. Actual results will be affected by several factors, including, without limitation, general economic and business conditions, successful implementation of business plans, third-party contractual relationships, sufficiency of working capital and sources

of funding, as well as other conditions that affect the capital markets, all of which can be materially adverse to the Reorganized Debtors.

THE PROJECTIONS WERE NOT PREPARED TO COMPLY WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND THE RULES AND REGULATIONS OF THE SEC. THE DEBTORS' INDEPENDENT ACCOUNTANTS HAVE NEITHER EXAMINED NOR COMPILED THE ACCOMPANYING PROJECTIONS AND ACCORDINGLY DO NOT EXPRESS AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT TO THE PROJECTIONS, ASSUME NO RESPONSIBILITY FOR THE PROJECTIONS AND DISCLAIM ANY ASSOCIATION WITH THE PROJECTIONS. EXCEPT FOR PURPOSES OF THIS DISCLOSURE STATEMENT, THE DEBTORS DO NOT PUBLISH PROJECTIONS OF THEIR ANTICIPATED FINANCIAL POSITION OR RESULTS OF OPERATIONS. EXCEPT AS MAY OTHERWISE BE PROVIDED IN THE PLAN OR THIS DISCLOSURE STATEMENT, THE DEBTORS DO NOT INTEND TO UPDATE OR OTHERWISE REVISE THESE PROJECTIONS TO REFLECT EVENTS OR CIRCUMSTANCES EXISTING OR ARISING AFTER THE DATE OF THIS DISCLOSURE STATEMENT OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS.

THE PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE NECESSARILY BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS THAT, THOUGH CONSIDERED REASONABLE BY THE DEBTORS, MAY NOT BE REALIZED, AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, COMPETITIVE, INDUSTRY, REGULATORY, MARKET AND FINANCIAL UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH WILL BE BEYOND THE REORGANIZED DEBTORS' CONTROL. THE DEBTORS CAUTION THAT NO REPRESENTATIONS CAN BE OR ARE MADE AS TO THE ACCURACY OF THE PROJECTIONS OR TO THE REORGANIZED DEBTORS' ABILITY TO ACHIEVE THE PROJECTED RESULTS. SOME ASSUMPTIONS INEVITABLY WILL BE INCORRECT. MOREOVER, EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE PROJECTIONS WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED, OR, ALTERNATIVELY, MAY HAVE BEEN UNANTICIPATED, AND THUS MAY AFFECT FINANCIAL RESULTS IN A MATERIAL AND POSSIBLY ADVERSE MANNER. THE PROJECTIONS, THEREFORE, MAY NOT BE RELIED UPON AS A GUARANTEE OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR. SEE ARTICLE IX, "CERTAIN RISK FACTORS TO BE CONSIDERED."

IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, HOLDERS OF CLAIMS MUST MAKE THEIR OWN DETERMINATIONS AS TO THE REASONABLENESS OF SUCH ASSUMPTIONS AND THE RELIABILITY OF THE PROJECTIONS AND SHOULD CONSULT WITH THEIR OWN ADVISORS.

## **B. REORGANIZATION VALUE**

In conjunction with formulating the Plan, the Debtors have estimated the post-Confirmation going-concern enterprise value of the Reorganized Debtor (the "Total Enterprise



Value”). At the Debtors’ request, Moelis, their investment banker, performed an analysis of the estimated reorganization value of Reorganized Debtor on a going-concern basis, annexed hereto as Exhibit E (the “Valuation Analysis”).

The Valuation Analysis is based on financial projections provided by the Debtors’ management for 2016–2020. Based on these financial projections and solely for the purposes of the Plan, the Debtors and Moelis estimate that the Total Enterprise Value of the Debtors falls within the range of approximately \$210 million to \$300 million. The Valuation Analysis is based on an assumed pro forma debt balance of approximately \$100 million at the Effective Date.

For a further description of the overview and methodology of the Valuation Analysis, please see Exhibit E.

## **VIII. DESCRIPTION OF CAPITAL STOCK OF REORGANIZED DEBTORS**

Pursuant to the Plan, Reorganized UCI will authorize the issuance of 20,000,000 shares, and will issue approximately 10,000,000 shares, of New Common Stock, on a fully diluted basis, for distribution to creditors as set forth herein (including up to 5% of the New Common Stock reserved for issuance pursuant to the Management Equity Incentive Plan). In connection with the Rights Offering, if any, Reorganized UCI shall issue the Rights Offering Stock, which entitle the holders thereof to purchase an aggregate of up to 15% of the New Common Stock based on the size of the offering.

## **IX. CERTAIN RISK FACTORS TO BE CONSIDERED**

THE IMPLEMENTATION OF THE PLAN IS SUBJECT TO A NUMBER OF MATERIAL RISKS, INCLUDING THOSE ENUMERATED BELOW.

IN EVALUATING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, HOLDERS OF CLAIMS AND INTEREST AGAINST ANY OF THE DEBTORS ENTITLED TO VOTE ON THE PLAN SHOULD READ AND CAREFULLY CONSIDER THE RISK FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HERewith AND/OR INCORPORATED BY REFERENCE HEREIN), PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION, OR ALTERNATIVES TO THE PLAN.

THESE RISK FACTORS CONTAIN CERTAIN STATEMENTS THAT ARE “FORWARD-LOOKING STATEMENTS” WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THESE STATEMENTS ARE SUBJECT TO A NUMBER OF ASSUMPTIONS, RISKS AND UNCERTAINTIES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE COMPANY, INCLUDING THE IMPLEMENTATION OF THE PLAN, THE CONTINUING AVAILABILITY OF SUFFICIENT BORROWING CAPACITY OR OTHER FINANCING TO FUND

OPERATIONS, VOLATILITY IN AND DISRUPTION TO THE GLOBAL ECONOMIC ENVIRONMENT, THE PRICES AT WHICH THE COMPANY CAN SELL ITS PRODUCTS, ADVERSE CREDIT CONDITIONS, COMPETITION AND PRICING PRESSURE, THE AVAILABILITY AND COST OF RAW MATERIALS, SHIFTS IN CUSTOMER AND CONSUMER PREFERENCES INCLUDING SHIFTS IN DEMAND FROM PREMIUM TO VALUE BRANDS OR SHIFTS IN DEMAND FROM DOMESTIC TO FOREIGN MADE VEHICLES, CRUDE OIL AND ENERGY PRICES, RELATIONSHIPS WITH LARGE SUPPLIERS AND CUSTOMERS INCLUDING RISKS RELATING TO CONCENTRATION IN SALES, THE SHORT-TERM NATURE OF THE COMPANY'S CONTRACTS WITH CUSTOMERS, CHANGES IN CREDIT TERMS FROM SUPPLIERS, UNCERTAINTIES ASSOCIATED WITH THE COMPANY'S INTERNATIONAL OPERATIONS, CURRENCY EXCHANGE RATE FLUCTUATIONS, THE DEVELOPMENT OF NEW TECHNOLOGIES, ECONOMIC DOWNTURN, NATURAL DISASTERS AND UNUSUAL WEATHER CONDITIONS, TERRORIST ACTIONS OR ACTS OF WAR, OPERATING EFFICIENCIES, LABOR RELATIONS AND POTENTIAL WORK STOPPAGES, ACTIONS OF GOVERNMENTAL BODIES AND OTHER BROADER MARKET AND COMPETITIVE CONDITIONS. HOLDERS OF CLAIMS AND INTERESTS ARE CAUTIONED THAT THE FORWARD-LOOKING STATEMENTS SPEAK AS OF THE DATE MADE AND ARE NOT GUARANTEES OF FUTURE PERFORMANCE. ACTUAL RESULTS OR DEVELOPMENTS MAY DIFFER MATERIALLY FROM THE EXPECTATIONS EXPRESSED OR IMPLIED IN THE FORWARD-LOOKING STATEMENTS. NO PARTY, INCLUDING, WITHOUT LIMITATION, THE DEBTORS OR THE REORGANIZED DEBTORS, UNDERTAKES AN OBLIGATION TO UPDATE ANY SUCH STATEMENTS.

**A. GENERAL BANKRUPTCY LAW CONSIDERATIONS**

**1. *Failure to Obtain Confirmation of the Plan May Result in Liquidation or Alternative Plan on Less Favorable Terms***

Although the Debtors believe that the Plan will satisfy all requirements for Confirmation under the Bankruptcy Code, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications to the Plan will not be required for Confirmation or that such modifications would not be sufficiently material as to necessitate the resolicitation of votes on the Plan.

The Plan provides that the Debtors reserve the right to seek Confirmation of the Plan under section 1129(b) of the Bankruptcy Code, to the extent applicable, in view of the deemed rejection by Classes H and I. In the event that any Class of Claims entitled to vote fails to accept the Plan in accordance with sections 1126(c) and 1129(a)(8) of the Bankruptcy Code, the Debtors reserve the right: (a) to request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code; and/or (b) to modify the Plan in accordance with Section 12.9 thereof. While the Debtors believe that the Plan satisfies the requirements for nonconsensual Confirmation under section 1129(b) of the Bankruptcy Code because it does not “discriminate unfairly” and is “fair and equitable” with respect to the Classes that reject or are deemed to reject the Plan, there can be no assurance that the Bankruptcy Court will reach the same conclusion. In addition, there can be no assurance that any challenge to the

requirements for nonconsensual Confirmation will not delay the Debtors' emergence from chapter 11 or prevent Confirmation of the Plan.

If the Plan is not confirmed there can be no assurance that the Chapter 11 Cases will continue rather than be converted into chapter 7 liquidation cases or that any alternative plan or plans of reorganization would be on terms as favorable to the Holders of Claims against any of the Debtors as the terms of the Plan. If a liquidation or protracted reorganization of the Debtors' Estates were to occur, there is a substantial risk that the Debtors' going concern value would be substantially eroded to the detriment of all stakeholders.

## **2. *Risks Associated with Resolicitation***

In the event that the Debtors resolicit acceptances of the Plan from parties entitled to vote thereon, Confirmation of the Plan could be delayed and possibly jeopardized. Non-Confirmation of the Plan could result in an extended chapter 11 proceeding, during which time the Debtors could experience significant deterioration in the Debtors' relationships with trade vendors and major customers.

## **3. *Nonacceptance of the Plan-Confirmation by Nonconsensual "Cram Down"***

The Plan provides that two Classes of Claims and Interests are deemed to reject the Plan. The Bankruptcy Court nevertheless may confirm the Plan at the Debtors' request pursuant to the "cram down" provisions of the Bankruptcy Code if at least one Impaired Class of Claims has accepted the Plan (with such acceptance being determined without including the acceptance of any "insider" in such class) and, as to each Impaired Class that has not accepted the Plan, the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to such Impaired Class.

Although the Debtors believe that the Plan will meet such tests, the Debtors cannot assure you that the Bankruptcy Court would reach the same conclusion. If the Bankruptcy Court does not confirm the Plan, the Debtors may pursue one of the following alternatives: (i) confirmation of an alternative plan of reorganization under chapter 11 of the Bankruptcy Code, (ii) dismissal of the Chapter 11 Cases or (iii) liquidation of the Debtors under chapter 7 or chapter 11 of the Bankruptcy Code.

## **4. *Undue Delay in Confirmation of the Plan May Disrupt the Debtors' Operations***

It is possible that the Chapter 11 Cases could evolve into lengthy and contested cases, the results of which cannot be predicted.

The Bankruptcy Court could decline to confirm the Plan if it were to find that any statutory conditions to Confirmation had not been met, including that the terms of the Plan are fair and equitable to nonaccepting Classes. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, a finding by the Bankruptcy Court that the Plan "does not unfairly discriminate" and is "fair and equitable" with respect to any nonaccepting Classes, that the Confirmation of the Plan is not likely to be followed by a

liquidation or a need for further financial reorganization and that the value of distributions to nonaccepting Holders of Impaired Claims and Impaired Interests will not be less than the value of distributions such Holders would receive if the Company were liquidated under chapter 7 of the Bankruptcy Code. Although the Debtors believe that the Plan will meet such tests, there can be no assurance that the Bankruptcy Court would reach the same conclusion.

The Confirmation and consummation of the Plan also are subject to certain other conditions. No assurance can be given that these conditions will be satisfied.

If the Plan is not confirmed in a timely manner, it is unclear whether the transactions contemplated thereby could be implemented and what Holders of Claims and Interests would ultimately receive in respect of their Claims and Interests. If an alternative plan of reorganization could not be agreed to, it is possible that the Debtors would have to liquidate their assets, in which case it is likely that Holders of Claims would receive less than they would have received pursuant to the Plan. Moreover, non-Confirmation of the Plan could result in an extended chapter 11 proceeding, during which time the Debtors could experience significant deterioration in their relationships with trade vendors and major customers. Furthermore, if the Effective Date is significantly delayed, there is a risk that certain material restructuring agreements may expire or be terminated in accordance with their terms.

#### **5. *Alternatives to Confirmation and Consummation of the Plan***

There can be no assurance that the Plan will be confirmed or consummated. If the Debtors commence the Chapter 11 Cases and the Plan is not subsequently confirmed by the Bankruptcy Court and consummated, the alternatives include (i) confirmation of an alternative plan of reorganization under chapter 11 of the Bankruptcy Code, (ii) dismissal of the Chapter 11 Cases or (iii) liquidation of the Debtors under chapter 7 or chapter 11 of the Bankruptcy Code. The Debtors believe the Plan is significantly more attractive than these alternatives because the Debtors believe, among other things, that it will minimize disputes concerning their reorganization, significantly shorten the time required to accomplish the reorganization, reduce the expenses of a case under chapter 11 of the Bankruptcy Code, minimize the disruption to the Debtors' business that would result from a protracted and contested bankruptcy case and ultimately result in a larger distribution to creditors than would other types of reorganizations under chapter 11 of the Bankruptcy Code or a liquidation under chapter 7 of the Bankruptcy Code.

#### **6. *Failure to Obtain Confirmation of the Plan May Result in Liquidation or Alternative Plan on Less Favorable Terms***

Although the Debtors believe that the Plan will satisfy all requirements for Confirmation under the Bankruptcy Code, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications to the Plan will not be required for Confirmation or that such modifications would not be sufficiently material as to necessitate the resolicitation of votes on the Plan.

The Plan provides that the Debtors reserve the right to seek Confirmation of the Plan under section 1129(b) of the Bankruptcy Code, to the extent applicable, in view of the deemed

rejection by Classes H and I. While the Debtors believe that the Plan satisfies the requirements for nonconsensual Confirmation under section 1129(b) of the Bankruptcy Code because it does not “discriminate unfairly” and is “fair and equitable” with respect to the Classes that are deemed to reject the Plan, there can be no assurance that the Bankruptcy Court will reach the same conclusion. There can be no assurance that any such challenge to the requirements for nonconsensual Confirmation will not delay the Debtors’ emergence from chapter 11 or prevent Confirmation of the Plan.

If the Plan is not confirmed, there can be no assurance that the Chapter 11 Cases will continue rather than be converted into chapter 7 liquidation cases or that any alternative plan or plans of reorganization would be on terms as favorable to the Holders of Claims against either of the Debtors as the terms of the Plan. If a liquidation or protracted reorganization of the Debtors’ Estates were to occur, there is a substantial risk that the Debtors’ going concern value would be substantially eroded to the detriment of all stakeholders.

**B. OTHER RISK FACTORS, INCLUDING RISKS RELATING TO THE DEBTORS’ BUSINESS**

**1. *Variances from Projections May Affect Ability to Pay Obligations***

The Debtors have prepared the projected financial information contained in this Disclosure Statement relating to the Reorganized Debtors in connection with the development of the Plan and in order to present the anticipated effects of the Plan and the transactions contemplated thereby. The Projections are intended to illustrate the estimated effects of the Plan and certain related transactions on the results of operations, cash flow and financial position of the Reorganized Debtors for the periods indicated. The Projections are qualified by the introductory paragraphs thereto and the accompanying assumptions, and must be read in conjunction with such introductory paragraphs and assumptions, which constitute an integral part of the Projections. The Projections are based upon a variety of assumptions as set forth therein, and the Reorganized Debtors’ future operating results are subject to and likely to be affected by a number of factors, including significant business, economic and competitive uncertainties, many of which are beyond the control of the Reorganized Debtors. In addition, unanticipated events and circumstances occurring subsequent to the date of this Disclosure Statement may affect the actual financial results of the Reorganized Debtors’ operations. Accordingly, actual results may vary materially from those shown in the Projections, which may adversely affect the ability of the Reorganized Debtors to pay the obligations owing to certain Holders of Claims and Interests entitled to distributions under the Plan and other indebtedness incurred after Confirmation of the Plan. In addition, pursuant to the *Order (I) Establishing Bar Dates for Filing Claims and (II) Approving the Form and Manner of Notice Thereof* [D.I. 427] (the “Bar Date Order”), the date by which governmental units must file proofs of claim in these chapter 11 cases is currently set for November 29, 2016. The claims by such governmental units may be larger than what the Debtors have estimated, which may adversely affect the ability of the Reorganized Debtors to pay the obligations owing to certain Holders of Claims and Interests entitled to distributions under the Plan.

Management believes that the industries in which the Reorganized Debtors will be operating are volatile due to numerous factors, all of which make accurate forecasting very

difficult. Although it is not possible to predict all risks associated with the Projections and their underlying assumptions, there are some risks which management is presently able to identify. The Projections assume that all aspects of the Plan will be successfully implemented on the terms set forth in this Disclosure Statement and that the publicity associated with the bankruptcy proceeding contemplated by the Plan will not adversely affect the Reorganized Debtors' operating results. There can be no assurance that these two assumptions are accurate, and the failure of the Plan to be successfully implemented, or adverse publicity, could have a materially detrimental effect on the Reorganized Debtors' business, results of operations and financial condition.

Moreover, the Projections were not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information. Rather, the Projections were developed in connection with the planning, negotiation and development of the Plan. The Reorganized Debtors do not undertake any obligation to update or otherwise revise the Projections to reflect events or circumstances existing or arising after the date of this Disclosure Statement or to reflect the occurrence of unanticipated events. In management's view, however, the Projections were prepared on a reasonable basis and represent a reasonable view of the expected future financial performance of the Reorganized Debtors after the Effective Date. Nevertheless, the Projections should not be regarded as a representation, guaranty or other assurance by the Debtors, the Reorganized Debtors or any other person that the Projections will be achieved and holders are therefore cautioned not to place undue reliance on the projected financial information contained in this Disclosure Statement.

**2. *Volatility in and Disruption to the Global Economic Environment May Materially and Adversely Affect the Debtors' Business, Financial Condition and Results of Operations***

The state of the global economy has an impact on consumer discretionary spending and driving habits, both of which affect the demand for the Debtors' automotive products. Consumer driving habits are impacted by economic conditions with weak conditions generally leading to a reduction in miles driven. The increases in miles driven in recent years have been small and intermittent. In addition, demand for automotive products such as the Debtors' is linked to consumer demand for automobiles, which is impacted by the economic environment. Difficult economic conditions may cause changes to the business models, products, financial condition or consumer financing and rebate programs of the OEMs, adversely affecting the number of cars produced and purchased. If economic conditions deteriorate, consumer demand for automotive products may decline which may result in a material adverse impact on the Debtors' business and operating results.

**3. *The Economic Environment and Adverse Credit Market Conditions May Significantly Affect the Debtors' Ability to Meet Liquidity Needs and May Materially and Adversely Affect the Financial Soundness of the Debtors' Customers and Suppliers***

Volatility and disruption in the capital and credit markets may exert downward pressure on the availability of liquidity and credit capacity for many companies. The Debtors need



liquidity to pay their operating expenses, interest on their debt and capital expenditures. Without sufficient liquidity, the Debtors will be forced to curtail their operations and their business will suffer. In addition to the potential liquidity risks the Debtors face, some of their customers and suppliers could experience serious cash flow problems and, as a result, may find it difficult to obtain financing, if financing is available at all.

**4. *The Debtors Face Competition and Increasing Pricing Pressure in Their Markets and, Therefore, Lower-Cost Production and Successful Cost Savings Actions May Be Required to Be Able to Compete Effectively***

The Debtors operate in some very competitive markets and the Debtors compete against numerous different types of businesses, some of which have greater financial or other types of resources than they do. The trend toward consolidation and bankruptcies among automotive parts suppliers is resulting in fewer, larger suppliers who benefit from purchasing and distribution economies of scale. If the Debtors cannot achieve cost savings and operational improvements sufficient to allow them to compete favorably in the future with these larger companies, the Debtors' financial condition and results of operations could be adversely affected due to a reduction of, or inability to increase, sales. In addition, price competition from light vehicle aftermarket suppliers, particularly those based in Asia and other locations with lower production costs, have historically played a role and are playing an increasing role in the aftermarket channels in which the Debtors compete.

**5. *Assumptions Regarding Value of the Debtors' Assets May Prove Incorrect***

It has been generally assumed in the preparation of the Projections that the historical book value of the Debtors' assets approximates those assets' fair value, except for specific adjustments. For financial reporting purposes, the fair value of the Debtors' assets must be determined as of the Effective Date. This determination will be based on an independent valuation. Although the Debtors do not presently expect this valuation to result in values that are materially greater or less than the values assumed in the preparation of the Projections, the Debtors can make no assurances with respect thereto.

**6. *Historical Financial Information May Not Be Comparable***

As a result of the consummation of the Plan and the transactions contemplated thereby, as well as the recent unwinding of the joint services agreements with the Debtors' former affiliates Rank and APH, the financial condition and results of operations of the Reorganized Debtors from and after the Effective Date may not be comparable to the financial condition or results of operations reflected in the Debtors' historical financial statements.

**7. *Market and Business Risks May Adversely Affect Business Performance***

In the normal course of business, the Debtors are subject to the following types of risks and variables, which the Debtors anticipate may materially affect their business performance following the Effective Date:



- The Debtors' ability to generate cost savings and manufacturing and operational efficiencies sufficient to achieve the financial performance set forth in the Projections, including, but not limited to, initiatives to obtain new business and to generate and manage working capital consistent with the Projections and the underlying assumptions thereto;
- The continued introduction of new and improved products, which include original equipment water and fuel pumps with increased reliability and durability, and increased intervals for oil changes, pose downward pressure on the Debtors' revenues related to aftermarket parts;
- The ability of the Debtors to replace key original equipment programs which have long sales cycles creates a risk to the projected revenue and profitability;
- Increased crude oil and energy prices and overall global economic conditions could reduce demand for and use of automobiles, which could have an adverse effect on the Debtors' revenue and profitability;
- The shift in demand from premium to value brands may require the Debtors to produce value products at the expense of premium products, resulting in lower prices, thereby decreasing net sales and reducing margins;
- Entering new markets and developing new products require increased investment and pose commercial risks;
- Variations in the financial or operational condition of the Debtors' significant customers and suppliers pose a risk to continued sales and continuity of supply;
- Contracts with customers are generally short-term and do not require the purchase of a minimum amount;
- The loss of a number of suppliers could adversely affect results of operations;
- Customers deciding to source product from suppliers in low-cost countries could adversely affect revenue and profitability;
- Materials shortages, shipping and distribution delays or other difficulties in markets where the Debtors purchase supplies for the manufacturing of their products;
- Significant work stoppages (whether at the Debtors' facilities or at the facilities of the Debtors' customers), disputes or any other difficulties in labor markets where the Debtors obtain materials necessary for the manufacturing of their products or where their products are manufactured, distributed or sold;

- Increased availability of lower-priced alternatives to the Debtors' products;
- Fluctuations in interest rates;
- The Debtors maintain a global operation including manufacturing facilities outside of the United States as well as key sourcing of components on a worldwide basis subjecting to Debtors to uncertainties related to the political, labor, security, and currency environment in multiple countries such as China, Mexico, and Spain, which could affect the Debtors' operating results;
- International operations being subject to uncertainties that could affect the Debtors' operating results;
- Risks associated with changing manufacturing techniques, which could place the Debtors at a competitive disadvantage;
- Changes or imbalances in currency exchange and other rates;
- Increased operating costs;
- Changes in prices and supply of raw materials and component costs;
- Changes in credit terms offered by the Debtors' suppliers;
- Consolidation of the Debtors' customers;
- An inability to sell receivables pursuant to factoring arrangements;
- The Debtors' ability to obtain Cash adequate to funds their needs, including the borrowings available under the First Lien Exit Facility and Second Lien Exit Facility or Second Lien Rights Offering;
- Pension liabilities adversely impacting the Debtors' business;
- Risks that the Debtors' intellectual property may be misappropriated or subject to claims of infringement;
- A breach of information security, including a cybersecurity breach or failure of one or more key information technology systems, networks, processes, associated sites or service providers could have a material adverse impact on the Debtors' business or reputation;
- Various worldwide economic and political factors, changes in economic conditions, currency fluctuations and devaluations, credit risks in foreign

markets or political instability in foreign countries where the Debtors have manufacturing operations or suppliers;

- Physical damage to or loss of significant manufacturing or distribution property, plant and equipment due to fire, weather or other factors beyond the Debtors' control;
- Legislative activities of governments, agencies and similar organizations, both in the United States and in foreign countries, that may affect the operations of the Debtors;
- Legal actions and claims of undetermined merit and amount involving, among other things, product liability, recalls of products manufactured or sold by the Debtors and environmental and safety issues involving the Debtors' products or facilities; and
- Possible terrorist attacks or acts of aggression or war, which could exacerbate other risks such as slowed production or interruptions in the shipping and distribution systems.

**8. *The Debtors' Relationships with Advance, AutoZone, GM and Ford Create Risks Associated with Concentrated Net Sales Sources; Failure to Maintain Customer Relationships May Adversely Affect Financial Results***

The Debtors generate a large percentage of their net sales from business with Advance, AutoZone and GM, but the Debtors cannot be certain that they will continue to purchase from the Debtors. Net sales to these three customers accounted for 39.8%, 42.6% and 39.9% of the Company's total net sales for the years ended December 31, 2015, 2014 and 2013, respectively. In 2016, year to date through June, these three customers, plus Ford, represent 44.2% of net sales. The loss of one or more major customers, or a material reduction in sales to these customers as a result of competition or other factors, would have a material adverse effect on the Debtors' results of operations.

**9. *Certain Non-Debtor Subsidiaries May Be Adversely Impacted by the Terms of the Plan***

Pursuant to the Plan, the non-Debtor subsidiaries of the Debtors will not be receiving a release or discharge in connection with claims or causes of action that may be asserted by Holders of Claims against the Debtors that will otherwise be treated under the Plan. In certain circumstances, Holders may hold Claims against both the Debtors and non-Debtor subsidiaries (on the basis of joint and several liability or otherwise) and, accordingly, may pursue such claims or causes of action against the Non-Debtor subsidiaries prior to or following the Effective Date. If such claims or causes of action against non-Debtor subsidiaries were ultimately successful, satisfying such liabilities could have a material adverse effect on the non-Debtor subsidiaries' financial condition and results of operations.

**10. *Net Sales to Non-Debtor Affiliates May Decline and Adversely Affect Financial Results***

As a result of the recent unwinding of the joint services agreements with the Debtors' former affiliates Rank and APH, net sales to certain non-Debtor affiliates will likely be impacted. In 2016, year to date through June, the Debtors had sales to their APH of approximately \$23.5 million, which is expected to decline over time. A material reduction in sales to APH could have a material adverse impact on the Debtors' results of operations.

**11. *Failure to Attract and Maintain the Types of Employees the Debtors Need to Remain Competitive May Adversely Affect Financial Results***

Among the Debtors' most valuable assets are their highly skilled professionals who have the ability to leave the Debtors and deprive the Debtors of valuable skills and knowledge that contribute substantially to their business operations. The Debtors' continued operation depends in part on the ability to recruit, retain and motivate highly skilled sales, marketing and engineering personnel. Competition for persons in the Debtors' industry is intense and the Debtors may not be able to successfully recruit, train or retain qualified personnel. Although the Debtors have tried to maintain the confidence and dedication of their personnel through the pendency of the Chapter 11 Cases, the Debtors cannot be sure that they will ultimately be able to do so and, if not, that they will be able to replace such personnel with comparable personnel. In addition, the Debtors cannot be sure that such key personnel will not leave after consummation of the Plan and emergence from chapter 11. Further attrition may hinder the Reorganized Debtors' ability to operate efficiently, which could have a material adverse effect on their results of operations and financial condition.

**12. *Environmental, Health and Safety Laws and Regulations May Impose Significant Compliance Costs and Liabilities on the Debtors and Cost of Compliance with Government Regulation May Adversely Affect Financial Results***

The Debtors are subject to many environmental, health and safety laws and regulations governing emissions to air, discharges to water, the generation and the handling and disposal of waste. In addition, as owners and operators of industrial properties, the Debtors could incur costs relating to the investigation and cleanup of such properties, particularly in the context of closure or sale.. The Debtors are also subject to various additional foreign, federal, state and local laws and regulations that affect the conduct of their operations. The Debtors cannot assure you that compliance with these laws and regulations, the presence of contamination on Debtor facilities, or the adoption of modified or additional laws and regulations will not require large expenditures by the Debtors or otherwise have a significant effect on the Debtors' financial condition or results of operations.

As stated in Section II.C of the Disclosure Statement, Airtex has ceased operations at its manufacturing and distribution facilities in Fairfield, Illinois and transferred production to a joint ASC-Airtex facility in Puebla, Mexico, operated by a non-Debtor subsidiary, and is in the process of transferring distribution to an ASC facility in North Canton, Ohio. The Debtors are in the process of closing down the manufacturing and distribution facilities and marketing them for sale. As part of the process of closing down the Fairfield, Illinois facilities, the Debtors have

agreed to conduct certain environmental testing. Airtex is planning to conduct soil and groundwater sampling at Plants 1 and 2 during the remainder of 2016 in preparation for the potential sale of those properties. Plant 2 received a No Further Action letter from IEPA in 2012 in connection with groundwater and soil conditions at that property. In response to new IEPA policies regarding evaluation of potential vapor intrusion issues in connection with No Further Action Letters, however, Airtex has agreed to evaluate off-site groundwater and soil gas issues to confirm the 2012 finding that no further action is warranted. As required by the regulations governing hazardous waste handling at the facility (35 Ill. Adm. Code 725), Airtex is also planning to conduct formal closure activities at Plant 1. Those activities include cleaning and removal of old equipment, as well as soil and groundwater sampling to confirm that historical operations did not impact the environment. The City of Fairfield also has requested Airtex to investigate whether the Airtex Plant 1 facility is a potential source of the City's reported detection of small amounts of an industrial solvent in a city sewer located near Plant 1. Airtex has agreed to collect soil and groundwater samples in an effort to identify potential on-site sources of such solvents and define the extent of any such impacts. These investigations will be implemented in the near future and the results of these tests will be available over the next few months. Depending on these results, Airtex could potentially be obligated to undertake further cleanup activities relating to its Fairfield properties. However, the Debtors believe they would have sufficient liquidity to address such costs.

### **13. *Other Suppliers May Have a Competitive Advantage***

The markets in which the Debtors operate are highly competitive. The Debtors' ability to be an effective competitor will depend upon the Debtors' competitiveness on the basis of a number of considerations, including product performance, quality of customer service and support, timely delivery and price. Customers demand a broad product range, and the Debtors must continue to develop the Debtors' expertise in order to manufacture and market these products successfully. Although the Debtors have significant market positions in each of the Debtors' product lines, current customers may not continue to purchase the Debtors' products, and the Debtors may not be successful in preventing customers from seeking alternative suppliers due to continuing downward price pressure in the markets that the Debtors operate in, possibly resulting in lost revenue.

## **C. RISKS RELATED TO ISSUANCE OF NEW COMMON STOCK**

The ultimate recoveries under the Plan to Holders of Claims in Classes D and E that elect to receive New Common Stock pursuant to the Plan will depend on the realizable value of the New Common Stock. The securities to be issued pursuant to the Plan, including the New Common Stock, are subject to a number of material risks, including, but not limited to, those specified below. Prior to voting on the Plan, each Holder of Claims in Classes D and E should carefully consider the risk factors specified or referred to below, as well as all of the information contained in the Plan.

### **1. *No Trading Market for the New Common Stock May Develop***

On the Effective Date, the New Common Stock will not be listed for public trading on any securities exchange, the Reorganized Debtors will not be reporting companies under the

Securities Exchange Act of 1934, and the Reorganized Debtors shall not be required to file reports with the SEC or any other governmental entity. Therefore, it is unclear what market, if any, will develop for the New Common Stock. As such, the New Common Stock may constitute a highly illiquid investment.

## **2. *There May Be Risks Related to the Issuance of the New Common Stock***

In connection with the restructuring pursuant to the Plan under chapter 11 of the Bankruptcy Code, the Debtors will rely on section 1145 of the Bankruptcy Code to exempt the issuance of the New Common Stock from the registration requirements of the Securities Act (and of any state securities or “blue sky” laws). Section 1145 exempts from registration the sale of a debtor’s securities under a chapter 11 plan if such securities are offered or sold in exchange for a claim against, or equity interest in, or a claim for an administrative expense in a case concerning, such debtor. In reliance upon this exemption, the issuance of the New Common Stock will generally be exempt from the registration requirements of the Securities Act. Accordingly, recipients will be able to resell the New Common Stock without registration under the Securities Act or other federal securities laws, unless the recipient is an “underwriter” with respect to such securities, within the meaning of section 1145(b) of the Bankruptcy Code.

Section 1145(b) of the Bankruptcy Code defines “underwriter” as one who (a) purchases a claim with a view to distribution of any security to be received in exchange for the claim, or (b) offers to sell securities issued under a plan for the holders of such securities, or (c) offers to buy securities issued under a plan from persons receiving such securities, if the offer to buy is made with a view to distribution, or (d) is an “issuer” of the relevant security, as such term is used in section 2(11) of the Securities Act.

Notwithstanding the foregoing, statutory underwriters may be able to sell securities without registration pursuant to the nonexclusive safe harbors provided in Rule 144 and/or Rule 144A under the Securities Act. Parties that believe that they may be statutory underwriters as defined in section 1145(b) of the Bankruptcy Code are advised to consult with their own counsel as to the availability and requirements of the nonexclusive exemptions provided by Rule 144 and Rule 144A. There can be no assurance that any market for the New Common Stock will develop or be sustained. If an active market does not develop or is not sustained, the market price and liquidity of the New Common Stock may be adversely affected. The liquidity of any market for the New Common Stock will depend on a number of factors, including, without limitation:

- the number of holders of the New Common Stock;
- the Reorganized Debtors’ operating performance and financial condition;
- the market for similar securities;
- the Reorganized Debtors’ credit rating; and
- the interest of securities dealers in making a market in the New Common Stock.

### **3. *Value of New Common Stock May Be Diluted***

The Debtors contemplate the issuance of warrants under the Plan. The issuance of options or warrants to purchase New Common Stock or the issuance of additional shares of New Common Stock following the Effective Date would dilute the ownership percentage represented by the New Common Stock distributed pursuant to the Plan.

### **4. *Concentration of Ownership of Voting Stock***

After the Effective Date, the Debtors anticipate that a majority of the New Common Stock of New Holdings will be owned by a small number of holders. As a result, and pursuant to the terms of the Certificate of Incorporation and the Shareholders Agreement, these stockholders will have significant voting power, and such holders may exercise any resulting voting power in their own interests and not necessarily in the interests of other stakeholders of Reorganized UCI. The extent of ownership by these stockholders also may discourage a potential acquirer from making an offer to acquire the Reorganized Debtors and could result of deterring, delaying or preventing a beneficial change of control. Reduced likelihood of an acquisition could reduce the value of the New Common Stock.

## **X. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

### **A. INTRODUCTION**

The following discussion is a summary of certain U.S. federal income tax consequences of the consummation of the Plan to the Debtors and to certain Holders of Claims. Except as otherwise described herein, the following summary does not address the U.S. federal income tax consequences to Holders of Claims not entitled to vote to accept or reject the Plan. This summary is based on the IRC, the U.S. Treasury Regulations promulgated thereunder, judicial authorities, published administrative positions of the U.S. Internal Revenue Service (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. Legislative, judicial or administrative changes or interpretations hereafter enacted could alter or modify the analysis and conclusions set forth below. Due to the lack of definitive judicial and administrative authority in a number of areas, substantial uncertainty may exist with respect to some of the tax consequences described below. No opinion of counsel has been obtained and the Debtors do not intend to seek a ruling from the IRS as to any of the tax consequences of the Plan discussed below. The discussion below is not binding upon the IRS or the Bankruptcy Courts. No assurance can be given that the IRS would not assert, or that a Bankruptcy Court would not sustain, a different position than any position discussed herein. Except as otherwise discussed herein, this summary does not address the U.S. federal income tax consequences to Holders of Claims that are not “United States persons” (within the meaning of section 7701(a)(30) of the IRC). This discussion does not purport to address all aspects of U.S. federal income taxation that may be relevant to the Debtors or to certain Holders in light of their individual circumstances. This discussion does not address tax issues with respect to Holders subject to special treatment under the U.S. federal income tax laws (including, for example, banks, governmental authorities or agencies, pass-through entities, subchapter S corporations, dealers and traders in securities,



insurance companies, financial institutions, tax-exempt organizations, small business investment companies, foreign taxpayers, persons who are related to the Debtors within the meaning of the IRC, persons using a mark-to-market method of accounting, Holders of Claims who are themselves in bankruptcy, and regulated investment companies and those holding, or who will hold, Claims, debt of Reorganized UCI, New Common Stock, or New Common Stock Warrants as part of a hedge, straddle, conversion, or other integrated transaction). No aspect of state, local, estate, gift, or non-U.S. taxation is addressed. Furthermore, this summary assumes that a Holder of a Claim holds only Claims in a single Class and that each Holder holds its Claim as a “capital asset” (within the meaning of section 1221 of the IRC). In addition, this summary does not discuss the consequences of owning New Common Stock. Except as stated otherwise, this summary also assumes that the various debt and other arrangements to which the Debtors are a party will be respected for U.S. federal income tax purposes in accordance with their form.

The discussion herein does not address the consequences to the Backstop Parties resulting from their Backstop Commitment pursuant to the Backstop Agreement, including any changes to such Holders to the expected tax treatment described herein for transactions pursuant to the Plan. The Backstop Parties are urged to consult their own tax advisors as to the expected tax consequences to them of participating in the Backstop Commitment.

**ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF THE PLAN.**

**B. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO THE DEBTORS**

**1. *Cancellation of Debt and Reduction of Tax Attributes***

Absent an exception, a debtor will recognize cancellation of debt income (“COD Income”) upon satisfaction of its outstanding indebtedness for total consideration less than the amount of such indebtedness. The amount of COD Income, in general, is the excess of (a) the adjusted issue price of the indebtedness satisfied, over (b) the sum of (x) the amount of Cash paid, (y) the issue price of any new indebtedness of the taxpayer issued and (z) the fair market value of any new consideration (including equity) given in satisfaction of such indebtedness at the time of the exchange.

A debtor will not, however, be required to include any amount of COD Income in gross income if the debtor is under the jurisdiction of a bankruptcy court in a case under chapter 11 of the Bankruptcy Code and the discharge of debt occurs pursuant to that proceeding. Instead, as a consequence of such exclusion, a debtor must reduce its tax attributes by the amount of COD Income that it excluded from gross income. In general, tax attributes will be reduced in the following order: (a) NOLs; (b) most tax credits; (c) capital loss carryovers; (d) tax basis in assets; (e) passive activity loss and credit carryovers; and (f) foreign tax credits. A debtor with COD

Income may elect first to reduce the basis of its depreciable assets pursuant to section 108(b)(5) of the IRC. Absent such election, a debtor's tax basis in its assets cannot be reduced below the total amount of its liabilities outstanding immediately after the discharge. In the context of a group of corporations filing a consolidated federal income tax return, special rules apply to determine how the tax attributes of the group are reduced.

Because the Plan provides that Holders of Allowed Senior Notes Claims and Allowed General Unsecured Claims will receive New Common Stock, the amount of COD Income, and accordingly the amount of tax attributes required to be reduced, will depend in part on the fair market value of the New Common Stock. This value cannot be known with certainty until after the Effective Date. However, as a result of the consummation of the Plan, the Debtors currently expect that their federal NOLs (estimated to be approximately \$111 million as of the Petition Date) will be eliminated and there may be material reductions in, or elimination of, other tax attributes. The Debtors do not currently anticipate making the election under section 108(b)(5) of the IRC to reduce basis in depreciable assets prior to reducing NOLs. The impact of this reduction in attributes has been estimated in the Financial Projections but is subject to a number of material uncertainties.

## **2. *Limitation of Tax Attributes***

As noted above, the Debtors currently expect that their federal NOLs will be eliminated as a result of the bankruptcy exception to inclusion of COD Income. The amount of remaining tax attributes that will be available to the Reorganized Debtors at emergence is based on a number of factors and is impossible to calculate at this time. Some of the factors that will impact the amount of available tax attributes include: (a) the amount of tax losses incurred by the Debtors in 2016; (b) the fair market value of the New Common Stock; and (c) the amount of COD Income incurred by the Debtors in connection with Consummation of the Plan.

## **3. *Annual Section 382 Limitation on Use of NOLs and Built-In Losses***

Section 382 of the IRC contains certain rules limiting the amount of NOLs a corporate taxpayer can utilize in the years following an "ownership change." These rules are relevant only if (i) the loss corporation has NOLs to carry forward to years after the date of the ownership change and/or (ii) the loss corporation has "net unrealized built-in losses" (i.e., net losses economically accrued but unrecognized as of the date of the ownership change in excess of a threshold amount) as of the date of the ownership change. As noted above, it is not expected that the Reorganized Debtors will have NOLs to carry forward to the year following the year in which the Plan is implemented. In addition, the Debtors do not expect to have significant "net unrealized built-in losses" as of the date of the ownership change for purposes of Section 382 of the IRC. Accordingly, it is not expected that these rules will have a material impact on the Reorganized Debtors.

## **C. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO HOLDERS OF CLAIMS**

The U.S. federal income tax consequences of the Plan to Holders of Claims, including the character and amount of income, gain or loss recognized as a consequence of the Plan, will

depend upon, among other things, (i) the manner in which a Holder acquired a Claim; (ii) the length of time the Claim has been held; (iii) whether the Claim was acquired at a discount; (iv) whether the Holder has taken a bad debt deduction with respect to the Claim (or any portion thereof) in the current or prior years; (v) whether the Holder has previously included in income accrued but unpaid interest with respect to the Claim; (vi) the method of tax accounting of the Holder; (vii) whether the Claim is an installment obligation for U.S. federal income tax purposes; and (viii) whether the Claim is a capital asset in the hands of the Holder.

**EACH HOLDER OF A CLAIM AFFECTED BY THE PLAN IS STRONGLY URGED TO CONSULT ITS OWN TAX ADVISORS REGARDING THE SPECIFIC TAX CONSEQUENCES OF THE TRANSACTIONS DESCRIBED HEREIN AND IN THE PLAN.**

**1.     *General***

A Holder of a Claim may recognize ordinary income or loss with respect to any portion of its Claim attributable to accrued but unpaid interest. A Holder who did not previously include in income accrued but unpaid interest attributable to its Claim, and who receives a distribution on account of its Claim pursuant to the Plan, will be treated as having received interest income to the extent that any consideration received is characterized for U.S. federal income tax purposes as a payment of interest, regardless of whether such Holder realizes an overall gain or loss as a result of surrendering its Claim. In general, a Holder that previously included in its income accrued but unpaid interest attributable to its Claim will recognize an ordinary loss to the extent that such accrued but unpaid interest is not satisfied, regardless of whether such Holder realizes an overall gain or loss as a result of the distribution it may receive under the Plan on account of its Claim. Although the manner in which consideration is to be allocated between accrued interest and principal for these purposes is unclear under present law, the Debtors intend to allocate for U.S. federal income tax purposes the consideration paid pursuant to the Plan with respect to a Claim first to the principal amount of such Claim as determined for U.S. federal income tax purposes and then to accrued interest, if any, with respect to such Claim. Accordingly, in cases where a Holder receives consideration in an amount that is less than the principal amount of its Claim, the Debtors intend to allocate the full amount of consideration transferred to such Holder to the principal amount of such obligation and to take the position that no amount of the consideration to be received by such Holder is attributable to accrued interest. There is no assurance that such allocation will be respected by the IRS for U.S. federal income tax purposes.

Subject to the foregoing rules relating to accrued interest, gain or loss recognized for U.S. federal income tax purposes as a result of the consummation of the Plan by Holders of Claims or Interests that hold their Claims or Interests as capital assets generally will be treated as a gain or loss from the sale or exchange of such capital asset. Capital gain or loss will be long-term if the Claim or Interest was held by the Holder for more than one year and otherwise will be short-term. Any capital losses realized generally may be used by a corporate Holder only to offset capital gains, and by an individual Holder only to the extent of capital gains plus \$3,000 of other income.

## **2.     *Market Discount***

The market discount provisions of the IRC may apply to Holders of certain Claims. In general, a debt obligation that is acquired by a holder in the secondary market is a “market discount bond” as to that holder if its stated redemption price at maturity (or, in the case of a debt obligation having original issue discount, its revised issue price) exceeds, by more than a statutory de minimis amount, the tax basis of the debt obligation in the holder’s hands immediately after its acquisition (any such excess, “market discount”). In general, a market discount obligation is treated as having accrued market discount as of any date equal to the total market discount multiplied by a fraction, the numerator of which is the number of days the holder has owned the market discount obligation and the denominator of which is the total number of days that remained until maturity at the time the holder acquired the market discount obligation. If a Holder has Claims with accrued market discount and such Holder realizes gain upon the exchange of its Claims for property pursuant to the Plan, such Holder may be required to include as ordinary income the amount of such accrued market discount to the extent of such realized gain. Holders who have Claims with accrued market discount should consult their tax advisors as to the application of the market discount rules to them in view of their particular circumstances. In particular, Holders of Claims that are “securities” for U.S. federal income tax purposes and that are exchanged for New Common Stock should consult their tax advisors regarding recognition of ordinary income upon a subsequent disposition of such New Common Stock. See “Definition of Security,” below.

## **3.     *Definition of “Security”***

The term “security” is not defined in the IRC or in the Treasury Regulations. Whether an instrument constitutes a “security” for U.S. federal income tax purposes is determined based on all of the facts and circumstances. Certain authorities have held that one factor to be considered is the length of the initial term of the debt instrument. These authorities have indicated that an initial term of less than five years is evidence that the instrument is generally not a security, whereas an initial term of ten years or more is evidence that it is a security. Treatment of an instrument with an initial term between five and ten years is generally unsettled. Numerous factors other than the term of an instrument could be taken into account in determining whether a debt instrument is a security, including, but not limited to, whether repayment is secured, the level of creditworthiness of the obligor, whether the instrument is subordinated, whether the holders have the right to vote or otherwise participate in the management of the obligor, whether the instrument is convertible into an equity interest, whether payments of interest are fixed, variable or contingent and whether such payments are made on a current basis or are accrued.

## **4.     *Consequences to Holders of Prepetition ABL Credit Facility Claims***

Holders of Allowed Prepetition ABL Credit Facility Claims that vote to accept the Plan will receive Cash in exchange for their Claims. Holders of Prepetition ABL Credit Facility Claims that vote to reject the Plan will receive, at the option of the Debtors, in their sole discretion, (a) such treatment satisfactory to Plan Proponents as will satisfy section 1129(b)(a)(i) of the Bankruptcy Code or (b) Cash as if such Holder voted to accept the Plan.

A Holder of a Prepetition ABL Credit Facility Claim will recognize gain or loss in an amount equal to the difference between (i) the adjusted tax basis in its Prepetition ABL Credit

Facility Claim surrendered in the exchange, determined immediately prior to the Effective Date, and (ii) the amount of Cash received in the exchange, if any.

## **5. *Consequences to Holders of Senior Notes Claims***

Holders of Senior Notes Claims will receive New Common Stock in exchange for their Senior Notes Claims. Each Holder of a Senior Notes Claim will realize gain or loss in an amount equal to the difference between (i) the adjusted tax basis in its Senior Notes Claim surrendered in the exchange, determined immediately prior to the Effective Date, and (ii) the fair market value of the New Common Stock received.

The tax consequences to a Holder of a Senior Notes Claim will depend, in part, upon whether the Senior Notes are “securities” for U.S. federal income tax purposes. See “Definition of ‘Security’,” above.

If a Holder’s Senior Notes Claim constitutes a “security” for U.S. federal income tax purposes, then the exchange of the Senior Notes Claim for New Common Stock will be treated as a recapitalization for U.S. federal income tax purposes. In such a case, a Senior Notes Claim Holder will not recognize any gain or loss realized for U.S. federal income tax purposes with respect to the exchange of its Senior Notes. A Holder’s tax basis in its New Common Stock will be equal to its tax basis in its Senior Notes Claim as of the Effective Date. A Holder’s holding period in the New Common Stock it receives in the exchange will include its holding period in its Senior Notes Claim surrendered in the exchange.

If a Holder’s Senior Notes Claim does not constitute a “security” for U.S. federal income tax purposes, then the exchange of the Senior Notes Claim for New Common Stock and Subscription Rights will be a taxable transaction, and the Holder of such Claim will be required to recognize gain or loss equal to the full amount of its gain or loss realized on the exchange. In such a case, a Holder’s initial tax basis in the New Common Stock received in the exchange will equal the fair market value of such New Common Stock on the Effective Date, and a Holder’s holding period in its New Common Stock will begin on the day after the Effective Date.

The federal income tax consequences to a Holder of a Senior Notes Claim of the receipt of the Subscription Rights is uncertain. The Subscription Rights might be (i) treated as additional consideration for the Holder’s Senior Notes Claim, (ii) treated as income to the Holder when received or (iii) not taken into account for federal income tax purposes. In the case of alternative (i), the receipt of the Subscription Rights will be treated in a manner similar to the Holder’s receipt of New Common Stock received in exchange for such Holder’s Senior Notes Claim, as described above. In the case of alternative (ii), the Holder would recognize immediate income and acquire a tax basis in the Subscription Right, each in an amount equal to the fair market value of the Subscription Right. In either case, any basis that the Holder receives in its Subscription Rights will be added to the basis of the New Common Stock and Second Lien Rights Offering Facility acquired in the Rights Offering. Further, if a Holder of a Senior Notes Claim does not participate in the Rights Offering, any such basis should give rise to a capital loss.

As noted above, the discussion herein does not address the consequences to the Backstop Participants resulting from their Backstop Commitment pursuant to the Backstop Agreement,

including any changes to such Holders to the expected tax treatment described herein for transactions pursuant to the Plan. The Backstop Parties are urged to consult their own tax advisors as to the expected tax consequences to them of participating in the Backstop.

#### **6. *Consequences to Holders of General Unsecured Claims***

Holders of Allowed General Unsecured Claims will have the option of receiving New Common Stock or Cash in exchange for their Claims.

A Holder of an Allowed General Unsecured Claim will recognize gain or loss in an amount equal to the difference between (i) the adjusted tax basis in its General Unsecured Claim and (ii) (A) the fair market value of the New Common Stock received or (B) the amount of Cash received, as applicable.

If a Holder of an Allowed General Unsecured Claim elects to receive New Common Stock in exchange for its General Unsecured Claim, (i) such Holder's tax basis in its New Common Stock will be equal to the fair market value of the New Common Stock on the Effective Date and (ii) such Holder's holding period in its New Common Stock will begin on the day following the Effective Date.

#### **7. *Tax Treatment of Second Lien Rights Offering Facility***

A Holder who subscribes for an interest in the Second Lien Rights Offering Facility pursuant to the Rights Offering will generally be required to include stated interest on its interest in the Second Lien Rights Offering Facility in income in accordance with the Holder's regular method of tax accounting. Because the Second Lien Rights Offering Facility will be issued pursuant to the Rights Offering together with New Common Stock, the issue price of the Second Lien Rights Offering Facility will be allocated between the Second Lien Rights Offering Facility and the New Common Stock issued pursuant to the Rights Offering (based on their relative fair market values). As such, it is expected that the Second Lien Rights Offering Facility will be treated as issued with original issue discount for U.S. federal income tax purposes. A Holder of an interest in the Second Lien Rights Offering Facility will be required to include in income as interest the amount of such original issue discount with respect to its interest in the Second Lien Rights Offering Facility over the term of the Second Lien Rights Offering Facility based on the constant yield method, prior to the receipt of cash in respect of that income. A Holder may elect to treat all interest on the Second Lien Rights Offering Facility as original issue discount and calculate the amount includible in income under the constant yield method described above. The election must be made in the taxable year in which the Second Lien Rights Offering Facility is acquired and may not be revoked without the consent of the IRS.

A Holder's tax basis in its interest in the Second Lien Rights Offering Facility will be increased by the amount of original issue discount included in income and reduced by the amount of cash (other than payments of stated interest) it receives with respect to the Second Lien Rights Offering Facility.

Holders should consult their own tax advisors with respect to the consequences of holding the Second Lien Rights Offering Facility, including the application of the original issue discount rules.



## **8. *Bad Debt and/or Worthless Securities Deduction***

A Holder who, under the Plan, receives in respect of a Claim an amount less than the Holder's tax basis in the claim may be entitled in the year of receipt (or in an earlier or later year) to a bad debt deduction in some amount under section 166(a) of the IRC or a worthless securities deduction under section 165(g) of the IRC. The rules governing the character, timing and amount of bad debt or worthless securities deductions place considerable emphasis on the facts and circumstances of the Holder, the obligor and the instrument with respect to which a deduction is claimed. Holders of Claims, therefore, are urged to consult their tax advisors with respect to their ability to take such a deduction.

## **9. *Holders that Are Non-United States Persons***

Holders of Claims that are not "United States persons" (within the meaning of section 7701(a)(30) of the IRC) generally will not be subject to U.S. federal income tax with respect to property (including Cash) received in exchange for such Claims and/or Interests, unless (i) such Holder is engaged in a trade or business in the United States to which income, gain or loss from the exchange is "effectively connected" for U.S. federal income tax purposes, or (ii) if such Holder is an individual, such Holder is present in the United States for 183 days or more during the taxable year of the exchange and certain other requirements are met.

## **10. *Withholding and Reporting***

The Debtors will withhold all amounts required by law to be withheld from payments of interest. The Debtors will comply with all applicable reporting requirements of the IRC. In general, information reporting requirements may apply to distributions or payments made to a Holder of a Claim. Additionally, backup withholding, currently at a rate of 28%, will generally apply to such payments if a Holder fails to provide an accurate taxpayer identification number or otherwise fails to comply with the applicable requirements of the backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a credit against such Holder's U.S. federal income tax liability and may entitle such Holder to a refund from the IRS, provided that the required information is provided to the IRS.

In addition, from an information reporting perspective, U.S. Treasury Regulations generally require disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds. Holders are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the Holders' tax returns.

## **11. *FATCA***

Pursuant to sections 1471 through 1474 of the IRC (commonly referred to as "FATCA"), foreign financial institutions (which term includes most foreign hedge funds, private equity funds, mutual funds, and other investment vehicles) and certain other foreign entities that do not comply with certain information reporting rules with respect to their U.S. account holders



investors or owners may be subject to a withholding tax on U.S.-source payments made to them (whether received as a beneficial owner or as an intermediary for another party). A foreign financial institution or such other foreign entity that does not comply with the FATCA reporting requirements generally will be subject to a 30% withholding tax with respect to any “withholdable payments.” For this purpose, “withholdable payments” are any U.S.-source payments of fixed or determinable, annual or periodical income (including distributions, if any, on New Common Stock) and also include the entire gross proceeds from the sale or other disposition of any type which can produce U.S.-source interest or dividends (which would include New Common Stock). Under the Treasury regulations, withholding under FATCA will generally apply to payments of U.S.-source dividends on New Common Stock, although withholding will not apply to gross proceeds from dispositions of New Common Stock occurring prior to January 1, 2019. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Holders are urged to consult with their own tax advisors regarding the effect, if any, of the FATCA provisions to them based on their particular circumstance.

#### **D. TAX TREATMENT OF DISPUTED CLAIMS RESERVE(S)**

The Debtors may establish one or more Disputed Claims Reserves on account of Disputed Claims. The amount held back in the Disputed Claims Reserve(s) will be equal to the amount necessary to satisfy the distributions to which the Holders of Disputed Claims would be entitled if all such Disputed Claims were to be subsequently Allowed.

The Disputed Claims Reserve(s) may be structured in a manner intended to cause it to be subject to a separate entity-level tax on any income earned by the Disputed Claims Reserve(s). Therefore, distributions from the Disputed Claims Reserve(s) may be reduced to satisfy any taxes payable by the Disputed Claims Reserve(s).

Holders of Claims should note the tax treatment of the Disputed Claims Reserve(s) is unclear and should consult their own tax advisors.

**THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY HAS BEEN PROVIDED FOR INFORMATIONAL PURPOSES ONLY AND DOES NOT DISCUSS ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER IN LIGHT OF SUCH HOLDER’S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR NON-U.S. TAX LAWS, AND OF ANY CHANGE IN APPLICABLE TAX LAWS.**

#### **E. RESERVATION OF RIGHTS**

The foregoing discussion is subject to change (possibly substantially) based on, among other things, subsequent changes to the Plan and events that may subsequently occur that may impact the timeline for the transactions contemplated by the Plan. The Debtors and the Debtors' advisors reserve the right to modify, revise, or supplement this discussion and other tax related sections of the Plan and Disclosure Statement in accordance with the terms of the Plan and the Bankruptcy Code.

## **XI. CERTAIN FEDERAL AND STATE SECURITIES LAW CONSIDERATIONS**

### **A. EXEMPTION FROM REGISTRATION REQUIREMENTS FOR NEW SECURITIES**

The Debtors are relying upon section 4(a)(2) of the Securities Act and rule 506 thereunder and similar provisions of applicable state securities laws to except the offer of the New Common Stock from the registration requirements of the Securities Act and applicable state securities laws. The Debtors will rely on section 1145 of the Bankruptcy Code to exempt the issuance of the New Common Stock from the registration requirements of the Securities Act and of any state securities laws. Section 1145 of the Bankruptcy Code exempts from registration the offer or sale of securities of the debtor or a successor to a debtor under a chapter 11 plan if such securities are offered or sold in exchange for a claim against, or equity interest in, or a claim for an administrative expense in a case concerning, the debtor or a successor to the debtor under the Plan. The Debtors believe that the sale of the New Common Stock under the Plan satisfies the requirements of section 1145, and is therefore exempt from the registration requirements of the Securities Act and state securities laws.

### **B. SUBSEQUENT TRANSFER OF NEW SECURITIES**

In general, recipients of the New Common Stock will be able to resell the New Common Stock without registration under the Securities Act or other federal securities laws pursuant to the exemption provided by section 4(a)(1) of the Securities Act, unless the holder of such stock is an "underwriter" within the meaning of section 1145(b) of the Bankruptcy Code. In addition, the New Common Stock generally may be resold without registration under state securities laws pursuant to various exemptions provided by the respective laws of the several states. However, recipients of the New Common Stock issued under the Plan are advised to consult with their own legal advisors as to the availability of any such exemption from registration under state law in any given instance and as to any applicable requirements or conditions to such availability.

Section 1145(b) of the Bankruptcy Code defines "underwriter" as one who (a) purchases a claim with a view to distribution of any security to be received in exchange for such claim, (b) offers to sell securities issued under a plan for the holders of such securities, (c) offers to buy securities issued under a plan from persons receiving such securities, if the offer to buy is made with a view to distribution, or (d) is an "issuer" of the relevant security, as such term is used in section 2(11) of the Securities Act. Under section 2(11) of the Securities Act, an "issuer" includes any "affiliate" of the issuer, which means any person directly or indirectly through one or more intermediaries controlling, controlled by or under common control with the issuer.

To the extent that recipients of the New Common Stock under the Plan are deemed to be “underwriters,” the resale of the New Common Stock by such persons would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable laws. Persons deemed to be underwriters may, however, be permitted to sell such New Common Stock or other securities without registration pursuant to the provisions of Rule 144 under the Securities Act. This rule permits the public resale of securities received by “underwriters” pursuant to a chapter 11 plan subject to applicable conditions, which may include holding periods, availability of information regarding the issuer, volume limitations, restrictions on manner of sale, and/or notice requirements.

GIVEN THE COMPLEX NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN UNDERWRITER WITH RESPECT TO THE NEW COMMON STOCK, THE DEBTORS MAKE NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRADE IN THE SHARES OF NEW COMMON STOCK ISSUED UNDER THE PLAN. THE DEBTORS RECOMMEND THAT HOLDERS OF CLAIMS CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES WITHOUT REGISTRATION UNDER THE SECURITIES ACT.

## **XII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN**

If the Plan is not confirmed, the alternatives include (a) continuation of the Chapter 11 Cases and formulation of an alternative plan or plans of reorganization or (b) liquidation of the Debtors under chapter 7 or chapter 11 of the Bankruptcy Code. Each of these possibilities is discussed in turn below.

### **A. CONTINUATION OF THE CHAPTER 11 CASES**

If the Debtors remain in chapter 11, the Debtors could continue to operate their businesses and manage their properties as debtors-in-possession, but they would remain subject to the restrictions imposed by the Bankruptcy Code. It is not clear whether the Debtors could continue as viable going concerns in protracted Chapter 11 Cases. The Debtors could have difficulty operating with the high costs of the chapter 11 process and the eroding confidence of their customers and trade vendors, if the Debtors remained in chapter 11. The Debtors would also face risks of continued use of cash collateral and/or obtaining alternative financing. If the Debtors were able to obtain financing and continue as a viable going concern, the Debtors (or other parties in interest) could ultimately propose another plan or attempt to liquidate the Debtors under chapter 7 or chapter 11. Such plans might involve either a reorganization and continuation of the Debtors’ businesses, or an orderly liquidation of their assets, or a combination of both.

### **B. LIQUIDATION UNDER CHAPTER 11 OR CHAPTER 7**

If the Plan is not confirmed, the Chapter 11 Cases could be converted to liquidation cases under chapter 7 of the Bankruptcy Code. In chapter 7, a trustee would be appointed to promptly liquidate the assets of the Debtors.

The Debtors believe that in a liquidation under chapter 7, before creditors received any distributions, additional administrative expenses involved in the appointment of a trustee and attorneys, accountants, and other professionals to assist such trustee, along with an increase in expenses associated with an increase in the number of unsecured claims that would be expected, would cause a substantial diminution in the value of the Estates. The assets available for distribution to creditors and equity holders would be reduced by such additional expenses and by Claims, some of which would be entitled to priority, which would arise by reason of the liquidation and from the rejection of leases and other Executory Contracts in connection with the cessation of the Debtors' operations and the failure to realize the greater going concern value of the Debtors' assets.

The Debtors could also be liquidated pursuant to the provisions of a chapter 11 plan of reorganization. In a liquidation under chapter 11, the Debtors' assets could be sold in a more orderly fashion over a longer period of time than in a liquidation under chapter 7. Thus, chapter 11 liquidation might result in larger recoveries than in a chapter 7 liquidation, but the delay in distributions could result in lower present values being received and higher administrative costs. Because a trustee is not required in a chapter 11 case, expenses for professional fees could be lower than in a chapter 7 case, in which a trustee must be appointed. Any distributions to the holders of Claims or Interests under a chapter 11 liquidation plan probably would be delayed substantially.

### **XIII. CONCLUSION AND RECOMMENDATION**

The Plan Proponents believe that Confirmation of the Plan is preferable to the alternatives described above because it provides the greatest distributions and opportunity for distributions to certain Holders of Claims against the Debtors. In addition, any alternative to Confirmation of the Plan could result in extensive delays and increased administrative expenses.

Accordingly, the Debtors, along with the Creditors' Committee and the Plan Sponsors, urge all Holders of Claims and Interests entitled to vote on the Plan to vote to accept the Plan and to evidence such acceptance by returning their Ballots so that they are received no later than 4:00 p.m., prevailing Eastern Time, on November 28, 2016.

Dated: October 13, 2016

Respectfully submitted,

UCI INTERNATIONAL, LLC, on behalf of itself and  
each of the other Debtors

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**EXHIBIT A**

**Debtors' Joint Plan of Reorganization**

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re:

UCI INTERNATIONAL, LLC, et al.<sup>1</sup>

Debtors.

Chapter 11

Case No. 16-11354 (MFW)

(Jointly Administered)

**JOINT PLAN OF REORGANIZATION FOR  
UCI INTERNATIONAL, LLC AND ITS DEBTOR AFFILIATES  
PROPOSED BY THE DEBTORS, THE AD HOC COMMITTEE OF SENIOR  
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**Dated: October 13, 2016**

---

<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are listed on the next page.

The Debtors in these chapter 11 cases, together with the last four digits of each Debtor's federal tax identification number, are as follows: UCI International, LLC (0186); Airtex Industries, LLC (0830); Airtex Products, LP (0933); ASC Holdco, Inc. (9758); ASC Industries, Inc. (7793); Champion Laboratories, Inc. (5645); UCI Acquisition Holdings (No. 1) Corp (5732); UCI Acquisition Holdings (No. 3) Corp (8277); UCI Acquisition Holdings (No. 4) LLC (8447); UCI-Airtex Holdings, Inc. (5425); UCI Holdings Limited (N/A); UCI Pennsylvania, Inc. (1527); and United Components, LLC (9857). The mailing address for each Debtor is 1900 West Field Court, Lake Forest, Illinois 60045.

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## INTRODUCTION

UCI Acquisition Holdings (No. 1) Corp. (“UCI”), UCI International, LLC (“UCI International”), and those Affiliates of UCI listed in footnote 1 hereto, together with the Plan Sponsors and Creditors’ Committee (collectively, the “Plan Proponents”) hereby propose the following joint plans of reorganization for the Debtors’ reorganization cases under Chapter 11 of the Bankruptcy Code for the resolution of the outstanding Claims against and Interests in each of the Debtors. Although proposed jointly for administrative purposes, each plan of reorganization constitutes a separate plan of reorganization for the resolution of the outstanding Claims against and Interests in a particular Debtor. Capitalized terms used but not defined in this paragraph have the meanings assigned to them in Article I. The classification and treatment of Claims against and Interests in the Debtors are set forth in Article II and Article III. The Debtors, the Plan Sponsors and the Creditors’ Committee are the proponents of this Plan within the meaning of section 1129 of the Bankruptcy Code. Reference is made to the Disclosure Statement, distributed contemporaneously herewith, for a discussion of the Debtors’ history, business, properties and operations, projections for those operations, risk factors, a summary and analysis of this Plan, and related matters.

## ARTICLE I: DEFINED TERMS AND RULES OF INTERPRETATION

A. Defined Terms. As used in this Plan, capitalized terms shall have the meanings set forth in this Article I. Any term that is not otherwise defined herein, but that is used in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning given to that term in the Bankruptcy Code or the Bankruptcy Rules, as applicable.

1.1 Acceptable Settlement means a settlement agreed upon among the Debtors, Rank (or a designated member or members of the Rank Group), the Plan Sponsors and the Creditors’ Committee relating to the Pension Plans, which settlement shall contain releases satisfactory to the Debtors, Rank, the Plan Sponsors and the Creditors’ Committee.

1.2 Ad Hoc Group Professionals means the following professionals: (i) Willkie Farr & Gallagher LLP and Morris Nichols Arsht & Tunnell, retained by certain of the Plan Sponsors as legal counsel, (ii) GLC Advisors & Co., LLC, retained by Willkie Farr & Gallagher LLP as investment banker, (iii) Conway MacKenzie, Inc., retained by Willkie Farr & Gallagher LLP as financial advisor, and (iv) any other advisor agreed to by the Debtors.

1.3 Administrative Expense Claim means a Claim for costs and expenses of administration of the Chapter 11 Cases arising on or after the Petition Date and prior to the Effective Date under sections 328, 330, 363, 364(c)(1), 365, 503(b), or 507(a)(2) of the Bankruptcy Code, including, without limitation, (a) any actual and necessary costs and expenses of preserving the Estates and operating the businesses of the Debtors from and after the Petition Date (such as wages, salaries and commissions for services and payments for inventory, leased equipment and premises) and Claims of governmental units for taxes (including tax audit Claims) related to tax years commencing after the Petition Date, but excluding Claims related to tax periods, or portions thereof, ending on or before the Petition Date; (b) all compensation for actual and necessary legal, financial, advisory, accounting and other services provided by the Professionals and the

reimbursement of actual and necessary expenses incurred by the Professionals pursuant to sections 328 or 330 of the Bankruptcy Code; (c) with the exception of section 507(b) Claims, any indebtedness or obligations incurred or assumed by the Debtors during the Chapter 11 Cases; (d) any cash payment required to be made under this Plan (including the Plan Sponsors' Expense Claim) and payments to cure a default under an Executory Contract or Unexpired Lease that has been or will be assumed by any of the Debtors; or (e) any fees and charges assessed against the Estates under section 1930, Chapter 123, of Title 28 of the United States Code.

1.4 Administrative Expense Reserve(s) means one or more reserves to be established on or as soon as reasonably practicable after Effective Date pursuant to Section 8.5.1.

1.5 Affiliate has the meaning assigned to such term in section 101(2) of the Bankruptcy Code and when used in this Plan with reference to any Debtor shall include, but not be limited to, each of the other Debtors.

1.6 Allowed means, with respect to a Claim or Interest, or any portion thereof, in any Class or category specified, a Claim or Interest (a) that is evidenced by a proof of claim or interest and as to which no objection or request for estimation has been filed on or before any objection deadline established pursuant to Section 8.1 of this Plan or the expiration of such other applicable period fixed by the Bankruptcy Court, (b) that is listed on the pertinent Debtor's schedules but is not listed as disputed, contingent or unliquidated, that is not otherwise subject to an objection and as for which no contrary or superseding proof of claim or interest has been filed, (c) as to which any objection has been settled, waived, withdrawn or overruled by a Final Order; or (d) that is expressly allowed (i) by a Final Order, (ii) solely with respect to those Claims that are not prepetition Claims and are not required under applicable bankruptcy law to be allowed pursuant to an order of the Bankruptcy Court, by an agreement between the Holder of such Claim and the pertinent Debtor or Reorganized Debtor pursuant to an agreement which was approved or otherwise permitted by a Final Order of the Bankruptcy Court or is an ordinary course agreement that, unless *de minimis* in nature, has been provided to and has not been objected to in writing by the Plan Proponents, or (iii) pursuant to the terms of this Plan. For the avoidance of doubt, to the extent a Claim is not Allowed, such Claim is still subject to objection based upon potentially applicable rights of avoidance, setoff, subordination, and any other defenses.

1.7 Allowed Claim or Interest means a Claim or Interest in a particular Class or of a particular type that is also an Allowed Claim or Interest. For example, an Allowed Administrative Expense Claim is an Administrative Expense Claim that is also an Allowed Claim.

1.8 A&R Letter Agreement means the A&R Letter Agreement as defined in the A&R Letter Agreement Order.

1.9 A&R Letter Agreement Order means the *Order Authorizing the Debtors to Enter Into and Perform Under the Amended and Restated Letter Agreement* [D.I. 435].

1.10 Assumed Executory Contract and Unexpired Lease List, means the list of Executory Contracts and Unexpired Leases set forth on Exhibit 6.1.2 to the Plan.

1.11 Autoparts Group means Autoparts Holdings (No.1) Limited and all direct and indirect subsidiaries thereof.

1.12 Avoidance Actions means causes of action arising under sections 542, 544, 545, 547, 548, 549, 550, 551 or 553(b) of the Bankruptcy Code, or under similar or related state or federal statutes or common law, including fraudulent transfer laws, in each case whether or not litigation to prosecute such causes of action was commenced prior to the Effective Date.

1.13 Backstop Agreement means that certain Backstop Commitment Agreement, dated as of September 30, 2016, by and among the Debtors and the Backstop Parties in the form and substance annexed to the Debtors' motion to enter into and perform under such Backstop Commitment Agreement filed September 30, 2016 [D.I. 638], as may be subsequently modified, amended, or supplemented from time to time.

1.14 Backstop Commitment means, with respect to each Backstop Party, the sum of (a) such Backstop Party's Notes Pro Rata Allocation of the Second Lien Rights Offering Facility plus (b) the product of (i) such Backstop Party's Backstop Party Pro Rata Share times (ii) the amount of the Second Lien Rights Offering Facility not elected to be purchased by the Eligible Parties (other than Backstop Parties) prior to the Election Expiration Time.

1.15 Backstop Fee means an aggregate commitment fee of 4% of the New Common Stock (inclusive of the amount of New Common Stock that would be issued to Holders of Allowed General Unsecured Claims notwithstanding any GUC Cash Elections (as such terms are defined in the Plan) which fee shall be allocated to each Backstop Party in accordance with the terms of the Backstop Agreement.

1.16 Backstop Fee Share means, with respect to each Backstop Party, the percentage set forth opposite the name of such Backstop Party on Schedule II to the Backstop Commitment Agreement, as such Schedule II may be updated from time to time by agreement of the Backstop Parties.

1.17 Backstop Parties means the Senior Noteholders that are party to the Backstop Agreement.

1.18 Backstop Party Pro Rata Share or Backstop Party's Pro Rata Share means, with respect to each Backstop Party, the percentage set forth opposite the name of such Backstop Party on Schedule I to the Backstop Commitment Agreement, as such Schedule I may be updated from time to time by agreement of the Backstop Parties and/or pursuant to the terms of the Backstop Agreement.

1.19 Ballot means the ballot form for accepting or rejecting this Plan and making certain elections under this Plan, distributed with the Disclosure Statement to the Holders of Claims that are Impaired under this Plan and entitled to vote to accept or reject this Plan pursuant to Article III and Article IV.

1.20 Bankruptcy Code means Title 11 of the United States Code, 11 U.S.C. §§ 101 through 1532, as in effect on the Petition Date, together with any amendments and modifications thereto that may subsequently be made applicable to the Chapter 11 Cases.

1.21 Bankruptcy Court means the United States Bankruptcy Court for the District of Delaware or any other court with jurisdiction over the Chapter 11 Cases.

1.22 Bankruptcy Rules means the Federal Rules of Bankruptcy Procedure promulgated under section 2075 of Title 28 of the United States Code and any local rules of the Bankruptcy Court, as in effect on the Petition Date, together with any amendments and modifications thereto that may subsequently be made applicable to the Chapter 11 Cases.

1.23 Business Day means any day other than a Saturday, a Sunday or “legal holiday” (as defined in Bankruptcy Rule 9006(a)).

1.24 By-Laws means the amended and restated by-laws of Reorganized UCI, in form and substance acceptable to the Debtors and the Plan Sponsors and substantially in the form of Exhibit 1.24, to be filed with the Plan Supplement.

1.25 Cash means legal tender of the United States of America.

1.26 Certificate of Incorporation means the certificate of incorporation of Reorganized UCI, in form and substance acceptable to the Debtors and the Plan Sponsors and substantially in the form of Exhibit 1.26, to be filed with the Plan Supplement.

1.27 Chapter 11 Cases means the voluntary cases under Chapter 11 of the Bankruptcy Code commenced by the Debtors in the Bankruptcy Court on the Petition Date.

1.28 Claim means a “claim,” as defined in section 101(5) of the Bankruptcy Code.

1.29 Claims, Noticing, and Solicitation Agent means Garden City Group, LLC.

1.30 Class means each category of Holders of Claims or Interests established under Article III pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code.

1.31 Collective Bargaining Agreements means all collective bargaining agreements to which any of the Debtors is a party on the Confirmation Date.

1.32 Committee Challenge Stipulation means the *Stipulation Regarding Committee Challenge Rights Under the Final Order (I) Authorizing the Debtors to Utilize Cash Collateral Pursuant to 11 U.S.C. § 363; (II) Granting Adequate Protection to the Prepetition ABL Secured Parties Pursuant to 11 U.S.C. §§ 105(a), 361, 362, 363 and 507; (III) Scheduling a Final Hearing Pursuant to Bankruptcy Rule 4001(b); and (IV) Granting Related Relief [D.I. 617]*.

1.33 Confirmation means the entry of the Confirmation Order by the Bankruptcy Court.

1.34 Confirmation Date means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on the Bankruptcy Court’s docket.

1.35 Confirmation Hearing means the hearing held by the Bankruptcy Court on confirmation of this Plan, as such hearing may be continued from time to time.

1.36 Confirmation Order means the order of the Bankruptcy Court confirming this Plan pursuant to section 1129 of the Bankruptcy Code in form and substance acceptable to the Debtors and the Plan Sponsors.

1.37 Convenience Claim means a Claim that would otherwise be a General Unsecured Claim that is (a) in an amount equal to or less than \$5,000 or (b) in an amount that has been reduced to \$5,000 pursuant to a Convenience Class Election made by the Holder of such Claim; provided, however, that where any portion(s) of a single Claim has been transferred on or after August 26, 2016, any transferred portion(s) shall continue to be treated together with such Claim as a single Claim for purposes of the Convenience Class Election and determining whether such Claim qualifies as a Convenience Claim.

1.38 Convenience Class Election means an irrevocable election made on the Ballot by the Holder of a Claim that would otherwise be a General Unsecured Claim in an amount greater than \$5,000 to reduce such Claim to \$5,000.

1.39 Creditors' Committee means the official committee of unsecured creditors appointed pursuant to section 1102(a) of the Bankruptcy Code in the Chapter 11 Cases on June 10, 2016, as may be reconstituted from time to time.

1.40 Debtor(s) means, individually or collectively, the debtors and debtors in possession identified in footnote 1 hereto.

1.41 Disallowed Claim means any Claim, including any portion thereof, that has been disallowed, denied, dismissed, expunged, or overruled pursuant to a Final Order of the Bankruptcy Court or any other court of competent jurisdiction.

1.42 Disbursing Agent(s) means any Entity acceptable to the Debtors and the Plan Sponsors (which shall not be unreasonably withheld, conditioned or delayed) in its capacity as a disbursing agent under this Plan.

1.43 Disclosure Statement means the disclosure statement relating to this Plan, in form and substance reasonably acceptable to the Debtors and the Plan Sponsors, including, without limitation, all exhibits and schedules thereto, as the same may be amended, supplemented or otherwise modified from time to time, in a manner acceptable to the Debtors and the Plan Sponsors, as approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code.

1.44 Disputed Claim means, with respect to any Claim, including any portion thereof, in any Class or category specified, a Claim arising on or before the Effective Date (a) that is neither an Allowed Claim nor a Disallowed Claim, or (b) to the extent the Debtors or any party in interest have interposed a timely objection or request for estimation of such Claim, which objection or request for estimation has not been withdrawn or determined pursuant to a Final Order.

1.45 Disputed Unsecured Claims Reserve(s) means one or more reserves to be established on or as soon as reasonably practicable after the Initial Distribution Date pursuant to Section 8.5.2.

1.46 Distribution Date means the Initial Distribution Date or a Quarterly Distribution Date, but in no event a date prior to the Effective Date.

1.47 Distribution Record Date means such date, acceptable to the Debtors and the Plan Sponsors, established by the Confirmation Order.

1.48 DTC means The Depository Trust Company.

1.49 Effective Date means, and shall occur on, the Business Day on which (i) each of the conditions precedent to the occurrence of the Effective Date set forth in Article IX has been satisfied or waived in accordance with the terms thereof and (ii) the Debtors file with the Bankruptcy Court a notice indicating the same.

1.50 Election Expiration Time means the time and date of expiration of the period during which Eligible Parties can elect to participate in the Rights Offering, which date shall be no earlier than November 29, 2016, or such later date as the Debtors may specify with the reasonable consent of the Plan Sponsors.

1.51 Eligible Parties means each holder of Allowed Senior Notes Claims as of the Voting Record Date.

1.52 Employee Benefit Plans means, with the exception of the Pension Plans, any employment, welfare, healthcare, bonus, incentive compensation, sick leave and other leave, vacation pay, business expense reimbursement, dependent care, retirement, savings, deferred compensation, supplemental pension, workers compensation, life insurance, disability, dependent care, dependent healthcare, education, severance or other compensation or benefit plans, agreements (including individual employee retention agreements) or arrangements for the benefit of the current or former directors, officers or employees (whether salaried or hourly, active or retired) of the applicable Debtor.

1.53 Entity means an entity as defined in section 101(15) of the Bankruptcy Code.

1.54 Environmental Law means all federal, state and local statutes, regulations, laws, ordinances, rules, licenses, permits, and similar provisions having the force or effect of law, all binding judicial and administrative orders, agreements, and determinations in each case concerning pollution or protection of the environment, or environmental impacts on human health and safety, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act; the Clean Water Act; the Clean Air Act; the Emergency Planning and Community Right-to-Know Act; the Federal Insecticide, Fungicide, and Rodenticide Act; the Resource Conservation and Recovery Act; the Safe Drinking Water Act; the Toxic Substances Control Act; applicable common law claims that can be asserted by a Governmental Unit, and any applicable state or local equivalents.

1.55 Estate(s) means, individually or collectively, the estate or estates of the Debtors created in the Chapter 11 Cases under section 541 of the Bankruptcy Code.

1.56 Exculpated Parties means each of the following solely in their capacity as such: (a) the Debtors; (b) the Debtors' officers, managers, directors, employees, financial advisors, attorneys, accountants, consultants, and other Professionals; (c) the Creditors Committee's members, financial advisors, attorneys, accountants, consultants, and other Professionals, (d) the Plan Sponsors; and (e) the Plan Sponsors' officers, managers, directors, employees, financial advisors, attorneys, accountants, consultants and other professionals, in each case in their capacity as such, and only if serving in such capacity, on or any time after the Petition Date and through the Effective Date.

1.57 Executory Contracts means all executory contracts to which a Debtor is a party.

1.58 Exhibit(s) means, individually or collectively, the exhibits to this Plan.

1.59 Final Cash Collateral Order means the *Final Order (I) Authorizing the Debtors to Utilize Cash Collateral Pursuant to 11 U.S.C. § 363; (II) Granting Adequate Protection to the Prepetition ABL Secured Parties Pursuant to 11 U.S.C. §§ 105(a), 361, 362, 363 and 507; and (III) Granting Related Relief* [D.I. 436].

1.60 Final Order means an order or judgment of the Bankruptcy Court (or other court of competent jurisdiction) entered by the Clerk of the Bankruptcy Court on the docket in the Chapter 11 Cases (or on the docket of any other court of competent jurisdiction), which has not been reversed, vacated or stayed and as to which (a) the time to appeal, petition for certiorari or move for a new trial, reargument or rehearing has expired and as to which no appeal, petition for certiorari or other proceedings for a new trial, reargument or rehearing shall then be pending, or (b) if an appeal, writ of certiorari, new trial, reargument or rehearing thereof has been sought, such order or judgment of the Bankruptcy Court shall have been affirmed by the highest court to which such order was appealed, or certiorari shall have been denied or a new trial, reargument or rehearing shall have been denied or resulted in no modification of such order, and the time to take any further appeal, petition for certiorari or move for a new trial, reargument or rehearing shall have expired; provided, however, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed relating to such order, shall not cause such order not to be a Final Order.

1.61 General Unsecured Claim means a Claim against any Debtor that is not an Administrative Expense Claim, a Priority Tax Claims, a Priority Non-Tax Claim, an Other Secured Claim, a Prepetition ABL Credit Facility Claim, a Senior Notes Claim, a Convenience Claim, an Intercompany Claim, or a Section 510(b) Claim.

1.62 Governmental Unit shall have the meaning ascribed to such term in Section 10.9

1.63 GUC Cash Election shall have the meaning ascribed to such term in Section 3.2.5(b).

1.64 GUC Cash Pool shall have the meaning ascribed to such term in Section 3.2.5(b).

1.65 GUC Pro Rata Allocation means, with respect to each Holder of an Allowed Senior Notes Claim or Allowed General Unsecured Claim, the number of shares of New Common Stock equal to the product of (a) the Total GUC Allocation times (b) a fraction equal to (i) the amount of such Holder's Allowed Senior Notes Claim and Allowed General Unsecured Claim divided by (ii) the total amount of Allowed Senior Notes Claims plus Allowed General Unsecured Claims.

1.66 Holder means an Entity holding a Claim against, or Interest in, any Debtor.

1.67 Impaired means "impaired" within the meaning of section 1124 of the Bankruptcy Code.



1.68 Initial Distribution Date means a date selected by the Reorganized Debtors that is as soon as practicable following the Effective Date and is in no event later than fourteen (14) days after the Effective Date.

1.69 Intercompany Claim means any Claim against a Debtor that is held by another Debtor or a non-Debtor subsidiary of any Debtor.

1.70 Intercreditor Agreement means the intercreditor agreement that may be entered into on the Effective Date by and between the New First Lien Agent and the New Second Lien Agent or the Second Lien Rights Offering Facility Agent if the Debtors enter into the New Second Lien Exit Facility or the Second Lien Rights Offering Facility. The principal terms of the Intercreditor Agreement shall be set forth on Exhibit 1.64, to be filed with the Plan Supplement, and in form and substance acceptable to the Debtors and the Plan Sponsors.

1.71 Interest means the interest of any Holder of equity securities in any Debtor that is represented by any issued and outstanding common stock, preferred stock, limited liability company interest, partnership interest, or any other instrument evidencing an ownership interest in such Debtor prior to the Effective Date (including prior to the Petition Date), whether or not transferable, and any restricted stock units, calls, rights, puts, awards, commitments, repurchase rights, unvested or unexercised options, rights of conversion, warrants, unvested common interests, unvested preferred interests or any other agreements of any character related to the common or preferred interests of any such Debtor, obligating any such Debtor to issue, transfer, purchase, redeem, or sell any equity interests or other equity securities, any rights under any equity incentive plans, voting agreements and registration rights agreements regarding equity securities of any such Debtor, any claims arising from the rescission of a purchase, sale or other acquisition of any outstanding common stock, preferred stock or other equity securities (or any right, claim, or interest in and to any common stock, preferred stock or other equity securities) of any such Debtor, any Claims for the payment of any distributions with respect to any common stock, preferred stock, or other equity interests in or securities of such Debtor, and any claims for damages or any other relief arising from the purchase, sale, or other acquisition of any such Debtor's outstanding common stock, preferred stock, or other equity interests or securities.

1.72 Lien means, with respect to any interest in property, any mortgage, lien, pledge, charge, security interest, easement or encumbrance of any kind whatsoever affecting such interest in property.

1.73 Management Equity Incentive Plan means a post-Effective Date management equity incentive plan to be developed by the board of directors of Reorganized UCI, which plan shall provide for 5% of the New Common Stock to be reserved for grants of options and/or restricted stock for the Reorganized Debtors' management, directors and employees.

1.74 New Common Stock means the new common stock to be issued by Reorganized UCI on the Effective Date in connection with the implementation of, and as authorized by, this Plan, which shall have the powers, preferences and rights and be subject to the limitations qualifications and restrictions, in each case, as set forth in the Certificate of Incorporation and Shareholders Agreement.

1.75 New First Lien Agent means such person or entity (reasonably acceptable to the Plan Sponsors) acting in its capacity as administrative agent under the New First Lien Credit Agreement.

1.76 New First Lien Credit Agreement means that certain credit agreement, effective as of the Effective Date, by and among the Reorganized Debtors, the New First Lien Agent, and the New First Lien Lenders, which shall be in form and substance acceptable to the Debtors and the Plan Sponsors, together with all notes, agreements (including, without limitation, any guaranty agreements, pledge and collateral agreements, intercreditor agreements, and intercompany subordination agreements), documents, and instruments delivered pursuant to or in connection therewith, each in form and substance acceptable to the Plan Sponsors and the Debtors, as it may be amended, modified, or supplemented from time to time. The principal terms of the New First Lien Credit Agreement shall be set forth on Exhibit 1.78, to be filed with the Plan Supplement, and in form and substance acceptable to the Debtors and the Plan Sponsors.

1.77 New First Lien Exit Facility means that certain term and/or revolving loan facility provided under the New First Lien Credit Agreement in an aggregate principal amount of up to \$130,000,000, provided, however, that the aggregate principal amount of (i) the New First Lien Exit Facility and (ii) the Second Lien Rights Offering Facility or New Second Lien Exit Facility, as applicable, shall not exceed \$130,000,000.

1.78 New First Lien Lenders means the banks and other financial institutions or other entities from time to time party to the New First Lien Credit Agreement as lenders, in their respective capacities as such.

1.79 New Second Lien Agent means such person or entity (reasonably acceptable to the Plan Sponsors) acting in its capacity as administrative agent under the New Second Lien Credit Agreement.

1.80 New Second Lien Credit Agreement means that certain credit agreement, if any, effective as of the Effective Date, by and among the Reorganized Debtors, the New Second Lien Agent, and the New Second Lien Exit Facility Lenders, in form and substance acceptable to the Debtors and the Plan Sponsors, together with all other notes, agreements (including, without limitation, any guaranty agreements, pledge and collateral agreements, intercreditor agreements, and intercompany subordination agreements), documents, and instruments delivered pursuant to or in connection therewith, each in form and substance acceptable to the Plan Sponsors and the Debtors, as it may be amended, modified, or supplemented from time to time. The principal terms of the New Second Lien Credit Agreement shall be set forth on Exhibit 1.73, to be filed with the Plan Supplement, and in form and substance acceptable to the Debtors and the Plan Sponsors.

1.81 New Second Lien Exit Facility means that certain term loan facility provided under the New Second Lien Credit Agreement, if entered into in the discretion of the Plan Proponents, in an aggregate principal amount of up to \$30,000,000.

1.82 New Second Lien Exit Facility Lenders means the banks and other financial institutions or other entities from time to time party to the New Second Lien Exit Facility as lenders, in their respective capacities as such.

1.83 Notes Pro Rata Allocation means, with respect to each Eligible Party, the fraction equal to (a) the amount of such holder's Allowed Senior Notes Claims as of the Voting Record Date divided by (b) the total amount of Allowed Senior Notes Claims.

1.84 Ordinary Litigation Claims means the claims, rights of action, suits or proceedings, whether in law or in equity, whether known or unknown, that any Debtor or Estate may hold against any Person as of the Petition Date including, without limitation, any and all claims, rights of action, suits or proceedings, whether in law or in equity, whether known or unknown, that any Debtor or Estate may hold under chapter 5 of the Bankruptcy Code, including Avoidance Actions; provided, however, Ordinary Litigation Claims shall not include (a) any claim, right of action, suit or proceeding that has been settled on or prior to the Effective Date, (b) any Preserved Causes of Action, (c) any Avoidance Action against a UCI Trade Creditor, and (d) other claims, rights of action, suits or proceedings waived or released pursuant to Article X.

1.85 Other Secured Claim means any Secured Claim against a Debtor other than a Prepetition ABL Credit Facility Claim.

1.86 Pension Plans means, collectively, the Pension for Employees of Airtex Products LP, Champion Laboratories Pension Plan, and Neapco Inc. Employees Pension Plan.

1.87 Person or person means a person as defined in section 101(41) of the Bankruptcy Code.

1.88 Petition Date means the date on which the Debtors commenced the Chapter 11 Cases.

1.89 Plan means this Chapter 11 plan of reorganization, including all Exhibits, supplements, appendices and schedules hereto, either in its present form or as the same may be altered, amended or modified from time to time in accordance with the provisions of the Bankruptcy Code and the terms hereof.

1.90 Plan Proponents shall have the meaning ascribed to such term in the Introduction.

1.91 Plan Sponsors means those Senior Noteholders party to the Backstop Agreement provided, that, to the extent provisions of the Plan or Plan Supplement require the consent, approval or acceptance of the "Plan Sponsors," such term shall refer to the consent, approval or acceptance of the "Required Backstop Parties" as defined in the Backstop Agreement.

1.92 Plan Sponsors' Expense Claim means the Plan Sponsors' Claim for all reasonable documented fees, costs and expenses of the Ad Hoc Group Professionals, in their capacity as such, incurred prior to termination of the Backstop Agreement, which Claim shall be Allowed pursuant to the Plan and section 1129(a)(4) of the Bankruptcy Code pursuant to the Confirmation Order.

1.93 Plan Supplement means the supplement to this Plan to be filed with the Bankruptcy Court no later than ten (10) days prior to the Voting Deadline, in form and substance acceptable to the Plan Sponsors and the Debtors.

1.94 Prepetition Administrative Agent means Credit Suisse AG, Cayman Islands Branch in its capacity as administrative agent under the Prepetition Credit Agreement.

1.95 Prepetition ABL Credit Facility Agreement means that certain Prepetition ABL Credit Facility Agreement, dated as of September 30, 2015, among UCI Holdings, UCI Acquisition Holdings (No. 1) Corp, UCI International, the subsidiary borrowers party thereto, the several lenders from time to time parties thereto, Credit Suisse AG, Cayman Islands Branch, as administrative agent, collateral agent, and issuing lender, as such Prepetition ABL Credit Facility Agreement may have been amended, amended and restated, modified or supplemented from time to time.

1.96 Prepetition ABL Credit Facility Claims means all Claims against the Debtors arising under, evidenced by, or secured pursuant to, the Prepetition ABL Credit Facility Documents.

1.97 Prepetition ABL Credit Facility Documents means, collectively, the Prepetition Credit Agreement and all other agreements (including, without limitation, any guaranty agreements, pledge and collateral agreements, intercreditor agreements, and intercompany subordination agreements), documents and instruments delivered in connection therewith.

1.98 Preserved Causes of Action means any Claims held by any of the Debtors against any member of the Rank Group and each of their non-debtor Related Persons, including, without limitation, the claims and causes of action set forth in Exhibit 1.102, to be filed with the Plan Supplement.

1.99 Priority Non-Tax Claim means any Claim entitled to priority in payment pursuant to section 507(a) of the Bankruptcy Code, other than an Administrative Expense Claim or a Priority Tax Claim.

1.100 Priority Tax Claim means any Claim of a governmental unit of the kind against a Debtor entitled to priority in payment as specified in sections 502(i) and 507(a)(8) of the Bankruptcy Code.

1.101 Professional means any Person retained by the Debtors or a statutory committee, if any, pursuant to a Final Order of the Bankruptcy Court entered pursuant to sections 327, 328 or 1103 of the Bankruptcy Code.

1.102 Quarterly Fees has the meaning ascribed to such term in Section 12.7 of the Plan.

1.103 Pro Rata or Pro Rata Share means the proportion that the amount of any Allowed Claim in a particular Class bears to the aggregate amount of all Allowed Claims in such Class, except in reference to (a) a specific type of Claim, in which case Pro Rata or Pro Rata Share means the proportion that an Allowed Claim of such type bears to the aggregate amount of all Allowed Claims of such type, or (b) the subset of Holders of General Unsecured Claims making the GUC Cash Election, in which case Pro Rata or Pro Rata Share means the proportion that the Allowed Claims held by such Holder making such election bears to the aggregate amount of all Allowed General Unsecured Claims held by Holders making the GUC Cash Election.

1.104 Quarterly Distribution Date means fifteen (15) calendar days after the conclusion of the calendar quarters ending in March, June, September and December.

1.105 Rank means Rank Group Limited.

1.106 Rank Contribution Election shall have the meaning ascribed to such term in Section 5.6.

1.107 Rank Finance means Rank Group Finance Holdings Limited.

1.108 Rank Group means Rank and each of its Affiliates (provided, that for the purposes of this definition limited partnerships and foreign business organizations shall be treated as if they were “corporations” within the meaning of section 101(9) of the Bankruptcy Code for purposes of determining whether such entities are Affiliates), but excludes the Debtors and the direct or indirect subsidiaries of each Debtor.

1.109 Reinstate, Reinstated or Reinstatement means (a) leaving unaltered the legal, equitable and contractual rights to which a Claim or Interest entitles the Holder of such Claim or Interest, or (b) notwithstanding any contractual provision or applicable law that entitles the Holder of such Claim or Interest to demand or receive accelerated payment of such Claim or Interest after the occurrence of a default, (i) curing any such default that occurred before or after the Petition Date, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code; (ii) reinstating the maturity of such Claim or Interest as such maturity existed before such default; (iii) compensating the Holder of such Claim or Interest for any damages incurred as a result of any reasonable reliance by such Holder on such contractual provision or such applicable law; (iv) if such Claim or Interest arises from any failure to perform a nonmonetary obligation other than a default arising from failure to operate under a nonresidential real property lease subject to section 365(b)(1)(A) of the Bankruptcy Code, compensating the Holder of such Claim or Interest (other than any Debtor or an insider of any Debtor) for any pecuniary loss incurred by such Holder as the result of such failure; and (v) not otherwise altering the legal, equitable or contractual rights to which such Claim or Interest entitles the Holder thereof.

1.110 Rejected Executory Contract and Unexpired Lease List means the list of Executory Contracts and Unexpired Leases set forth on Exhibit 6.1.1 to the Plan.

1.111 Related Persons means, with respect to any Person, such Person’s predecessors, successors and assigns (whether by operation of law or otherwise) and their respective present and former affiliates and each of their respective current and former members, partners, equity holders, officers, directors, employees, managers, shareholders, partners, financial advisors, attorneys, accountants, investment bankers, consultants, agents and professionals each acting in such capacity, and any Person claiming by or through any of them (including their respective officers, directors, managers, shareholders, partners, employees, equity holders, members, and professionals); provided, however, that when used in reference to any Debtor or Reorganized Debtor, the term Related Persons shall not include (a) such Debtor’s and Reorganized Debtor’s respective present and former non-Debtor Affiliates, equity holders, and shareholders, or (b) directors affiliated with Rank Group, but shall include such Debtor’s and Reorganized Debtor’s subsidiaries; provided,

further, however, that when used in reference to any member of the Rank Group, the term Related Persons shall not include any Debtors or the Debtors' subsidiaries.

1.112 Released Parties means each of the following solely in its capacity as such: (a) the Debtors; (b) the Reorganized Debtors; (c) the Plan Sponsors; (d) the Senior Unsecured Notes Indenture Trustee; (e) the New First Lien Lenders; (f) the New First Lien Agent; (g) the New Second Lien Agent; (h) the new Second Lien Lenders; (i) the Second Lien Rights Offering Facility Agent; (j) the Second Lien Rights Offering Facility Lenders; (k) the Creditors' Committee; (l) the Prepetition Administrative Agent and (m) with respect to each of the foregoing parties under (a) through (l), such Entities' Related Persons; provided, however, that any Holder of a Claim or Interest that would otherwise constitute a "Released Party" but opts out of the releases contained in the Plan shall not be a "Released Party"; provided, further, that, in the event the Rank Contribution Election is made, the parties and such parties' Related Persons set forth on Exhibit 5.6.2 shall constitute "Released Parties." For the avoidance of doubt, no member of the Rank Group or any of its Related Persons shall be Released Parties unless the Rank Contribution Election is made.

1.113 Reorganized \_\_\_\_\_ means, with respect to any Debtor, such Debtor and any successors thereto by merger, consolidation, conversion or otherwise, on or after the Effective Date, after giving effect to the transactions occurring on or prior to the Effective Date in accordance with this Plan, including, without limitation, each Restructuring Transaction. For example, (i) Reorganized UCI means reorganized UCI or any successors thereto by merger, consolidation, conversion or otherwise, on or after the Effective Date, after giving effect to the transactions occurring on the Effective Date in accordance with this Plan and (ii) Reorganized Debtors means, collectively, each of the reorganized Debtors or any successors thereto by merger, consolidation, conversion or otherwise, on or after the Effective Date, after giving effect to the transactions occurring on or prior to the Effective Date in accordance with this Plan.

1.114 Restructuring Transactions means those transactions or other actions (including, without limitation, mergers, consolidations, conversions, joint ventures, restructurings, recapitalizations, dispositions, liquidations or dissolutions) that one or more of the Reorganized Debtors may enter into or undertake on or after the Effective Date.

1.115 Rights Offering means that certain rights offering pursuant to which (a) each Eligible Party shall have the right to exercise Subscription Rights to acquire its Notes Pro Rata Allocation of the Second Lien Rights Offering Facility in accordance with the terms of the Rights Offering Procedures and (b) each Backstop Party shall purchase its Backstop Commitment in accordance with the terms of the Backstop Agreement.

1.116 Rights Offering Procedures means the procedures for conducting the Rights Offering as approved by the Court [D.I. 728] pursuant to the *Debtors' Motion for Entry of an Order Approving (I) the Adequacy of the Disclosure Statement, (II) the Solicitation and Voting Procedures, (III) the Forms of Ballots and Notices in Connection Therewith, (IV) the Rights Offering Procedures and Related Forms, (V) Scheduling Certain Dates with Respect Thereto, and (VI) Granting Related Relief* [D.I. 584].

1.117 Rights Offering Stock means the product of (a) 15% of the New Common Stock to be issued by Reorganized UCI (inclusive of the amount of New Common Stock that would be

issued to Holders of Allowed General Unsecured Claims notwithstanding any Cash Elections (as such terms are defined in the Plan), on the Effective multiplied by (b) the fraction equal to (i) the principal amount of the Second Lien Rights Offering Facility divided by (ii) \$30 million.

1.118 Rights Offering Stock Pro Rata Allocation means, with respect to each Eligible Party, the number of Rights Offering Stock equal to the product of (a) the total number of Rights Offering Common Stock multiplied by (b) the fraction equal to (i) the amount of the Second Lien Rights Offering Facility purchased by such party pursuant to the Rights Offering and/or the Backstop Commitment Agreement divided by (ii) the total amount of the Second Lien Rights Offering Facility funded by the proceeds of the Rights Offering.

1.119 SEC means the U.S. Securities and Exchange Commission.

1.120 Second Lien Rights Offering Facility means a second lien credit facility in an aggregate principal amount of up to \$30,000,000, which facility shall be funded by the proceeds of the Rights Offering, if conducted.

1.121 Second Lien Rights Offering Facility Agent means such person or entity (acceptable to the Plan Sponsors) acting in its capacity in its capacity as administrative agent under the Second Lien Rights Offering Facility Agreement.

1.122 Second Lien Rights Offering Facility Agreement means that certain credit agreement, effective as of the Effective Date if the Rights Offering is consummated, which shall be in form and substance acceptable to the Plan Sponsors and the Debtors, by and among the Reorganized Debtors, the Second Lien Rights Offering Agent, and the Second Lien Rights Offering Facility Lenders, together with all related notes, agreements (including, without limitation, any guaranty agreements, pledge and collateral agreements, intercreditor agreements, and intercompany subordination agreements), documents, and instruments delivered pursuant to or in connection therewith, each in form and substance acceptable to the Plan Sponsors and the Debtors, as it may be amended, modified, or supplemented from time to time. The principal terms of the Second Lien Rights Offering Facility Agreement shall be set forth on Exhibit 1.122, to be filed with the Plan Supplement, and in form and substance acceptable to the Debtors and the Plan Sponsors.

1.123 Second Lien Rights Offering Facility Lenders means, collectively, each Backstop Party and any other Eligible Party that is party to the Second Lien Rights Offering Facility on the Effective Date as a lender, in each case in such party's capacity as a lender under the Second Lien Rights Offering Facility.

1.124 Section 510(b) Claim means a Claim against any Debtor that is subordinated, or subject to subordination, pursuant to Section 510(b) of the Bankruptcy Code, including, without limitation, a claim arising from the rescission or purchase of a sale or security of any Debtor or an affiliate of any Debtor, for damages arising from the purchase or sale of such security or for reimbursement, or for contribution on account of such Claim pursuant to section 502 of the Bankruptcy Code.

1.125 Secured Claim means any Claim secured by a Lien on collateral to the extent of the value of such collateral (i) as set forth in this Plan, (ii) as agreed to by the Holder of such Claim and the relevant Debtor(s) or (iii) as determined pursuant to a Final Order of the Bankruptcy Court in



accordance with section 506(a) of the Bankruptcy Code or, in the event that such Claim is subject to setoff under section 553 of the Bankruptcy Code, to the extent of such setoff.

1.126 Senior Noteholder means a Holder of a Senior Unsecured Note.

1.127 Senior Notes Claims means all Claims against the Debtors arising under or evidenced by the Senior Unsecured Notes, the Senior Unsecured Notes Indenture, and related documents; provided, however, that Senior Notes Claims shall not include Claims related to the Senior Unsecured Notes Indenture Trustee Fees.

1.128 Senior Unsecured Notes means the 8.625% senior unsecured notes due 2019 issued pursuant to the Senior Unsecured Notes Indenture.

1.129 Senior Unsecured Notes Indenture means that certain Indenture, dated as of January 26, 2011, for the issuance of 8.625% Notes due 2019, by and among Uncle Acquisition 2010 Corp as issuer, the guarantors from time to time parties thereto, and Wilmington Trust, National Association (as successor by merger to Wilmington Trust FSB), as trustee, as such Indenture may have been amended, amended and restated, modified or supplemented from time to time.

1.130 Senior Unsecured Notes Indenture Trustee means Wilmington Trust, National Association (as successor by merger to Wilmington Trust FSB), in its capacity as trustee under the Senior Unsecured Notes Indenture.

1.131 Senior Unsecured Notes Indenture Trustee Fees means the compensation, fees, expenses, disbursements and indemnity claims of the Senior Unsecured Notes Indenture Trustee, including without limitation, any fees, expenses and disbursements of attorneys, advisors or agents retained or utilized by the Senior Unsecured Notes Indenture Trustee, whether prior to or after the Petition Date and whether prior to or after the Effective Date.

1.132 Shareholders Agreement means the shareholders agreement of Reorganized UCI, which agreement shall be substantially in the form of Exhibit 1.132 to be filed with the Plan Supplement, and in form and substance acceptable to the Plan Sponsors.

1.133 Subscription Agent means such person or entity (reasonably acceptable to the Plan Sponsors) engaged by the Debtors to administer the Rights Offering in accordance with the Rights Offering Procedures.

1.134 Subscription Deadline means November 29, 2016, or such other date as may be designated in accordance with the Rights Offering Procedures.

1.135 Subscription Form means the form that each Eligible Party must complete by the Subscription Deadline to elect to participate in the Rights Offering.

1.136 Subscription Payment Amount shall have the meaning ascribed to such term in Section 5.4.

1.137 Subscription Rights means the rights of Eligible Parties to purchase, pursuant to a duly completed and signed Subscription Form, their Notes Pro Rata Allocation of the Second Lien Rights Offering Facility in connection with the Rights Offering.

1.138 Subsidiary Debtors means, collectively, Airtex Industries, LLC; Airtex Products, LP; ASC Holdco, Inc.; ASC Industries, Inc.; Champion Laboratories, Inc.; UCI; UCI Acquisition Holdings (No. 3) Corp; UCI Acquisition Holdings (No. 4) LLC; UCI-Airtex Holdings, Inc.; UCI International, LLC; UCI Pennsylvania, Inc.; and United Components, LLC.

1.139 Total GUC Allocation means 91% of the New Common Stock, subject to reduction by the Rights Offering Stock unless the Plan Sponsors and Debtors elect not to proceed with the Rights Offering.

1.140 UCI shall have the meaning ascribed to such term in the introduction of this Plan.

1.141 UCI Holdings means UCI Holdings, Limited.

1.142 UCI International shall have the meaning ascribed to such term in the introduction of this Plan.

1.143 UCI Trade Creditor means a creditor holding one or more unsecured claims as of the Petition Date arising from the provision of goods or services to a Debtor in the ordinary course of business, to the extent that such claim is neither secured nor entitled to priority under applicable law; and shall not include (i) any creditor holding a claim arising from the rejection of an Executory Contract or Unexpired Lease under section 365 of the Bankruptcy Code or (ii) Rank or any of Rank's Affiliates, subsidiary or Related Persons.

1.144 Unexpired Leases means all unexpired leases to which a Debtor is a party.

1.145 Unimpaired means with respect to a Claim or Interest, a Claim or Interest that is not Impaired.

1.146 Voting Deadline means the deadline for returning Ballots to accept or reject this Plan.

1.147 Voting Record Date means October 14, 2016.

B. Rules of Interpretation. For purposes of this Plan, unless otherwise provided herein: (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, will include both the singular and the plural; (b) unless otherwise provided in this Plan, any reference in this Plan to a contract, instrument, release, or other agreement or document being in a particular form or on particular terms and conditions means that such document will be substantially in such form or substantially on such terms and conditions; (c) any reference in this Plan to an existing document, schedule or Exhibit filed or to be filed means such document, schedule or Exhibit, as it may have been or may be amended, modified, or supplemented pursuant to this Plan; (d) any reference to an entity as a Holder of a Claim or Interest includes that entity's successors and assigns; (e) all references in this Plan to Sections or Articles are references to Sections or Articles of or to this Plan or the Plan Supplement, as the same may be amended, waived

or modified from time to time; (f) the words “herein,” “hereof,” “hereto,” “hereunder” and other words of similar import refer to this Plan as a whole and not to any particular Section, subsection or clause contained in this Plan; (g) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of this Plan; (h) the rules of construction set forth in section 102 of the Bankruptcy Code (other than section 102(5) of the Bankruptcy Code) will apply; and (i) in computing any period of time prescribed or allowed by this Plan, Bankruptcy Rule 9006(a) will apply.

C. Computation of Time. In computing any period of time prescribed or allowed by this Plan, unless otherwise expressly provided, the provisions of Bankruptcy Rule 9006(a) shall apply. In the event that any payment, distribution, act or deadline under this Plan is required to be made or performed or occurs on a day that is not a Business Day, then the making of such payment or distribution, the performance of such act or the occurrence of such deadline shall be deemed to be on the next succeeding Business Day, but if so made, performed or completed by such next succeeding Business Day shall be deemed to have been completed or to have occurred as of the required date.

D. Exhibits and Plan Supplement. All Exhibits to this Plan, as well as the Plan Supplement, shall be in form and substance acceptable to the Plan Proponents and are incorporated into and are a part of this Plan as if set forth in full herein. Holders of Claims and Interests may obtain a copy of the Plan Supplement and the filed Exhibits upon written request to the Debtors. Upon their filing, the Plan Supplement and the Exhibits may be inspected in the office of the Clerk of the Bankruptcy Court during normal business hours or at the Bankruptcy Court’s website at <http://www.deb.uscourts.gov>.

E. Deemed Acts. Whenever an act or event is expressed under this Plan to have been deemed done or to have occurred, it shall be deemed to have been done or to have occurred by virtue of this Plan and/or Confirmation Order without any further act by any party.

## **ARTICLE II: TREATMENT OF ADMINISTRATIVE EXPENSE CLAIMS AND PRIORITY TAX CLAIMS**

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims, and Priority Tax Claims have not been classified and thus are excluded from the Classes of Claims and Interests set forth in Article III.

2.1. Administrative Expense Claims. Subject to the provisions of sections 328, 330, 331 and 503(b) of the Bankruptcy Code, on either: (i) the latest to occur of (x) the Effective Date, (y) the date upon which such Administrative Expense Claim becomes an Allowed Claim and (z) such other date as agreed upon by the Debtors and the Holder of such Administrative Expense Claim, or (ii) such other date as the Bankruptcy Court may order, each Holder of an Allowed Administrative Expense Claim shall receive, on account of and in full and complete settlement, release and discharge of, and in exchange for, such Allowed Administrative Expense Claim, (a) Cash equal to the full unpaid amount of such Allowed Administrative Expense Claim, or (b) such other less favorable treatment as the applicable Debtor and such Holder shall have agreed; provided, however, that Allowed Administrative Expense Claims not yet due or that represent

obligations incurred by the Debtors in the ordinary course of their business during the Chapter 11 Cases, or assumed by the Debtors during the Chapter 11 Cases, shall be paid or performed when due in the ordinary course of business and in accordance with the terms and conditions of the particular agreements governing such obligations.

2.2. Priority Tax Claims. Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment (in which event such other agreement shall govern), each Holder of an Allowed Priority Tax Claim against any of the Debtors that is due and payable on or before the Effective Date shall receive, on account of and in full and complete settlement, release and discharge of, and in exchange for, such Allowed Priority Tax Claim, at the sole option of the Reorganized Debtors, either (a) payment in full in Cash after such Priority Tax Claim becomes an Allowed Claim, or as soon as practicable thereafter, together with interest from the Effective Date on any outstanding balance calculated at a rate determined under section 511 of the Bankruptcy Code, (b) except as otherwise determined by the Bankruptcy Court at the Confirmation Hearing, regular installment payments in Cash equal to the Allowed amount of such Claim over a period ending not later than the fifth anniversary of the Petition Date, together with interest from the Effective Date on any outstanding balance calculated at a rate determined under section 511 of the Bankruptcy Code, which installment payments shall commence after such Priority Tax Claim becomes an Allowed Claim, or (c) such other treatment as agreed to by the Holder of an Allowed Priority Tax Claim and the Reorganized Debtors. All Allowed Priority Tax Claims against any of the Debtors that are not due and payable on the Effective Date shall be paid in the ordinary course of business by the Reorganized Debtors in accordance with the terms thereof.

### **ARTICLE III: CLASSIFICATION AND TREATMENT OF CLASSIFIED CLAIMS AND INTERESTS**

#### 3.1. Summary of Classification and Treatment of Classified Claims and Interests.

##### 3.1.1 General.

(a) Pursuant to sections 1122 and 1123 of the Bankruptcy Code, Claims and Interests are classified for all purposes, including, without limitation, voting, Confirmation and distributions pursuant to this Plan, as set forth herein. A Claim or Interest shall be deemed classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class, and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Interest qualifies within the description of such different Class. A Claim or Interest is in a particular Class only to the extent that such Claim or Interest is Allowed in that Class and has not been paid or otherwise settled prior to the Effective Date.

(b) This Plan constitutes, and shall be deemed to constitute, a separate Chapter 11 plan of reorganization for each Debtor. Each Debtor is set forth under footnote 1 to this Plan.

(c) Any Class of Claims or Interests that, as of the commencement of the Confirmation Hearing, does not have at least one Holder of a Claim or Interest that is Allowed in an amount greater than zero for voting purposes shall be considered vacant, deemed eliminated from

the Plan for purposes of voting to accept or reject the Plan, and disregarded for purposes of determining whether the Plan satisfies section 1129(a)(8) of the Bankruptcy Code with respect to that Class.

(d) Pursuant to Bankruptcy Rule 9019 and section 1123(b)(3) of the Bankruptcy Code, and in consideration for the classification, distribution and other benefits provided under the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and controversies resolved pursuant to the Plan, including all claims arising prior to the Effective Date, whether known or unknown, foreseen or unforeseen, asserted or unasserted, by or against any Released Party, or Holders of Claims, arising out of, relating to or in connection with the business or affairs of or transactions with the Debtors. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of each of the foregoing compromises or settlements, and all other compromises and settlements provided for in the Plan, and the Bankruptcy Court's findings shall constitute its determination that such compromises and settlements are in the best interests of the Debtors, the Estates, creditors and other parties in interest, and are fair, equitable and within the range of reasonableness. The provisions of the Plan, including its release, injunction, exculpation and compromise provisions, are mutually dependent and non-severable.

3.1.2 Identification of Classes Against the Debtors. The following chart assigns a letter to each Class with respect to Debtors for purposes of identifying each separate Class:

<u>CLASS</u>	<u>CLAIM OR INTEREST</u>
A	Priority Non-Tax Claims
B	Other Secured Claims
C	Prepetition ABL Credit Facility Claims
D	Senior Notes Claims
E	General Unsecured Claims
F	Convenience Claims
G	Intercompany Claims
H	Section 510(b) Claims
I	Interests in UCI and UCI Holdings
J	Interests in Subsidiary Debtors

3.2. Classification and Treatment of Claims Against and Interests in the Debtors.

3.2.1 Class A: Priority Non-Tax Claims.

(a) Classification: Class A consists of all Priority Non-Tax Claims against the Debtors.

(b) Treatment: On or as soon as reasonably practicable following the later to occur of the Effective Date and the date such Claim becomes an Allowed Claim, each Holder of an Allowed Priority Non-Tax Claim shall have such Claim Reinstated.

(c) Voting: Claims in Class A are Unimpaired. Each Holder of an Allowed Claim in Class A shall be conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code, and, therefore, shall not be entitled to vote to accept or reject this Plan.

3.2.2 Class B: Other Secured Claims.

(a) Classification: Class B consists of all Other Secured Claims against the Debtors.

(b) Treatment: On or as soon as reasonably practicable following the later to occur of the Effective Date and the date such Claim becomes an Allowed Claim, each Holder of an Allowed Other Secured Claim shall have such Claim Reinstated.

(c) Voting: Claims in Class B are Unimpaired. Each Holder of an Allowed Claim in Class B shall be conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code, and, therefore, shall not be entitled to vote to accept or reject this Plan.

3.2.3 Class C: Prepetition ABL Credit Facility Claims.

(a) Classification: Class C consists of all Prepetition ABL Credit Facility Claims against the Debtors.

(b) Allowance: The Prepetition ABL Credit Facility Claims shall be deemed Allowed on the Effective Date in the aggregate principal amount of \$69,443,839.66 in respect of loans made and \$5,803,837.00 in respect of undrawn letters of credit plus any accrued but unpaid interest thereon (including default interest) payable pursuant to the terms of the Prepetition ABL Credit Facility Documents and the Final Cash Collateral Order, plus fees, charges and expenses incurred through the Effective Date that are required to be paid under the Prepetition ABL Credit Facility Documents, subject to any agreements by the parties to the Prepetition ABL Credit Facility Documents modifying the fees, charges and expenses required to be paid under the Prepetition ABL Credit Facility Documents.

(c) Treatment: Except to the extent the Holder of an Allowed Prepetition ABL Credit Facility Claim agrees to a less favorable or different treatment, each Holder of an Allowed Prepetition ABL Credit Facility Claim shall receive on account of, in full and complete satisfaction, release and discharge of, and in exchange for such Claim, payment in full, in Cash (excluding any amounts in respect of undrawn letters of credit) on the Effective Date or as

soon as reasonably practicable thereafter. Any undrawn letters of credit outstanding on the Effective Date shall be collateralized with Cash in an amount equal to 103% of the face amount of such undrawn letter of credit in form and substance and issued by a bank or other financial institution acceptable to the issuer thereof until such undrawn letter of credit is (x) replaced by a letter of credit issued in form and substance and issued by a bank or other financial institution acceptable to the issuer thereof or (y) returned to the issuer undrawn and marked cancelled.

(d) Voting: Claims in Class C are Unimpaired. Each Holder of an Allowed Claim in Class C shall be conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code, and, therefore, shall not be entitled to vote to accept or reject this Plan.

### 3.2.4 Class D: Senior Notes Claims.

(a) Classification: Class D consists of all Senior Notes Claims against the Debtors.

(b) Allowance: The Senior Notes Claims shall be deemed Allowed on the Effective Date in the aggregate principal amount of \$400,000,000, plus any accrued but unpaid interest thereon (including default interest) payable through the Petition Date at the interest rate applicable pursuant to the terms of the Senior Unsecured Notes Indenture.

(c) Treatment: Each Eligible Party shall have the option to participate in the Rights Offering, subject to the terms and conditions set forth in Section 5.4. On the Effective Date or as soon as reasonably practicable thereafter, except to the extent the Holder of an Allowed Senior Notes Claim agrees to a less favorable or different treatment, each Holder of an Allowed Senior Notes Claim shall receive in full satisfaction, settlement, release and discharge of and in exchange for such Holder's Allowed Senior Notes Claim, (i) its GUC Pro Rata Allocation of New Common Stock and (ii) unless the Plan Sponsors and the Debtors elect not to consummate the Rights Offering, and if such party elected to participate in the Rights Offering, such party's (A) Notes Pro Rata Allocation of the Second Lien Rights Offering Facility and (B) Rights Offering Stock Pro Rata Allocation that such party elected to purchase through the Rights Offering, if any.

(d) Voting: Claims in Class D are Impaired. Each Holder of an Allowed Claim in Class D shall be entitled to vote to accept or reject this Plan.

### 3.2.5 Class E: General Unsecured Claims.

(a) Classification: Class E consists of all General Unsecured Claims.

(b) Treatment: On or as soon as reasonably practicable following the next Distribution Date after such Holder's General Unsecured Claim becomes an Allowed Claim, except to the extent the Holder of an Allowed General Unsecured Claim agrees to a less favorable or different treatment, such Holder shall have the option to receive in full satisfaction, settlement, release and discharge of and in exchange for such Allowed General Unsecured Claim either:

- (i) its GUC Pro Rata Allocation of New Common Stock;
- or

- (ii) if such Holder's Allowed General Unsecured Claim is (a) equal to or less than \$1,000,000, or (b) such Holder elects on its Ballot to reduce its Allowed General Unsecured Claim to \$1,000,000, a Cash payment (the "GUC Cash Election") equal to (1) if the Pension Plans are assumed by a member of the Rank Group, 19% of the face amount of such Holder's Allowed General Unsecured Claim as of the Effective Date, or (2) if the Pension Plans are not assumed by a member of the Rank Group, 13% of the face amount of such Holder's Allowed General Unsecured Claim as of the Effective Date, provided, however, that if the total amount of Cash payments that would be made to Holders of Allowed General Unsecured Claims pursuant to the GUC Cash Election exceeds \$4,500,000 (the "GUC Cash Pool"), each Holder of Allowed General Unsecured Claims making the GUC Cash Election shall receive their Pro Rata Share of the GUC Cash Pool; provided, further, however, that if a Holder of an Allowed General Unsecured Claim votes to reject the Plan, any GUC Cash Election made by such Holder will be invalid.

If an eligible Holder of an Allowed General Unsecured Claim votes to accept the Plan, such Holder may, on such Holder's Ballot, elect the applicable treatment specified in Section 3.2.5(b)(i) or Section 3.2.5(b)(ii). Each such Holder that votes to reject the Plan, does not submit a Ballot or that submits a Ballot but fails to affirmatively elect the treatment set forth in Section 3.2.5(b)(ii) shall be deemed to have elected the treatment specified in Section 3.2.5(b)(i) with respect to its Allowed General Unsecured Claim.

(c) Voting: Claims in Class E are Impaired. Each Holder of an Allowed Claim in Class E shall be entitled to vote to accept or reject this Plan.

### 3.2.6 Class F: Convenience Claims

(a) Classification: Class F consists of all Convenience Claims.

(b) Treatment: In full satisfaction, settlement, release and discharge of and in exchange for Allowed Convenience Claims, on or as soon as practicable after the applicable Distribution Date, each Holder of an Allowed Convenience Claim shall receive payment in full in Cash on account of such Claim; provided, however, that, subject to Section 7.3 of this Plan, postpetition Interest shall not be paid to any Holder on any Convenience Claim without regard to whether such amount has accrued for federal income tax purposes.

(c) Voting: Allowed Claims in Class F are Unimpaired, and the Holders of such Claims are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Claims in Class F are not entitled to vote to



accept or reject the Plan; provided, however, that all Claims in Class F shall be subject to allowance or disallowance in whole or in part under the applicable provisions of the Plan, including, but not limited to, Article VIII.

3.2.7 Class G: Intercompany Claims.

(a) Classification: Class G consists of all Intercompany Claims against the Debtors.

(b) Treatment: On the Effective Date, at the option of the Plan Sponsors and the Reorganized Debtors, all Intercompany Claims shall either be (i) Reinstated, in whole or in part, (ii) deemed satisfied, or (iii) discharged and extinguished, in full or in part, and shall be eliminated as of the Effective Date, in whole or in part, in which case such discharged and extinguished portion shall be eliminated and the Holders thereof shall not be entitled to and shall not receive or retain any property or interest on account of such discharged and extinguished portion under this Plan; provided, however, that prior to such discharge and extinguishment such Intercompany Claims may be contributed to capital, transferred, setoff or subject to any other arrangement at the option of the Debtors and the Plan Sponsors.

(c) Voting: Claims in Class G are Unimpaired or are Impaired. As set forth in Section 4.4, Holders of Intercompany Claims shall be conclusively deemed to have accepted this Plan, and, therefore, shall not be entitled to vote to accept or reject this Plan.

3.2.8 Class H: Section 510(b) Claims.

(a) Classification: Class H consists of all Section 510(b) Claims against the Debtors.

(b) Treatment: On the Effective Date, all Section 510(b) Claims shall be discharged and extinguished and the Holders thereof shall not receive or retain any property under this Plan on account of such Section 510(b) Claims.

(c) Voting: Claims in Class H are Impaired. Each Holder of an Allowed Claim in Class H shall be conclusively deemed to have rejected this Plan pursuant to section 1126(g) of the Bankruptcy Code, and, therefore, shall not be entitled to vote to accept or reject this Plan.

3.2.9 Class I: Interests in UCI and UCI Holdings.

(a) Classification: Class I consists of all Interests in UCI and UCI Holdings.

(b) Treatment: On the Effective Date, all Interests in UCI and UCI Holdings shall be cancelled, annulled, and extinguished and the Holders of such Interests shall not receive or retain any property under this Plan on account of such Interests, subject to the provisions of Section 5.19 of the Plan.

(c) Voting: Interests in Class I are Impaired. Each Holder of an Allowed Claim in Class I shall be conclusively deemed to have rejected this Plan pursuant to section 1126(g) of the Bankruptcy Code, and, therefore, shall not be entitled to vote to accept or reject this Plan.

3.2.10 Class J: Interests in the Subsidiary Debtors.

(a) Classification: Class J consists of all Interests in the Subsidiary Debtors.

(b) Treatment: On the Effective Date, all Interests in the Subsidiary Debtors shall be Reinstated, subject to the consummation of one or more Restructuring Transactions pursuant to Section 5.7. Reorganized UCI and the other Reorganized Debtors that are Holders of Interests in the Subsidiary Debtors shall retain, unaltered, the legal, equitable, and contractual rights to which such Interests entitled the Holders thereof immediately prior to the Effective Date.

(c) Voting: Interests in Class J are Unimpaired. Each Holder of an Interest in Class J shall be conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code, and, therefore, shall not be entitled to vote to accept or reject this Plan.

3.3. Unimpaired Claims and Interests. Except as otherwise explicitly provided in this Plan, nothing herein shall affect the Debtors' or the Reorganized Debtors' rights and defenses, both legal and equitable, with respect to any Unimpaired Claims or Interests, including, but not limited to, the legal and equitable defenses of setoff or recoupment with respect to the Unimpaired Claims.

**ARTICLE IV:  
ACCEPTANCE OR REJECTION OF THE PLAN**

4.1. Impaired Classes of Claims Entitled to Vote on this Plan. Claims in Class D (Senior Notes Claims) and Class E (General Unsecured Claims) are Impaired, and the Holders of such Claims are entitled to vote to accept or reject this Plan.

4.2. Acceptance by an Impaired Class of Claims.

4.2.1 Pursuant to section 1126(c) of the Bankruptcy Code, an Impaired Class of Claims shall have accepted the Plan if, after excluding any Claims held by any Holder whose claims have been designated pursuant to section 1126(e) of the Bankruptcy Code, (a) the Holders of at least two-thirds in dollar amount of the Allowed Claims actually voting in such Class have voted to accept such Plan, and (b) more than one-half in number of such Allowed Claims actually voting in such Class have voted to accept the Plan.

4.2.2 Except for Holders of Claims in Classes that are deemed or presumed to have accepted or rejected this Plan pursuant to the terms of this Plan other than this Section 4.2.2, if Holders of Claims in a particular Impaired Class of Claims were given the opportunity to vote to accept or reject this Plan and such Holders of Claims failed to vote to accept or reject this Plan, then such Class of Claims shall be deemed to have accepted this Plan.

4.3. Presumed Acceptance by Unimpaired Classes. Classes A (Priority Non-Tax Claims against the Debtors), B (Other Secured Claims against the Debtors), Class C (Prepetition ABL Credit Facility Claims), F (Convenience Claims), and I (Interests in the Subsidiary Debtors) are Unimpaired by this Plan. Pursuant to section 1126(f) of the Bankruptcy Code, the Holders of Claims and Interests in such Classes are conclusively presumed to have accepted this Plan and therefore shall not be entitled to vote to accept or reject this Plan.

4.4. Presumed Acceptance by the Holders of Intercompany Claims. As proponents of this Plan (or subsidiaries thereof), Holders of Intercompany Claims in Class G are conclusively deemed to accept this Plan and votes shall not be solicited from the Holders of such Claims.

4.5. Presumed Rejection by Certain Impaired Classes. Classes H (Section 510(b) Claims) and I (Interests in UCI Holdings) are Impaired by this Plan. Holders of Claims and Interests in Class H (Section 510(b) Claims) and Class I (Interests in UCI Holdings) will not receive or retain any property under this Plan on account of such Claims and Interests. Pursuant to section 1126(g) of the Bankruptcy Code, the Holders of Claims and Interests in such Classes are conclusively presumed to have rejected this Plan and therefore shall not be entitled to vote to accept or reject this Plan.

4.6. Confirmability and Severability of this Plan.

4.6.1 Confirmation. The confirmation requirements of section 1129 of the Bankruptcy Code must be satisfied separately with respect to each Debtor. Therefore, notwithstanding the combination of the separate plans of reorganization for all Debtors in this Plan for purposes of, among other things, economy and efficiency, this Plan shall be deemed a separate chapter 11 plan for each such Debtor.

4.6.2 Reservation of Rights. The Plan Proponents reserve the right to amend, modify, or supplement this Plan for any reason, including, without limitation, in the event that any separate plan for a particular Debtor is not confirmed.

## **ARTICLE V: MEANS FOR IMPLEMENTATION OF THE PLAN**

5.1. Non-Substantive Consolidation. This Plan is a joint plan that does not provide for substantive consolidation of the Estates and, on the Effective Date, the Estates shall not be deemed to be substantively consolidated for purposes hereof. Except as specifically set forth herein, nothing in this Plan, the Plan Supplement, or the Disclosure Statement shall constitute or be deemed to constitute an admission that any one of the Debtors is subject to or liable for any claim against any other Debtor. Additionally, claimants holding Claims against multiple Debtors, to the extent such Claims are Allowed in each Debtor's Chapter 11 Case, will be treated as Holders of separate Claims against each applicable Estate for all purposes (including, but not limited to, voting and distributions); provided, however, that no Holder shall be entitled to receive more than payment in full of its Allowed Claim (plus postpetition interest, if and to the extent provided in this Plan), and such Claims will be administered and treated in the manner provided in this Plan. Unless otherwise provided by this Plan or the Confirmation Order, Allowed Claims held against any Debtor shall be

satisfied solely from the Cash and other assets of such Debtor and its Estate, provided that, to the extent of any insufficiency, funds or other property may be advanced to the relevant Debtor(s) by the Estate of any the Debtors, at the option of the advancing Debtor.

5.2. Sources of Cash Consideration for Plan Distributions. The Reorganized Debtors shall fund distributions and satisfy applicable Allowed Claims under the Plan with Cash on hand, including Cash from operations, Cash provided pursuant to the New First Lien Credit Facility, the Rights Offering (unless the Debtors and the Plan Sponsors elect not to consummate the Rights Offering), the New Second Lien Exit Facility (if any), and/or the Rank Contribution Election.

5.3. New First Lien Credit Agreement. On the Effective Date, the Reorganized Debtors shall be authorized to enter into the New First Lien Credit Agreement. The New First Lien Lenders shall have valid, binding and enforceable liens on the collateral specified in the New First Lien Credit Agreement. The guarantees, mortgages, pledges, liens and other security interests granted pursuant to the New First Lien Credit Agreement are granted in good faith as an inducement to the New First Lien Lenders to extend credit thereunder and shall be deemed not to constitute a fraudulent conveyance or fraudulent transfer, shall not otherwise be subject to avoidance, and the priorities of such liens and security interests shall be as set forth in the New First Lien Credit Agreement.

5.4. Rights Offering. Unless the Plan Sponsors and the Debtors elect otherwise, the Debtors shall commence the Rights Offering in accordance with the terms of the Rights Offering Procedures. Notwithstanding anything in this Plan or the Rights Offering Procedures to the contrary, the Debtors may modify the Rights Offering Procedures or adopt additional procedures prior to consummation of the Rights Offering with the consent of the Plan Sponsors. The right to participate in the Rights Offering may not be sold, transferred, or assigned. The closing of the Rights Offering is conditioned upon consummation of the Plan.

5.4.1 Rights Offering Dates. The Rights Offering shall be commenced and completed in accordance with the dates set forth in the Rights Offering Procedures.

5.4.2 Rights Offering Participants. Unless the Debtors and Plan Sponsors elect not to commence and consummate the Rights Offering, each Eligible Party shall be offered the Subscription Rights, pursuant to the Plan and the Rights Offering Procedures. The Subscription Rights shall entitle each holder thereof to purchase its Notes Pro Rata Allocation of the Second Lien Rights Offering Facility and its Rights Offering Stock Pro Rata Allocation for a purchase price equal to the aggregate dollar amount of Second Lien Rights Offering Facility such Eligible Party elects to purchase (the “Subscription Payment Amount”). In accordance with the terms of the Rights Offering Procedures, the Debtors shall deliver a Subscription Form to each Eligible Party to determine which such parties desire to participate in the Rights Offering. In order to properly exercise a Subscription Right, each Eligible Party shall: (i) return a duly completed and signed Subscription Form to the Subscription Agent so that such form is actually received by such Subscription Agent at or prior to the Election Expiration Time; and (ii) pay to the Subscription Agent (on behalf of the Debtors), at or prior to the Election Expiration Time, the Subscription Payment Amount indicated on such Subscription Form, which payment shall be made by wire transfer in accordance with the wire instructions set forth on the Subscription Form. If, prior to the Election Expiration Time, the Subscription Agent for any reason has not received from an Eligible

Party (i) a duly completed and signed Subscription Form, and (ii) such party's Subscription Payment Amount, then such party shall be deemed to have not validly exercised its Subscription Rights and to have relinquished and waived its ability to participate in the Rights Offering.

5.4.3 Backstop Fee. In exchange for providing the Backstop Commitment, whether or not it is called upon, each Backstop Party shall receive its Backstop Fee Share of the Backstop Fee upon the earlier of termination of the Backstop Agreement or the Effective Date, subject to the terms and conditions set forth in the Backstop Agreement.

5.4.4 Refund of Payments. Unless the Debtors and Plan Sponsors elect not to commence and consummate the Rights Offering, once an Eligible Party has properly exercised its Subscription Rights pursuant to its Subscription Form, such exercise cannot be revoked, rescinded or annulled for any reason, without the consent of the Debtors and the Plan Sponsors. In the event the Debtors and Plan Sponsors elect to revoke, withdraw or fail to consummate the Rights Offering or the Plan, or the conditions precedent to the Effective Date shall not have been satisfied in accordance with Section 9.1, the Subscription Agent shall, as soon as reasonably practicable after such revocation, withdrawal or failure to consummate the Rights Offering or the Plan, return to each party that exercised a Subscription Right or paid its Backstop Commitment any payment made by such party pursuant to the Rights Offering or the Backstop Agreement, without interest or deduction.

5.4.5 Distribution of Consideration. Unless the Debtors and Plan Sponsors elect not to commence and consummate the Rights Offering, on or as soon as reasonably practicable after the Effective Date, the Reorganized Debtors shall distribute the Second Lien Rights Offering Facility and Rights Offering Stock in accordance with the terms of this Plan and the Rights Offering Procedures to (i) the Eligible Parties that properly exercised their Subscription Rights in accordance with the terms of the Plan and the Rights Offering Procedures and (ii) the Backstop Parties, subject to the terms of the Backstop Agreement.

5.4.6 Second Lien Rights Offering Facility. Unless the Debtors and Plan Sponsors elect not to commence and consummate the Rights Offering, Confirmation of the Plan shall be deemed to constitute approval of the Rights Offering and Second Lien Rights Offering Facility. On the Effective Date, the Reorganized Debtors shall be authorized to enter into the Second Lien Rights Offering Facility Agreement. The Second Lien Rights Offering Facility Lenders shall have valid, binding and enforceable liens on the collateral specified in the Second Lien Rights Offering Facility Agreement. The guarantees, mortgages, pledges, liens and other security interests granted pursuant to the Second Lien Rights Offering Facility Agreement are granted in good faith as an inducement to the Second Lien Rights Offering Facility Lenders to extend credit thereunder and shall be deemed not to constitute a fraudulent conveyance or fraudulent transfer, shall not otherwise be subject to avoidance, and the priorities of such liens and security interests shall be as set forth in the Second Lien Rights Offering Facility Agreement. The proceeds of the Second Lien Rights Offering Facility shall be used for (i) payment of Allowed Claims and (ii) general corporate purposes.

5.4.7 Rights Offering Stock. Unless the Debtors and Plan Sponsors elect not to commence and consummate the Rights Offering, on the Effective Date, the Reorganized Debtors shall be authorized to issue the Rights Offering Stock in accordance with the terms of the Plan and

the Rights Offering Procedures to (i) the Eligible Parties that properly exercise their Subscription Rights in accordance with the terms of the Plan and the Rights Offering Procedures and (ii) the Backstop Parties, subject to the terms of the Backstop Agreement.

5.5. New Second Lien Exit Facility. If, on or prior to the Effective Date, the Debtors and Plan Sponsors elect for the Reorganized Debtors to enter into the New Second Lien Credit Agreement, then, on the Effective Date, the Reorganized Debtors shall be authorized to enter into the New Second Lien Credit Agreement. The New Second Lien Exit Facility Lenders shall have valid, binding and enforceable liens on the collateral specified in the New Second Lien Credit Agreement. The guarantees, mortgages, pledges, liens and other security interests granted pursuant to the New Second Lien Credit Agreement are granted in good faith as an inducement to the New Second Lien Exit Facility Lenders to extend credit thereunder and shall be deemed not to constitute a fraudulent conveyance or fraudulent transfer, shall not otherwise be subject to avoidance, and the priorities of such liens and security interests shall be as set forth in the New Second Lien Credit Agreement.

5.6. Rank Contribution Election and Treatment of Pension Plans.

5.6.1 On or before fourteen (14) days following the commencement of solicitation of the Plan, Rank, on behalf of itself and each other member of the Rank Group, may elect to (a) provide the Debtors and/or Reorganized Debtors with agreed upon non-Cash consideration that is acceptable to the Debtors, the Creditors' Committee and the Plan Sponsors and/or pay the Debtors an amount of Cash (which amount may be used (A) for payment of Allowed Claims and (B) general corporate purposes) that is acceptable to the Debtors, the Creditors' Committee and the Plan Sponsors, and (b), become the sponsor of the Pension Plans upon consummation of the Plan ((a) and (b) together, the "Rank Contribution Election"). If Rank, the Debtors, the Plan Sponsors and the Creditors' Committee mutually agree, the Rank Contribution Election may be effectuated pursuant to an Acceptable Settlement subject to approval of the Bankruptcy Court upon a motion pursuant to Bankruptcy Rule 9019.

5.6.2 If the Rank Contribution Election is timely made,

(a) The Debtors shall either seek approval of (i) the settlement embodied by the Rank Contribution Election in connection with confirmation of the Plan; or (ii) if mutually agreed by the parties thereto, the Acceptable Settlement upon a motion pursuant to Bankruptcy Rule 9019, with a hearing to be held on or prior to the Confirmation Date,

(b) Each member of the Rank Group and each of their Related Persons (including any former directors or officers of any of the Debtors that are or were Related Persons of the Rank Group) shall receive releases under this Plan to the extent permitted by applicable law, which releases may be (i) in addition to any releases contained in any Acceptable Settlement and (ii) set forth in Exhibit 5.6.2, to be filed with the Plan Supplement,

(c) The Debtors and each of their Related Persons shall be deemed to have received releases from each member of the Rank Group and each of their Related Persons to the extent permitted by applicable law, which releases may be (i) in addition to any releases contained in any Acceptable Settlement and (ii) shall be set forth in Exhibit 5.6.2, to be filed with



the Plan Supplement, provided, that neither any Prepetition ABL Credit Facility Claim nor any other Claim in respect of which any member of the Rank Group or any of their Related Persons shall have timely filed a proof of claim shall be released except to the extent provided in the Acceptable Settlement.

(d) Holders of General Unsecured Claims that make a valid GUC Cash Election shall be entitled to receive a Pro Rata Share (together with Senior Notes Claims in Class D) of any Cash consideration provided by Rank pursuant to the Rank Contribution Election,

(e) Each Debtor that is a sponsor of the Pension Plans shall resign as a sponsor of the Pension Plans, and the Debtors, Reorganized Debtors, and their respective subsidiaries shall be released from any liability on account of the Pension Plans in a manner satisfactory to the Plan Proponents, or, in the absence of a release, one or more members of the Rank Group will indemnify the Reorganized Debtors and their subsidiaries for any liability on account of the Pension Plans under a control group theory or otherwise, which indemnity shall be satisfactory in form and substance to the Plan Proponents, and

(f) Approval of the Acceptable Settlement by a final, non-appealable order of the Bankruptcy Court shall be a condition of the occurrence of the Effective Date (as such condition may be waived by the Plan Proponents and Rank, pursuant to Section 9.2 of this Plan).

5.6.3 If the Rank Contribution Election is not made, (i) the Debtors or the Reorganized Debtors, as applicable, shall seek to terminate the Pension Plans if not otherwise terminated in accordance with applicable law, and any resulting termination liability shall be treated as a Class E General Unsecured Claim and (ii) Claims against each member of the Rank Group and each of their Related Persons shall be Preserved Causes of Action.

5.7. Restructuring Transactions. On or as soon as reasonably practicable after the Effective Date, any Reorganized Debtor may enter into Restructuring Transactions and may take such actions as may be necessary or appropriate to effect such Restructuring Transactions, as may be determined by such Reorganized Debtor to be necessary or appropriate. The actions to effect the Restructuring Transactions may include: (i) the execution and delivery of appropriate agreements or other documents of merger, consolidation, restructuring, disposition, liquidation or dissolution containing terms that are consistent with the terms herein and that satisfy the applicable requirements of applicable law and such other terms to which the applicable entities may agree; (ii) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, duty or obligation on terms consistent with the terms herein and having such other terms to which the applicable entities may agree; (iii) the filing of appropriate certificates or articles of merger, consolidation or dissolution pursuant to applicable law; and (iv) all other actions which the applicable entities may determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law in connection with such transactions. The Restructuring Transactions may include one or more mergers, consolidations, restructurings, dispositions, liquidations or dissolutions, as may be determined by the Reorganized Debtors to be necessary or appropriate to result in substantially all of the respective assets, properties, rights, liabilities, duties and obligations of all or certain of the Reorganized Debtors vesting in one or more surviving, resulting or acquiring corporations. In each case in which the surviving, resulting or acquiring corporation in any such transaction is a successor

to a Reorganized Debtor, such surviving, resulting or acquiring corporation will perform the obligations of the applicable Reorganized Debtor pursuant to the Plan to pay or otherwise satisfy the Allowed Claims against such Reorganized Debtor, except as provided in any contract, instrument or other agreement or document effecting a disposition to such surviving, resulting or acquiring corporation, which may provide that another Reorganized Debtor will perform such obligations. On or prior to, or as soon as practicable after, the Effective Date, the Debtors or the Reorganized Debtors may take such steps as may be necessary or appropriate to effectuate Restructuring Transactions that satisfy the requirements set forth in this Section 5.7.

## 5.8. Issuance and Distribution of New Securities.

5.8.1 Issuance of New Securities. On the Effective Date, Reorganized UCI shall issue for distribution in accordance with the terms of this Plan the New Common Stock. The New Common Stock shall not be transferable to Rank or any of its Related Persons, provided, that, nothing in this Section 5.8.1 shall prohibit Rank or any of its Related Persons from receiving New Common Stock as part of any distribution pursuant to the Plan to which Rank or any its Related Persons is otherwise entitled to receive as Holder of an Allowed Claim. The New Common Stock and the Rights Offering Stock shall be issued with any and all instruments, certificates and other documents required to be issued pursuant to this Plan in order to effect such issuance and distribution without further act or action under applicable law, regulation, order or rule. The issuance and distribution of the New Common Stock and Rights Offering Stock, if any, under or in connection with this Plan shall be, and shall be deemed to be, exempt from registration under any applicable federal or state securities laws to the fullest extent permissible under applicable bankruptcy law and non-bankruptcy law, including, without limitation, section 1145(a) of the Bankruptcy Code. Without limiting the effect of section 1145 of the Bankruptcy Code, all documents, agreements and instruments entered into on or as of the Effective Date contemplated by or in furtherance of this Plan shall become effective and binding in accordance with their respective terms and conditions upon the parties thereto. In the event the Debtors and the Plan Sponsors determine that a Shareholders Agreement will be executed and delivered in connection with the Plan, upon receipt of its portion of the New Common Stock issued pursuant to the Plan and/or the Rights Offering, each recipient of New Common Stock shall be deemed to have executed, as of the Effective Date, the Shareholders Agreement.

5.8.2 Distribution of New Securities. The New Common Stock shall be distributed to the Holders of Allowed Senior Notes Claims, Allowed General Unsecured Claims, Eligible Parties that properly exercised their Subscription Rights in accordance with the terms of the Plan and the Rights Offering Procedures (unless the Debtors and the Plan Sponsors elect not to consummate the Rights Offering), and Backstop Parties as provided in Section 3.2.4(c), Section 3.2.5(b), Section 5.4.6(i), and Section 5.4.6(ii) respectively; provided, however, that distribution of the Rights Offering Stock shall be subject to (a) the terms and conditions set forth in Section 5.4, including the Rights Offering Procedures, and (b) the terms of the Backstop Agreement if the recipient is a party to the Backstop Agreement. Distribution of the New Common Stock may be made by means of book-entry exchange through the facilities of the DTC in accordance with the customary practices of the DTC, as and to the extent practicable. In connection with such book-entry exchange, the Disbursing Agent(s) shall deliver instructions to the DTC instructing the DTC to effect distributions of New Common Stock and Rights Offering Stock as provided under this Plan. In the period pending distribution of the New Common Stock to any Holder of Allowed



Senior Notes Claims and Allowed General Unsecured Claim, such Holder shall be entitled to exercise any voting rights and receive any dividends or other distributions payable in respect of such Holder's New Common Stock and to exercise all other rights in respect of the New Common Stock (so that such Holder shall be deemed for tax and all other purposes to be the owner of the New Common Stock).

5.9. Corporate Governance, Directors, Officers and Corporate Action.

5.9.1 Certificate of Incorporation; By-Laws; Limited Liability Company Agreements. On the Effective Date, the Certificate of Incorporation and the By-Laws substantially in the form of Exhibit 1.26 and Exhibit 1.24, respectively, to be included with the Plan Supplement, shall go into effect. Consistent with, but only to the extent required by, section 1123(a)(6) of the Bankruptcy Code, on the Effective Date, the Certificate of Incorporation shall be amended to prohibit the issuance of non-voting equity securities. The certificates or articles of incorporation, by-laws, certificates of formation, limited liability company agreements, or similar governing documents, as applicable, of the other Debtors or Reorganized Debtors shall be amended as necessary to satisfy the provisions of this Plan and the Bankruptcy Code. After the Effective Date, the Reorganized Debtors may amend and restate their certificates or articles of incorporation, by-laws, certificates of formation, limited liability company agreements, partnership agreements or similar governing documents, as applicable, as permitted by applicable law.

5.9.2 Directors and Officers of Reorganized UCI. Subject to any requirement of Bankruptcy Court approval pursuant to section 1129(a)(5) of the Bankruptcy Code, on the Effective Date, the initial directors and officers of Reorganized UCI shall be selected by the Plan Sponsors, in consultation with the Creditors' Committee, and identified prior to the Confirmation Hearing; provided, however, that any Holder of a General Unsecured Claim that, if allowed, would hold in excess of fifteen percent (15%) of the New Common Stock as of the Effective Date shall have the ability to object to the composition of the new board at the Confirmation Hearing. After the Effective Date, the Certificate of Incorporation and the By-Laws, as each may be amended thereafter from time to time, shall govern the designation and election of directors.

5.9.3 Directors and Managers or Officers of the Reorganized Debtors Other than Reorganized UCI. Subject to any requirement of Bankruptcy Court approval pursuant to section 1129(a)(5) of the Bankruptcy Code, on the Effective Date, the initial directors and managers or officers of the Reorganized Debtors other than Reorganized UCI shall be selected by the Plan Sponsors, in consultation with the Creditors' Committee, and identified prior to the Confirmation Hearing. After the Effective Date, the certificates or articles of incorporation, by-laws, certificates of formation, limited liability company agreements, or similar governing documents, as applicable, of the Reorganized Debtors other than Reorganized UCI, as each may be amended thereafter from time to time, shall govern the designation and election of directors.

5.9.4 Corporate Action. On the Effective Date, (i) the implementation of the Restructuring Transactions, (ii) the selection of directors and officers for Reorganized UCI and each other Reorganized Debtor, (iii) the incurrence of the New First Lien Exit Facility, Second Lien Rights Offering Facility, if any, and New Second Lien Exit Facility, if any, (iv) the issuance and distribution of the New Common Stock and Rights Offering Stock, and (v) all other actions

contemplated by this Plan shall be deemed authorized and approved in all respects (subject to the provisions of this Plan). All matters provided for in this Plan involving the corporate structure of the Debtors or the Reorganized Debtors, and any corporate action required by the Debtors or the Reorganized Debtors in connection with this Plan, shall be deemed to have timely occurred in accordance with applicable law and shall be in effect, without any requirement of further action by the security holders or directors of the Debtors or the Reorganized Debtors. On and after the Effective Date, the appropriate officers of Reorganized UCI and/or the other Reorganized Debtors and members of the boards of directors or managers of Reorganized UCI and/or the other Reorganized Debtors shall be authorized and directed to issue, execute and deliver the agreements, documents, securities and instruments contemplated by this Plan in the name of and on behalf of Reorganized UCI and/or the other Reorganized Debtors.

5.10. Continued Corporate Existence and Vesting of Assets in the Reorganized Debtors. On and after the Effective Date, after giving effect to each of the Restructuring Transactions contemplated under this Plan, each of the Reorganized Debtors shall continue to exist as separate entities in accordance with the applicable law in the respective jurisdiction in which they are formed and pursuant to their respective certificates or articles of incorporation (or similar organizational documents) and by-laws in effect prior to the Effective Date, except to the extent such certificates or articles of incorporation (or similar organizational documents) and by-laws are to be amended and/or restated pursuant to the terms of this Plan. Notwithstanding anything to the contrary in this Plan, the Reinstated Claims against and Interests in a particular Debtor or Reorganized Debtor shall remain the obligations solely of such Debtor or Reorganized Debtor following the Effective Date and shall not become obligations of any other Debtor or Reorganized Debtor by virtue of this Plan, the Chapter 11 Cases, or otherwise. Pursuant to section 1141(b) of the Bankruptcy Code, except as otherwise provided under this Plan (including as specifically contemplated by the Restructuring Transactions), all property of the respective Estate of each Debtor, including all claims, rights and causes of action and any property acquired by the Debtors or the Reorganized Debtors under or in connection with this Plan, together with any property of each Debtor that is not property of its Estate and that is not specifically disposed of pursuant to this Plan, shall revert in the applicable Reorganized Debtor on the Effective Date free and clear of all Claims, Liens, charges, other encumbrances and Interests. Thereafter, the Reorganized Debtors may operate their businesses and may use, acquire and dispose of property free of any restrictions of the Bankruptcy Code and the Bankruptcy Rules. As of the Effective Date, all property of each Reorganized Debtor shall be free and clear of all Liens and non-Reinstated Claims and Interests, except as specifically provided in this Plan or the Confirmation Order.

5.11. Cancellation of Certain Credit and Debt Documents. On the Effective Date, in consideration for the distributions to be made on the Effective Date pursuant to this Plan and except as otherwise provided herein, all (a) Prepetition ABL Credit Facility Documents, Senior Unsecured Notes, and any other instruments, documents, plans or agreements evidencing or creating any indebtedness or obligations of a Debtor related thereto shall be cancelled, and (b) the obligations of any of the Debtors under any Prepetition ABL Credit Facility Documents, Senior Unsecured Notes, or any other agreements evidencing or creating any indebtedness or obligations of a Debtor that relate to Claims or Interests related thereto shall be discharged pursuant to Section 10.2; provided, however, that the Senior Unsecured Notes Indenture shall continue in effect solely for purposes of (i) allowing Senior Noteholders to receive distributions under the Plan, (ii) preserving the Senior Unsecured Notes Indenture Trustee's right to compensation and indemnification under the Senior

Unsecured Notes Indenture as against any money or property distributable to Senior Noteholders, including without limitation, permitting the Senior Unsecured Notes Indenture Trustee to maintain, enforce and exercise its charging lien against such distributions, and (iii) permitting the Senior Unsecured Notes Indenture Trustee to enforce any obligation owed to it under the Plan.

5.12. Cancellation of Liens. Except as otherwise provided in this Plan, on the Effective Date, in consideration for the distributions to be made on the Effective Date pursuant to this Plan, all Liens, charges, encumbrances and rights related to any Claim or Interest, including, without limitation, those existing under the Prepetition ABL Credit Facility Documents, but excluding any Lien securing an Other Secured Claim that is Reinstated pursuant to this Plan, shall be terminated, null and void and of no effect. The Holders of Secured Claims (other than Other Secured Claims that are Reinstated pursuant to this Plan) shall be authorized and directed to release any collateral or other property of any Debtor (including any Cash collateral) held by such Holder and to take such actions as may be requested by the Debtors (or the Reorganized Debtors, as the case may be) to evidence the release of any Liens, including the execution, delivery, and filing or recording of such release documents as may be requested by the Debtors (or the Reorganized Debtors, as the case may be).

5.13. Payment of Indenture Trustee Allowed Fees. On the Effective Date, the Debtors or Reorganized Debtors, as applicable, shall pay in Cash all reasonable Senior Unsecured Notes Indenture Trustee Fees that are required to be paid under the Senior Unsecured Notes Indenture, without the need for the Senior Unsecured Notes Indenture Trustee to file a fee application with the Bankruptcy Court. From and after the Effective Date, the Reorganized Debtors shall pay in Cash all Senior Unsecured Notes Indenture Trustee Fees, including, without limitation, all Senior Unsecured Notes Indenture Trustee Fees incurred in connection with distributions to the Senior Unsecured Notes Noteholders. Nothing in this Section 5.13 shall in any way affect or diminish the right of the Senior Unsecured Notes Indenture Trustee to exercise any charging lien against distributions to Holders of Senior Unsecured Notes Claims with respect to any unpaid Senior Unsecured Notes Indenture Trustee Fees, as applicable.

5.14. Preservation of Rights of Action and Settlement of Ordinary Litigation Claims and Preserved Causes of Action. Except as otherwise provided in this Plan, the Confirmation Order, or in any document, instrument, release or other agreement entered into in connection with this Plan, in accordance with section 1123(b)(3)(B) of the Bankruptcy Code, the Debtors and their Estates shall retain the Ordinary Litigation Claims and the Preserved Causes of Action. The Reorganized Debtors, as the successors in interest to the Debtors and the Estates, may enforce, sue on, settle or compromise (or decline to do any of the foregoing) any or all of the Ordinary Litigation Claims, Preserved Causes of Action, or any other claims, rights of action, suits or proceedings that any Debtor or Estate may hold against any Person. If the Rank Contribution Election is made, the Preserved Causes of Action shall be released.

5.15. Registration of New Common Stock. On the Effective Date, the New Common Stock and Rights Offering Stock shall not be listed for public trading on any securities exchange, the Reorganized Debtors will not be reporting companies under the Securities Exchange Act of 1934, and the Reorganized Debtors shall not be required to file reports with the SEC or any other governmental entity.

5.16. Additional Transactions Authorized Under this Plan. On or prior to the Effective Date, the Debtors, with the consent of the Plan Sponsors shall be authorized to take any such actions as may be necessary or appropriate to Reinstate Claims or Interests or render Claims or Interests not Impaired, as provided for under this Plan.

5.17. Release of Certain Avoidance Actions. On the Effective Date, the Reorganized Debtors shall be deemed to waive and release all Avoidance Actions that may be asserted against any UCI Trade Creditor.

5.18. Comprehensive Settlement of Claims and Controversies. Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan will constitute a good faith compromise and settlement of all Claims or controversies relating to the rights that a Holder of a Claim or Interest may have with respect to any Allowed Claim or Allowed Interest or any distribution to be made pursuant to the Plan on account of any Allowed Claim or Allowed Interest. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval, as of the Effective Date, of the compromise or settlement of all such claims or controversies and the Bankruptcy Court's finding that all such compromises or settlements are in the best interests (i) of the Debtors, the Reorganized Debtors and their respective Estates and property, and (ii) Claim and Interest holders, and are fair, equitable and reasonable.

5.19. Dissolution of UCI Holdings. As soon as reasonably practicable following the Effective Date, UCI Holdings may be liquidated, dissolved, administered, restructured or otherwise wound up under applicable law and procedure, at the discretion of the Debtors, the Reorganized Debtors and the Plan Sponsors.

## **ARTICLE VI: TREATMENT OF EXECUTORY CONTRACTS, UNEXPIRED LEASES, INSURANCE POLICIES AND EMPLOYEE BENEFIT PLANS**

6.1. Assumption of Executory Contracts and Unexpired Leases. On the Effective Date, all Executory Contracts or Unexpired Leases of the Debtors will be deemed assumed in accordance with, and subject to, the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code, regardless of whether such Executory Contract or Unexpired Lease is set forth on the Schedule of Assumed Executory Contracts and Unexpired Leases, attached hereto as Exhibit 6.1.2, unless such Executory Contract or Unexpired Lease (i) was previously assumed or rejected by the relevant Debtor(s), (ii) previously expired or terminated pursuant to its own terms, (iii) is subject to a motion to reject Executory Contracts or Unexpired Leases that is pending on the Confirmation Date; (iv) is subject to a motion to reject an Executory Contract or Unexpired Lease pursuant to which the requested effective date of such rejection is after the Effective Date; or (v) is identified on the Rejected Executory Contract and Unexpired Lease List, attached hereto as Exhibit 6.1, in form and substance acceptable to the Debtors and the Plan Sponsors (which shall not be unreasonably withheld, conditioned or delayed); provided, however, that, notwithstanding any such assumption, the A&R Letter Agreement and Letter Agreement Order shall each remain in full force and effect, and no party's rights under any agreement affected by either the A&R Letter Agreement or Letter Agreement Order shall be expanded or reduced by this Plan or the Confirmation Order.

Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assignments and/or assumptions and the rejection of the Executory Contracts or Unexpired Leases listed on the Rejected Executory Contract and Unexpired Lease List pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Each Executory Contract and Unexpired Lease assumed pursuant to this Article VI, which has not been assigned to a third party before the Effective Date, shall revert in and be fully enforceable by the respective Reorganized Debtor in accordance with its terms, except as modified by the provisions of this Plan, or any order of the Bankruptcy Court authorizing and providing for its assumption. Any motions to assume Executory Contracts or Unexpired Leases pending on the Effective Date shall be subject to approval by the Court on or after the Effective Date. Notwithstanding anything to the contrary in the Plan, the Debtors or the Reorganized Debtors, as applicable, with the consent of the Plan Sponsors, reserve the right to alter, amend, modify, or supplement the Rejected Executory Contract and Unexpired Lease List at any time through and including forty-five (45) days after the Effective Date.

**6.2. Cure of Defaults Under Assumed Executory Contracts and Unexpired Leases.**

Any monetary amounts by which each Executory Contract and Unexpired Lease to be assumed is in default shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the default amount in Cash on the Effective Date or on such other terms as the parties to each such Executory Contract or Unexpired Lease may otherwise agree. In the event of a dispute regarding (a) the amount of any cure payments, (b) the ability of the Reorganized Debtors or any assignee to provide “adequate assurance of future performance” (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or (c) any other matter pertaining to assumption, the cure payments required by section 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order resolving the dispute and approving the assumption. Pending the Bankruptcy Court’s ruling on such motion, the Executory Contract or Unexpired Lease at issue shall be deemed assumed by the relevant Debtor unless otherwise ordered by the Bankruptcy Court.

Unless otherwise provided by an order of the Bankruptcy Court, at least ten (10) days prior to the Voting Deadline, the Debtors shall cause notice of proposed assumption and proposed Cure Obligations to be sent to applicable counterparties. Any objection by such counterparty must be Filed, served, and actually received by the Debtors not later than fourteen (14) days after service of notice of the Debtors’ proposed assumption and associated Cure Obligations. Any counterparty to an Executory Contract or Unexpired Lease that fails to object timely to the proposed assumption or cure amount will be deemed to have assented to such assumption or Cure Obligation.

**6.3. Claims Procedures Related to Rejection of Executory Contracts or Unexpired Leases.** Unless otherwise provided by a Bankruptcy Court order, any proofs of claim asserting Claims arising from the rejection of the Executory Contracts and Unexpired Leases pursuant to this Plan or otherwise must be filed with the Claims, Noticing, and Solicitation Agent no later than 30 days after the later of the Effective Date or the effective date of rejection. Any proofs of claim arising from the rejection of the Executory Contracts or Unexpired Leases that are not timely filed shall be disallowed automatically and forever barred, estopped, and enjoined from assertion and shall not be enforceable against the Debtors or the Reorganized Debtors, without the need for any objection by the Reorganized Debtors or any further notice to or action, order, or approval of the Bankruptcy Court, and any Claim arising out of the rejection of the Executory Contract or Unexpired Lease shall be deemed fully satisfied, released, and discharged, notwithstanding anything in the Schedules or a proof of claim to the contrary. All Allowed Claims arising from the

rejection of the Executory Contracts and Unexpired Leases shall be classified as General Unsecured Claims, except as otherwise provided by order of the Bankruptcy Court.

6.4. Assumption of Collective Bargaining Agreements. All Collective Bargaining Agreements shall be deemed to have been assumed by the applicable Debtor(s) party thereto upon the occurrence of the Effective Date. Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the pertinent Reorganized Debtor's assumption of each Collective Bargaining Agreement to which it is a party for the remaining term of agreement of each such Collective Bargaining Agreement as in effect on the Effective Date, except to the extent that such agreements have already been assumed prior to the Effective Date.

6.5. Insurance Policies and Agreements. Insurance policies issued to, or insurance agreements entered into by, the Debtors prior to the Petition Date (including, without limitation, any policies covering directors' or officers' conduct) shall continue in effect after the Effective Date. To the extent that such insurance policies or agreements are considered to be Executory Contracts, this Plan shall constitute a motion to assume or ratify such insurance policies and agreements, and, subject to the occurrence of the Effective Date, the entry of the Confirmation Order shall constitute approval of such assumption pursuant to section 365(a) of the Bankruptcy Code and a finding by the Bankruptcy Court that each such assumption is in the best interest of each Debtor and its Estate. Unless otherwise determined by the Bankruptcy Court pursuant to a Final Order or agreed to by the parties thereto prior to the Effective Date, no payments shall be required to cure any defaults of the Debtors existing as of the Confirmation Date with respect to each such insurance policy.

6.6. Management Equity Incentive Plan. On or after the Effective Date, the new board of directors of Reorganized UCI shall adopt and implement the Management Equity Incentive Plan, the principal terms of which are set forth on Exhibit 6.5, to be filed with the Plan Supplement. The Management Equity Incentive Plan shall provide for grants of options and/or restricted units/equity reserved for management, directors and employees in an amount of New Common Stock representing up to 5% of the New Common Stock.

6.7. Employee Compensation and Benefit Plans. From and after the Effective Date, each of the Reorganized Debtors shall continue to perform its obligations (whether statutory or contractual) under all employment and severance contracts assumed on or before the Effective Date and all Employee Benefit Plans applicable to its employees, retirees and non-employee directors, including, without limitation, the payment of all retiree benefits, as that term is defined in section 1114 of the Bankruptcy Code, that such Reorganized Debtor had the obligation to pay and was paying prior to the Petition Date, at the level established pursuant to subsection (e)(1)(B) or (g) of section 1114 of the Bankruptcy Code at any time prior to the Confirmation Date, for the duration of the period (if any) that the applicable Reorganized Debtor(s) are obligated to provide such benefits. For the avoidance of doubt, the Pension Plans shall be treated as set forth in Section 5.6.

6.8. Postpetition Contracts and Leases. All contracts, agreements and leases that were entered into by the Debtors or assumed by the Debtors after the Petition Date shall be deemed assigned by the Debtors to the Reorganized Debtors on the Effective Date.

## **ARTICLE VII: PROVISIONS GOVERNING DISTRIBUTIONS**

7.1. Distributions on Account of Claims Allowed as of the Effective Date. Unless the Holder of an Allowed Claim and the Debtors or the Reorganized Debtors agree to a different Distribution Date and except as otherwise provided herein or as ordered by the Bankruptcy Court, distributions to be made on account of Claims that are Allowed as of the Effective Date shall be made on the Initial Distribution Date or as soon thereafter as is practicable. Any payment or distribution required to be made under this Plan on a day other than a Business Day shall be made on the next succeeding Business Day.

7.2. Distributions on Account of Claims that Become Allowed after the Effective Date. Unless the Holder of a Claim that becomes an Allowed Claim after the Effective Date and the Reorganized Debtors agree to a different Distribution Date and except as otherwise provided herein or as ordered by the Bankruptcy Court, distributions on account of Claims that become Allowed Claims after the Effective Date shall be made on the succeeding Quarterly Distribution Date after such Claim becomes Allowed.

7.3. Interest on Claims. Except as otherwise specifically provided for in this Plan, the Confirmation Order or other order of the Bankruptcy Court, or required by applicable bankruptcy or non-bankruptcy law, postpetition interest shall not accrue or be paid on any Claims (other than Secured Claims), and no Holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any Claim (other than Secured Claims).

7.4. Distributions by Disbursing Agent(s). Other than as specifically set forth in this Plan, the Disbursing Agent(s) shall make all distributions required to be made under this Plan. The Reorganized Debtors may act as Disbursing Agent or may employ or contract with other Entities to assist in or make the distributions required by this Plan.

7.5. Delivery of Distributions and Undeliverable or Unclaimed Distributions. The following terms shall govern the delivery of distributions and undeliverable or unclaimed distributions with respect to Claims.

7.5.1 Delivery of Distributions in General. Distributions to Holders of Allowed Claims shall be made at the addresses set forth in the Debtors' records.

7.5.2 Delivery of Distributions to Holders of Prepetition ABL Credit Facility Claims and Holders of Senior Notes Claims. Other than as specifically set forth in this Plan, (i) distributions made on account of Allowed Prepetition ABL Credit Facility Claims shall be made by the Disbursing Agent to the Prepetition Administrative Agent for further distribution to the Holders of such Claims in accordance with the terms of the Prepetition ABL Credit Facility Agreement and (ii) distributions made on account of Allowed Senior Notes Claims shall be made by the Disbursing Agent to or at the direction of the Senior Unsecured Notes Indenture Trustee for further distribution to the Holders of such Claims in accordance with the terms of the Senior Unsecured Notes Indenture. The Senior Unsecured Notes Indenture Trustee may transfer or direct the transfer of such distributions directly through the facilities of DTC.

7.5.3 Undeliverable and Unclaimed Distributions.



(a) Holding and Investment of Undeliverable and Unclaimed Distributions. If the distribution to any Holder of an Allowed Claim is returned to the Reorganized Debtors or the Disbursing Agent(s) as undeliverable or is otherwise unclaimed, no further distributions shall be made to such Holder unless and until the Reorganized Debtors or the Disbursing Agent(s) are notified in writing of such Holder's then-current address.

(b) Non-Negotiated Check Distributions. Checks issued on account of Allowed Claims shall be null and void if not negotiated within ninety (90) calendar days from and after the date of issuance thereof. Requests for reissuance of any check must be made directly and in writing to the Disbursing Agent by the Holder of the relevant Allowed Claim within the 90-calendar-day period. After such date, such Allowed Claim (and any Claim for reissuance of the original check) shall be automatically discharged and forever barred, and such funds shall revert to the Reorganized Debtors, notwithstanding any federal or state escheat laws to the contrary.

(c) Failure to Claim Undeliverable Distributions. Any Holder of an Allowed Claim that does not assert a claim pursuant to this Plan for an undeliverable or unclaimed distribution within one (1) year after the Effective Date shall be deemed to have forfeited its claim for such undeliverable or unclaimed distribution and shall be forever barred and enjoined from asserting any such claim for an undeliverable or unclaimed distribution against the Debtors or their Estates or the Reorganized Debtors or their property. In such cases, any Cash for distribution on account of such claims for undeliverable or unclaimed distributions shall become the property of the Estates and the Reorganized Debtors free of any restrictions thereon and notwithstanding any federal or state escheat laws to the contrary. Any New Common Stock held for distribution on account of such Claim shall be canceled and of no further force or effect. Nothing contained in this Plan shall require any Disbursing Agent, including, but not limited to, any of the Reorganized Debtors, to attempt to locate any Holder of an Allowed Claim.

7.6. Record Date for Distributions. The Reorganized Debtors and the Disbursing Agent(s) will have no obligation to but may, in their sole and absolute discretion, recognize the transfer of, or the sale of any participation in, any Allowed Claim that occurs after the close of business on the Distribution Record Date, and will be entitled for all purposes herein to recognize and distribute only to those Holders of Allowed Claims that are Holders of such Claims, or participants therein, as of the close of business on the Distribution Record Date.

7.7. Allocation of Plan Distributions Between Principal and Interest. To the extent that any Allowed Claim entitled to a distribution under this Plan is comprised of indebtedness and accrued but unpaid interest thereon, such distribution shall, for all income tax purposes, be allocated to the principal amount of the Claim first and then, to the extent that the consideration exceeds the principal amount of the Claim, to the portion of such Claim representing accrued but unpaid interest.

7.8. Means of Cash Payment. Payments of Cash made pursuant to this Plan shall be in U.S. dollars and shall be made, at the option and in the sole discretion of the Reorganized Debtors, by (a) checks drawn on or (b) wire transfers from a bank selected by the Reorganized Debtors. Cash payments to foreign creditors may be made, at the option of the Reorganized Debtors, in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

7.9. Withholding and Reporting Requirements. In connection with this Plan and all distributions thereunder, the Reorganized Debtors shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority, and all distributions hereunder shall be subject to any such withholding and reporting requirements. The Reorganized Debtors shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements. All persons holding Claims or Interests shall be required to provide any information necessary to effect information reporting and the withholding of such taxes. Each Holder of an Allowed Claim that is to receive a distribution pursuant to this Plan shall have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding and other tax obligations, on account of such distribution. No distribution shall be made to or on behalf of such Holder pursuant to this Plan unless and until such Holder has made arrangements satisfactory to the Reorganized Debtors for the payment and satisfaction of such tax obligations.

7.10. Setoff and Recoupment. The Reorganized Debtors may, pursuant to sections 553 and/or 558 of the Bankruptcy Code or applicable non-bankruptcy laws, but shall not be required to, set off and/or recoup against any Claim the payments or other distributions to be made pursuant to this Plan in respect of such Claim, or claims of any nature whatsoever that any of the Debtors or the Reorganized Debtors may have against the Holder of such Claim; provided, however, that neither the failure to assert such rights of setoff and/or recoupment nor the allowance of any Claim hereunder shall constitute a waiver or release by any of the Reorganized Debtors of any claim that any of the Debtors or the Reorganized Debtors may assert against any Holder of an Allowed Claim.

7.11. Fractional Securities. No fractional securities shall be distributed. Where a fractional security would otherwise be called for, the actual issuance shall reflect a rounding up (in the case of more than .50) of such fraction to the nearest whole share of New Common Stock (or a rounding down of such fraction (in the case of .50 or less than .50) to the nearest whole share of New Common Stock. The total number of shares of New Common Stock and the total number of Rights Offering Stock to be distributed pursuant to this Plan shall be adjusted as necessary to account for the rounding provided for herein.

7.12. De Minimis Distributions. No distribution shall be made by the Disbursing Agent on account of an Allowed Claim if the amount to be distributed to the specific Holder of an Allowed Claim on the applicable Distribution Date has an economic value of less than \$25.

## **ARTICLE VIII: PROCEDURES FOR RESOLVING DISPUTED CLAIMS**

8.1. Objection to and Estimation of Claims. After the Effective Date, only the Reorganized Debtors may object to the allowance of any Claim or Administrative Expense Claim. After the Effective Date, the Reorganized Debtors shall be accorded the power and authority to allow or settle and compromise any Claim without notice to any other party, or approval of, or notice to the Bankruptcy Court. In addition, the Debtors or the Reorganized Debtors may, at any time, request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Debtors or Reorganized Debtors have previously objected to such Claim.

8.2. No Distributions Pending Allowance. No payments or distributions shall be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by Final Order and the Disputed Claim, or some portion thereof, has become an Allowed Claim.

8.3. Distributions on Account of Disputed Claims Once They Are Allowed. To the extent that a Disputed Claim ultimately becomes an Allowed Claim, distributions (if any) shall be made to the Holder of such Allowed Claim in accordance with the provisions of this Plan. As soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing any Disputed Claim becomes a Final Order, the Disbursing Agent(s) shall provide to the Holder of such Claim the distribution (if any) to which such Holder is entitled under this Plan as of the Effective Date, without any post-Effective Date interest to be paid on account of such Claim.

8.4. Reinstated Claims and Interests. Notwithstanding anything contained herein to the contrary, nothing shall affect, diminish or impair the Debtors' or the Reorganized Debtors' rights and defenses, both legal and equitable, with respect to any Reinstated Claim or Interest, including, but not limited to, legal and equitable rights of setoff and/or recoupment against the Holders of any Reinstated Claims.

8.5. Disputed Claims Reserve(s).

8.5.1 Administrative Expense Reserve(s). On or as soon as reasonably practicable after the Effective Date, the Reorganized Debtors shall create the Administrative Expense Reserve(s). The amount of Cash contributed by the Reorganized Debtors to the Administrative Expense Reserve(s) shall be the amount equal to the Reorganized Debtors' reasonable estimate of Cash required to satisfy distributions to Holders of Disputed Administrative Expense Claims and Holders of Allowed Administrative Claims that are not due and payable on the Effective Date (unless such Allowed Administrative Claims are due and payable in the ordinary course of business). In the event a Disputed Administrative Expense Claim becomes an Allowed Claim after the Effective Date or an Allowed Administrative Claim becomes due and payable following the Effective Date, the Disbursing Agent shall, out of the Administrative Expense Reserve(s), distribute to the Holder thereof the distribution, if any, to which such Holder is entitled in accordance with Article VII. After all Administrative Expense Claims have become either Allowed Claims or Disallowed Claims and all distributions to which such Holders are entitled have been made in accordance with Article VII, the Disbursing Agent shall, at the direction of the Reorganized Debtors, distribute any Cash remaining in the Administrative Expense Reserve(s) to the Reorganized Debtors.

8.5.2 Disputed Unsecured Claims Reserve(s). On or as soon as reasonably practicable after the Initial Distribution Date, the Reorganized Debtors shall establish the Disputed Unsecured Claims Reserve(s) to make distributions to the Holders of Disputed General Unsecured Claims that become Allowed Claims after the Effective Date, including any filed or anticipated rejection damages claims. The amount of Cash and New Common Stock contributed to the Disputed Unsecured Claims Reserve(s) shall be equal to the Reorganized Debtors' reasonable estimate of the sum of (i) the amount of New Common Stock that would have been distributed to the Holders of Disputed General Unsecured Claims electing to receive the treatment set forth in Section 3.2.5(b)(i) if such Disputed Claims had been Allowed on the Effective Date and (ii) an

amount of Cash that would have been distributed to Holders of Disputed General Unsecured Claims electing the treatment set forth in Section 3.2.5(b)(ii) if such Disputed Claims had been Allowed on the Effective Date. To the extent that the Disputed Unsecured Claims Reserve(s) is based on the amount of any Disputed Claim that is less than the amount of the proof of claim filed with respect to such Disputed Claim, or if such Disputed Claim is unliquidated, the Debtors shall file a list of such affected Disputed Claims with the Bankruptcy Court and shall serve such list on any affected Holders of Disputed Claims no later than ten (10) Business Days prior to the last date for filing objections to Confirmation of the Plan. To the extent that the Disputed Unsecured Claims Reserve(s) incorporates rejection damages claims arising from the rejection of any Executory Contracts or Unexpired Leases under the Plan, the Debtors shall, at such time as they file a motion to reject such Executory Contract or Unexpired Lease, identify the amount of the Disputed Unsecured Claims Reserve(s) allocated for the putative Rejection Damages Claims arising from the rejection of such Executory Contracts or Unexpired Leases. Absent an objection filed on or before the deadline for filing objections to Confirmation of the Plan and an order of the Bankruptcy Court sustaining such objection, the Debtors' estimation of each Disputed Claim for purposes of the Disputed Unsecured Claims Reserve(s) for such Claim shall be final and the Holder of such Disputed Claim shall not be entitled to receive any greater distribution on account of its Claim, once Allowed, than the pro rata distribution it would have received based on the Debtors' estimation. Shares of the New Common Stock held in the Disputed Unsecured Claims Reserve(s) pending the resolution of all Disputed Claims shall be deemed to have been voted in the same proportion as the shares of New Common Stock issued on the Initial Distribution Date. Any transfer or surrender of shares out of the Disputed Unsecured Claims Reserve(s) shall be accompanied by any distributions or proceeds received in respect of such shares while in the Disputed Unsecured Claims Reserve(s).

8.5.3 Distribution After Allowance. In the event a Disputed General Unsecured Claim becomes an Allowed Claim after the Effective Date, the Disbursing Agent will, out of the Disputed Unsecured Claims Reserve(s), distribute to the Holder thereof the distribution, if any, to which such Holder is entitled in accordance with Article VII, provided, that if a Disputed Claim that subsequently becomes an Allowed Claim has already been satisfied in full or in part (whether through insurance or another source of recovery), then the distribution to the Holder for the Allowed Claim shall be reduced by the amount of such recovery. After all Disputed General Unsecured Claims have become either Allowed Claims or Disallowed Claims and all distributions to which such Holders are entitled have been made in accordance with Article VII, the Disbursing Agent shall, at the direction of the Reorganized Debtors (i) distribute any Cash remaining in the Disputed Unsecured Claims Reserve(s) to the Reorganized Debtors and (ii) cancel any New Common Stock remaining in the Disputed Unsecured Claims Reserve(s).

## **ARTICLE IX: CONFIRMATION AND CONSUMMATION OF THE PLAN**

9.1. Conditions to Effective Date. This Plan shall not become effective and the Effective Date shall not occur unless and until the following conditions shall have been satisfied or waived in accordance with Section 9.2 of this Plan:

9.1.1 The Confirmation Order confirming this Plan shall have been entered by the Bankruptcy Court and there shall not be a stay or injunction (or similar prohibition) in effect with respect thereto.

9.1.2 The aggregate cash payments on account of Allowed General Unsecured Claims under the Plan shall not exceed \$4.5 million.

9.1.3 The New First Lien Exit Facility shall be consummated, and, if pursued, the New Second Lien Exit Facility or the Second Lien Rights Offering Facility shall be consummated.

9.1.4 If the Rank Contribution Election is made, (a) the Bankruptcy Court shall have entered a Final Order, acceptable to Rank and the Plan Proponents, approving the Acceptable Settlement under Bankruptcy Rule 9019, (b) Rank shall have: (i) paid the Reorganized Debtors an amount (which amount may be used (A) for payment of Allowed Claims and (B) general corporate purposes) and/or provided non-cash consideration, in each case that is acceptable to the Plan Proponents, and (ii) become the sponsor of the Pensions, and (c) UCI shall have resigned as sponsor of the Pensions, and UCI and Reorganized UCI (including all subsidiaries) shall have been released from any liability on account of the Pensions in a manner satisfactory to the Plan Proponents, or, in the absence of a release, Rank or an affiliate, shall have indemnified Reorganized UCI and its subsidiaries for any liability on account of the Pensions under a control group theory or otherwise, which indemnity shall be satisfactory in form and substance to the Plan Proponents.

9.1.5 All authorizations, consents, certifications, approvals, rulings, no-action letters, opinions or other documents or actions required by any law, regulation or order to be received or to occur in order to implement this Plan on the Effective Date shall have been obtained or shall have occurred unless failure to do so will not have a material adverse effect on the Reorganized Debtors in the discretion of the Reorganized Debtors and the Plan Sponsors.

9.1.6 The Pension Plans shall have either been (a) assumed by a member of the Rank Group, or (b) terminated in accordance with applicable law.

9.2. Waiver of Conditions. Each of the conditions set forth in Section 9.1 of this Plan may be waived in whole or in part by the Plan Proponents after notice to the Bankruptcy Court and parties in interest but without the need for a hearing, provided, that, the condition set forth in Section 9.1.4(a) may only be waived in whole or in part by the Plan Proponents and Rank, collectively, and (b) the condition set forth in Section 9.1.6 may only be waived in whole or in part by the Debtors and the Plan Sponsors, collectively.

9.3. Vacatur of Confirmation Order. If the Confirmation Order is vacated, (a) this Plan shall be null and void in all respects; (b) any settlement of Claims or Interests provided for hereby shall be null and void without further order of the Bankruptcy Court; and (c) the time within which the Debtors may assume and assign or reject all Executory Contracts and Unexpired Leases shall be extended for a period of one hundred twenty (120) days after the date the Confirmation Order is vacated.



9.4. Notice of Effective Date. The Debtors shall file with the Bankruptcy Court a notice of the occurrence of the Effective Date within a reasonable period of time after the conditions in Section 9.1 of this Plan have been satisfied or waived pursuant to Section 9.2 of this Plan.

## **ARTICLE X: EFFECT OF PLAN CONFIRMATION**

10.1. Binding Effect. On the Effective Date, except as otherwise provided in section 1141(d)(3) of the Bankruptcy Code, all provisions of this Plan, including all agreements, instruments and other documents filed in connection with this Plan and executed by the Debtors or the Reorganized Debtors in connection with this Plan, shall be binding upon the Debtors, the Reorganized Debtors, all Holders of Claims against and Interests in each of the Debtors and such Holder's respective successors and assigns, whether or not the Claim or Interest of such Holder is Impaired under this Plan and whether or not such Holder has accepted this Plan, and all other parties that are affected in any manner by this Plan. All agreements, instruments and other documents filed in connection with this Plan shall be given full force and effect, and shall bind all parties referred to therein as of the Effective Date, whether or not such agreements are actually issued, delivered or recorded on the Effective Date or thereafter and whether or not a party has actually executed such agreement.

### 10.2. Discharge.

10.2.1 Discharge of Claims and Termination of Interests. Except as otherwise provided herein or in the Confirmation Order, all consideration distributed under this Plan shall be in exchange for, and in complete satisfaction, settlement, discharge and release of, all Claims and Interests (other than Unimpaired Claims that are Allowed and Unimpaired Interests) of any nature whatsoever against the Debtors or any of their Estates, assets, properties or interest in property, and regardless of whether any property shall have been distributed or retained pursuant to this Plan on account of such Claims and Interests. On the Effective Date, the Debtors shall be deemed discharged and released under section 1141(d)(1)(A) of the Bankruptcy Code from any and all Claims and Interests (other than Unimpaired Claims that are Allowed and Unimpaired Interests), including, but not limited to, demands and liabilities that arose before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, Prepetition ABL Credit Facility Claims, Senior Notes Claims, General Unsecured Claims, and Interests in UCI and UCI Holdings.

10.2.2 Discharge Injunction. As of the Effective Date, except as otherwise expressly provided in this Plan or the Confirmation Order, all Entities shall be precluded from asserting against the Debtors or the Reorganized Debtors and their respective assets, property and Estates, any other or further Claims (other than those Reinstated under this Plan), or any other obligations, suits, judgments, damages, debts, rights, remedies, causes of action or liabilities of any nature whatsoever, relating to any of the Debtors or Reorganized Debtors or any of their respective assets, property and Estates, based upon any act, omission, transaction or other activity of any nature that occurred prior to the Effective Date. In accordance with the foregoing, except as expressly provided in this Plan or the Confirmation Order, the Confirmation Order shall constitute a judicial determination, as of the Effective Date, of the discharge of all non-Reinstated Claims or

other obligations, suits, judgments, damages, debts, rights, remedies, causes of action or liabilities, pursuant to sections 524 and 1141 of the Bankruptcy Code, and such discharge shall void and extinguish any judgment obtained against the Debtors, the Reorganized Debtors, or any of their respective assets, property and Estates at any time, to the extent such judgment is related to a discharged Claim, debt or liability.

**10.3. Releases by the Debtors.** Except as otherwise expressly provided in this Plan or the Confirmation Order, on the Effective Date, for good and valuable consideration, to the fullest extent permissible under applicable law, each of the Debtors and Reorganized Debtors on its own behalf and as a representative of its respective Estate, shall, and shall be deemed to, completely and forever release, waive, void, extinguish and discharge unconditionally, each and all of the Released Parties of and from any and all Claims and causes of action (including, without limitation, Avoidance Actions), any and all other obligations, suits, judgments, damages, debts, rights, remedies, causes of action and liabilities of any nature whatsoever, 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 or may be based in whole or part on any act, omission, transaction, event or other circumstance taking place or existing on or prior to the Effective Date (including prior to the Petition Date) in connection with or related to any of the Debtors, the Reorganized Debtors, their respective assets, property and Estates, the Chapter 11 Cases, this Plan, the Plan Supplement or the Disclosure Statement that may be asserted by or on behalf of any of the Debtors, the Reorganized Debtors or their respective Estates against any of the Released Parties; provided, however, that nothing in this Section 10.3 shall be construed to release any party from willful misconduct or gross negligence as determined by a Final Order. For the avoidance of doubt, no member of the Rank Group or any of its Related Persons shall be Released Parties unless the Rank Contribution Election is made.

**10.4. Releases by Certain Holders of Claims.** Except as otherwise expressly provided in this Plan or the Confirmation Order, on the Effective Date, for good and valuable consideration, to the fullest extent permissible under applicable law, each Holder of a Claim or an Interest that (i) votes to accept or is deemed to accept the Plan or (ii) is entitled to vote to accept or reject the Plan and returns a Ballot by the Voting Deadline, but does not expressly opt out of the release by marking the Ballot indicating his/her/its refusal to grant such release, shall be deemed to have completely and forever released, waived, and discharged unconditionally each of the Released Parties and their respective Related Persons of and from any and all Claims, any and all other obligations, suits, judgments, damages, debts, rights, remedies, causes of action and liabilities of any nature whatsoever (including, without limitation, those arising under the Bankruptcy Code), 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 or may be based in whole or part on any act, omission, transaction, event or other circumstance taking place or existing on or prior to the Effective Date (including prior to the Petition Date) in connection with or related to any of the Debtors, the Reorganized Debtors or their respective assets, property and Estates, the Chapter 11 Cases, this Plan, the Plan Supplement, and/or or the Disclosure Statement; provided, however, that (i) each Holder of a Claim that has submitted a Ballot may elect, by checking the appropriate box on its Ballot, not to grant the releases set forth in this Section 10.4 and (ii) nothing in this Section 10.4 shall be construed to release any party

**from willful misconduct or gross negligence as determined by a Final Order. For the avoidance of doubt, no member of the Rank Group or any of its Related Persons shall receive any release under this Section 10.4 unless the Rank Contribution Election is made.**

10.5. Exculpation. From and after the Effective Date, the Exculpated Parties shall neither have nor incur any liability to, or be subject to any right of action by, any Holder of a Claim or an Interest, or any other party in interest, or any of their respective employees, representatives, financial advisors, attorneys, or agents acting in such capacity, or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of, the Chapter 11 Cases, formulating, negotiating or implementing this Plan, the Plan Supplement, and/or the Disclosure Statement, the solicitation of acceptances of this Plan, the pursuit of Confirmation of this Plan, the Confirmation of this Plan, the consummation of this Plan, the administration of this Plan, the property to be distributed under this Plan, or any other act taken or omitted to be taken in connection with or in contemplation of the Chapter 11 Cases or implementation of this Plan; provided, however, that this Section 10.5 shall not apply to release (x) obligations under this Plan, and obligations under the contracts, instruments, releases, agreements, and documents delivered, Reinstated or assumed under this Plan, and (y) any claims or causes of action arising out of willful misconduct or gross negligence as determined by a Final Order. Any of the Released Parties shall be entitled to rely, in all respects, upon the advice of counsel with respect to their duties and responsibilities under this Plan. For the avoidance of doubt, no member of the Rank Group or any of its Related Persons shall be Released Parties unless the Rank Contribution Election is made.

10.6. Injunction Related to Exculpation. Except as expressly provided in this Plan or the Confirmation Order, as of the Effective Date, all Persons and Entities that hold, have held, or may hold a Claim or any other obligation, suit, judgment, damages, debt, right, remedy, cause of action or liability of any nature whatsoever, of the types described in Section 10.5 of this Plan and relating to any of the Debtors or the Reorganized Debtors or any of their respective assets, property and/or Estates, are, and shall be, permanently, forever and completely stayed, restrained, prohibited, barred and enjoined from taking any of the following actions against any Released Party or its property on account of such released liabilities, whether directly or indirectly, derivatively or otherwise, on account of or based on the subject matter of such discharged Claims or other obligations, suits, judgments, damages, debts, rights, remedies, causes of action or liabilities: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding (including, without limitation, any judicial, arbitral, administrative or other proceeding) in any forum; (ii) enforcing, attaching (including, without limitation, any prejudgment attachment), collecting, or in any way seeking to recover any judgment, award, decree, or other order; (iii) creating, perfecting or in any way enforcing in any matter, directly or indirectly, any Lien; (iv) setting off, seeking reimbursement or contributions from, or subrogation against, or otherwise recouping in any manner, directly or indirectly, any amount against any liability or obligation that is discharged under Section 10.1 of this Plan; and/or (v) commencing or continuing in any manner any judicial, arbitration or administrative proceeding in any forum, that does not comply with or is inconsistent with the provisions of this Plan or the Confirmation Order. For the avoidance of doubt, no member of the Rank Group or any of its Related Persons shall be considered Released Parties and receive the benefit of any injunction under this Section 10.6 unless the Rank Contribution Election is made.



10.7. Survival of Indemnification Obligations. The obligations of the Debtors to indemnify any past and present directors, officers, agents, employees and representatives who provided services to the Debtors on or after the Petition Date, pursuant to certificates or articles of incorporation, by-laws, contracts and/or applicable statutes, in respect of all actions, suits and proceedings against any of such officers, directors, agents, employees and representatives, based upon any act or omission related to service with, for or on behalf of the Debtors, shall not be discharged or impaired by Confirmation or consummation of this Plan and shall be assumed by the Reorganized Debtors (other than any obligations of the Debtors' to indemnify members of the Rank Group and their Related Persons if the Rank Contribution Election is not made). If the Rank Contribution Election is not made, the Debtors shall honor any obligations to indemnify members of the Rank Group and their Related Persons solely for services provided to the Debtors on or after the Petition Date solely to the extent a member claiming indemnity has filed a proof of claim against the Debtors' Estates on account of such indemnification obligations on or before the date that is thirty (30) days following the Effective Date, and such claim is an Allowed Claim and is not subordinated; provided, that the Debtors or Reorganized Debtors, as applicable, reserve all rights to seek disallowance of such filed claims on any basis, including but not limited to, the basis that such claims relate to prepetition services or conduct. For the avoidance of doubt, this Section 10.7 affects only the obligations of the Debtors and Reorganized Debtors with respect to any indemnity owed to or for the benefit of past and present directors, officers, agents, employees and representatives of the Debtors, and shall have no effect on nor in any way discharge or reduce, in whole or in part, any obligation of any other Person, including any provider of director and officer insurance, owed to or for the benefit of such past and present directors, officers, agents, employees and representatives of the Debtors.

10.8. Term of Bankruptcy Injunction or Stays. All injunctions or stays provided for in the Chapter 11 Cases under section 105 or section 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

10.9. Environmental Law. Nothing in the Confirmation Order or the Plan discharges, releases, resolves, precludes, exculpates, or enjoins: (i) any liability to any governmental unit as defined in 11 U.S.C. § 101(27) (a "Governmental Unit") that is not a "claim" as defined in 11 U.S.C. § 101(5); (ii) any Claim of a Governmental Unit arising on or after the Confirmation Date ; (iii) any police or regulatory liability to a Governmental Unit to the extent of such entity's liability under non-bankruptcy law on account of its status as the owner or operator of property after the Confirmation Date ; or (iv) any liability to a Governmental Unit on the part of any Person other than the Debtors or Reorganized Debtors. For the avoidance of doubt, the foregoing shall not limit the scope of discharge of all Claims and Equity Interests arising prior to the Effective Date under sections 524 and 1141 of the Bankruptcy Code. Nor shall anything in the Confirmation Order or the Plan enjoin or otherwise bar a Governmental Unit from asserting or enforcing, outside this Court, any liability described in the preceding sentence; *provided, however*, that the Bankruptcy Court retains jurisdiction, to determine whether or not any such asserted liability described in the preceding sentence is a Claim. Nothing in the Confirmation Order or the Plan authorizes the transfer or assignment of any governmental (a) license, (b) permit, (c) registration, (d) authorization, or (e) approval, or the discontinuation of any obligation thereunder, without compliance with all applicable legal requirements under Environmental Law. Nothing in the Confirmation Order or the Plan shall affect any setoff or recoupment rights of any Governmental Unit.

## **ARTICLE XI: RETENTION OF JURISDICTION**

11.1. Retention of Jurisdiction. Pursuant to sections 105(c) and 1142 of the Bankruptcy Code and notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of, and related to, the Chapter 11 Cases and this Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

- (a) allow, disallow, determine, liquidate, classify, estimate or establish the priority or secured or unsecured status of any Claim or Interest, including the resolution of any request for payment of any Administrative Expense Claim or Priority Tax Claim, and the resolution of any objections to the allowance or priority of Claims or Interests;
- (b) resolve any matters related to the assumption or assumption and assignment of any Executory Contract or Unexpired Lease to which any Debtor is a party or with respect to which any Debtor or Reorganized Debtor may be liable and to hear, determine, and, if necessary, liquidate any Claims arising therefrom;
- (c) ensure that distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of this Plan;
- (d) decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters and grant or deny any applications involving the Debtors that may be pending on the Effective Date;
- (e) enter such orders as may be necessary or appropriate to implement or consummate the provisions of this Plan and all contracts, instruments, releases and other agreements or documents created in connection with this Plan, the Disclosure Statement or the Confirmation Order, and issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any entity with consummation, implementation or enforcement of this Plan or the Confirmation Order;
- (f) resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation, or enforcement of this Plan or any contract, instrument, release or other agreement or document that is executed or created pursuant to this Plan, or any entity's rights arising from or obligations incurred in connection with this Plan or such documents;
- (g) approve any modification of this Plan before or after the Effective Date pursuant to section 1127 of the Bankruptcy Code or approve any modification of the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with this Plan, the Disclosure Statement or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, this Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with this Plan, the Disclosure Statement or the Confirmation Order, in such manner as may be necessary or appropriate to consummate this Plan;

- (h) subject to Section 13.2, hear and determine all applications for compensation and reimbursement of expenses of Professionals under this Plan or under sections 330, 331, 363, 503(b), 1103 and 1129(c)(9) of the Bankruptcy Code, which shall be payable by the Debtors only upon allowance thereof pursuant to an order of the Bankruptcy Court;
- (i) hear and determine causes of action by or on behalf of the Debtors or the Reorganized Debtors;
- (j) hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;
- (k) enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason or in any respect modified, stayed, reversed, revoked or vacated, or if distributions pursuant to this Plan are enjoined or stayed;
- (l) determine any other matters that may arise in connection with or relate to this Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, or other agreement, or document created in connection with this Plan, the Disclosure Statement or the Confirmation Order;
- (m) enforce all orders, judgments, injunctions, releases, exculpations, indemnifications and rulings entered in connection with the Chapter 11 Cases;
- (n) hear and determine all matters related to (i) the property of the Estates from and after the Confirmation Date and (ii) the activities of the Reorganized Debtors;
- (o) hear and determine (i) all Ordinary Litigation Claims and (ii) all Preserved Causes of Action;
- (p) hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under the Bankruptcy Code; and
- (q) enter an order closing the Chapter 11 Cases.

## **ARTICLE XII: MISCELLANEOUS PROVISIONS**

12.1. Surrender of Instruments. As a condition to participation in distributions under this Plan, each Senior Noteholder and the Holder(s) of any evidence of indebtedness of the Debtors relating to a non-Reinstated Claim that desires to receive the property to be distributed on account of an Allowed non-Reinstated Claim based on such Senior Unsecured Note or evidence of indebtedness shall surrender such Senior Unsecured Note or evidence of indebtedness to the Debtors, or their designee, and shall execute and deliver such other documents as are necessary to effectuate this Plan; provided, however, that if a claimant is a Holder of a Senior Unsecured Note or other evidence of indebtedness for which no physical certificate was issued to the Holder but which instead is held in book-entry form pursuant to a global security held by DTC or other securities depository or custodian thereof, then the Debtors or the Senior Unsecured Notes Indenture Trustee

may waive the requirement of surrender. Except as otherwise provided in this Section 13.1, if no surrender of a Senior Unsecured Note or evidence of indebtedness relating to a non-Reinstated Claim occurs and a claimant does not provide an affidavit and indemnification agreement, in form and substance satisfactory to the Debtors, that such Senior Unsecured Note or evidence of indebtedness was lost, then no distribution may be made to any claimant whose Claim is based on such security, note, debenture or evidence of indebtedness thereof. The Debtors shall make subsequent distributions only to the persons who surrender Senior Unsecured Notes or evidence of indebtedness, as applicable, for exchange (or their assignees) and the record holders of such Senior Unsecured Notes or other indebtedness shall be those holders of record as of the Distribution Record Date.

12.2. Post-Confirmation Date Retention of Professionals. On the Effective Date, any requirement that Professionals employed by the Reorganized Debtors comply with sections 327 through 331 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date will terminate, and the Reorganized Debtors will be authorized to employ and compensate professionals in the ordinary course of business and without the need for application to or approval by the Bankruptcy Court.

12.3. Bar Date for Certain Administrative Expense Claims. All applications for final allowance of compensation or reimbursement of expenses incurred by any Professional, and all other requests for the payment of Administrative Expense Claims, including all requests for the allowance of any Administrative Expense Claim pursuant to section 503(b)(3)(D) of the Bankruptcy Code for substantial contributions made in the Chapter 11 Cases (but excluding all requests for the payment of obligations incurred by the Debtors in the ordinary course of their business operations after the Petition Date), must be filed with the Bankruptcy Court and served on the Reorganized Debtors and their counsel at the addresses set forth in Section 12.3 of this Plan not later than thirty (30) days after the Effective Date, unless otherwise ordered by the Bankruptcy Court. Any request for the payment of an Administrative Expense Claim that is not timely filed and served may be discharged and forever barred and the Holder of such Administrative Expense Claim may be enjoined from commencing or continuing any action, process, or act to collect, offset or recover such Claim. The Debtors and the Reorganized Debtors shall have sole responsibility for filing objections to and resolving all requests for the allowance of Administrative Expense Claims.

12.4. Effectuating Documents and Further Transactions. Each of the Debtors and the Reorganized Debtors is authorized to execute, deliver, file or record such contracts, instruments, certificates, notes, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement and further evidence the terms and conditions of this Plan and the New Common Stock issued under or in connection with to this Plan.

12.5. Corporate Action. Prior to, on, or after the Effective Date (as appropriate), all matters expressly provided for under this Plan that would otherwise require approval of the stockholders or directors of one or more of the Debtors or the Reorganized Debtors shall be deemed to have occurred and shall be in effect prior to, on, or after the Effective Date (as appropriate) pursuant to the applicable general corporation law of the states in which the Debtors or the Reorganized Debtors are incorporated or organized without any requirement of further action by the stockholders or directors of the Debtors or the Reorganized Debtors.

12.6. Exemption from Transfer Taxes. Pursuant to section 1146(a) of the Bankruptcy Code, (a) the issuance, transfer or exchange of notes or equity securities under this Plan; (b) the creation of any mortgage, deed of trust, lien, pledge or other security interest; (c) the making or assignment of any lease or sublease; or (d) the making or delivery of any deed or other instrument of transfer under this Plan, including, without limitation, merger agreements, agreements of consolidation, restructuring, disposition, liquidation or dissolution, deeds, bills of sale, and transfers of tangible property, will not be subject to any stamp tax or other similar tax.

12.7. Payment of Statutory Fees. All fees due and payable pursuant to section 1930(a)(6) of Title 28 of the U.S. Code ("Quarterly Fees") prior to the Effective Date shall be paid by the Debtors on the Effective Date. After the Effective Date, the Reorganized Debtor shall be jointly and severally liable for any and all Quarterly Fees when they are due and payable after the Effective Date. The Debtors shall file all Quarterly Reports due prior to the Effective Date when they become due, in a form reasonably acceptable to the U.S. Trustee. After the Effective Date, the Reorganized Debtors shall file with the Bankruptcy Court Quarterly Reports in a form reasonably acceptable to the U.S. Trustee, which reports shall include a separate schedule of disbursements made by the Reorganized Debtors during the applicable period, attested to by an authorized representative of the Reorganized Debtors. The Reorganized Debtors shall remain obligated to pay Quarterly Fees to the Office of the U.S. Trustee until the earliest of the Debtors' case being closed, dismissed or converted to a case under Chapter 7 of the Bankruptcy Code.

12.8. Creditors' Committee. On the Effective Date, the Creditors' Committee shall dissolve without need for a further order of the Bankruptcy Court; provided, however, that, following the Effective Date, the Creditors' Committee shall continue in existence and have standing and a right to be heard for the following limited purposes: (i) Claims and/or applications, and any relief related thereto, for compensation by Professionals and requests for allowance of Administrative Claims for substantial contribution pursuant to section 503(b)(3)(D) of the Bankruptcy Code; and (ii) appeals of the Confirmation Order as to which the Creditors' Committee is a party. Upon dissolution of the Creditors' Committee, the members thereof and their respective officers, employees, counsel, advisors, and agents shall be released and discharged from all rights and duties from or related to the Chapter 11 Cases; provided, further, however, that obligations arising under confidentiality agreements, joint interest agreements and protective orders, if any, entered during the Chapter 11 Cases shall remain in full force and effect according to their terms. The Debtors and the Reorganized Debtors shall have no obligation to pay or reimburse any fees of the Creditors' Committee incurred after the Effective Date except with regard to the limited purposes identified above or as otherwise provided herein.

12.9. Amendment or Modification of this Plan. Subject to section 1127 of the Bankruptcy Code, the Debtors may alter, amend or modify this Plan or the Exhibits at any time prior to or after the Confirmation Date but prior to the substantial consummation of this Plan with the consent of the Plan Proponents. Any Holder of a Claim or Interest that has accepted this Plan shall be deemed to have accepted this Plan, as altered, amended or modified, if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim or Interest of such Holder.

12.10. Severability of Plan Provisions. If, prior to the Confirmation Date, any term or provision of this Plan is determined by the Bankruptcy Court to be invalid, void or unenforceable,

the Bankruptcy Court will have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision will then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Plan will remain in full force and effect and will in no way be affected, impaired or invalidated by such holding, alteration, or interpretation. The Confirmation Order will constitute a judicial determination and will provide that each term and provision of this Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

12.11. Successors and Assigns. This Plan shall be binding upon and inure to the benefit of the Debtors, and their respective successors and assigns, including, without limitation, the Reorganized Debtors. The rights, benefits and obligations of any entity named or referred to in this Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign of such entity.

12.12. Revocation, Withdrawal or Non-Consummation. Subject to certain restrictions and requirements set forth herein (including, without limitation, Section 13.9 of this Plan), in section 1127 of the Bankruptcy Code and in Bankruptcy Rule 3019, the Debtors, with the consent of the Plan Sponsors reserve the right to revoke or withdraw this Plan as to any or all of the Debtors prior to the Confirmation Date and to file one or more subsequent Plans. If the Debtors revoke or withdraw this Plan as to any or all of the Debtors or if confirmation or consummation of this Plan as to any or all of the Debtors does not occur, then, with respect to such Debtors, (a) this Plan shall be null and void in all respects, (b) any settlement or compromise embodied in this Plan (including the fixing or limiting to an amount certain any Claim or Interest or Class of Claims or Interests), assumption or rejection of Executory Contracts or leases affected by this Plan, and any document or agreement executed pursuant to this Plan shall be deemed null and void and (c) nothing contained in this Plan shall (i) constitute a waiver or release of any Claims by or against, or any Interests in, such Debtors or any other Person, (ii) prejudice in any manner the rights of such Debtors or any other Person or (iii) constitute an admission of any sort by the Debtors or any other Person.

12.13. Notice. All notices, requests and demands to or upon the Debtors or the Reorganized Debtors to be effective shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

UCI INTERNATIONAL, LLC  
1900 West Field Court  
Lake Forest, IL 60045  
Attn: Keith A. Zar

with a copy to:

SIDLEY AUSTIN LLP  
One South Dearborn Street  
Chicago, Illinois 60603  
Telephone: (312) 853-7000  
Facsimile: (312) 853-7036  
Attn: Larry J. Nyhan  
Jessica C.K. Boelter

*-and-*

YOUNG CONAWAY STARGATT & TAYLOR, LLP  
Rodney Square  
1000 North King Street  
Wilmington, Delaware 19801  
Telephone: (302) 571-6600  
Facsimile: (302) 571-1253  
Attn: Edmon L. Morton

Counsel to Debtors and Debtors-in-Possession

12.14. Governing Law. Subject to the provisions of any contract, certificates or articles of incorporation, by-laws, instruments, releases, or other agreements or documents entered into in connection with this Plan, and subject further to Section 11.1 of this Plan, the rights and obligations arising under this Plan shall be governed by, and construed and enforced in accordance with (i) the Bankruptcy Code, the Bankruptcy Rules or other federal law to the extent applicable and (ii) if none of such law is applicable, the laws of the State of Delaware, without giving effect to the principles of conflicts of law of such jurisdiction.

12.15. Tax Reporting and Compliance. The Reorganized Debtors are hereby authorized, on behalf of each of the Debtors, to request an expedited determination under section 505 of the Bankruptcy Code of the tax liability of the Debtors for all taxable periods ending after the Petition Date through, and including, the Effective Date.

12.16. Exhibits. All Exhibits to this Plan are incorporated into and are a part of this Plan as if set forth in full herein.

12.17. Filing of Additional Documents. On or before substantial consummation of this Plan, the Reorganized Debtors and the Debtors shall, as applicable, file such agreements and other documents as may be necessary or appropriate to effectuate and evidence further the terms and conditions of this Plan. The Plan and the Plan Supplement, including all Exhibits, supplements, appendices and schedules thereto, and any modifications to any of the foregoing, all shall be in form and substance acceptable to the Plan Sponsors.

12.18. Plan Documents The Plan and the Plan Supplement, including all Exhibits, supplements, appendices and schedules thereto, and any modifications to any of the foregoing,



shall be in form and substance acceptable to the Plan Sponsors.Reservation of Rights. Except as expressly set forth herein, this Plan shall have no force and effect unless the Bankruptcy Court has entered the Confirmation Order. The filing of this Plan, any statement or provision contained in this Plan, or the taking of any action by the Debtors with respect to this Plan shall not be and shall not be deemed to be an admission or waiver of any rights of the Debtors or any other Person with respect to Claims against and Interests in the Debtors.

Dated: October 13, 2016

Respectfully submitted,

UCI INTERNATIONAL, LLC  
(for itself and on behalf of the other Debtors)

/s/ *Brian Whittman*  
Brian Whittman  
Chief Restructuring Officer  
UCI International, LLC

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Dated: October 13, 2016

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Dated: October 13, 2016

THE OFFICIAL COMMITTEE OF UNSECURED  
CREDITORS

/s/ Jonathan I. Levine

On behalf of the Official Committee of Unsecured  
Creditors

MORRISON & FOERSTER LLP

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**EXHIBIT B**

**Liquidation Analysis**

## UCI INTERNATIONAL, LLC AND ITS SUBSIDIARIES

### LIQUIDATION ANALYSIS

#### Overview

##### A. Introduction

Under the “best interests” of creditors test set forth in section 1129(a)(7) of the Bankruptcy Code, the Bankruptcy Court may not confirm a plan of reorganization unless the plan provides each holder of a claim or interest who does not otherwise vote in favor of the plan with property of a value, as of the effective date of the plan, that is not less than the amount that such holder would receive or retain if the debtor were liquidated under chapter 7 of the Bankruptcy Code. Set forth herein is an analysis of the estimated aggregate amount of liquidation proceeds available to holders of Claims against and Interests in the Debtors in a chapter 7 liquidation (the “Liquidation Analysis” or “Analysis”). The Liquidation Analysis is based upon certain assumptions discussed in the Disclosure Statement and in the global notes accompanying the Liquidation Analysis (the “Global Notes”). Capitalized terms not defined in the Global Notes shall have the meanings ascribed to them in the Disclosure Statement.

The Liquidation Analysis estimates potential cash distributions to Holders of Allowed Claims and Interests in a hypothetical chapter 7 liquidation of the Debtors’ assets. Asset values discussed in the Liquidation Analysis may differ materially from reorganization or going concern values referred to in the Disclosure Statement.

THE LIQUIDATION ANALYSIS WAS PREPARED BY THE DEBTORS WITH THE ASSISTANCE OF THEIR ADVISORS.

##### B. Scope, Intent, and Purpose of Liquidation Analysis

The determination of the costs of, and hypothetical proceeds from, the liquidation of the Debtors’ assets is an uncertain process involving the extensive use of estimates and assumptions that, although considered reasonable by the Debtors based upon their business judgment and input from their advisors, are inherently subject to significant business, economic, and competitive uncertainties and contingencies beyond the control of the Debtors, their management, and their advisors. Inevitably, some assumptions in the Liquidation Analysis would not materialize in an actual chapter 7 liquidation, and unanticipated events and circumstances could affect the ultimate results in an actual chapter 7 liquidation. The Liquidation Analysis was prepared for the sole purpose of generating a reasonable, good-faith estimate of the proceeds that would be generated if the Debtors’ assets were liquidated in accordance with chapter 7 of the Bankruptcy Code. The Liquidation Analysis is not intended and should not be used for any other purpose. The underlying financial information in the Liquidation Analysis was not compiled or examined by any independent accountants. NEITHER THE DEBTORS NOR THEIR ADVISORS MAKE ANY REPRESENTATION OR WARRANTY THAT THE ACTUAL RESULTS WOULD OR WOULD NOT APPROXIMATE THE ESTIMATES AND ASSUMPTIONS REPRESENTED IN THE LIQUIDATION ANALYSIS. ACTUAL RESULTS COULD VARY MATERIALLY.

In preparing the Liquidation Analysis, the Debtors estimated Allowed Claims based upon a review of Claims listed on the Debtors’ schedules, proofs of Claim filed to date, and a review of Claims satisfied to date. In addition, the Liquidation Analysis includes estimates for Claims not currently asserted in the Chapter 11 Cases, but which could be asserted and Allowed in a chapter 7 liquidation, including unpaid chapter 11 administrative expense Claims, and chapter 7 administrative Claims such as trustee fees, asset sales costs, shutdown costs, and professional fees. To date, the Bankruptcy Court has not estimated or otherwise fixed the total amount of Allowed Claims used for purposes of preparing this Liquidation Analysis. Therefore, the Debtors’ estimate of Allowed Claims set forth in the Liquidation Analysis should not be relied on for any

other purpose. NOTHING CONTAINED IN THE LIQUIDATION ANALYSIS IS INTENDED TO BE OR CONSTITUTES A CONCESSION OR ADMISSION OF THE DEBTORS. THE ACTUAL AMOUNT OF ALLOWED CLAIMS IN THE CHAPTER 11 CASES COULD MATERIALLY DIFFER FROM THE ESTIMATED AMOUNTS SET FORTH IN THE LIQUIDATION ANALYSIS.

### **Global Notes to Liquidation Analysis**

#### **1. Conversion Date and Appointment of a Chapter 7 Trustee**

The Liquidation Analysis assumes conversion of the Debtors' Chapter 11 Cases to chapter 7 liquidation cases on December 31, 2016 (the "Conversion Date"). On the Conversion Date, it is assumed that the Bankruptcy Court would appoint a chapter 7 trustee (the "Trustee") to oversee the liquidation of the Estates. In addition, it is assumed that all non-Debtor subsidiaries of UCI International, LLC, including any foreign subsidiaries would commence liquidation under chapter 7 on the Conversion Date. UCI International, LLC, its Debtor and non-Debtor subsidiaries are collectively referred to in the Liquidation Analysis as the "UCI Entities".

Except as noted herein, the Liquidation Analysis is based upon the unaudited balance sheets of the UCI Entities as of August 31, 2016 and those values, in total, are assumed to be representative of the UCI Entities' assets and liabilities at the Conversion Date.

#### **2. Individual Liquidations**

The Liquidation Analysis assumes that the Debtors would be liquidated in a jointly administered, but not substantively consolidated, proceeding. Therefore, the Liquidation Analysis considers an entity-by-entity liquidation. The Analysis takes into account post-petition administrative priority Claims against any of the Debtors held by another Debtor or a non-Debtor Affiliate (the "Post-Petition Intercompany Claims"), unsecured pre-petition Claims against any of the Debtors held by another Debtor or a non-Debtor Affiliate (the "Pre-Petition Intercompany Claims" and together with the Post-Petition Intercompany Claims, the "Intercompany Claims"), and the equity interests of each parent – subsidiary relationship. In an iterative and sequential fashion, the Liquidation Analysis assumes that liquidation value is cycled among the UCI Entities to satisfy the Intercompany Claims and Interests, which in turn adds to the liquidation value available to satisfy third party Claims at each entity<sup>1</sup>.

#### **3. Liquidation Methodology**

The UCI Entities are assumed to cease operations on the Conversion Date and be liquidated through a straight liquidation of the underlying assets. Most of the employees would be severed and their assets liquidated piecemeal over an assumed 90 day period. The gross liquidation proceeds assumed to be received as a result of the sale and liquidation of the assets and operations of the UCI Entities, as outlined above, less the costs associated with liquidation, is then used to satisfy the various Claims, including chapter 7 Claims, chapter 11 administrative expenses and priority non-tax Claims, and pre-petition Claims. The Liquidation Analysis assumes that the Trustee would resolve Claims and other matters involving the Debtors'

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<sup>1</sup> The value from liquidating the assets of each entity net of the costs of liquidation is used to pay out Post-Petition Intercompany Claims resulting in an increase in value for those entities in a net receivable position and a decrease in value for those entities in a net payable position. The resulting value (if any) is used to pay other administrative and priority Claims. The residual value is allocated among the various unsecured Claims, including Pre-Petition Intercompany Claims. Value flows again to those entities in a net receivable position from those entities in a net payable position which results in more value to distribute among the entities other unsecured Claims.

Estates and make distributions to creditors. No assumption is made regarding any potential claims of the Debtors against their equity holder, current or former directors, or ABL lenders.

#### 4. Other Potential Claims

Liquidation would likely result in additional Claims against the Estates, which unless specifically noted have not been quantified. These additional Claims would dilute any potential recoveries to holders of other pre-petition unsecured Claims. No attempt has been made to estimate these additional unsecured and/or administrative Claims (unless specifically noted) that may occur in a chapter 7 liquidation.



## Estimated Liquidation Recoveries

	POTENTIAL RECOVERY			
	Consolidated UCI International, LLC			
(\$ in 000s)	Asset or Claim (\$)	Recovery (\$)	Recovery (%)	Notes
ASSET RECOVERIES				
Current Assets				
Cash and Cash Equivalents	\$21,646	\$21,646	100.0%	[1]
Accounts Receivable, Trade	116,827	68,698	58.8%	[2]
Intercompany Receivables	531,176	--	--	[3]
Inventory	124,237	49,886	40.2%	[4]
Prepaid and Other Current Assets	22,440	2,244	10.0%	[5]
Total Current Assets Recovery	\$816,326	\$142,474	17.5%	
Non-Current Assets				
Property, Plant and Equipment - Net	\$102,944	\$51,270	49.8%	[6]
Investment in Subsidiaries and Other Long Term Assets	3,067,243	--	--	[3][7]
Total Non-Current Assets Recovery	\$3,170,187	\$51,270	1.6%	
Summary				
Total Current Assets Recovery	\$816,326	\$142,474	17.5%	
Total Non-Current Assets Recovery	3,170,187	51,270	1.6%	
Gross Liquidation Proceeds	\$3,986,513	\$193,744	4.9%	
CHAPTER 7 FEES AND COSTS				
Gross Liquidation Proceeds		\$193,744		
Chapter 7 Trustee Fees		(5,163)		[8]
Chapter 7 Asset Sales Costs		(7,690)		[9]
Chapter 7 Shutdown Team Costs		(8,695)		[10]
Chapter 7 Professional Fees		(3,000)		[11]
Net Liquidation Proceeds		\$169,196		
CLAIMS RECOVERIES				
Secured Class				
ABL due 2020 Payoff	\$75,248	\$75,248	100.0%	[12]
Total Secured Class Recovery	\$75,248	\$75,248	100.0%	
Chapter 11 Administrative & Priority Class				
503(b)(9) Claims	\$8,554	\$4,418	51.7%	[13]
Accounts Payable - Post-Petition (Trade)	84,276	48,698	57.8%	[14]
Accounts Payable - Post-Petition (Affiliates)	2,334	792	33.9%	[14]
Pre Chapter 7 Conversion Professional Fees	3,575	1,350	37.8%	[15]
Other Chapter 11 Administrative & Priority	40,480	24,547	60.6%	[16]
Total Chapter 11 Admin. & Priority Class Recovery	\$139,219	\$79,805	57.3%	
Unsecured Class				
\$400M Senior Notes due 2019	\$427,946	\$5,009	1.2%	[17]
PBGC	123,300	9,111	7.4%	[18]
Accounts Payable - Pre-Petition (Trade)	18,985	23	0.1%	[19]
Accounts Payable - Pre-Petition (Affiliates)	12,499	--	--	[20]
Total Unsecured Class Recovery	\$582,730	\$14,143	2.4%	
SUMMARIES				
Distribution Summary				
Gross Liquidation Proceeds		\$193,744		
Total Chapter 7 Fees and Costs		(24,548)		
Total Secured Class Recovery	\$75,248	(75,248)	100.0%	
Total Chapter 11 Admin. & Priority Class Recovery	139,219	(79,805)	57.3%	
Total Unsecured Class Recovery	582,730	(14,143)	2.4%	
Total Distribution	\$797,196	(\$193,744)		
Accounts Payable - Pre-Petition (Trade): Recoveries by Entity				
Champion Laboratories, Inc.	\$15,000	--	--	[19]
ASC Industries, Inc.	1,579	--	--	[19]
United Components, LLC	406	--	--	[19]
Airtex Products, LP	2,000	23	1.2%	[19]
Total Accounts Payable - Pre-Petition (Trade) Recovery	\$18,985	\$23	0.1%	

## Notes to Specified Line Items of Liquidation Analysis

### Asset Recoveries<sup>2</sup>

1. **Cash and Cash Equivalents** – Assumes 100% recovery of projected 12/31/16 cash balances. Cash recovery excludes restricted cash related to the segregated utility account (which would be used to pay outstanding amounts due to utility providers).
2. **Accounts Receivable, Trade** – Represents expected amounts due from third party customers as of the Conversion Date. The accounts receivable liquidation value is based on the 8/31/16 borrowing base certificate. The receivables advance rate<sup>3</sup> of 85% is applied to eligible receivables (i.e., accounts receivable less applicable ineligibles) and then reduced by applicable dilution reserves. For entities with accounts receivable that are not inclusive within the borrowing base certificate (e.g., foreign entities), accounts receivable availability as a percentage of total accounts receivable for each entity's corresponding operating parent (i.e., Airtex, ASC, or Champion) is applied to its accounts receivable balance to derive its liquidation value.
3. **Intercompany Receivables** – Both Pre-Petition and Post-Petition Intercompany Claims are reflected within the Liquidation Analysis. Pre-petition Claims are based on outstanding intercompany accounts payable as of the petition date, and represent estimates as the claims reconciliation process is still ongoing. Post-petition Claims represent accounts payable arising from intercompany transactions post-petition and prior to the Conversion Date and estimated to be commensurate with post-petition balances as of 8/31/16. Subsequent iterations are utilized to distribute value received on the account of Intercompany Claims until all value is distributed to external claimholders. In total, \$26.1M of value is redistributed related to Intercompany Claims, of which \$24.5M relates to post-petition Claims and \$1.6M relates to pre-petition Claims.
4. **Inventory** – Comprised of raw materials, work in process, and finished products. The inventory liquidation value is based on the 8/31/16 borrowing base certificate. The inventory advance rates<sup>3</sup> (which differ by operating parent and inventory category) are applied to the corresponding eligible inventory (i.e., inventory less applicable ineligibles) and then reduced by applicable rent reserves. For entities with inventory that is not inclusive within the borrowing base certificate (e.g. foreign entities), inventory availability by category (i.e., component, work in process, and finished goods) as a percentage of total inventory by category for each entity's corresponding operating parent (i.e., Airtex, ASC, or Champion) is applied to its corresponding inventory balance to derive its liquidation value. The cost to liquidate the inventory is assumed within the recovery percentage applied.
5. **Prepaid and Other Current Assets** – Represents prepaid software costs and deposits with vendors/professionals. Recovery is assumed to be 10% of book value as the majority would not be recoverable and having no value, simply being an accounting convention or being offset by vendors against other amounts due.
6. **Property, Plant and Equipment - Net** – Consists of land and improvements, buildings and improvements, and equipment (including capital leases), net of accumulated depreciation. Estimated liquidation value for Champion Laboratories, Inc. is based on third party estimates. For all other entities, estimated liquidation value is assumed to be 35% of book value based on management estimates.

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<sup>2</sup> Unless specifically noted, asset book values are based upon unaudited August 31, 2016 financials.

<sup>3</sup> Advance rates are based on an appraisal prepared for Credit Suisse.

7. **Investment in Subsidiaries and Other Long Term Assets** – Includes investment in subsidiaries, intangible assets, long term intercompany receivables, and other long term assets and assumes no recovery value.

#### **Chapter 7 Fees and Costs**

8. **Chapter 7 Trustee Fees** – Assumes statutory Trustee fees of 3.0% on liquidation proceeds (excluding cash recoveries) in excess of \$1M, pursuant to section 326 of the Bankruptcy Code.
9. **Chapter 7 Asset Sales Costs** – Assumes costs of 15.0% on liquidation proceeds related to the sale of property, plant and equipment - net (e.g., broker commissions, carrying costs, other sale costs).
10. **Chapter 7 Shutdown Team Costs** – Assumes 20% of personnel would be needed to assist in the shutdown of operations and sale of assets throughout the duration of the liquidation which is assumed to be 90 days upon conversion to chapter 7. These personnel would be needed for a controlled shutdown of the manufacturing facilities and to assist with collection of receivables, monetization of inventory and other assets, and accounting and other administrative activities. A stay bonus for the shutdown personnel is assumed to be an additional 30 days of payroll and benefits after the 90 day liquidation period. Recent payroll and benefit run rates were utilized to derive costs.
11. **Chapter 7 Professional Fees** – Estimates chapter 7 professional fees of \$1M per month during the assumed 90 day liquidation period.

#### **Secured Claims**

12. **ABL due 2020 Payoff** – Consists of \$69.4M of outstanding ABL as well as \$5.8M of letters of credit related to workers compensation that are assumed to be drawn as a result of the liquidation. The Analysis assumes the ABL would be paid as part of the recovery process and is assumed to be paid off pro ratably by guarantors with available proceeds. The ABL claim may be higher due to unpaid interest and fees as of the conversion date which would further reduce proceeds available to pay other creditors.

#### **Chapter 11 Administrative & Priority Claims**

After the deduction of the ABL payoff, the remaining proceeds at the UCI Entities is allocated Pro Rata to the chapter 11 administrative & priority Claims at each entity.

13. **503(b)(9) Claims** – Represents preliminary estimate for Allowed 503(b)(9) Claims.
14. **Accounts Payable - Post-Petition (Trade and Affiliates)** – Represents accounts payable (both to trade vendors and Rank Group) arising from operations post-petition and prior to the Conversion Date. Trade accounts payable is estimated to be commensurate with balances on the petition date for domestic entities and balances as of 8/31/16 for foreign entities. Affiliate accounts payable is estimated to be commensurate with post-petition balances as of 8/31/16.
15. **Pre Chapter 7 Conversion Professional Fees** – Represents projected accrued and unpaid professional fees as part of the Chapter 11 Cases as of 12/31/16 and excludes success fees which would not be due in the event of a liquidation.

16. **Other Chapter 11 Administrative & Priority** – Consists of the following three categories:

- Employee Severance Costs – Approximately \$27.4M of severance is estimated for employee terminations stemming from a conversion to liquidation. Estimates are done on an entity-by-entity basis and reflect historic company practice (as covered by the first day motion on employee wages & benefits) and local severance statutes.
- Employee Related Accruals – Approximately \$9.4M is estimated for accrued and unpaid employee related payroll and benefits as of 12/31/16.
- Lease Termination Costs – Approximately \$3.7M is estimated for Claims stemming from the termination of already or soon to be assumed leases within the Chapter 11 Cases, based on 2 years of lease expense. \$400K is for the new Champion Laboratories, Inc. lease in Toledo, OH and \$3.4M is for the ASC Industries, Inc. lease in North Canton, OH. Additional Claims may occur depending on further lease assumptions during the case.

It is likely that additional administrative Claims arising from other contract assumptions and new contracts would arise in the event of a liquidation which would further reduce recoveries.

**Unsecured Claims**

After the deduction of the ABL payoff and distribution to chapter 11 administrative & priority Claims, the remaining proceeds at the UCI Entities are allocated Pro Rata to the unsecured Claims at each entity. Note that in the summary which is shown on a consolidated basis, there are recoveries to unsecured creditors even though chapter 11 administrative & priority Claims are not paid in full. The analysis has been prepared on an entity-by-entity basis and certain entities have sufficient value to pay all of their administrative and priority Claims, allowing for payment of unsecured Claims for that entity.

17. **\$400M Senior Notes due 2019** – Consists of \$400.0M of outstanding Senior Notes as well as \$27.9M of accrued and unpaid interest as of the petition date and is asserted at each co-issuer and guarantor (representing all of the Debtors).
18. **PBGC** – Represents the estimated allowed pension termination Claim for the Pension Benefit Guaranty Corporation, which is asserted at all legal entities, including non-Debtor subsidiaries, as each entity is part of the control group.
19. **Accounts Payable - Pre-Petition (Trade)** – Represents estimated pre-petition accounts payable due to trade vendors and after projected first day motion releases and 503(b)(9) Claims (note: recovery related to the 503(b)(9) Claims occurred within the chapter 11 administrative & priority class recovery process). Additionally, recoveries by entity with accounts payable – pre-petition are provided within the summaries section of the estimated liquidation recoveries table.
20. **Accounts Payable - Pre-Petition (Affiliates)** – Represents estimated pre-petition accounts payable due to Rank Group.

It is likely that other unsecured Claims including product warranty Claims, litigation Claims, and other such Claims would arise in the event of a liquidation that would further reduce recoveries to unsecured creditors.

**EXHIBIT C**

**Historical Financial Statements**

**Form 20-F filed March 4, 2015**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Shareholder  
UCI Holdings Limited

We have audited the accompanying consolidated balance sheets of UCI Holdings Limited (a New Zealand registered company) and subsidiaries (the “Company”) as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of UCI Holdings Limited and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP  
Chicago, Illinois  
March 4, 2015

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**UCI Holdings Limited**  
**Consolidated Balance Sheets**  
*(in thousands)*

	December 31,	
	2014	2013
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 44,468	\$ 76,619
Accounts receivable, net (Note 3)	216,473	221,872
Related party receivables (Note 14)	17,208	17,179
Inventories (Note 5)	230,924	202,412
Deferred tax assets (Note 11)	30,901	30,256
Other current assets	19,926	22,776
Total current assets	559,900	571,114
Property, plant and equipment, net (Note 6)	168,834	168,772
Goodwill (Note 7)	308,080	309,703
Other intangible assets, net (Note 7)	310,351	373,433
Deferred financing costs, net	11,578	14,622
Other long-term assets	1,380	4,115
Total assets	<u>\$1,360,123</u>	<u>\$1,441,759</u>
<u>Liabilities and shareholder's equity</u>		
Current liabilities		
Accounts payable	\$ 143,618	\$ 152,052
Current maturities of long-term debt (note 10)	23,166	3,176
Related party payables (Note 14)	2,450	587
Product returns liability (Note 9)	37,635	42,031
Interest payable	13,083	13,081
Accrued expenses and other current liabilities (Note 8)	50,869	58,665
Total current liabilities	270,821	269,592
Long-term debt, less current maturities (Note 10)	684,998	687,860
Pension and other post-retirement liabilities (Note 12)	97,720	62,256
Deferred tax liabilities (Note 11)	78,254	122,983
Long-term related party payables (Note 14)	101	361
Other long-term liabilities	2,648	2,925
Total liabilities	1,134,542	1,145,977
Contingencies (Note 13)		
Shareholder's equity		
Common stock	320,038	320,038
Retained deficit	(52,894)	(17,485)
Accumulated other comprehensive loss (Note 17)	(41,563)	(6,771)
Total shareholder's equity	225,581	295,782
Total liabilities and shareholder's equity	<u>\$1,360,123</u>	<u>\$1,441,759</u>

*The accompanying notes are an integral part of these financial statements.*

**UCI Holdings Limited**  
**Consolidated Statements of Comprehensive Income (loss)**  
*(in thousands)*

	Year Ended December 31,		
	2014	2013	2012
Net sales			
Third party net sales	\$ 958,540	\$927,996	\$928,115
Related party net sales (Note 14)	51,253	67,934	56,382
Total net sales	1,009,793	995,930	984,497
Cost of sales	871,229	837,267	775,238
Gross profit	138,564	158,663	209,259
Operating expenses			
Selling, general and administrative	(63,218)	(84,655)	(96,832)
Amortization of acquired intangible assets	(22,167)	(22,176)	(22,165)
Restructuring costs, net (Note 2)	(16,876)	(7,593)	(5,877)
Trademark impairment loss (Note 7)	(38,000)	(2,000)	—
Patent litigation costs (Note 13)	(158)	(2,200)	—
Antitrust litigation costs (Note 13)	(44)	(198)	(1,228)
Operating (loss) income	(1,899)	39,841	83,157
Other expense			
Interest expense, net (Note 10)	(50,454)	(51,453)	(54,765)
Miscellaneous, net (Note 18)	(8,589)	(3,623)	(6,188)
(Loss) income before income taxes	(60,942)	(15,235)	22,204
Income tax benefit (expense) (Note 11)	24,694	2,993	(7,577)
Net (loss) income	<u>\$ (36,248)</u>	<u>\$ (12,242)</u>	<u>\$ 14,627</u>
Other comprehensive (loss) income, net of tax			
Foreign currency translation adjustments	(9,743)	1,318	1,930
Pension and OPEB liability, net of tax of \$15,585 (\$21,922) and \$6,041	(25,049)	35,545	(11,085)
Total other comprehensive (loss) income	(34,792)	36,863	(9,155)
Comprehensive (loss) income	<u>\$ (71,040)</u>	<u>\$ 24,621</u>	<u>\$ 5,472</u>

*The accompanying notes are an integral part of these financial statements.*

**UCI Holdings Limited**  
**Consolidated Statements of Cash Flows**  
*(in thousands)*

	Year Ended December 31,		
	2014	2013	2012
<b>Cash flows from operating activities:</b>			
Net (loss) income attributable to equity holder	\$(36,248)	\$(12,242)	\$ 14,627
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Depreciation and amortization	56,096	52,806	52,224
Amortization of deferred financing costs and debt issuance costs	3,343	3,161	2,993
(Gain) loss on sale of property, plant and equipment	(1,573)	139	(475)
Unrealized foreign exchange gains	(4,878)	—	—
Asset impairments	448	2,553	2,236
Patent litigation accrual	—	2,200	—
Trademark impairment loss	38,000	2,000	—
Deferred income taxes	(30,237)	(11,449)	13,111
Other non-cash items, net	345	(953)	(1,716)
Changes in operating assets and liabilities:			
Accounts receivable	3,390	6,347	29,929
Related party receivables, net	1,835	2,907	(9,627)
Inventories	(30,012)	(26,833)	(16,626)
Other current assets	2,814	4,226	(11,631)
Other assets	2,656	(380)	(1,890)
Accounts payable	(7,857)	19,060	9,376
Accrued expenses and other current liabilities	(11,358)	(2,897)	(15,693)
Other long-term liabilities	(5,421)	(780)	(14,996)
Net cash (used in) provided by operating activities	<u>(18,657)</u>	<u>39,865</u>	<u>51,842</u>
<b>Cash flows from investing activities:</b>			
Capital expenditures	(34,451)	(40,619)	(36,786)
Proceeds from sale of property, plant and equipment	4,395	1,448	1,968
Net cash used in investing activities	<u>(30,056)</u>	<u>(39,171)</u>	<u>(34,818)</u>
<b>Cash flows from financing activities:</b>			
Issuances of borrowings	—	—	500
Revolver borrowings	30,000	—	—
Revolver repayments	(10,000)	—	—
Debt repayments	(3,070)	(3,089)	(6,552)
Equity contribution	—	—	38
Excess proceeds over net book value of long-lived assets sold to an entity under common control	839	—	—
Net cash provided (used in) by financing activities	<u>17,769</u>	<u>(3,089)</u>	<u>(6,014)</u>
Effect of exchange rate changes on cash	<u>(1,207)</u>	<u>97</u>	<u>210</u>
Net (decrease) increase in cash and cash equivalents	<u>(32,151)</u>	<u>(2,298)</u>	<u>11,220</u>
Cash and cash equivalents at beginning of period	76,619	78,917	67,697
Cash and cash equivalents at end of period	<u>\$ 44,468</u>	<u>\$ 76,619</u>	<u>\$ 78,917</u>

*The accompanying notes are an integral part of these financial statements.*

**UCI Holdings Limited**  
**Consolidated Statements of Changes in Shareholder's Equity (Deficit)**  
*(in thousands)*

	<u>Common Stock</u>	<u>Retained Deficit</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Equity (Deficit)</u>
Balance at January 1, 2012	\$320,000	\$(19,870)	\$ (34,479)	\$265,651
Equity contribution	38	—	—	38
Net income	—	14,627	—	14,627
Other comprehensive loss, net of tax	—	—	(9,155)	(9,155)
Balance at December 31, 2012	<u>\$320,038</u>	<u>\$ (5,243)</u>	<u>\$ (43,634)</u>	<u>\$271,161</u>
Net loss	—	(12,242)	—	(12,242)
Other comprehensive income, net of tax	—	—	36,863	36,863
Balance at December 31, 2013	<u>\$320,038</u>	<u>\$(17,485)</u>	<u>\$ (6,771)</u>	<u>\$295,782</u>
Comprehensive loss				
Net loss	—	(36,248)	—	(36,248)
Other comprehensive loss, net of tax	—	—	(34,792)	(34,792)
Total comprehensive loss	<u>—</u>	<u>(36,248)</u>	<u>(34,792)</u>	<u>(71,040)</u>
Excess proceeds over net book value of long-lived assets sold to an entity under common control (Note 14)	—	839	—	839
Balance at December 31, 2014	<u><u>\$320,038</u></u>	<u><u>\$(52,894)</u></u>	<u><u>\$ (41,563)</u></u>	<u><u>\$225,581</u></u>

*The accompanying notes are an integral part of these financial statements.*

## NOTE 1 — GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *General*

UCI Holdings Limited (“Holdings”), an entity domiciled in New Zealand, was incorporated on November 26, 2010 for the purpose of consummating the acquisition of UCI International, Inc., (together with its subsidiaries, “UCI International”). All operations of Holdings are conducted by United Components, Inc. (“UCI”) through its subsidiaries, which is a leading designer, manufacturer and distributor of a broad range of filtration products, fuel delivery and cooling systems products and vehicle electronics products. UCI manufactures and distributes vehicle parts, primarily servicing the vehicle replacement parts market in North America and Europe.

### *Principles of Consolidation and Basis of Presentation*

The accompanying consolidated financial statements include the accounts and operations of Holdings and are presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Holdings consolidates all entities that are controlled by ownership of a majority voting interest as well as variable interest entities for which Holdings is the primary beneficiary, if any. All significant intercompany accounts and transactions are eliminated in the consolidated financial statements.

### *Financial Statement Presentation*

The following provides a description of certain items that appear in the consolidated statements of comprehensive income (loss):

Net sales includes the selling price of our products sold to our customers, less provisions for warranty costs, estimated sales returns, customer allowances and cash discounts. Shipping and handling fees that are billed to customers are classified as net sales.

Cost of sales includes all costs of manufacturing required to bring a product to a ready-for-sale condition, as well as costs to warehouse and distribute product to customers. Such costs include direct and indirect materials (net of vendor consideration), direct and indirect labor costs (including pension, post-retirement and other fringe benefits), supplies, utilities, freight, depreciation, insurance, and other costs. Cost of sales also includes all costs to procure, package and ship products which are purchased and resold.

Selling, general and administrative expenses primarily include sales and marketing and general and administrative costs. Major cost elements include executive, accounting and administrative personnel salaries and fringe benefits (including pension, post-retirement and other fringe benefits), professional fees, insurance, provisions for doubtful accounts, rent, depreciation and amortization, advertising and information technology costs.

Advertising is expensed as incurred. Advertising expense recognized during the years ended December 31, 2014, 2013 and 2012 was \$2.0 million, \$2.0 million and \$2.1 million, respectively.

### *Comparatives*

Certain comparative balances for the years ended December 31, 2013 and 2012 have been reclassified to conform to the current method of presentation.

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### ***Summary of Significant Accounting Policies***

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the reporting period. The estimates and assumptions include estimates of collectability of accounts receivable and the realizability of inventory, goodwill and other intangible assets. They also include estimates of cost accruals, environmental liabilities, warranty and product returns, insurance reserves, income taxes, pensions and other post-retirement benefits and other factors. Management has exercised reasonableness in deriving these estimates; however, actual results could differ from these estimates.

#### **Segment Reporting**

In accordance with the guidance included in Accounting Standards Codification ASC 280, "Segment Reporting," Holdings reports as one segment. Holdings is in one business, which is the manufacturing and distribution of vehicle parts. The products and services, customer base, distribution channel, manufacturing process, procurement and economic characteristics are similar throughout all of Holdings' operations.

#### **Revenue Recognition**

Holdings records sales, including related party sales to FRAM Group, when title has transferred to the customer, the sales price is fixed and determinable and the collection of the related accounts receivable is reasonably assured. Holdings' related party sales to FRAM Group are entered into on an arm's-length basis documented by product purchase orders.

Provisions for estimated sales returns, allowances and warranty costs are recorded when the sales are recorded. Sales returns, allowances and warranty costs are estimated based upon historical experience, current trends and Holdings' expectations regarding future experience. Adjustments to such returns, allowances and warranty costs are made as new information becomes available.

In order to obtain exclusive contracts with certain customers, Holdings may incur up-front costs or assume the cost of returns of products sold by the previous supplier. The up-front costs are capitalized and amortized over the life of the contract as a reduction of sales. The cost of returns of products sold by the previous supplier is recorded as a reduction to net sales as incurred.

New business changeover costs also can include the costs related to removing a new customer's inventory and replacing it with Holdings' inventory, commonly referred to as a "stocklift." Stocklift costs are recorded as a reduction of net sales when incurred.

#### **Restructuring Charges**

Holdings recognizes a liability for restructuring charges in the period in which the liability is incurred. These restructuring charges include costs for certain initiatives such as consolidation of operations or facilities, management reorganization, rationalization of non-manufacturing infrastructure, outsourcing of non-core components and asset impairments. See Note 2 for a more detailed discussion of restructuring charges.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, certificates of deposit, commercial paper and other highly liquid investments with an original maturity of three months or less.

### **Accounts Receivable and Allowance for Doubtful Accounts**

Holdings generally does not require collateral for its trade accounts receivable. Accounts receivable are recorded at face amounts less an allowance for amounts that may become uncollectible in the future. These allowances are established based on a combination of write-off history, aging analysis and specific account evaluations. When a receivable balance is known to be uncollectible, it is written off against the allowance for doubtful accounts.

### **Inventories**

Inventories are stated at the lower of cost or market. Cost is principally determined using standard cost, which approximates the first-in, first-out method. Inventories are reduced by an allowance for excess and obsolete inventories, based on Holdings' review of on-hand inventories and historical usage. The expense of inventory allowances is included in cost of sales.

### **Depreciation and Amortization**

Depreciation of property, plant and equipment is provided on a straight-line basis, over the estimated service lives of the assets. Leasehold improvements are amortized over the shorter of their service life or the remaining term of the lease.

Major renewals and improvements of property, plant and equipment are capitalized, and repairs and maintenance costs are expensed as incurred. Repairs and maintenance expenses recognized during the years ended December 31, 2014, 2013 and 2012 were \$9.1 million, \$6.2 million and \$6.0 million, respectively.

Trademarks with finite lives and other intangible assets are amortized over their useful lives on an accelerated or straight-line basis commensurate with the expected benefits received from such intangible assets.

### **Defined Benefit Pension and Other Post-retirement Benefits**

Holdings' consolidated balance sheets reflect the funded status of its pension and post-retirement benefit plans. The funded status of the plans is measured as the difference between the fair value of the plan assets and the projected benefit obligation. Holdings recognizes, in the consolidated balance sheets, the aggregate overfunding of any plans in other long-term assets and the aggregate underfunding of any plans in accrued expense and other current liabilities for current portions and in pension and other post-retirement liabilities for non-current portions. Holdings records unrecognized gains and losses in accumulated other comprehensive loss, net of related taxes in the consolidated balance sheets.

### **Goodwill and Trademarks with Indefinite Lives**

Goodwill is subject to annual review unless conditions arise that require a more frequent evaluation. The review for impairment is either a qualitative assessment or a two-step process. If Holdings chooses to perform a qualitative assessment and determines that the fair value of Holdings more likely than not exceeds the carrying value, no further evaluation is necessary. For the two-step process, the first step is to compare the estimated fair value of Holdings with the recorded net book value (including the goodwill). If the estimated fair value of Holdings is higher than the recorded net book value, no impairment is deemed to exist and no further testing is required. If, however, the estimated fair value of Holdings is below the recorded net book value, then a second step must be performed to determine the goodwill impairment required, if any. In this second step, the implied fair value of goodwill is calculated as the excess of the fair value of Holdings over the fair values assigned to Holdings' assets and liabilities. If the implied fair value of goodwill is less than the book value of the goodwill, the difference is recognized as an impairment loss.

Holdings performs its annual goodwill impairment review as of December 31 of each year using discounted future cash flows, unless conditions exist that would require a more frequent evaluation. The process of evaluating the potential impairment of goodwill is subjective because it requires the use of estimates and assumptions as to future cash flows, discount rates commensurate with the risks involved in the assets, future economic and market conditions, competition, customer relations, pricing, raw material costs, production costs, selling, general and administrative costs and income and other taxes. Although Holdings bases cash flow forecasts on assumptions that are consistent with plans and estimates used to manage Holdings, there is significant judgment in estimating the cash flows. See Note 7 for information regarding the results of the impairment testing at December 31, 2014.



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Trademarks with indefinite lives are tested for impairment annually as of December 31 unless conditions arise that would require a more frequent evaluation. In assessing the recoverability of these assets, projections regarding estimated discounted future cash flows and other factors are made to determine if impairment has occurred. If Holdings concludes that there has been impairment, Holdings will write down the carrying value of the asset to its fair value. See Note 7 for information regarding impairment losses recorded in the years ended December 31, 2014 and 2013.

Holdings also evaluates those trademarks with indefinite lives to determine whether events and circumstances continue to support the indefinite lives. As of December 31, 2014, Holdings has concluded that events and circumstances continue to support the indefinite lives of these trade names.

### **Impairment of Long-Lived Assets, other than Goodwill and Trademarks with Indefinite Lives and Long-Lived Assets to be Disposed of**

Holdings evaluates all of its long-lived assets, including intangibles with finite lives, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of such long-lived assets is measured by a comparison of the carrying amount of the asset to the future undiscounted net cash flows that are expected to be generated by the asset. If the carrying amount exceeds the expected undiscounted future cash flows, the asset is considered to be impaired. If an asset is considered to be impaired, it is written down to fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. See Note 2 for information regarding impairment losses for property, plant and equipment recorded in the years ended December 31, 2014 and 2013.

### **Income Taxes**

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis. Deferred tax assets are also recognized for operating losses and tax credit carryforwards. Holdings establishes valuation allowances against deferred tax assets when the ability to fully utilize these benefits is determined to be uncertain. See Note 11 for information regarding valuation allowances currently being applied. Deferred tax assets and liabilities are measured using enacted tax rates applicable in the years in which they are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax law is recognized in income in the period that includes the enactment date.

Holdings does not provide for U.S. income taxes on undistributed earnings of its non-U.S. subsidiaries that are intended to be permanently reinvested. Where Holdings does not intend to permanently reinvest earnings of its non-U.S. subsidiaries, Holdings provides for U.S. income taxes and foreign withholding taxes, where applicable, on undistributed earnings.

Holdings records a liability for uncertain tax positions when management concludes that the likelihood of sustaining such positions upon examination by taxing authorities is less than “more-likely-than-not.” Holdings also records any interest and penalties related to these uncertain tax positions as a component of income tax (expense) benefit in the consolidated statements of comprehensive income (loss).

### **Foreign Currency Translation**

Chinese operations — The functional currency of the majority of Holdings’ Chinese operations is the U.S. dollar. The results of operations are remeasured into U.S. dollars at the average exchange rates for each relevant period, except for cost of sales which is remeasured primarily at historical exchange rates. Non-monetary assets and liabilities are remeasured into U.S. dollars at historical rates, and monetary assets and liabilities are remeasured at the closing exchange rate as of the applicable balance sheet date. Adjustments resulting from the translation of the balance sheet are recorded in the consolidated statements of comprehensive income (loss).

All other non-U.S. operations — The functional currencies for all other non-U.S. operations are their local currencies. The results of operations are translated into U.S. dollars using the average exchange rates during the applicable period. Assets and liabilities of these operations are translated into U.S. dollars using the exchange rates in effect at the applicable balance sheet date. Resulting cumulative translation adjustments are recorded as a component of shareholder’s equity in accumulated other comprehensive loss in the consolidated balance sheets.

### **Foreign Currency Transactions**

Transaction exchange gains and losses are included in the consolidated statements of comprehensive income (loss) in the appropriate line based upon the nature of the transaction. The net foreign exchange losses (gains) recognized during the years ended December 31, 2014, 2013 and 2012 were \$1.9 million, (\$0.3) million and \$0.3 million, respectively.

### **Reporting of Comprehensive Income (Loss)**

Comprehensive income (loss) includes (i) net income (loss), (ii) the cumulative effect of translating balance sheets of certain non-U.S. subsidiaries to U.S. dollars and (iii) adjustments for pension and other post-retirement benefit liabilities. The last two items are not included in the determination of net income and are reflected as adjustments to shareholder's equity.

### **Environmental Liabilities**

Holdings accrues for environmental investigation, remediation and penalty costs when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability is determined on an undiscounted cash flow basis and is not reduced for potential claims for recovery. Claims for recovery are recognized as agreements are reached with third parties. Environmental expenditures are capitalized if they mitigate or prevent future contamination or if they improve the environmental safety or efficiency of the existing assets. All other environmental costs are expensed as incurred. Environmental cost estimates may include expenses for remediation of identified sites, long-term monitoring, payments for claims, administrative expenses, and expenses for ongoing evaluations and litigation. The liability is adjusted periodically as assessment and remediation efforts progress or as additional technical or legal information becomes available.

### **Insurance Reserves**

Holdings' insurance policies for workers' compensation, automobile, product and general liability include high deductibles or self-insured retention (up to \$0.5 million per event) for which we are responsible, which are recorded in accrued expenses as incurred. Estimates of such losses involve substantial uncertainties including litigation trends, the severity of reported claims and incurred but not yet reported claims. External actuaries are used to assist us in estimating these losses. Holdings' self-insured insurance reserves, including group medical insurance reserves, were \$7.3 million as of December 31, 2014. A hypothetical 10% increase in the insurance reserves would decrease our pre-tax earnings by \$0.7 million.

### **Derivative Financial Instruments**

Holdings routinely enters into purchase agreements to acquire materials used in the normal course of its operations. In certain instances, a routine purchase agreement may meet the technical definition of a derivative. In all such cases, Holdings elects the "normal purchases" exemption from derivative accounting.

Holdings has at times entered into long-term, fixed price contracts with suppliers and formula price agreements with suppliers and customers to mitigate market risk exposure for commodity prices which can result in changes in the cost of production. Holdings has elected the "mark-to-market" accounting for these transactions.

### **Recently Adopted Accounting Guidance**

On January 1, 2014, Holdings adopted the amendments to guidance issued by the FASB on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. The amendments require entities to present an unrecognized tax benefit netted against certain deferred tax assets when specific requirements are met. The adoption of this guidance did not have a material impact on the financial position, results of operations or cash flows of Holdings.

## Recently Issued Accounting Guidance

In April 2014, the FASB issued amendments to change the criteria for reporting discontinued operations while enhancing disclosures in this area. Under the new guidance, only disposals representing a strategic shift in a company's operations and financial results should be reported as discontinued operations, with expanded disclosures. In addition, the new guidance requires disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify as a discontinued operation. These amendments are effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2014. The guidance applies prospectively to new disposals and new classifications of disposal groups held for sale after the effective date. Management does not expect the adoption of this guidance to have a material impact on the financial statements of Holdings.

In May 2014, the FASB issued amendments that are a comprehensive new revenue recognition model that require entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. These amendments create common revenue recognition guidance between GAAP and International Financial Reporting Standards. These amendments are effective retrospectively for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early adoption not permitted. Holdings is currently evaluating the new standard.

In August 2014, the FASB issued amendments that provide guidance on disclosure of uncertainties about an entity's ability to continue as a going concern. Under the new guidance, management will be required to evaluate at every interim and annual reporting period whether conditions or events exist that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date the financial statements are issued. In addition, certain disclosure in the financial statements will be required when substantial doubt about the entity's ability to continue as a going concern exists. These amendments are effective for all entities for fiscal years, and interim periods within those years, beginning after December 15, 2016. Management does not expect the adoption of this guidance to have a material impact on the financial statements of Holdings.

## NOTE 2 — RESTRUCTURING COSTS, NET

Restructuring costs incurred relate to Holdings' manufacturing and distribution footprint optimization plans and business integration activities which are reported in restructuring costs, net in the consolidated statements of comprehensive income (loss). The components of restructuring costs, net are as follows (in millions):

	Year Ended December 31,		
	2014	2013	2012
Manufacturing and distribution footprint optimization	\$(13.7)	\$(2.2)	\$(0.4)
Severance	(3.2)	(3.3)	(2.4)
Impairment of property, plant and equipment	(0.5)	(2.6)	(2.2)
Gains on sale of land, buildings and equipment	0.5	0.1	0.4
Curtailement and settlement gains (losses)	—	0.4	(1.3)
	<u>\$(16.9)</u>	<u>\$(7.6)</u>	<u>\$(5.9)</u>

### 2014 Activities

Beginning in 2013, Holdings initiated a manufacturing footprint optimization plan for its fuel delivery systems product line. The plan involved a workforce reduction and outsourcing of production, including relocation of associated equipment, to facilities owned by third-party component suppliers and existing facilities of Holdings' subsidiaries. The plan was substantially completed by the end of the third quarter of 2014. Holdings incurred \$1.1 million of professional costs associated with the review of the manufacturing footprint for its fuel delivery systems product line, \$0.8 million of severance costs associated with the termination of 79 employees, \$0.8 million of manufacturing footprint optimization execution costs, \$0.3 million of costs associated with asset relocation and installation and \$0.1 million for employee retention costs.

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In December 2013, Holdings approved and announced a plan to close one of its U.S. filtration facilities and transfer the manufacturing capacity, along with associated equipment, to one of Holdings existing U.S. facilities and one facility operated by FRAM Group, the automotive consumer products business of Autoparts Holdings Limited (“Autoparts Holdings”). The facility ceased operations as of July 31, 2014. The plan resulted in the termination of 232 employees. Employees were offered termination benefit packages, comprised of severance and medical insurance coverage, contingent on the employees working to the plant closure date or an earlier date at management’s discretion. During the year ended December 31, 2014, termination benefits of \$1.7 million were recorded. As of December 31, 2014, termination benefits of \$0.2 million were accrued and unpaid. In addition, Holdings incurred equipment relocation and installation and facility closing and integration costs of \$10.8 million, recorded an additional impairment loss of \$0.5 million to write down equipment to estimated net realizable value and recorded gains on sale of equipment of \$0.4 million.

In addition, Holdings recorded: (i) severance of \$0.7 million related to involuntary terminations of employees as part of cost reduction actions and business realignment, (ii) manufacturing footprint optimization costs of \$0.5 million related to its filtration product line, (iii) residual closing costs of \$0.1 million related to the closure of a China facility in 2013 and (iv) a gain on sale of equipment of \$0.1 million associated with its now closed Mexican foundry operations.

### ***2013 Activities***

Holdings recorded severance costs of \$2.4 million related to involuntary terminations of employees as part of cost reduction actions and business realignment within its filtration, vehicle electronics and fuel delivery systems product lines. Holdings recorded \$0.1 million for lease termination and asset retirement obligation costs associated with distribution footprint optimization of the filtration product line.

Holdings approved, announced and completed a plan to close the manufacturing operations of one of its Chinese subsidiaries and relocate the manufacturing into one of its existing U.S. filtration facilities. The plan included workforce reductions, facility closures and operations consolidation. The plan impacted 61 employees in China, all of whom were terminated as of September 30, 2013. The manufacturing facility was leased and was returned to the landlord in July 2013. The majority of the equipment was relocated to existing U.S. facilities. Holdings recorded an impairment charge of \$0.5 million to write down certain equipment to estimated net realizable value, severance costs of \$0.4 million and other closing costs of \$0.1 million.

Holdings initiated a manufacturing footprint optimization plan for its fuel delivery systems product line (the full details of which are discussed above). As of December 31, 2013, 14 employees had been terminated and severance costs of \$0.2 million had been recognized. In addition, Holdings incurred other costs related to the plan including professional fees of \$1.6 million associated with the review of the manufacturing footprint optimization plan and asset relocation costs of \$0.3 million.

In December 2013, Holdings approved and announced a plan to close one of its U.S. filtration facilities and transfer the manufacturing capacity, along with associated equipment, to one of Holdings existing U.S. facilities and one facility operated by FRAM Group, the automotive consumer products business of Autoparts Holdings (the full details of which are discussed above). As of December 31, 2013, estimated termination of \$0.3 million had been accrued. During the year ended December 31, 2013, Holdings recorded impairment charges of \$1.8 million to write down land, building and equipment to estimated net realizable value.

As part of the plan to close and relocate excess foundry manufacturing capacity at its Mexican operation to China (discussed in further detail below), Holdings recorded an additional impairment charge of \$0.3 million to write down land, building and equipment to estimated net realizable value and other closings costs of \$0.1 million. In December 2013, the land, building and equipment was sold and a gain on sale of \$0.1 million was recognized. A previously deferred curtailment gain of \$0.4 million related to the Mexican subsidiary’s pension plan was recognized at the time the affected employees were terminated during 2013.

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### **2012 Activities**

Holdings recorded severance totaling \$2.4 million related to involuntary terminations of employees as part of other cost reduction actions and business realignment.

Holdings approved and announced a plan to close and relocate excess foundry manufacturing capacity at its Mexican operation to China. The plan included workforce reductions, facility closures and operations consolidation. Holdings recorded an impairment charge of \$2.0 million to write down land, building and equipment to estimated net realizable value and pension curtailment and settlement losses of \$1.3 million related to headcount reductions. At the end of June 2013, the manufacturing operations were closed and the affected employees terminated.

Holdings approved and announced a plan to consolidate certain distribution facilities of the U.S. operations of Champion with Autoparts Holdings. This plan was completed during the fourth quarter of 2013. An owned facility was temporarily idled in the early part of 2013 to reconfigure the facility for additional manufacturing capacity. Holdings recognized a charge of \$0.4 million related to distribution system software development costs with no future value and an asset impairment charge of \$0.2 million to write down the carrying value of certain equipment to be idled with no alternative use.

Holdings recognized a gain of \$0.4 million on the sale of a previously idled manufacturing facility.

### **Accrued Restructuring Reserves**

The following table summarizes the activity in accrued restructuring reserves, including pension obligations and property, plant and equipment, during the years ended December 31, 2014 and 2013 (in millions):

	Severance Costs	Asset Impairments	Pension Curtailment and Settlements	Other	Total
Balance at December 31, 2012	\$ 1.3	\$ —	\$ 0.9	\$ —	\$ 2.2
Charges	3.3	2.6	(0.4)	2.1	7.6
Usage	(3.2)	(2.6)	(0.5)	(2.1)	(8.4)
Balance at December 31, 2013	\$ 1.4	\$ —	\$ —	\$ —	\$ 1.4
Charges	3.2	0.5	—	13.2	16.9
Usage	(4.4)	(0.5)	—	(13.2)	(18.1)
Balance at December 31, 2014	\$ 0.2	\$ —	\$ —	\$ —	\$ 0.2

The severance, pension curtailment and settlements and other restructuring related accruals are included in the consolidated balance sheets in accrued expenses and other current liabilities. The asset impairment reserve is included in property, plant and equipment, net in the consolidated balance sheets. Other primarily includes costs to review and execute manufacturing and distribution footprint optimization initiatives.

### **NOTE 3 — ALLOWANCE FOR DOUBTFUL ACCOUNTS**

Changes in the allowance for doubtful accounts were as follows (in millions):

	Year Ended December 31,		
	2014	2013	2012
Beginning of period	\$ 2.6	\$ 1.8	\$ 1.3
Provision for doubtful accounts	0.3	1.4	0.8
Accounts written off	(0.5)	(0.6)	(0.3)
End of period	\$ 2.4	\$ 2.6	\$ 1.8

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### NOTE 4 — SALES OF RECEIVABLES

Holdings has factoring agreements arranged by seven customers with eight banks. Under these agreements, Holdings has the ability to sell undivided interests in certain of its receivables to the banks which in turn have the right to sell an undivided interest to a financial institution or other third party. Holdings enters into these relationships at its discretion as part of its overall customer agreements and cash management activities. Pursuant to these agreements, \$425.5 million and \$384.0 million of receivables were sold during the years ended December 31, 2014 and 2013, respectively.

If receivables had not been factored, \$284.2 million and \$261.1 million of additional receivables would have been outstanding at December 31, 2014 and 2013, respectively. Holdings retained no rights or interest, and has no obligations with respect to the sold receivables. Holdings does not service the receivables after the sales.

The sales of receivables were accounted for as a sale and were removed from the balance sheet at the time of the sales. The costs of the sales were discounts deducted by the factoring companies and accounted for as a loss on sale. These costs were \$6.0 million, \$5.7 million and \$6.2 million during the years ended December 31, 2014, 2013 and 2012, respectively. These costs are recorded in miscellaneous, net in the consolidated statements of comprehensive income (loss).

### NOTE 5 — INVENTORIES

The components of inventories, net of allowances, were as follows (in millions):

	December 31,	
	2014	2013
Raw materials	\$ 69.9	\$ 63.9
Work in process	44.1	34.5
Finished products	116.9	104.0
	<u>\$230.9</u>	<u>\$202.4</u>

Changes in Holdings' allowance for excess and obsolete inventory were as follows (in millions):

	Year Ended December 31,		
	2014	2013	2012
Beginning of period	\$ 9.3	\$ 6.4	\$ 2.0
Charge to expense	7.8	4.0	4.4
Inventory written off	(2.3)	(1.7)	(0.5)
Other	0.2	0.6	0.5
End of period	<u>\$15.0</u>	<u>\$ 9.3</u>	<u>\$ 6.4</u>

### NOTE 6 — PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following (in millions):

	Depreciable Life	December 31,	
		2014	2013
Land and improvements	5-10 years		
	(for improvements)	\$ 5.1	\$ 5.8
Buildings and improvements	5-40 years	52.8	53.0
Equipment	3-15 years	218.5	189.9
Total gross property, plant and equipment		276.4	248.7
Less: accumulated depreciation		(107.6)	(79.9)
Total property, plant and equipment, net		<u>\$ 168.8</u>	<u>\$168.8</u>

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Included in equipment shown above are cumulative additions related to capital lease obligations of \$0.6 million at both December 31, 2014 and 2013. The related accumulated amortization was \$0.4 million and \$0.3 million at December 31, 2014 and 2013, respectively.

Depreciation expense recognized during the years ended December 31, 2014, 2013 and 2012 was \$31.7 million, \$28.4 million and \$27.9 million, respectively.

Holdings' asset retirement obligations ("ARO") are recorded as liabilities with the associated asset retirement costs capitalized as part of the carrying amount of the related buildings. The asset retirement costs are amortized over the useful lives of the buildings or terms of building leases. Changes in the ARO resulting from the passage of time are recognized as an increase in the carrying amount of the liability and as accretion expense. The liabilities for AROs were \$1.2 million at both December 31, 2014 and 2013.

### **NOTE 7 — GOODWILL AND OTHER INTANGIBLE ASSETS**

Changes in goodwill were as follows (in millions):

	Year Ended December 31,	
	2014	2013
Beginning of period	\$ 309.7	\$ 309.1
Foreign currency translation	(1.6)	0.6
End of period	<u>\$ 308.1</u>	<u>\$ 309.7</u>

Holdings reviews the carrying amounts of goodwill for impairment annually as of December 31 or whenever events or conditions indicate that the net carrying amount may not be recoverable from estimated undiscounted future cash flows. If it is determined that the estimated net recoverable amount is less than the net carrying amount, a write-down to the asset's fair value is recognized through a charge to earnings. During the year ended December 31, 2014, Holdings conducted a discounted cash flow fair value assessment of its goodwill. Based upon the results of the annual impairment test as of December 31, 2014, it was determined that the fair value of Holdings exceeded the carrying value of its net assets by approximately 10%, therefore no impairment of goodwill was recorded.

The components of other intangible assets were as follows (in millions):

	Amortizable Life	Weighted Average Remaining Life	December 31, 2014				
			Cost	Impairment	Accumulated Amortization	Effect of Foreign Currency	Net
Acquired intangibles assets							
Customer relationships	10 - 15 years	10 years	\$283.6	\$ —	\$ (86.1)	\$ (1.1)	\$196.4
Trademarks	5 years	1 years	0.6	—	(0.5)	—	0.1
Trademarks	Indefinite	Indefinite	149.0	(38.0)	—	—	111.0
Integrated software systems	5 years	1 years	11.0	—	(8.1)	—	2.9
			<u>\$444.2</u>	<u>\$ (38.0)</u>	<u>\$ (94.7)</u>	<u>\$ (1.1)</u>	<u>\$310.4</u>
	Amortizable Life	Weighted Average Remaining Life	December 31, 2013				
			Cost	Impairment	Accumulated Amortization	Foreign Currency	Net
Acquired intangibles assets							
Customer relationships	10 - 15 years	10 years	\$283.6	\$ —	\$ (64.4)	\$ (0.1)	\$219.1
Trademarks	5 years	2 years	0.6	—	(0.4)	—	0.2
Trademarks	Indefinite	Indefinite	151.0	(2.0)	—	—	149.0
Integrated software systems	5 years	2 years	11.0	—	(5.9)	—	5.1
			<u>\$446.2</u>	<u>\$ (2.0)</u>	<u>\$ (70.7)</u>	<u>\$ (0.1)</u>	<u>\$373.4</u>



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Holdings reviews the carrying amounts of intangible assets for impairment annually as of December 31 or whenever events or conditions indicate that their net carrying amounts may not be recoverable from estimated undiscounted future cash flows. If it is determined that the estimated net recoverable amount is less than the net carrying amount, a write-down to the asset's fair value is recognized through a charge to earnings. During the year ended December 31, 2014, Holdings recorded a trademark impairment loss of \$38.0 million related to the indefinite-lived trademark intangible asset of its fuel delivery systems product line. A decision by a customer to change suppliers and a change by another customer from branded to private label products triggered the need to test the carrying value of this indefinite-lived intangible asset. A discounted cash flow calculation was performed reflecting the revised forecasted net sales information. This identified that the estimated recoverable amount was less than the carrying value. The annual impairment test as of December 31, 2014 did not result in any additional impairment of Holdings indefinite-lived intangible asset. For the year ended December 31, 2013, Holdings conducted a discounted cash flow fair value assessment of its indefinite-lived trademark intangibles assets. The assessment indicated that the value of one of Holdings' indefinite-lived trademarks had been impaired due to a decline in forecasted net sales. The resulting impairment loss of \$2.0 million was recorded as of December 31, 2013. The impairment losses are included in the trademark impairment loss in the consolidated statements of comprehensive income (loss).

The aggregate intangible amortization charged to the consolidated statements of comprehensive income (loss) was \$24.4 million, \$24.4 million and \$24.3 million for the years ended December 31, 2014, 2013 and 2012, respectively.

The estimated amortization expense related to acquired intangible assets and the integrated software system for each of the succeeding five years is as follows (in millions):

	Acquired Intangible Assets	Integrated Software Systems
2015	\$ 22.2	\$ 2.2
2016	22.2	0.7
2017	22.1	—
2018	22.1	—
2019	22.1	—

### **NOTE 8 — ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Accrued expenses and other current liabilities consisted of the following (in millions):

	December 31,	
	2014	2013
Rebates, credits and discounts due to customers	\$14.7	\$13.8
Insurance	7.3	7.9
Taxes payable	6.2	9.4
Bonuses	5.5	5.5
Vacation pay	4.0	4.3
Employee benefit plans	3.1	3.7
Salaries and wages	2.5	3.2
Other	7.6	10.9
	<u>\$50.9</u>	<u>\$58.7</u>

### **NOTE 9 — PRODUCT RETURNS LIABILITY**

The product return liability is comprised of estimated accruals for parts to be returned under warranty and for parts to be returned because of customer excess quantities. Holdings provides warranties for its products' performance. Warranty periods vary by part. In addition to returns under warranty, Holdings allows its customers to return quantities of parts that the customer determines to be in excess of its current needs. Customer rights to return excess quantities vary by customer and by product category. Generally, these returns are contractually limited to 3% to 5% of the customer's purchases in the preceding year. While Holdings does not have a contractual obligation to accept excess quantity returns from all customers,



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common practice for Holdings and the industry is to accept periodic returns of excess quantities from ongoing customers. If a customer elects to cease purchasing from Holdings and change to another vendor, it is industry practice for the new vendor, and not Holdings, to accept any inventory returns resulting from the vendor change and any subsequent inventory returns. During the years ended December 31, 2014, 2013 and 2012, product returns reserves of \$1.8 million, \$1.6 million and \$1.9 million, respectively, related to current customers were reduced due to contractual changes, increasing third party and total net sales in the consolidated statements of comprehensive income (loss). During the years ended December 31, 2014, 2013 and 2012, product returns reserves of \$1.2 million, \$0.6 million and \$3.0 million, respectively, related to former customers were reversed as they were no longer needed, increasing third party and total net sales in the consolidated statements of comprehensive income (loss).

Changes in Holdings' product returns accrual were as follows (in millions):

	Year Ended December 31,		
	2014	2013	2012
Beginning of period	\$ 42.0	\$ 46.0	\$ 55.6
Expenditures	(40.6)	(43.6)	(44.9)
Provisions, net	36.2	39.6	35.3
End of period	<u>\$ 37.6</u>	<u>\$ 42.0</u>	<u>\$ 46.0</u>

## **NOTE 10 — DEBT**

Debt is summarized as follows (in millions):

	December 31,	
	2014	2013
Senior Secured Revolving Credit Facility	\$ 20.0	\$ —
Senior Secured Term Loan Facility	288.0	291.0
Senior Notes	400.0	400.0
Capital lease obligations	0.2	0.3
Economic development loan	0.3	0.4
Unamortized original issue discount	(0.3)	(0.6)
	<u>708.2</u>	<u>691.1</u>
Less:		
Current maturities	<u>23.2</u>	<u>3.2</u>
Long-term debt	<u>\$685.0</u>	<u>\$687.9</u>

### **Senior Secured Credit Facilities**

On January 26, 2011, Holdings, as a guarantor and UCI International, Inc. as borrower, entered into a \$375.0 million senior secured credit facilities agreement (the "Senior Secured Credit Facilities") comprised of a \$300.0 million senior secured term loan facility (the "Senior Secured Term Loan Facility") and a \$75.0 million senior secured revolving credit facility (the "Senior Secured Revolving Credit Facility"). At December 31, 2014, outstanding borrowings under the Senior Secured Revolving Credit Facility were \$20.0 million and letters of credit issued under the Senior Secured Revolving Credit Facility totaled \$6.5 million, which reduced the availability under the Senior Secured Revolving Credit Facility to \$48.5 million. On February 27, 2015, Holdings borrowed an additional \$10.0 million under the Senior Secured Revolving Credit Facility. At December 31, 2013, letters of credit issued under the Senior Secured Revolving Credit Facility totaled \$7.3 million, which reduced the availability under the Senior Secured Revolving Credit Facility to \$67.7 million. At December 31, 2013, there were no borrowings outstanding under the Senior Secured Revolving Credit Facility.

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The following table provides an overview of the significant terms of the Senior Secured Credit Facilities:

<b>Borrower:</b>	UCI International, Inc.	
<b>Facilities:</b>	Senior Secured Revolving Credit Facility: \$75.0 million (letter of credit sublimit of \$50.0 million) Senior Secured Term Loan Facility: \$300.0 million	
<b>Incremental Facility Amount:</b>	\$235.0 million of incremental term or revolving facilities	
<b>Guarantors:</b>	Holdings and certain of its direct and indirect subsidiaries including, among others, UCI and certain of its domestic subsidiaries	
<b>Security:</b>	First priority lien on substantially all tangible and intangible assets, as well as outstanding capital stock of UCI and certain of its domestic subsidiaries and 65% of the voting equity interests in certain domestic and first-tier foreign subsidiaries	
<b>Term (Maturity Date):</b>	Senior Secured Revolving Credit Facility: 5 years – January 26, 2016 Senior Secured Term Loan Facility: 6.5 years – July 26, 2017	
<b>Interest:</b>	<ul style="list-style-type: none"><li>• In the case of Eurocurrency Rate Loans, the Adjusted LIBO Rate (as defined in the Senior Secured Credit Facilities) which is subject to a floor of 1.5%, plus the applicable margin</li><li>• In the case of Alternate Base Rate Loans, the greatest of (i) the agent's prime rate in effect from time to time, (ii) the Federal Funds effective rate in effect from time to time plus ½ of 1% and (iii) the Adjusted LIBO Rate for a three month interest period plus 1%, plus the applicable margin</li></ul>	
<b>Applicable Margin:</b>	<u>Eurocurrency Rate Loans</u> 4.0% per annum	<u>Alternate Base Rate Loans</u> 3.0% per annum
<b>Fees:</b>	Unused Revolving Credit Facility Commitment Fee: 1.125% per annum Letter of Credit Fees: Outstanding Letter of Credit Fee: 4.0% per annum (rate equal to the applicable margin on Eurocurrency Rate Loans)	
<b>Amortization:</b>	Senior Secured Revolving Credit Facility: None Senior Secured Term Loan Facility: 1% per annum, paid quarterly, balance due July 26, 2017	
<b>Optional Prepayments:</b>	Indebtedness under the Senior Secured Credit Facilities may be voluntarily prepaid in whole or in part, subject to minimum amounts and break funding costs or pursuant to auction procedures set forth in the Senior Secured Credit Facilities	
<b>Mandatory Prepayments:</b>	<ul style="list-style-type: none"><li>• 100% of net cash proceeds of asset sales (subject to certain exceptions)</li><li>• 100% of debt issuances not otherwise permitted by the Senior Secured Credit Facilities</li><li>• 50% of excess cash flow with step down to 25% if the Senior Secured Leverage Ratio is less than or equal to 2.0x</li></ul>	
<b>Financial Covenants:</b>	(i) Maximum Senior Secured Leverage Ratio; (ii) Minimum Interest Coverage Ratio; and (iii) Maximum Capital Expenditures	
<b>Negative Covenants:</b>	The Senior Secured Credit Facilities include certain negative covenants restricting or limiting the ability of Holdings, the borrowers and their material subsidiaries to, among other things: declare dividends or redeem stock; repay certain debt; make loans or investments; guarantee or incur additional debt; incur liens; engage in acquisitions or other business combinations; sell assets; and change the business conducted by Holdings	

At December 31, 2014 and 2013, Holdings and its subsidiaries were in compliance with all applicable covenants. Under the mandatory prepayment provisions of the credit agreement, Holdings was not required to make a prepayment based on the excess cash flow calculation for the years ended December 31, 2014 and 2013. Holdings anticipates having sufficient cash flows from operations and through its factoring arrangements and availability under the Senior Secured Revolving Credit Facility to be able to meet all

obligations for the next twelve months. Holdings' Senior Secured Revolving Credit Facility matures on January 26, 2016. Prior to its expiration, Holdings expects to replace the facility with a similar type arrangement that has an extended maturity.

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### **Senior Notes**

On January 26, 2011, UCI International, Inc. issued \$400.0 million aggregate principal amount of 8.625% Senior Notes due 2019 (the "Senior Notes"). The Senior Notes are guaranteed on a senior basis by Holdings and certain of its subsidiaries. The Senior Notes bear interest at a rate of 8.625% per annum, and interest is payable semi-annually on February 15 and August 15. Costs of \$13.0 million related to the issuance of the Senior Notes were recorded as deferred financing costs, net in the consolidated balance sheets and are being amortized over the life of the Senior Notes.

On or after February 15, 2015, UCI International, Inc. has the option to redeem all or part of the Senior Notes at the following redemption prices (expressed as percentages of principal amount):

<u>Period</u>	<u>Percentage</u>
2015	104.313%
2016	102.156%
2017 and thereafter	100.000%

Upon the occurrence of certain events constituting a change of control, holders of the Senior Notes have the right to require UCI International, Inc. to repurchase all or any part of the Senior Notes at a purchase price equal to 101.000% of the principal amount plus accrued and unpaid interest and additional interest, if any, to the repurchase date.

The indebtedness evidenced by the Senior Notes is senior indebtedness of UCI International, Inc., is equal in right of payment to all existing and future senior indebtedness of UCI International, Inc. and is senior in right of payment to all future subordinated indebtedness of UCI International, Inc. The Senior Notes are unconditionally guaranteed on a senior basis by Holdings and certain of its subsidiaries. The Senior Notes are effectively subordinated to any secured indebtedness of UCI International, Inc. (including indebtedness of UCI International, Inc. outstanding under the Senior Secured Credit Facilities) to the extent of the value of the assets securing such indebtedness.

The indenture governing the Senior Notes contains covenants that restrict the ability of Holdings and its subsidiaries to, among other things, incur additional debt or issue disqualified and preferred stock, make certain payments including payment of dividends or redemption of stock, make certain investments, incur certain liens, sell assets, merge or consolidate with other entities, and enter into transactions with affiliates. As of December 31, 2014 and 2013, Holdings and its subsidiaries were in compliance with all covenants.

### **Capital Lease Obligations**

Holdings has entered into various lease agreements including leases for computer equipment and vehicles that have been accounted for as capital leases. During the year ended December 31, 2013, Holdings entered into equipment leases accounted for as capital leases. At the inception of the leases, the capitalized lease assets and capitalized leased obligations were less than \$0.1 million. During the year ended December 31, 2012, the leases on certain vehicles were sold by one lessor to another lessor and new lease agreements were executed. Based upon the terms of these lease agreements, the leases no longer met the criteria for recording as a capital lease. As a result, the capital lease obligations of \$0.4 million and the associated capital lease assets of \$0.4 million were written off. A charge of less than \$0.1 million was recorded in the consolidated statements of comprehensive income (loss) as a result of this transaction.

### **Economic Development Loan**

On September 17, 2012, Wells Manufacturing, L.P. ("Wells"), a wholly-owned indirect subsidiary of Holdings, entered into an economic development loan for \$0.5 million with the Fond du Lac County Economic Development Corp. to assist with the expansion of the vehicle electronics facility in Fond du Lac, Wisconsin. This economic development loan has a five-year maturity with annual principal payments of \$0.1 million and bears interest at 2.0% per annum. Both principal and interest payments are due annually on October 1, commencing October 1, 2013. The economic development loan contains a provision that in the event the vehicle electronics business meets and maintains certain employee headcount and wage requirements, measured on an annual basis, all or a portion of the principal and interest due will be forgiven. Wells met the requirements set forth above for both the first and second annual principal and interest payments and received debt forgiveness in the amount of \$0.1 million each for the payments due October 1, 2014 and 2013. The debt forgiveness is recorded as a gain in miscellaneous, net in the consolidated statements of comprehensive income (loss).



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### **Future Repayments**

Below is a schedule of required future repayments of all debt outstanding on December 31, 2014 (in millions):

2015	\$ 23.2
2016	3.2
2017	282.1
2018	—
2019	400.0
	<u>\$708.5</u>

### **Interest Expense, Net**

The following table provides the detail of net interest expense for the respective periods (in millions). During the years ended December 31, 2014, 2013 and 2012, \$0.1 million, \$0.7 million and \$0.6 million, respectively, of interest was capitalized.

	Year Ended December 31,		
	2014	2013	2012
Interest expense			
Senior Secured Revolving Credit Facility	\$ 0.3	\$ —	\$ —
Senior Secured Term Loan Facility	16.1	16.3	16.5
Senior Notes	34.5	34.5	34.5
Other	1.1	0.5	1.0
Amortization			
Debt issue costs			
Senior Secured Term Loan Facility	1.2	1.1	1.1
Senior Notes	1.5	1.3	1.2
Senior Secured Revolving Credit Facility	0.4	0.4	0.4
Original issue discounts	0.3	0.3	0.3
Unrealized foreign exchange gains	(4.9)	—	—
Total interest expense	<u>50.5</u>	<u>54.4</u>	<u>55.0</u>
Interest income	<u>(0.1)</u>	<u>(3.0)</u>	<u>(0.2)</u>
Interest expense, net	<u>\$ 50.4</u>	<u>\$ 51.4</u>	<u>\$ 54.8</u>

In December 2013, Holdings established a \$100.0 million, U.S. dollar-denominated, intercompany loan with one of its U.S. subsidiaries. The non-cash unrealized foreign exchange gains arose from a strengthening of the U.S. dollar against the New Zealand dollar. The intercompany loan is eliminated upon consolidation, but in accordance with GAAP the impact of currency exchange rate fluctuations is recorded in interest expense, net in the consolidated statements of comprehensive income (loss).

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**NOTE 11 — INCOME TAXES**

The components of (loss) income before income taxes were as follows (in millions):

	Year Ended December 31,		
	2014	2013	2012
(Loss) income before income taxes			
United States	\$(88.9)	\$(27.6)	\$16.0
Non-U.S.	28.0	12.4	6.2
	<u>\$(60.9)</u>	<u>\$(15.2)</u>	<u>\$22.2</u>

Components of income tax (benefit) expense were as follows (in millions):

	Year Ended December 31,		
	2014	2013	2012
Current			
United States			
Federal	\$ (2.6)	\$ 1.3	\$(12.0)
State	(2.1)	2.0	0.4
Non-U.S.	10.2	5.2	6.1
	<u>5.5</u>	<u>8.5</u>	<u>(5.5)</u>
Deferred			
United States			
Federal	(24.2)	(8.3)	13.3
State	(4.3)	(2.4)	(0.2)
Non-U.S.	(1.7)	(0.8)	—
	<u>(30.2)</u>	<u>(11.5)</u>	<u>13.1</u>
	<u>\$(24.7)</u>	<u>\$ (3.0)</u>	<u>\$ 7.6</u>

A reconciliation of income taxes computed at the United States Federal statutory tax rate to income tax (benefit) expense follows (in millions):

	Year Ended December 31,		
	2014	2013	2012
(Loss) income before income taxes	<u>\$(60.9)</u>	<u>\$(15.2)</u>	<u>\$22.2</u>
Income tax (benefit) expense at U.S. Federal statutory rate	<u>\$(21.3)</u>	<u>\$ (5.3)</u>	<u>\$ 7.7</u>
Federal income tax expense related to unremitted earnings of non-U.S. subsidiaries	3.6	4.4	1.7
U.S. Federal and foreign withholding tax on dividend from non-U.S. subsidiary	0.9	0.4	0.5
Non-U.S. income not taxable, non-U.S. income tax losses not benefited and rate differential	(1.2)	(0.6)	0.9
Federal income taxes related to “check the box” election	(0.7)	(0.2)	(0.3)
State income taxes, net of Federal income tax benefit	(3.2)	0.3	(2.5)
Other	(2.8)	(2.0)	(0.4)
Income tax (benefit) expense	<u>\$(24.7)</u>	<u>\$ (3.0)</u>	<u>\$ 7.6</u>

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Deferred taxes were attributable to the following (in millions):

	December 31,	
	2014	2013
Deferred tax assets		
Interest disallowance	\$ 23.1	\$ 16.3
Pension and post-retirement benefits	19.6	19.9
Pension liability adjustment included in other comprehensive loss	18.8	3.3
Product returns and warranty accruals	14.1	15.5
Net operating loss carryforwards	11.0	7.7
Inventory valuation	6.0	3.7
Other accrued liabilities	3.2	4.7
Tax credit carryforwards	1.7	1.2
Vacation accrual	1.2	1.4
Insurance accrual	1.2	1.5
Allowance for doubtful accounts	0.9	1.0
Other	0.7	0.9
	<u>\$ 101.5</u>	<u>\$ 77.1</u>
Less: valuation allowance for net operating loss carryforwards and non-U.S. tax credit carryforwards	<u>(6.9)</u>	<u>(5.9)</u>
Total deferred tax assets	<u>94.6</u>	<u>71.2</u>
Deferred tax liabilities		
Acquired intangible assets	(104.8)	(125.5)
Depreciation and amortization	(15.7)	(21.1)
Goodwill amortization for tax, but not book	(13.7)	(10.3)
Prepaid expenses	(1.0)	(1.0)
Other	(6.8)	(6.0)
Total deferred tax liabilities	<u>(142.0)</u>	<u>(163.9)</u>
Net deferred tax liabilities	<u>\$ (47.4)</u>	<u>\$ (92.7)</u>

The net deferred tax liabilities were included in the consolidated balance sheets as follows (in millions):

	December 31,	
	2014	2013
Deferred tax assets	\$ 30.9	\$ 30.3
Deferred tax liabilities	(78.3)	(123.0)
Net deferred tax liabilities	<u>\$ (47.4)</u>	<u>\$ (92.7)</u>

At December 31, 2014, Holdings had \$19.0 million of non-U.S. net operating loss (“NOL”) carryforwards with no expiration date, \$4.1 million of non-U.S. NOL carryforwards which expire between 2019 and 2022 and \$0.3 million of foreign tax credit carryforwards which expire in 2023 and 2024. In assessing the realizability of the deferred tax assets related to these carryforwards, Holdings determined that it is more likely than not that \$5.1 million of the deferred tax assets related to these loss carryforwards and tax credits will not be realized. Therefore, a valuation allowance has been recorded for these deferred tax assets.

At December 31, 2014, Holdings had various state NOL carry forwards totaling \$59.0 million which expire at various times. In assessing the realizability of the deferred tax assets related to the state loss carryforwards, Holdings determined that it is more likely than not that the deferred tax assets related to \$18.8 million of state loss carryforwards will not be realized. Therefore, a valuation allowance of \$1.4 million has been recorded for these deferred tax assets.



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Realization of the remaining net deferred tax assets is dependent on Holdings generating sufficient taxable income in future years to utilize the benefits of the reversals of temporary differences. Holdings has performed an assessment regarding the realizability of the remaining net deferred tax assets, which includes forecasting future taxable income, and has determined it is more likely than not that the remaining net deferred tax assets will be realized.

Changes in Holdings' valuation allowance for deferred tax assets were as follows (in millions):

	Year Ended December 31,		
	2014	2013	2012
Beginning of period	\$ 5.9	\$ 6.7	\$ 5.0
Provisions	1.0	0.3	1.7
Deductions	—	(1.1)	—
End of period	<u>\$ 6.9</u>	<u>\$ 5.9</u>	<u>\$ 6.7</u>

During the years ended December 31, 2014, 2013 and 2012, UCI's Spanish subsidiary paid dividends of \$7.6 million, \$3.4 million and \$5.2 million, respectively, to UCI. Due to the dividend distributions, Holdings provided income tax expense totaling \$0.9 million, \$0.4 million and \$0.5 million in 2014, 2013 and 2012, respectively, related to the U.S. tax consequences of the dividend distribution and the non-U.S. withholding taxes. Based upon a 2011 analysis that concluded that additional distributions are likely in the foreseeable future, during the years ended December 31, 2014, 2013 and 2012, Holdings provided deferred income taxes totaling \$3.6 million, \$4.4 million and \$1.7 million, respectively, on the remaining unremitted earnings of the Spanish subsidiary. Holdings does not provide for U.S. income taxes on undistributed earnings of its other non U.S. subsidiaries that are intended to be permanently reinvested. At December 31, 2014 and 2013, these undistributed earnings totaled \$43.9 million and \$25.2 million, respectively. Determination of the net amount of unrecognized U.S. income taxes with respect to these earnings is not practicable.

### ***Uncertain Tax Benefits***

A reconciliation of the beginning and ending amount of uncertain tax benefits follows (in millions):

	Year Ended December 31,		
	2014	2013	2012
Beginning of period	\$ 7.5	\$ 7.8	\$ 9.9
Additions for tax positions of prior years	—	0.3	0.1
Reductions for tax positions of prior years	(1.8)	(0.2)	(1.9)
Reduction for lapse of applicable statutes of limitations	(1.9)	(0.4)	(0.3)
End of period	<u>\$ 3.8</u>	<u>\$ 7.5</u>	<u>\$ 7.8</u>

At December 31, 2014, \$3.8 million of the uncertain tax benefits, if recognized, would change Holdings' effective tax rate. During the years ended December 31, 2014 and 2013, Holdings recorded \$0.8 million as a credit to income tax expense and \$0.2 million as income tax expense, respectively, related to uncertain tax benefits. No penalties related to the uncertain tax benefits have been recorded. At December 31, 2014, the total interest (net of federal benefit) and penalties accrued related to uncertain tax benefits were \$0.7 million and \$0.6 million, respectively. At December 31, 2013, the total interest (net of federal benefit) and penalties accrued related to uncertain tax benefits were \$1.4 million and \$0.5 million, respectively.

While most of Holdings' business is conducted within the United States, Holdings also conducts business in several other countries. As a result, Holdings and/or one or more of its subsidiaries files income tax returns in the U.S. federal tax jurisdiction and in many state and non U.S. tax jurisdictions. In the normal course of business, Holdings is subject to examination by tax authorities in these tax jurisdictions. With few exceptions, Holdings is not subject to examination by federal, state or non-U.S. tax authorities for tax years which ended on or before 2008. The Internal Revenue Service has finished with the audit of the periods ended December 31, 2009, December 31, 2010, January 26, 2011, and December 31, 2011, of which there are no material adjustments proposed. Other than these examinations and other routine inquiries, Holdings and its subsidiaries are not currently under examination by tax authorities.

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Holdings expects the total unrecognized tax benefits to increase by \$0.1 million in 2015 due to a foreign tax benefit, partially offset by the expiration of applicable statutes of limitations. This amount will impact the effective tax rate.

### ***New Regulations***

During the third quarter of 2013, new U.S. tax regulations were issued concerning amounts paid to acquire, produce or improve tangible property and recovery of its basis upon disposition. Holdings has performed an initial evaluation of the impact of the proposed U.S. tax regulations and, based on this initial evaluation, Holdings adjusted its deferred taxes by \$0.4 million in 2014.

## **NOTE 12 — EMPLOYEE BENEFIT PLANS**

### ***Defined Benefit Pension Plans***

Holdings maintains defined benefit retirement plans covering certain U.S. and non-U.S. employees. Retiree benefits under the defined benefit retirement plans are generally based on years of service and employee compensation. The measurement date used to determine pension obligations is December 31. The following table sets forth the plans' status (in millions.)

	December 31,	
	2014	2013
Accumulated benefit obligation	<u>\$323.7</u>	<u>\$283.6</u>
Change in projected benefit obligations:		
Projected benefit obligations at beginning of year	\$284.0	\$326.6
Service cost	0.7	0.9
Interest cost	13.0	11.8
Actuarial loss (gain)	38.9	(42.6)
Plan curtailment and settlements	—	(0.4)
Benefits paid	(12.3)	(12.3)
Currency translation adjustment	(0.1)	—
Projected benefit obligations at end of year	<u>324.2</u>	<u>284.0</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	235.0	219.9
Actual return on plan assets	15.6	23.9
Employer contributions	3.8	3.5
Benefits paid	(12.3)	(12.3)
Currency translation adjustment	(0.2)	—
Plan assets at end of year	<u>241.9</u>	<u>235.0</u>
Funded status, net	<u>\$ (82.3)</u>	<u>\$ (49.0)</u>
Amounts recognized in the consolidated balance sheets consist of:		
"Other long-term assets"	\$ 0.5	\$ 0.6
"Accrued expenses and other current liabilities"	(0.1)	—
"Pension and other post-retirement liabilities"	(82.7)	(49.6)
	<u>\$ (82.3)</u>	<u>\$ (49.0)</u>

The \$38.9 million net actuarial loss for the year ended December 31, 2014 was primarily due to a \$19.9 million actuarial loss related to the decrease in the weighted average discount rate from 4.7% at December 31, 2013 to 4.2% at December 31, 2014 and a \$18.8 million actuarial loss related to the change in mortality table. The \$42.6 million net actuarial gain for the year ended December 31, 2013 was primarily due to the increase in the weighted average discount rate from 3.7% at December 31, 2012 to 4.7% at December 31, 2013.

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Amounts recognized in accumulated other comprehensive loss consisted of (in millions):

	December 31, 2013	2014 Additions	December 31, 2014
Net actuarial loss	\$ (6.8)	\$ (38.3)	\$ (45.1)
Deferred income tax benefit	2.6	14.6	17.2
Accumulated other comprehensive loss	<u>\$ (4.2)</u>	<u>\$ (23.7)</u>	<u>\$ (27.9)</u>
	December 31, 2012	2013 Additions	December 31, 2013
Net actuarial loss	\$ (61.9)	\$ 55.1	\$ (6.8)
Deferred income tax benefit	23.6	(21.0)	2.6
Accumulated other comprehensive loss	<u>\$ (38.3)</u>	<u>\$ 34.1</u>	<u>\$ (4.2)</u>

The amount that will be amortized from accumulated other comprehensive loss to profit or loss during 2015 is a loss of \$2.2 million.

For certain of the pension plans, accumulated benefit obligations (“ABO”) exceed plan assets. For these plans, the combined projected benefit obligation, ABO and fair value of plan assets were \$324.0 million, \$323.8 million and \$241.2 million, respectively, as of December 31, 2014 and \$283.7 million, \$283.5 million and \$234.1 million, respectively, as of December 31, 2013.

During the years ended December 31, 2014, 2013 and 2012, Holdings amortized pension costs of less than \$0.1 million net of tax, \$3.8 million (\$2.3 million net of tax) and \$0.5 million (\$0.3 million net of tax), respectively, from accumulated other comprehensive income (loss) to the profit and loss component of the consolidated statement of comprehensive income (loss).

### **Components of Net Periodic Pension Expense**

The components of net periodic pension expense were as follows (in millions):

	Year Ended December 31,		
	2014	2013	2012
Service cost	\$ 0.7	\$ 0.9	\$ 0.7
Interest cost	13.0	11.8	12.8
Expected return on plan assets	(15.0)	(15.2)	(15.6)
Amortization of unrecognized loss	—	3.8	0.5
Curtailment and settlement (gains) losses recognized	—	(0.4)	1.3
	<u>\$ (1.3)</u>	<u>\$ 0.9</u>	<u>\$ (0.3)</u>

During the year ended December 31, 2013, a curtailment gain of \$0.4 million was recognized related to the scheduled closure of one of Holdings’ Mexican facilities. The gain had been deferred until the affected employees were terminated. During 2013, the manufacturing operations were closed and the affected employees terminated, at which time the curtailment gain was recognized.

During the year ended December 31, 2012, a charge of \$1.3 million was recorded for curtailment and settlement losses related to the scheduled closing of the manufacturing and distribution operations of one of Holdings’ Mexican subsidiaries. The losses recorded relate to Mexican government mandated severance plans of the Mexican subsidiary. These costs are included in restructuring costs, net in the consolidated statements of comprehensive income (loss).

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### **Assumptions**

The following assumptions were used in determining the benefit obligations and net periodic pension expense:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Weighted Average:			
Discount rate to determine benefit obligations	4.2%	4.7%	3.7%
Discount rate to determine net costs	4.7%	3.7%	4.6%
Rate of future compensation increases to determine benefit obligation	4.5%	4.5%	4.5%
Rate of future compensation increases to determine net cost	4.5%	4.5%	3.2%
Rate of return on plan assets to determine net cost	7.4%	7.6%	7.8%

The discount rate was determined considering current yield curves representing high quality, long-term fixed income instruments. The discount rate for the U.S. plans is based on a review of high quality (Aa or better) bonds from the Barclay's Capital bond database.

### **Plan Assets**

Holdings directs the investment of the plans' assets with the objective of being able to meet current and future benefit payment needs while maximizing total investment returns within the constraints of a prudent level of portfolio risk and diversification. Holdings believes it is prudent to diversify among and within each asset class to decrease portfolio risk while, at the same time, improving the potential for enhanced long-term returns. Equity investments comprise the largest portion of the plan assets because they are believed to provide greater long-term returns than fixed income investments, although with greater short-term volatility. Additionally, Holdings believes that a meaningful allocation to non-U.S. equities will increase portfolio diversification and thereby decrease portfolio risk while, at the same time, providing the potential for enhanced long-term returns. With respect to fixed income investments, Holdings believes that the duration of the fixed income component should approximate the projected benefit obligation duration for better correlation of assets to liabilities.

Derivatives, options and futures are permitted investments but only for the purpose of reducing risk, not for speculative purposes. Currently, the use of derivative instruments is not significant when compared to the overall portfolio.

Holdings believes that investment managers with active mandates can reduce portfolio risk below market risk and potentially add value through security selection strategies. Consistent with this belief, Holdings retains the services of professional money managers to provide advice and recommendations to help Holdings discharge its fiduciary responsibilities in furtherance of the plans' goals. With the services of professional money managers and the asset allocation targets discussed below, Holdings believes that the assumed expected long-term return on plan assets of 7.4% used to determine net pension cost will be achieved.

Holdings uses a Dynamic Asset Allocation ("DAA") strategy for the allocation of plan assets. This strategy adjusts the asset allocation based on changes to the plan's funded status (difference between plan assets and plan liabilities). With DAA the allocation to fixed income investments increases as the funded status of the plan improves up until the fixed income investments represent approximately 100% of the plan liabilities. However, Holdings realizes that actual allocations at any point will vary from this strategic target due to current and anticipated market conditions and required cash flows to and from the plans. The "Weighted Average Strategic Target" in the following table represents the weighted average of the aggregated Holdings' plans. The "Permitted Range" anticipates the fluctuation in allocations and provides flexibility for the professional managers' portfolios to vary around the target without a mandatory immediate rebalancing.

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	<u>Strategic Target</u>	<u>Permitted Range</u>
U.S. equities	50%	45% to 55%
Non-U.S. equities	20%	15% to 25%
Fixed income	20%	15% to 40%
Real assets	10%	0% to 15%
	<u>100%</u>	

The fair value of the plan assets are presented below (in millions).

	December 31, 2014			
	Level 1	Level 2	Level 3	Total Fair Value
Cash and cash equivalents	\$ —	\$215.0	\$ —	\$ 215.0
Real assets	—	—	26.9	26.9
	<u>\$ —</u>	<u>\$215.0</u>	<u>\$ 26.9</u>	<u>\$ 241.9</u>

	December 31, 2013			
	Level 1	Level 2	Level 3	Total Fair Value
U.S. equities				
Large Cap Indexed	\$ —	\$ 79.7	\$ —	\$ 79.7
Small and Mid-Cap Growth	—	7.6	—	7.6
Small and Mid-Cap Value	—	4.0	—	4.0
Total U.S. equities	<u>—</u>	<u>91.3</u>	<u>—</u>	<u>91.3</u>
Non-U.S. equities	—	47.2	—	47.2
Fixed income				
Short & Mid Duration	—	5.1	—	5.1
Long Duration	—	0.2	—	0.2
Long Duration Indexed	—	67.7	—	67.7
Total fixed income	<u>—</u>	<u>73.0</u>	<u>—</u>	<u>73.0</u>
Real assets	—	—	23.5	23.5
	<u>\$ —</u>	<u>\$211.5</u>	<u>\$ 23.5</u>	<u>\$ 235.0</u>

The changes in Level 3 investments are presented below (in millions):

January 1, 2014	\$23.5
Purchases	0.4
Net unrealized gains	3.0
December 31, 2014	<u>\$26.9</u>

On December 31, 2014, in anticipation of a change in the plan trustee effective January 1, 2015, all plan assets, except for the real assets, were converted to cash and cash equivalents. Subsequent to the plan trustee change, on January 2, 2015 all plan assets were reinvested based upon the DAA strategy presented above.

Under the DAA strategy the plan assets are primarily invested in pooled separate accounts, collectively the “Investment Funds.” The Investment Funds are managed by professional money managers. The following provides a summary of the investment styles of the respective Investment Funds.

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### Investment Funds

Growth Investment Funds – This investment style seeks long-term growth through equity appreciation. Large Cap Growth funds seek long-term appreciation through investment in large market capitalizations similar to companies in the Russell 1000, while the Small and Mid-Cap Growth funds invest in small and mid-market capitalizations similar to companies in the Russell 2000.

Value Investment Funds – This investment style seeks to identify equity securities that are perceived to be undervalued in the marketplace. Large Cap Value funds invest in large market capitalizations similar to companies in the Russell 1000, while the Small and Mid-Cap Value funds invest in small and mid-market capitalizations similar to companies in the Russell 2000.

Large Cap Indexed Funds – This investment style seeks to replicate the performance of the S&P 500 Index.

Non U.S. Equities Funds – This investment style uses multiple sub-advisors including core, value, growth and emerging markets strategies to provide a diversified exposure to non-U.S. equity markets.

Short & Mid Duration Fixed Income Funds – This investment style invests in a diversified portfolio of corporate securities and U.S. Treasuries and Agencies with shorter average durations. This investment style benchmarks against the Barclays Capital Aggregate Index.

Long Duration Fixed Income Funds – This investment style invests in a diversified portfolio of corporate securities and U.S. Treasury securities which have maturities greater than ten years. The asset allocation is weighted much heavier to U.S. investment grade corporate securities.

Long Duration Indexed Funds – This investment style seeks to track the return of the Barclay's Capital Long Government / Credit Bond Index. This strategy invests in a diversified portfolio of corporate securities and U.S. Treasuries and Agencies which have maturities greater than ten years.

### Investment Funds fair value measurements

The Investment Funds are valued using net asset values ("NAV") as determined by the fund managers, which are based on the value of the underlying net assets of the funds. There are no unfunded commitments, restrictions on redemption frequency or advance notice periods required for redemption for any of the Investment Funds. The pension plans own undivided interests in the underlying assets of the Investment Funds where no quoted market prices exist. The NAV is based on observable market data and, therefore, the fair value measurements of the Investment Funds are considered Level 2 measurements.

### Other Investments

Real assets – This fund invests the majority of assets in commercial real estate holdings. It focuses on properties that return both lease income and appreciation of the buildings' marketable values. There are no unfunded commitments and redemptions may occur daily, but may be limited or delayed by a lack of liquidity in the fund. The fair value of the underlying assets is estimated using the NAV provided by the administrator of the fund. These fund assets are considered Level 3 measurements.

Cash and cash equivalents – This category consists of money market funds that are comprised of short-term securities. The fair value of the money market funds are based on the NAV as determined by the fund managers, which are based on the value of the underlying net assets of the funds. The NAV is based on observable market data and, therefore, the fair value measurements are considered Level 2 measurements.

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### **Cash Flows**

Holdings' funding policy is to fund amounts for pension plans sufficient to maintain minimum funding levels as required by the Employee Retirement Income Security Act of 1974. Holdings expects to contribute \$2.6 million to its plans during 2015.

Expected benefit payments are based on the same assumptions used to measure Holdings' benefit obligations at December 31, 2014 and include estimated future employee service. The future expected pension benefit payments are as follows (in millions):

	Expected Pension Benefit Payments
2015	\$ 13.1
2016	13.6
2017	14.2
2018	14.8
2019	15.4
5 years thereafter	88.0

### ***Profit Sharing and Defined Contribution Plans***

Certain subsidiaries sponsor defined contribution plans under section 401(k) of the Internal Revenue Code. Eligible participants may elect to defer from 5% to 50% of eligible compensation, subject to certain limitations imposed by the Internal Revenue Code. For some plans, such subsidiaries are required to match employees' contributions based on formulas which vary by plan. For the remaining plans, matching contributions are discretionary. For the years ended December 31, 2014, 2013 and 2012, matching contributions were \$4.2 million, \$2.4 million and \$0.2 million, respectively. Holdings' subsidiaries in China participate in government-sponsored defined contribution plans. Holdings' subsidiary in the United Kingdom sponsors a defined contribution plan.

For the United States plans, profit sharing and defined contribution expense recognized during the years ended December 31, 2014, 2013 and 2012 totaled \$2.0 million, \$2.8 million and \$2.7 million, respectively. For the Chinese plan, defined contribution pension expense recognized during the years ended December 31, 2013 and 2012 was \$0.1 million and \$0.1 million, respectively. There was no expense recognized during the year ended December 31, 2014.

### ***Other Post-retirement Benefits ("OPEB")***

Certain subsidiaries provide health care and life insurance benefits to eligible retired employees. The plans are partially funded by participant contributions and contain cost-sharing features such as deductibles and coinsurance.

The measurement date used to determine post-retirement obligations is December 31. The following table presents information for the post-retirement plans (in millions):

	December 31,	
	2014	2013
Change in benefit obligations		
Benefit obligations at beginning of year	\$13.4	\$14.9
Service cost	0.4	0.5
Interest cost	0.6	0.6
Actuarial loss (gain)	2.5	(2.1)
Benefit paid	(0.9)	(0.5)
Benefit obligations at end of year	<u>\$16.0</u>	<u>\$13.4</u>

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The obligation was included in the consolidated balance sheets as follows (in millions):

	December 31,	
	2014	2013
Obligation included in "Accrued expenses and other current liabilities"	\$ 1.0	\$ 0.7
Obligation included in "Pension and other post-retirement liabilities"	15.0	12.7
	<u>\$16.0</u>	<u>\$13.4</u>

A portion of the \$16.0 million and \$13.4 million of accrued obligation shown above has not been recorded in the results of operations, but instead has been recorded in accumulated other comprehensive loss. The amounts in accumulated other comprehensive loss were \$4.1 million (\$2.5 million after tax) and \$1.7 million (\$1.1 million after tax) at December 31, 2014 and 2013, respectively.

During the years ended December 31, 2014, 2013 and 2012, Holdings amortized post-retirement benefit costs of \$0.1 million (\$0.1 million net of tax), \$0.3 million (\$0.2 million net of tax), and \$0.1 million (less than \$0.1 million net of tax), respectively, from accumulated other comprehensive loss to the profit and loss component of the consolidated statements of comprehensive income (loss).

### **Components of Net Periodic Post-retirement Benefit Costs**

The components of net periodic post-retirement benefit cost were as follows (in millions):

	Year Ended December 31,		
	2014	2013	2012
Service cost	\$ 0.4	\$ 0.5	\$ 0.4
Interest cost	0.6	0.6	0.5
Amortization of prior service costs	0.1	0.1	—
Amortization of unrecognized loss	—	0.2	0.1
	<u>\$ 1.1</u>	<u>\$ 1.4</u>	<u>\$ 1.0</u>

### **Assumptions**

The following assumptions were used in determining the benefit obligations and net periodic post-retirement plan expense:

	2014	2013	2012
Weighted average discount rate to determine benefit obligations	4.2%	4.7%	3.8%
Weighted average discount rate to determine net costs	4.7%	3.8%	4.6%

The annual health care cost trend rate used to determine the benefit obligations at December 31, 2014 is assumed to decline from 7.7% in 2015 to 4.5% in 2030. Increasing the assumed healthcare cost trend rates by one percentage point would result in additional annual costs of approximately \$0.1 million. Decreasing the assumed health care cost trend rates by one percentage point would result in a decrease of approximately \$0.1 million in annual costs. The effect on post-retirement benefit obligations at December 31, 2014 of a one percentage point increase would be \$0.6 million. The effect of a one percentage point decrease would be \$0.5 million.



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Holdings funds medical and life insurance benefit costs principally on a pay-as-you-go basis. The pay-as-you-go expenditures for post-retirement benefits have not been material. The expected future post-retirement benefit payments are as follows (in millions):

	Expected Post-retirement Benefit Payments
2015	\$ 1.0
2016	0.9
2017	0.9
2018	0.9
2019	0.8
5 years thereafter	5.2

### **NOTE 13 — COMMITMENTS AND CONTINGENCIES**

#### ***Leases***

The following is a schedule of the future minimum payments under operating leases that have non-cancelable lease terms (in millions):

	Minimum Payments
2015	\$ 5.3
2016	4.3
2017	3.0
2018	1.3
2019	0.6
Thereafter	2.6
	<u>\$ 17.1</u>

These lease payments include the payment of certain taxes and other expenses. Rent expense recognized during the years ended December 31, 2014, 2013 and 2012 was \$7.1 million, \$6.9 million and \$6.6 million, respectively.

#### ***Insurance Reserves***

Holdings purchases insurance policies for workers' compensation, automobile and product and general liability. These policies include high deductibles for which Holdings is responsible. These deductibles are estimated and recorded as expenses in the period incurred. Estimates of these expenses are updated each quarter and are adjusted accordingly. These estimates are subject to substantial uncertainty because of several factors that are difficult to predict, including actual claims experience, regulatory changes, litigation trends and changes in inflation. Estimated unpaid losses for which Holdings is responsible are included in accrued expenses and other current liabilities in the consolidated balance sheets. Holdings' self-insured insurance reserves, including group medical insurance reserves, were \$7.3 million and \$7.9 million as of December 31, 2014 and December 31, 2013, respectively.

#### ***Environmental***

Holdings is subject to a variety of federal, state, local and foreign environmental, health and safety laws and regulations, including those governing the discharge of pollutants into the air or water, the management and disposal of hazardous substances or wastes, and the cleanup of contaminated sites. UCI International or its predecessors have been identified as a potentially responsible party, or is otherwise currently responsible, for contamination at five sites, including a former facility in Edison, New Jersey (the "New Jersey Site"), and at a previously owned site in Solano County, California (the "California Site"). Both sites involve the investigation of chlorinated solvent contamination. On or about October 8, 2014, the New Jersey Department of Environmental Protection issued a Response Action Outcome to Holdings, resulting in

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the closure of the remediation site with no further action required by Holdings. Based on currently available information, management believes that the cost of the ultimate outcome of the environmental matters related to the California Site will not exceed the \$0.9 million accrued at December 31, 2014 by a material amount, if at all. However, because all investigation and analysis has not yet been completed and due to inherent uncertainty in such environmental matters, it is possible that the ultimate outcome of this matter could have a material adverse effect on the results of operations for a single quarter.

In addition to the matters discussed above, UCI International or its predecessors have been named as a potentially responsible party at a third-party waste disposal site in Calvert City, Kentucky, a former manufacturing site and at an EPA Superfund site in Mayville, Wisconsin. On April 15, 2014, Holdings reached a settlement agreement for the Mayville, Wisconsin site for less than \$0.1 million which was paid on April 16, 2014. As of December 31, 2014, UCI International had reserves of \$0.1 million for settlement and remediation costs of the Calvert City, Kentucky and the former manufacturing site, the majority of which is anticipated to be spent in the next year.

As of December 31, 2014, environmental liability accruals of \$0.4 million and \$0.6 million are recorded in accrued expenses and other current liabilities and other long-term liabilities, respectively, in the consolidated balance sheet. As of December 31, 2013, environmental liability accruals of \$1.0 million and \$0.5 million are recorded in accrued expenses and other current liabilities and other long-term liabilities, respectively, in the consolidated balance sheet.

### ***Antitrust Litigation***

Starting in 2008, UCI and Champion Laboratories, Inc. (“Champion”) were named as defendants in class actions on behalf of all persons that purchased aftermarket filters in the U.S. directly from the defendants, from 1999 to March 8, 2012. Others actions were putative class actions on behalf of all persons who acquired indirectly aftermarket filters manufactured and/or distributed by one or more of the defendants, from 1999 to March 8, 2012, (collectively, the “U.S. Actions”). Also in 2008, Champion, but not UCI, was named as a defendant in two separate complaints in Ontario and Quebec (the “Ontario Action” and the “Quebec Action”, respectively, and, collectively, the “Canadian Actions”). The complaints included allegations similar to those in the U.S. Actions, and were brought as putative class actions on behalf of all persons in Canada that purchased aftermarket filters directly or indirectly from the defendants.

### **U.S. Actions**

On February 9, 2012, the parties announced that Champion and two other defendants had reached an agreement in principle with all plaintiffs to settle the U.S. Actions. During 2012, the settlement agreement was executed, approved by the court, paid and finalized. During the year ended December 31, 2012, Holdings incurred post-trial costs of \$1.2 million. The settlement was accrued for as of December 31, 2011. These amounts are included in antitrust litigation costs in consolidated statements of comprehensive income (loss).

### **Canadian Actions**

On September 12, 2013, all defendants executed a settlement agreement with all plaintiffs in the Canadian Actions. The Ontario Court granted preliminary approval of the settlement with respect to the Ontario Action on October 3, 2013, which was recorded and paid by Champion to a trust account for the benefit of the settlement class members in the Canadian Actions during the year ended December 31, 2013. The settlement of the Ontario Action was approved by the court in January 2014. The settlement of the Quebec Action was approved by the court in April 2014.

During the year ended December 31, 2014, Holdings incurred post-trial costs of less than \$0.1 million related to the Canadian Actions. During the year ended December 31, 2013, Holdings recorded \$0.1 million associated with the Canadian Actions settlement and incurred post-trial costs of \$0.1 million related to the Canadian Actions. These amounts are included in antitrust litigation in consolidated statements of comprehensive income (loss).

### ***Value-added Tax Receivable***

A wholly-owned Mexican subsidiary of Holdings had outstanding receivables denominated in Mexican pesos in the amount of \$2.2 million from the Mexican Department of Finance and Public Credit related to refunds of Mexican value-added tax. In June 2013, the refund payment was received totaling \$4.4 million (57.7 million Mexican pesos) including claims, interest and inflation of \$2.0 million (25.5 million Mexican pesos), \$1.8 million (23.3 million Mexican pesos) and \$0.6 million (8.9 million Mexican pesos),

respectively. The \$1.8 million in interest and \$0.6 million in inflation are included in interest expense, net in the consolidated statements of comprehensive income (loss).

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In addition, Holdings' Mexican subsidiary received a letter dated April 9, 2013 giving notification that the tax court had agreed to refund claims totaling \$0.3 million (3.7 million Mexican pesos). On April 25, 2013, a refund payment was received totaling \$0.7 million (8.2 million Mexican pesos) including interest and inflation of \$0.3 million (3.3 million Mexican pesos) and \$0.1 million (1.2 million Mexican pesos), respectively. The \$0.3 million in interest and \$0.1 million in inflation are included in interest expense, net in the consolidated statements of comprehensive income (loss).

A wholly-owned Chinese subsidiary of Holdings had outstanding duty and value-added tax claims denominated in Chinese yuan in the amount of \$2.0 million (RMB 12.5 million) with the Chinese tax authority. The claims relate to the refund of duties and value-added tax for equipment purchases made in 2005 – 2007 for use in the production of product for export. Due to concerns about the collectability of the refunds, no receivable had been previously recorded. During the year ended December 31, 2013, Holdings recorded the collection of \$1.9 million of the claims and recorded a receivable of \$0.1 million for amounts still to be refunded. The \$2.0 million of total claims has been recorded as income in miscellaneous, net in the consolidated statements of comprehensive income (loss). The receivable of \$0.1 million is recorded in other current assets in the consolidated balance sheet.

### ***Patent Litigation***

Champion was named as a defendant in a complaint filed by Hengst of North America, Inc. ("Hengst"), on August 23, 2013 in the United States District Court for the District of South Carolina, Columbia Division, pursuant to which Hengst claimed that certain of Champion's products infringed on a Hengst patent. On February 14, 2014, Champion and Hengst reached a settlement of this litigation. The settlement includes the payment of \$2.2 million by Champion to Hengst, a license from Hengst to Champion of certain intellectual property in exchange for royalty payments, \$0.8 million in rebates granted to Champion for future purchases by Champion of Hengst products and the dismissal with prejudice of this case. The \$2.2 million settlement reserve was recorded as of December 31, 2013. During the year ended December 31, 2014, Champion made scheduled payments of \$1.4 million and the remainder of payments will be made in installments of \$0.2 million on or before July 1 of each year 2015 through 2018. As of December 31, 2014, Champion had accrued liabilities of \$0.8 million for the settlement. During the year ended December 31, 2014, Champion incurred post-settlement patent litigation costs of \$0.2 million. These costs are included in patent litigation costs in the consolidated statements of comprehensive income (loss).

### ***Product Recall***

In January 2014, Holdings was notified by one of its customers that the customer was recalling certain defective parts manufactured by one of Holdings' U.S. subsidiaries. On October 30, 2014, Holdings reached agreement with the customer for settlement and full release of claims associated with this recall. As of December 31, 2014, Holdings had a reserve of \$0.6 million for the settlement of the recall in the consolidated balance sheet, which was originally recorded as of December 31, 2013.

During the year ended December 31, 2012, Holdings recalled certain defective products manufactured by its Chinese operations and distributed by its Spanish subsidiary. As of December 31, 2014, Holdings had paid \$0.9 million (€0.8 million) of costs related to this matter and a remaining accrual of \$0.1 million (€0.1 million) is recorded in the consolidated balance sheet. As of December 31, 2014, Holdings has filed claims totaling \$0.9 million (€0.8 million) with its insurance carrier and received reimbursement for claims and product recall costs totaling \$0.9 million (€0.7 million), including \$0.2 million (€0.2 million) received during the year ended December 31, 2014, under its insurance coverage, which was recorded as a reduction in warranty expenses. No additional provisions for this matter were recorded in the year ended December 31, 2014.

### ***Other Litigation***

Holdings is subject to various other contingencies, including routine legal proceedings and claims arising out of the normal course of business. These proceedings primarily involve commercial claims, product liability claims, personal injury claims and workers' compensation claims. The outcome of these lawsuits, legal proceedings and claims cannot be predicted with certainty. Nevertheless, Holdings' management believes that the outcome of any of these currently existing proceedings, even if determined adversely, would not have a material adverse effect on our financial condition or results of operations.

## NOTE 14 — RELATED PARTY TRANSACTIONS

Holdings has entered into agreements of indemnification for the benefit of the directors and officers of certain subsidiaries of Holdings, including UCI International, Inc. and the guarantors of the Senior Notes and the Senior Secured Credit Facilities.

The immediate parent of Holdings is UCI Holdings (No.1) Limited and the ultimate controlling entity is UCI Holdings (No.2) Limited. The ultimate sole shareholder of Holdings is Mr. Graeme Hart.

In addition to the related party transactions discussed below, from time to time Holdings enters into other transactions with affiliates which are not material to Holdings or its affiliates.

During the years ended December 31, 2014 and 2013, Holdings undertook a number of transactions with the following related party entities that are under the common ultimate control of Mr. Graeme Hart:

- Autoparts Holdings
- Rank Group Limited (“Rank Group”)
- Rank Group North America, Inc. (“Rank NA”)
- Reynolds Group Holdings Limited

The nature and amounts of the transactions entered into with these related parties are described further below.

In millions	Transaction values			Balance outstanding as of	
	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	December 31, 2014	December 31, 2013
<b>Related Party Receivables</b>					
Autoparts Holdings					
Recharges of services (a)	\$ (5.6)	\$ 0.9	\$ 19.9	\$ (3.9)	\$ (2.3)
Joint services agreement (b)	9.0	5.6	2.6	1.3	0.4
Sale of goods (c)	51.3	67.9	56.4	23.6	20.0
Asset (purchases) sales (c)	0.5	(0.1)	0.5	0.4	(0.1)
Purchase of goods (c)	(6.7)	(1.8)	(1.6)	(3.9)	(0.7)
State income taxes (c)	(0.3)	(0.1)	—	(0.3)	(0.1)
Rank NA					
Sale of land and building (d)	2.5	—	—	—	—
				17.2	17.2
<b>Related Party Payables</b>					
Autoparts Holdings					
Purchase of goods (c)	0.8	1.2	2.4	0.7	0.4
Rank Group					
Recharges for professional services (e)	1.7	—	0.1	1.7	—
Reynolds Group Holdings Limited					
Recharges of services (f)	—	0.6	0.3	—	0.2
				2.4	0.6
<b>Long-Term Related Party Payables</b>					
Autoparts Holdings					
Deferred income taxes (g)	(0.3)	0.4	—	0.1	0.4

- (a) During the years ended December 31, 2014 and 2013, Holdings incurred total credits of \$5.6 million and incurred costs of \$7.6 million, respectively, related to the implementation of the cost sharing and manufacturing arrangements with FRAM Group and business optimization costs (mainly professional fees for various cost saving projects) and to accelerate the manufacture of parts for new model cars previously sourced from external vendors. The recharge of services is based on the level of services provided or specific costs incurred. The recharges of services in the table are for FRAM Group’s share of these credits and costs. The amounts are repaid in the normal course of business.



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- (b) On July 29, 2011, UCI International, Inc. entered into a Joint Services Agreement (“JSA”) with Autoparts Holdings. Under the agreement, UCI International, Inc. and Autoparts Holdings each agreed to purchase certain administrative services from the other party. The agreement had an initial term of one year that is automatically renewed for additional one-year periods unless either party gives written notice to the other party of non-renewal no later than ninety days prior to the end of the renewal term. The JSA may be terminated without cause by either party upon 120 days’ advance written notice to the other party. The JSA may also be terminated for breach or termination of affiliation. The JSA contains representations, warranties and indemnity obligations customary for agreements of this type. At each anniversary to date, the JSA has automatically renewed for additional one-year periods. The costs billed out under the JSA are based upon the level of services provided. These amounts are repaid in the normal course of business.
- (c) As a result of Holdings’ cost sharing and manufacturing arrangements with FRAM Group, certain FRAM Group production was relocated to UCI International filtration manufacturing locations and certain UCI International production was relocated to FRAM Group filtration manufacturing locations. UCI International and FRAM Group continue to maintain their own customer relationships and continue to supply their existing customers. Where FRAM Group production has been relocated to UCI International filtration manufacturing locations, UCI International manufactures and supplies products to FRAM Group in order to meet its customers’ orders. Where UCI International production has been relocated to FRAM Group filtration manufacturing locations, FRAM Group manufactures and supplies products to UCI International in order to meet its customers’ orders. Product purchase orders are entered into by UCI International and FRAM Group on an arm’s-length basis to document the terms of the sale of products between the two related businesses. The related party sale of goods in the table above are included in related party net sales in the consolidated statement of comprehensive income (loss) and include a transfer-price markup of approximately 8%.

In addition, Champion has purchased certain materials and component parts from FRAM Group in order to manufacture products for FRAM Group.

As of December 31, 2014, Holdings had a net receivable from FRAM Group related to ongoing operations with FRAM Group for activity during the year ended December 31, 2014. These amounts are repaid in the normal course of business.

Beginning with tax year 2012, UCI International began filing combined state tax returns which included certain FRAM Group entities. In some states, UCI International paid state taxes on behalf of FRAM Group and in others utilized FRAM Group state NOLs as part of the filings. The net payable will be repaid in the normal course of business.

- (d) Champion sold land and building with a net book value of \$1.1 million to Rank NA for proceeds of \$2.5 million. The excess proceeds over net book value of the assets sold to an entity under common control were recorded net of tax directly in equity.
- (e) Rank Group incurred on behalf of Holdings third party professional fees and expenses, which were then charged to Holdings. These amounts will be repaid in the normal course of business.
- (f) A subsidiary of Reynolds Group Holdings Limited billed UCI International, Inc. for rent and facility services costs. These amounts are repaid in the normal course of business.
- (g) Beginning with tax year 2012, UCI International began filing combined state tax returns which included certain FRAM Group entities. As of December 31, 2014 and 2013, Holdings had a net payable due to FRAM Group related to unutilized FRAM Group state NOLs allocated to UCI International as part of the combined state tax returns filed by UCI International for the 2013 and 2012 tax years. These NOLs will be utilized on future combined state tax returns.

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**NOTE 15 — GEOGRAPHIC INFORMATION**

Net sales by region were as follows (in millions):

	Year Ended December 31,		
	2014	2013	2012
United States	\$ 815.8	\$820.7	\$840.3
Canada	45.0	33.8	32.7
Mexico	44.1	37.5	22.2
France	14.2	13.5	11.7
Germany	14.2	10.1	8.9
China	13.1	12.7	8.5
United Kingdom	10.7	14.3	12.2
Spain	7.1	7.9	4.6
Other	45.6	45.4	43.4
	<u>\$1,009.8</u>	<u>\$995.9</u>	<u>\$984.5</u>

Net long-lived assets by region were as follows (in millions):

	December 31,	
	2014	2013
United States	\$722.9	\$791.4
China	50.5	49.5
Spain	17.2	20.5
Mexico	8.7	8.2
Other	0.9	1.0
	<u>\$800.2</u>	<u>\$870.6</u>

**NOTE 16 — FAIR VALUE ACCOUNTING**

The accounting guidance on fair value measurements uses the term “inputs” to broadly refer to the assumptions used in estimating fair values. It distinguishes between (i) assumptions based on market data obtained from independent third party sources (“observable inputs”) and (ii) Holdings’ assumptions based on the best information available (“unobservable inputs”). The accounting guidance requires that fair value valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy consists of the three broad levels listed below. The highest priority is given to Level 1, and the lowest is given to Level 3.

Level 1 — Quoted market prices in active markets for identical assets or liabilities

Level 2 — Inputs other than Level 1 inputs that are either directly or indirectly observable

Level 3 — Unobservable inputs developed using Holdings’ estimates and assumptions, which reflect those that market participants would use when valuing an asset or liability

The determination of where an asset or liability falls in the hierarchy requires significant judgment.



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### ***Assets measured at fair value on a non-recurring basis***

During the year ended December 31, 2014, as part of the filtration manufacturing footprint optimization restructuring discussed in Note 2, certain assets were adjusted to their fair values. During the years ended December 31, 2014 and 2013, Holdings recorded impairment losses related to the indefinite-lived intangible of its fuel delivery systems product line. See Note 7 for a more detailed discussion. During the year ended December 31, 2013, as part of the manufacturing and distribution footprint optimization restructuring discussed in Note 2, certain assets were adjusted to their fair values.

### ***Commodity price risk management***

Exposure to market risk for commodity prices can result in changes in the cost of production. When possible, this risk is mitigated through the use of long-term, fixed-price contracts with suppliers. On January 13, 2014, Holdings entered into a commodity-based derivative financial instrument to acquire 205,800 gallons of diesel fuel ratably during the period February 1, 2014 through January 31, 2015. In addition, on March 19, 2014, April 2, 2014 and July 17, 2014, Holdings entered into commodity-based derivative financial instruments to acquire a total of 205,860 gallons of diesel fuel ratably during the period January 1, 2015 through December 31, 2015. Holdings entered into the contracts to commercially hedge the cost of diesel fuel and did not enter into the contracts for speculative purposes. Holdings elected not to document and account for the contracts as effective hedges for accounting purposes, but rather as financial instruments. The cost of entering into the contracts was nil. Changes in the market values of the fuel hedge contracts are recognized as a component of cost of sales in the consolidated statements of comprehensive income (loss). During the year ended December 31, 2014, the unrealized losses on these contracts were \$0.2 million.

### ***Fair value of financial instruments***

*Cash and cash equivalents* - The carrying amount of cash and cash equivalents approximates fair value because the original maturity is less than 90 days.

*Trade accounts receivable* - The carrying amount of trade receivables approximates fair value because of their short outstanding terms.

*Trade accounts payable* - The carrying amount of trade payables approximates fair value because of their short outstanding terms.

*Short-term borrowings* - The carrying value of these borrowings equals fair value because their interest rates reflect current market rates.

*Long-term debt* - The fair value of the Senior Notes at December 31, 2014 and 2013 was \$377.1 million and \$406.0 million, respectively. The estimated fair value of these notes was based on bid/ask prices, as reported by a third party bond pricing service. Due to the infrequency of trades of these notes, these inputs are considered to be Level 2 inputs.

The fair value of the Senior Secured Term Loan Facility at December 31, 2014 and 2013 was \$285.8 million and \$291.0 million, respectively. The estimated fair value of borrowings under the Senior Secured Term Loan Facility was based on the bid/ask prices, as reported by a third party bond pricing service. Due to the infrequency of trades, this input is considered to be a Level 2 input.

The fair value of the economic development loan was \$0.3 million and \$0.4 million at December 31, 2014 and December 31, 2013, respectively. Since there is no ready market for this type of loan, discounted cash flows were used taking into consideration bond ratings and LIBOR futures. These inputs are considered to be Level 2 inputs.

The estimated fair values of the fuel contracts at December 31, 2014 were \$0.2 million and the changes in the fair values were recorded as components of cost of sales in the consolidated statement of comprehensive income (loss). The estimated fair values of the fuel contracts were based on information provided by an independent third party who participates in the trading market for financial instruments similar to the fuel contracts. Due to the infrequency of trades of similar financial instruments, this input is considered to be Level 2 input.

**NOTE 17 — ACCUMULATED OTHER COMPREHENSIVE LOSS**

The tables below present the changes in accumulated other comprehensive loss by component and the reclassification out of accumulated other comprehensive loss:

*Changes in Accumulated Other Comprehensive Loss by Component (in millions) (a)*

	Foreign Currency Adjustment	Pension and OPEB Liability	Total Accumulated Other Comprehensive Loss
Balance at January 1, 2012	\$ (4.7)	\$ (29.8)	\$ (34.5)
Other comprehensive loss before reclassifications	1.9	(11.4)	(9.5)
Amounts reclassified into earnings	—	0.4	0.4
Net current period other comprehensive income (loss)	1.9	(11.0)	(9.1)
Balance at December 31, 2012	(2.8)	(40.8)	(43.6)
Other comprehensive income before reclassifications	1.3	33.0	34.3
Amounts reclassified into earnings	—	2.5	2.5
Net current period other comprehensive income	1.3	35.5	36.8
Balance at December 31, 2013	(1.5)	(5.3)	(6.8)
Other comprehensive loss before reclassifications	(9.7)	(25.2)	(34.9)
Amounts reclassified into earnings	—	0.1	0.1
Net current period other comprehensive loss	(9.7)	(25.1)	(34.8)
Balance at December 31, 2014	\$ (11.2)	\$ (30.4)	\$ (41.6)

(a) All amounts are net of tax.

*Reclassification out of Accumulated Other Comprehensive Loss*

The reclassification out of accumulated other comprehensive loss for the year ended December 31, 2014 was as follows (in millions):

	Amount Reclassified from Accumulated Other Comprehensive Loss	Affected Line Item in the Statement of Comprehensive Loss
<u>Pension and OPEB Liability</u>		
Amortization of unrecognized loss	\$ —	(a)
Amortization of prior service cost	0.1	(a)
	0.1	Pre-tax
Tax effect	—	Tax expense
Total reclassification for the period	\$ 0.1	Net of tax

(a) These accumulated other comprehensive income components are included in the computation of net periodic pension cost. See Note 12 for further information on the adjustments related to defined benefit plans.

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**NOTE 18 — MISCELLANEOUS, NET**

	Year Ended December 31,		
	2014	2013	2012
Costs associated with the sale of receivables	\$ 6.0	\$ 5.7	\$ 6.2
Strategic review costs	2.6	—	—
Foreign currency exchange losses	0.1	—	—
Debt forgiveness	(0.1)	(0.1)	—
Value-added tax refunds	—	(2.0)	—
Other expense, net	<u>\$ 8.6</u>	<u>\$ 3.6</u>	<u>\$ 6.2</u>

**NOTE 19 — OTHER INFORMATION**

***Cash payments***

Cash payments for interest and income taxes (net of refunds) were as follows (in millions):

	Year Ended December 31,		
	2014	2013	2012
Interest	\$52.2	\$52.1	\$52.5
Income taxes (net of refunds)	\$ 2.5	\$ 0.9	\$ 7.7

***Non-U.S. cash***

Holdings has its bank accounts with a relatively small number of high quality financial institutions. Substantially all of the cash and cash equivalents, including cash balances at non-U.S. subsidiaries, at December 31, 2014 and 2013 were uninsured. Holdings' non-U.S. subsidiaries had cash balances of \$9.8 million and \$16.2 million at December 31, 2014 and 2013, respectively. During the year ended December 31, 2014, Holdings' Spanish subsidiary and one of its Mexican subsidiaries distributed cash dividends of \$7.6 million and \$1.8 million, respectively, to their U.S. parent companies. During the year ended December 31, 2013, Holdings' Spanish subsidiary and one of its Mexican subsidiaries distributed cash dividends of \$3.4 million and \$2.0 million, respectively, to their U.S. parent companies.

**NOTE 20 — CONCENTRATION OF RISK**

Holdings sells vehicle parts to a wide base of customers primarily in the automotive aftermarket. Holdings has outstanding receivables owed by these customers and to date has experienced no significant collection problems. For the year ended December 31, 2014, sales to three customers, AutoZone, Inc. ("AutoZone"), General Motors Company ("GM") and Advance Stores Company, Inc. ("Advance"), accounted for 27.2%, 14.5% and 10.5% of total net sales, respectively. For the year ended December 31, 2013, sales to two customers, AutoZone and GM, accounted for 29.2% and 10.1% of total net sales, respectively. For the year ended December 31, 2012, sales to a single customer, AutoZone, accounted for 32.6% of total net sales. No other customers accounted for more than 10% of total net sales for the years ended December 31, 2014, 2013 and 2012. At December 31, 2014 and 2013, the receivable balances from AutoZone were \$115.1 million and \$129.1 million, respectively. At December 31, 2014 and 2013, the receivable balances from GM were \$20.4 million and \$17.6 million, respectively. At December 31, 2014 and 2013, the receivable balance from Advance was \$14.3 million and \$10.1 million, respectively.

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**NOTE 21 — QUARTERLY FINANCIAL INFORMATION (unaudited)**

The following is a summary of the unaudited quarterly results of operations. Holdings believes that all adjustments considered necessary for a fair presentation in accordance with generally accepted accounting principles have been included (in millions).

	Quarter Ended March 31, 2014	Quarter Ended June 30, 2014	Quarter Ended September 30, 2014	Quarter Ended December 31, 2014
Net sales	\$ 251.6	\$ 251.5	\$ 251.3	\$ 255.4
Gross profit	32.7	39.5	32.2	34.2
Net (loss) income	(12.5)	(25.6)	2.6	(0.7)
	Quarter Ended March 31, 2013	Quarter Ended June 30, 2013	Quarter Ended September 30, 2013	Quarter Ended December 31, 2013
Net sales	\$ 245.8	\$ 252.4	\$ 252.1	\$ 245.6
Gross profit	38.7	40.8	40.1	39.1
Net income (loss)	(5.1)	1.7	(1.8)	(7.0)

Holdings' quarterly results were affected by the gains and (losses) described in Notes 2, 7 and 13. Below is a summary of the gains and (losses). None of these gains and (losses) affected net sales or gross profit. The amounts below are after-tax amounts (in millions):

	Quarter Ended March 31, 2014	Quarter Ended June 30, 2014	Quarter Ended September 30, 2014	Quarter Ended December 31, 2014
Note 2 Restructuring costs	\$ (2.6)	\$ (2.6)	\$ (3.6)	\$ (1.7)
Note 7 Trademark impairment loss	—	(23.5)	—	—
	Quarter Ended March 31, 2013	Quarter Ended June 30, 2013	Quarter Ended September 30, 2013	Quarter Ended December 31, 2013
Note 2 Restructuring costs	\$ (0.2)	\$ (1.1)	\$ (0.5)	\$ (2.9)
Note 7 Trademark impairment loss	—	—	—	(1.2)
Note 13 Patent litigation costs	—	—	—	(1.4)
Note 13 Antitrust litigation costs	—	—	(0.1)	—

**NOTE 22 — GUARANTOR AND NON-GUARANTOR FINANCIAL STATEMENTS**

Certain of Holdings' subsidiaries have guaranteed UCI International, Inc.'s obligations under the Senior Notes described in Note 10. Certain of Holdings' subsidiaries have entered into guarantee and security arrangements in respect of UCI International, Inc.'s indebtedness under the Senior Secured Credit Facilities described in Note 10.

The financial information that follows includes condensed financial statements for (a) Holdings, which is the parent of UCI International, Inc. and a guarantor of the Senior Notes, (b) UCI International, Inc., which is the issuer of the Senior Notes and borrower under the Senior Secured Credit Facilities, (c) certain of the U.S. subsidiaries, which guarantee the Senior Notes and borrowings under the Senior Secured Credit Facilities (the "Guarantor Subsidiaries"), (d) the non-U.S. subsidiaries and certain U.S. subsidiaries which do not guarantee the Senior Notes and borrowings under the Senior Secured Credit Facilities (the "Non-Guarantor Subsidiaries"), and (e) consolidated Holdings. Also included are consolidating entries, which principally consist of eliminations of investments in consolidated subsidiaries and intercompany balances and transactions.

Separate financial statements of the Guarantor Subsidiaries are not presented because their guarantees are full and unconditional and joint and several.

**Condensed Consolidating Balance Sheet**  
**December 31, 2014**  
*(in thousands)*

	<b>UCI Holdings Limited Consolidated</b>	<b>Eliminations</b>	<b>Parent Guarantor UCI Holdings Limited</b>	<b>Issuer UCI International</b>	<b>Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 44,468	\$ —	\$ 75	\$ 2,626	\$ 31,945	\$ 9,822
Intercompany receivables - current	—	(255,603)	2,071	179,121	39,306	35,105
Accounts receivable, net	216,473	—	—	—	197,306	19,167
Related party receivables	17,208	—	—	—	17,208	—
Inventories, net	230,924	—	—	—	199,400	31,524
Deferred tax assets	30,901	—	—	1,466	27,649	1,786
Other current assets	19,926	—	4	2,163	10,590	7,169
Total current assets	559,900	(255,603)	2,150	185,376	523,404	104,573
Property, plant and equipment, net	168,834	—	—	—	123,938	44,896
Investment in subsidiaries	—	(863,410)	128,077	624,563	110,770	—
Goodwill	308,080	—	—	—	278,571	29,509
Other intangible assets, net	310,351	—	—	—	304,895	5,456
Intercompany receivables non-current	—	(100,005)	100,000	—	5	—
Deferred financing costs, net	11,578	—	—	11,578	—	—
Other long-term assets	1,380	—	—	—	681	699
Total assets	<u>\$1,360,123</u>	<u>\$(1,219,018)</u>	<u>\$ 230,227</u>	<u>\$ 821,517</u>	<u>\$1,342,264</u>	<u>\$ 185,133</u>
<b>Liabilities and shareholder's equity</b>						
<b>Current liabilities</b>						
Accounts payable	\$ 143,618	\$ —	\$ —	—	114,834	28,784
Current maturities of long-term debt	23,166	—	—	23,000	159	7
Related party payables	2,450	—	1,706	—	—	744
Intercompany payables - current	—	(255,603)	—	3,160	220,709	31,734
Product returns liability	37,635	—	—	—	37,150	485
Interest payable	13,083	—	—	13,083	—	—
Accrued expenses and other current liabilities	50,869	—	2,940	(6,753)	47,668	7,014
Total current liabilities	270,821	(255,603)	4,646	32,490	420,520	68,768
Long-term debt, less current maturities	684,998	—	—	684,679	301	18
Long-term related party payables	101	—	—	—	101	—
Pension and other post-retirement liabilities	97,720	—	—	—	96,906	814
Deferred tax liabilities	78,254	—	—	(23,729)	98,185	3,798
Intercompany payables - non-current	—	(100,005)	—	—	100,000	5
Other long-term liabilities	2,648	—	—	—	1,688	960
Total shareholder's equity (deficit)	225,581	(863,410)	225,581	128,077	624,563	110,770
Total liabilities and shareholder's equity (deficit)	<u>\$1,360,123</u>	<u>\$(1,219,018)</u>	<u>\$ 230,227</u>	<u>\$ 821,517</u>	<u>\$1,342,264</u>	<u>\$ 185,133</u>

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**Condensed Consolidating Balance Sheet**  
**December 31, 2013**  
*(in thousands)*

	<b>UCI Holdings Limited Consolidated</b>	<b>Eliminations</b>	<b>Parent Guarantor UCI Holdings Limited</b>	<b>Issuer UCI International</b>	<b>Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 76,619	\$ —	\$ 1	\$ 3,026	\$ 57,407	\$ 16,185
Intercompany receivables - current	—	(237,446)	—	191,260	25,594	20,592
Accounts receivable, net	221,872	—	—	—	203,577	18,295
Related party receivables	17,179	—	—	—	17,179	—
Inventories, net	202,412	—	—	—	173,253	29,159
Deferred tax assets	30,256	—	—	1,456	27,887	913
Other current assets	22,776	—	—	2,156	14,619	6,001
Total current assets	571,114	(237,446)	1	197,898	519,516	91,145
Property, plant and equipment, net	168,772	—	—	—	125,462	43,310
Investment in subsidiaries	—	(966,882)	195,733	671,628	99,521	—
Goodwill	309,703	—	—	—	278,569	31,134
Other intangible assets, net	373,433	—	—	—	366,333	7,100
Intercompany receivables non-current	—	(105,071)	100,066	—	5,005	—
Deferred financing costs, net	14,622	—	—	14,622	—	—
Other long-term assets	4,115	—	—	—	3,344	771
Total assets	<u>\$1,441,759</u>	<u>\$(1,309,399)</u>	<u>\$ 295,800</u>	<u>\$ 884,148</u>	<u>\$1,397,750</u>	<u>\$ 173,460</u>
<b>Liabilities and shareholder's equity</b>						
<b>Current liabilities</b>						
Accounts payable	\$ 152,052	\$ —	\$ —	—	119,775	32,277
Current maturities of long-term debt	3,176	—	—	3,000	176	—
Related party payables	587	—	17	—	191	379
Intercompany payables - current	—	(237,446)	—	1,317	213,079	23,050
Product returns liability	42,031	—	—	—	41,758	273
Interest payable	13,081	—	—	13,081	—	—
Accrued expenses and other current liabilities	58,665	—	1	800	51,773	6,091
Total current liabilities	269,592	(237,446)	18	18,198	426,752	62,070
Long-term debt, less current maturities	687,860	—	—	687,379	461	20
Long-term related party payables	361	—	—	—	361	—
Pension and other post-retirement liabilities	62,256	—	—	—	61,448	808
Deferred tax liabilities	122,983	—	—	(17,162)	135,140	5,005
Intercompany payables - non-current	—	(105,071)	—	—	100,066	5,005
Other long-term liabilities	2,925	—	—	—	1,894	1,031
Total shareholder's equity (deficit)	295,782	(966,882)	295,782	195,733	671,628	99,521
Total liabilities and shareholder's equity (deficit)	<u>\$1,441,759</u>	<u>\$(1,309,399)</u>	<u>\$ 295,800</u>	<u>\$ 884,148</u>	<u>\$1,397,750</u>	<u>\$ 173,460</u>

**Condensed Consolidating Statement of Comprehensive Income (Loss) (Unaudited)**  
**Twelve Months Ended December 31, 2014**  
*(in thousands)*

	<b>UCI Holdings Limited Consolidated</b>	<b>Eliminations</b>	<b>Parent Guarantor UCI Holdings Limited</b>	<b>Issuer UCI International</b>	<b>Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>
Net sales	\$ 1,009,793	\$ (166,566)	\$ —	\$ —	\$ 951,472	\$ 224,887
Cost of sales	871,229	(166,566)	—	—	845,516	192,279
Gross profit	138,564	—	—	—	105,956	32,608
Operating expenses						
Selling, general and administrative	(63,218)	—	—	(696)	(54,392)	(8,130)
Amortization of acquired intangible assets	(22,167)	—	—	—	(21,237)	(930)
Restructuring costs, net	(16,876)	—	—	—	(16,762)	(114)
Trademark impairment loss	(38,000)	—	—	—	(38,000)	—
Patent litigation costs	(158)	—	—	—	(158)	—
Antitrust litigation costs	(44)	—	—	—	(44)	—
Operating (loss) income	(1,899)	—	—	(696)	(24,637)	23,434
Other expense						
Interest (expense) income, net	(50,454)	—	4,878	(55,398)	(5)	71
Intercompany interest	—	—	2,017	22,261	(24,104)	(174)
Miscellaneous, net	(8,589)	—	(2,216)	(60)	(6,330)	17
(Loss) income before income taxes	(60,942)	—	4,679	(33,893)	(55,076)	23,348
Income tax benefit (expense)	24,694	—	(2,470)	13,302	20,717	(6,855)
Net (loss) income before equity in earnings of subsidiaries	(36,248)	—	2,209	(20,591)	(34,359)	16,493
Equity (deficit) in earnings of subsidiaries	—	39,830	(38,457)	(17,866)	16,493	—
Net (loss) income	<u>\$ (36,248)</u>	<u>\$ 39,830</u>	<u>\$ (36,248)</u>	<u>\$ (38,457)</u>	<u>\$ (17,866)</u>	<u>\$ 16,493</u>
Comprehensive (loss) income	<u>\$ (71,040)</u>	<u>\$ 120,622</u>	<u>\$ (86,707)</u>	<u>\$ (68,494)</u>	<u>\$ (47,903)</u>	<u>\$ 11,442</u>

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**Condensed Consolidating Statement of Comprehensive Income (Loss)**  
**Year Ended December 31, 2013**  
*(in thousands)*

	<b>UCI Holdings Limited Consolidated</b>	<b>Eliminations</b>	<b>Parent Guarantor UCI Holdings Limited</b>	<b>Issuer UCI International</b>	<b>Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>
Net sales	\$ 995,930	\$ (125,055)	\$ —	\$ —	\$ 937,030	\$ 183,955
Cost of sales	837,267	(125,055)	—	—	797,514	164,808
Gross profit	158,663	—	—	—	139,516	19,147
Operating expenses						
Selling, general and administrative	(84,655)	—	—	(7,666)	(67,628)	(9,361)
Amortization of acquired intangible assets	(22,176)	—	—	—	(21,237)	(939)
Restructuring costs, net	(7,593)	—	—	—	(6,498)	(1,095)
Trademark impairment loss	(2,000)	—	—	—	(2,000)	—
Patent litigation costs	(2,200)	—	—	—	(2,200)	—
Antitrust litigation costs	(198)	—	—	—	(198)	—
Operating income (loss)	39,841	—	—	(7,666)	39,755	7,752
Other expense						
Interest (expense) income, net	(51,453)	—	36	(54,441)	(13)	2,965
Intercompany interest	—	—	66	22,273	(22,052)	(287)
Miscellaneous, net	(3,623)	—	(1)	—	(5,613)	1,991
(Loss) income before income taxes	(15,235)	—	101	(39,834)	12,077	12,421
Income tax benefit (expense)	2,993	—	—	15,196	(8,504)	(3,699)
Net (loss) income before equity in earnings of subsidiaries	(12,242)	—	101	(24,638)	3,573	8,722
Equity in earnings of subsidiaries	—	(8,674)	(12,343)	12,295	8,722	—
Net (loss) income	<u>\$ (12,242)</u>	<u>\$ (8,674)</u>	<u>\$ (12,242)</u>	<u>\$ (12,343)</u>	<u>\$ 12,295</u>	<u>\$ 8,722</u>
Comprehensive income (loss)	<u>\$ 24,621</u>	<u>\$ (82,641)</u>	<u>\$ 23,406</u>	<u>\$ 24,520</u>	<u>\$ 49,158</u>	<u>\$ 10,178</u>

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**Condensed Consolidating Statement of Comprehensive Income (Loss)**  
**Year Ended December 31, 2012**  
*(in thousands)*

	<b>UCI Holdings Limited Consolidated</b>	<b>Eliminations</b>	<b>Parent Guarantor UCI Holdings Limited</b>	<b>Issuer UCI International</b>	<b>Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>
Net sales	\$ 984,497	\$ (121,109)	\$ —	\$ —	\$ 936,993	\$ 168,613
Cost of sales	775,238	(121,109)	—	—	747,501	148,846
Gross profit	209,259	—	—	—	189,492	19,767
Operating expenses						
Selling, general and administrative	(96,832)	—	(3)	(17,779)	(69,861)	(9,189)
Amortization of acquired intangible assets	(22,165)	—	—	—	(21,246)	(919)
Restructuring costs, net	(5,877)	—	—	—	(2,477)	(3,400)
Antitrust litigation costs	(1,228)	—	—	—	(1,228)	—
Operating income (loss)	83,157	—	(3)	(17,779)	94,680	6,259
Other expense						
Interest expense, net	(54,765)	—	—	(54,708)	(55)	(2)
Intercompany interest	—	—	—	22,397	(22,035)	(362)
Miscellaneous, net	(6,188)	—	1	—	(6,204)	15
Income (loss) before income taxes	22,204	—	(2)	(50,090)	66,386	5,910
Income tax (expense) benefit	(7,577)	—	—	17,320	(18,771)	(6,126)
Net income (loss) before equity in earnings of subsidiaries	14,627	—	(2)	(32,770)	47,615	(216)
Equity in earnings of subsidiaries	—	(61,812)	14,629	47,399	(216)	—
Net income (loss)	<u>\$ 14,627</u>	<u>\$ (61,812)</u>	<u>\$ 14,627</u>	<u>\$ 14,629</u>	<u>\$ 47,399</u>	<u>\$ (216)</u>
Comprehensive income (loss)	<u>\$ 5,472</u>	<u>\$ (67,375)</u>	<u>\$ 27,298</u>	<u>\$ 5,474</u>	<u>\$ 38,244</u>	<u>\$ 1,831</u>

**Condensed Consolidating Statement of Cash Flows**  
**Year Ended December 31, 2014**  
*(in thousands)*

	<u>UCI Holdings Limited Consolidated</u>	<u>Eliminations</u>	<u>Parent Guarantor UCI Holdings Limited</u>	<u>Issuer UCI International</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>
<b>Net cash provided by (used in) operating activities</b>	\$ (18,657)	\$ —	\$ 74	\$ (17,400)	\$ (6,245)	\$ 4,914
<b>Cash flows from investing activities:</b>						
Capital expenditures	(34,451)	—	—	—	(28,348)	(6,103)
Proceeds from sale of property, plant and equipment	4,395	—	—	—	3,905	490
Net cash provided by (used in) investing activities	(30,056)	—	—	—	(24,443)	(5,613)
<b>Cash flows from financing activities:</b>						
Revolver borrowings	30,000	—	—	30,000	—	—
Revolver repayments	(10,000)	—	—	(10,000)	—	—
Debt repayments	(3,070)	—	—	(3,000)	(59)	(11)
Excess proceeds over net book value of long-lived assets sold to an entity under common control	839	—	—	—	839	—
Intercompany dividends received (paid)	—	—	—	—	9,446	(9,446)
Change in intercompany indebtedness	—	—	—	—	(5,000)	5,000
Net cash provided by (used in) financing activities	17,769	—	—	17,000	5,226	(4,457)
Effect of exchange rate changes on cash	(1,207)	—	—	—	—	(1,207)
Net (decrease) increase in cash and cash equivalents	(32,151)	—	74	(400)	(25,462)	(6,363)
Cash and cash equivalents at beginning of period	76,619	—	1	3,026	57,407	16,185
Cash and cash equivalents at end of period	<u>\$ 44,468</u>	<u>\$ —</u>	<u>\$ 75</u>	<u>\$ 2,626</u>	<u>\$ 31,945</u>	<u>\$ 9,822</u>

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**Condensed Consolidating Statement of Cash Flows**  
**Year Ended December 31, 2013**  
*(in thousands)*

	<u>UCI Holdings Limited Consolidated</u>	<u>Eliminations</u>	<u>Parent Guarantor UCI Holdings Limited</u>	<u>Issuer UCI International</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>
<b>Net cash provided by (used in) operating activities</b>	\$ 39,865	\$ —	\$ —	\$ (55,539)	\$ 81,993	\$ 13,411
<b>Cash flows from investing activities:</b>						
Capital expenditures	(40,619)	—	—	—	(33,077)	(7,542)
Proceeds from sale of property, plant and equipment	1,448	—	—	—	86	1,362
Net cash provided by (used in) investing activities	(39,171)	—	—	—	(32,991)	(6,180)
<b>Cash flows from financing activities:</b>						
Debt repayments	(3,089)	—	—	(3,000)	(88)	(1)
Intercompany dividend received (paid)	—	—	—	—	5,374	(5,374)
Change in intercompany indebtedness	—	—	—	—	(1,802)	1,802
Net cash provided by (used in) financing activities	(3,089)	—	—	(3,000)	3,484	(3,573)
Effect of exchange rate changes on cash	97	—	—	—	—	97
Net (decrease) increase in cash and cash equivalents	(2,298)	—	—	(58,539)	52,486	3,755
Cash and cash equivalents at beginning of period	78,917	—	1	61,565	4,921	12,430
Cash and cash equivalents at end of period	<u>\$ 76,619</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ 3,026</u>	<u>\$ 57,407</u>	<u>\$ 16,185</u>

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**Condensed Consolidating Statement of Cash Flows**  
**Year Ended December 31, 2012**  
*(in thousands)*

	<u>UCI Holdings Limited Consolidated</u>	<u>Eliminations</u>	<u>Parent Guarantor UCI Holdings Limited</u>	<u>Issuer UCI International</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>
<b>Net cash provided by (used in) operating activities</b>	\$ 51,842	\$ —	\$ (37)	\$ (24,688)	\$ 59,710	\$ 16,857
<b>Cash flows from investing activities:</b>						
Capital expenditures	(36,786)	—	—	—	(29,136)	(7,650)
Proceeds from sale of property, plant and equipment	1,968	—	—	—	576	1,392
Net cash used in investing activities	(34,818)	—	—	—	(28,560)	(6,258)
<b>Cash flows from financing activities:</b>						
Issuances of debt	500	—	—	—	500	—
Debt repayments	(6,552)	—	—	(3,000)	(376)	(3,176)
Equity contribution	38	—	38	—	—	—
Intercompany dividend received (paid)	—	—	—	—	5,239	(5,239)
Change in intercompany indebtedness	—	—	—	89,237	(87,167)	(2,070)
Net cash (used in) provided by financing activities	(6,014)	—	38	86,237	(81,804)	(10,485)
Effect of exchange rate changes on cash	210	—	—	—	—	210
Net increase (decrease) in cash and cash equivalents	11,220	—	1	61,549	(50,654)	324
Cash and cash equivalents at beginning of period	67,697	—	—	16	55,575	12,106
Cash and cash equivalents at end of period	<u>\$ 78,917</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ 61,565</u>	<u>\$ 4,921</u>	<u>\$ 12,430</u>

**Form 6-F filed November 10, 2015**

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**UCI Holdings Limited**  
**Consolidated Balance Sheets**  
*(in thousands)*

	<u>September 30,</u> 2015 (unaudited)	<u>December 31,</u> 2014 (audited)
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 43,988	\$ 41,468
Accounts receivable, net	119,084	140,762
Related party receivables (Note 12)	8,445	17,185
Inventories (Note 5)	180,600	180,517
Deferred tax assets	15,043	27,009
Discontinued current assets (Note 2)	—	133,601
Other current assets	25,578	19,358
Total current assets	392,738	559,900
Property, plant and equipment, net	124,022	138,404
Goodwill (Note 6)	218,209	219,125
Other intangible assets, net (Note 6)	239,836	253,685
Deferred financing costs, net	9,337	11,578
Discontinued long-term assets (Note 2)	—	176,051
Other long-term assets	775	1,380
Total assets	<u>\$ 984,917</u>	<u>\$1,360,123</u>
<u>Liabilities and shareholder's equity</u>		
Current liabilities		
Accounts payable	\$ 108,511	\$ 111,888
Current maturities of long-term debt (Note 9)	61	23,066
Related party payables (Note 12)	5,516	2,450
Product returns liability (Note 8)	27,231	35,736
Interest payable	4,414	13,083
Discontinued current liabilities (Note 2)	—	44,628
Accrued expenses and other current liabilities (Note 7)	61,069	39,970
Total current liabilities	206,802	270,821
Long-term debt, less current maturities (Note 9)	477,055	684,798
Pension and other post-retirement liabilities	88,643	90,296
Deferred tax liabilities	45,517	55,695
Long-term related party payables (Note 12)	101	101
Discontinued long-term liabilities (Note 2)	—	30,183
Other long-term liabilities	3,202	2,648
Total liabilities	821,320	1,134,542
Contingencies (Note 11)		
Shareholder's equity		
Common stock	320,038	320,038
Retained deficit	(95,514)	(52,894)
Accumulated other comprehensive loss (Note 15)	(60,927)	(41,563)
Total shareholder's equity	163,597	225,581
Total liabilities and shareholder's equity	<u>\$ 984,917</u>	<u>\$1,360,123</u>

*The accompanying notes are an integral part of these financial statements.*

*The information presented has been revised to reflect Wells as a discontinued operation. Refer to Note 2 for additional information.*

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**UCI Holdings Limited**  
**Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)**  
*(in thousands)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net sales				
Third party net sales	\$ 176,472	\$ 188,411	\$ 550,277	\$ 558,752
Related party net sales (Note 12)	12,512	11,642	41,547	39,869
Total net sales	188,984	200,053	591,824	598,621
Cost of sales	178,320	176,021	545,983	524,003
Gross profit	10,664	24,032	45,841	74,618
Operating expenses				
Selling, general and administrative	(11,708)	(12,102)	(39,074)	(40,829)
Amortization of acquired intangible assets	(4,274)	(4,078)	(12,365)	(12,246)
Restructuring costs, net (Note 3)	(2,272)	(5,823)	(9,012)	(14,200)
Trademark impairment loss (Note 6)	—	—	—	(38,000)
Operating (loss) income	(7,590)	2,029	(14,610)	(30,657)
Other expense				
Interest (expense) income, net (Note 9)	(3,711)	1,487	(10,380)	(25,212)
Loss on early extinguishment of debt (Note 9)	(1,840)	—	(1,840)	—
Miscellaneous, net (Note 17)	(943)	(1,937)	(2,874)	(3,744)
(Loss) income from continuing operations before income taxes	(14,084)	1,579	(29,704)	(59,613)
Income tax (expense) benefit	(3,402)	1,026	(15,534)	21,393
(Loss) income from continuing operations	(17,486)	2,605	(45,238)	(38,220)
Income from discontinued operations, net of tax (Note 2)	18,192	36	2,618	2,719
Net income (loss)	706	2,641	(42,620)	(35,501)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(7,105)	(14,285)	(23,485)	(8,121)
Pension and OPEB liability, net of tax of (\$2,029), (\$19), (\$2,521) and (\$57)	3,342	31	4,121	93
Total other comprehensive loss	(3,763)	(14,254)	(19,364)	(8,028)
Comprehensive loss	\$ (3,057)	\$ (11,613)	\$ (61,984)	\$ (43,529)

*The accompanying notes are an integral part of these financial statements.*

*The information presented has been revised to reflect Wells as a discontinued operation. Refer to Note 2 for additional information.*



**UCI Holdings Limited**  
**Condensed Consolidated Statements of Cash Flows (Unaudited)**  
*(in thousands)*

	Nine Months Ended September 30,	
	2015	2014
<b>Cash flows from operating activities:</b>		
Net loss attributable to equity holder	\$ (42,620)	\$ (35,501)
Adjustments to reconcile net loss to net cash used in operating activities:		
Gain from sale of Wells	(10,353)	—
Depreciation and amortization	36,495	42,058
Amortization of deferred financing costs and debt issuance costs	3,402	2,490
Loss on early extinguishment of debt	1,840	—
Loss (gain) on sale of property, plant and equipment	280	(44)
Unrealized foreign exchange gains	(19,088)	(5,439)
Trademark impairment loss	—	38,000
Asset impairments	740	250
Deferred income taxes	2,139	(22,809)
Amortization of prior service costs and net losses on post-retirement plans	1,924	150
Other non-cash items, net	(16)	(301)
Changes in operating assets and liabilities:		
Accounts receivable	35,907	16,596
Related party receivables, net	15,056	(6,620)
Inventories	3,114	(31,237)
Other current assets	(7,243)	(4,665)
Other assets	478	2,564
Accounts payable	(14,457)	(16,104)
Accrued expenses and other current liabilities	(7,599)	(11,153)
Other long-term liabilities	(1,059)	(4,617)
Net cash used in operating activities	<u>(1,060)</u>	<u>(36,382)</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(14,457)	(27,059)
Proceeds from sale of property, plant and equipment	293	1,494
Proceeds from sale of Wells, net of cash sold	248,377	—
Net cash provided by (used in) investing activities	<u>234,213</u>	<u>(25,565)</u>
<b>Cash flows from financing activities:</b>		
Revolver borrowings	10,000	20,000
Revolver repayments	(30,000)	—
Payments of deferred finance costs	(2,032)	—
Term loan repayments	(288,000)	(2,250)
ABL borrowings	76,981	—
Other debt repayments	(51)	(53)
Net cash (used in) provided by financing activities	<u>(233,102)</u>	<u>17,697</u>
Effect of exchange rate changes on cash	<u>(531)</u>	<u>(550)</u>
Net decrease in cash and cash equivalents	<u>(480)</u>	<u>(44,800)</u>
Cash and cash equivalents at the beginning of period	44,468	76,619
Cash and cash equivalents at the end of period	<u>\$ 43,988</u>	<u>\$ 31,819</u>

*The accompanying notes are an integral part of these financial statements.*

**UCI Holdings Limited**  
**Condensed Consolidated Statements of Changes in Shareholder's Equity (Unaudited)**  
*(in thousands)*

	<b>Common Stock</b>	<b>Retained Deficit</b>	<b>Accumulated Other Comprehensive (Loss) Income</b>	<b>Total Equity</b>
Balance at January 1, 2014	\$320,038	\$(17,485)	\$ (6,771)	\$295,782
Net loss	—	(35,501)	—	(35,501)
Other comprehensive loss, net of tax	—	—	(8,028)	(8,028)
Balance at September 30, 2014	<u>\$320,038</u>	<u>\$(52,986)</u>	<u>\$ (14,799)</u>	<u>\$252,253</u>
Balance at January 1, 2015	\$320,038	\$(52,894)	\$ (41,563)	\$225,581
Net loss	—	(42,620)	—	(42,620)
Other comprehensive loss, net of tax	—	—	(19,364)	(19,364)
Balance at September 30, 2015	<u>\$320,038</u>	<u>\$(95,514)</u>	<u>\$ (60,927)</u>	<u>\$163,597</u>

*The accompanying notes are an integral part of these financial statements.*

**UCI Holdings Limited and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

**NOTE 1 — GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***General***

UCI Holdings Limited (“Holdings”), an entity domiciled in New Zealand, was incorporated on November 26, 2010 for the purpose of consummating the acquisition of UCI International, LLC (formerly UCI International, Inc.), (together with its subsidiaries, “UCI International”). All operations of Holdings are conducted by United Components, LLC (formerly United Components, Inc.) (“UCI”) through its subsidiaries, which is a leading designer, manufacturer and distributor of a broad range of filtration products and fuel delivery and cooling systems products. UCI manufactures and distributes vehicle parts, primarily servicing the vehicle replacement parts market in North America and Europe.

***Basis of Presentation***

The accompanying interim unaudited condensed consolidated financial statements include the accounts of Holdings and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

The accompanying interim unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States (“GAAP”) for complete financial statements.

The financial statements for the three and nine months ended September 30, 2015 and 2014 are unaudited. In the opinion of management, these financial statements include all adjustments necessary for a fair presentation of the financial position and results of operations for such periods.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the reporting period. The estimates and assumptions include estimates of the collectability of accounts receivable and the realizability of inventory, goodwill and other intangible assets. They also include estimates of cost accruals, environmental liabilities, warranty and other product returns, insurance reserves, income taxes, pensions and other post-retirement benefits and other factors. Management has exercised reasonableness in deriving these estimates; however, actual results could differ from these estimates.

These financial statements should be read in conjunction with the financial statements and notes thereto included in Holdings’ 2014 Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission on March 4, 2015.

Operating results for the three and nine months ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

***Comparatives***

On July 1, 2015, Holdings sold its vehicle electronics product line (“Wells”) to NGK Spark Plug Co., Ltd. (“NGK”). Wells has been classified as a discontinued operation as the disposal is a major part of Holdings’ operations and financial results, the disposal represents a strategic shift and qualifies for presentation as discontinued operations. Accordingly, the presentation of the interim unaudited condensed consolidated statements of comprehensive income (loss) has been revised as if Wells had been discontinued for the three and nine months ended September 30, 2014. In addition, the assets and liabilities related to Wells have been presented as discontinued assets and discontinued liabilities in the interim unaudited condensed consolidated balance sheet as of December 31, 2014. Holdings has elected to not revise the interim unaudited condensed consolidated statements of cash flows to split operating, investing and financing activities between continuing and discontinued operations, but instead provide certain required cash flow information. See Note 2 for further information.

**UCI Holdings Limited and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

During the three and nine months ended September 30, 2015, certain adjustments related to prior period financial statements were made in relation to current and deferred income tax expense. The correction of these items increased income tax expense and net loss from continuing operations by \$3.1 million for the three and nine months ended September 30, 2015. The adjustments had no impact on cash flows. The adjustments did not have a material impact on previously issued financial statements, including quarterly periods, are not material to the financial statements for the three and nine months ended September 30, 2015, and are not expected to be material to the financial statements for the year ending December 31, 2015.

Certain comparative balances in the interim unaudited condensed consolidated statement of cash flow for the nine months ended September 30, 2014 have been reclassified to conform to the current method of presentation.

***Recently Adopted Accounting Guidance***

Holdings did not adopt any new accounting guidance during the nine months ended September 30, 2015.

***Recently Issued Accounting Guidance***

In April 2015, the FASB issued an amendment to simplify the presentation of debt issuance costs. Under the new guidance, debt issuance costs will be reported on the balance sheet as a direct deduction from the face amount of the debt, instead of as a separate asset. The amendment is effective for public entities for fiscal years and interim periods within those years, beginning after December 15, 2015. At September 30, 2015 and December 31, 2014, the adoption of this guidance would have reduced both total assets and total liabilities by \$9.3 million and \$11.6 million, respectively.

In August 2015, the FASB issued an amendment to simplify the accounting for inventory. Under the new guidance, inventory is required to be measured using the lower of cost and net realizable value. The amendment is effective for public entities for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Holdings is currently evaluating the new standard, but management does not expect the adoption of this guidance to have a material impact on the financial statements of Holdings.

**NOTE 2 — DISCONTINUED OPERATION**

In August 2014, Holdings' shareholder advised that it would be undertaking a strategic review of its ownership of the business, as part of a broader strategic review of the commonly-owned automotive aftermarkets businesses (which includes businesses operated by Autoparts Holdings Limited ("Autoparts Holdings")). Holdings' shareholder has advised that the review has been completed and, other than the sale of Wells discussed below, Holdings will be retaining ownership of its remaining businesses.

On May 8, 2015, Holdings announced that it had entered into an agreement to sell Wells to NGK. The transaction closed on July 1, 2015 for proceeds of \$251.4 million, subject to certain adjustments based on closing date cash, indebtedness and working capital.

Net cash proceeds (after transaction expenses) of \$241.6 million from the sale were used to prepay term loans pursuant to the credit agreement governing the senior secured credit facilities. During the three and nine months ended September 30, 2015, Holdings recorded preliminary gains on the sale of Wells of \$18.2 million and \$10.4 million, respectively, subject to final working capital adjustments.

**UCI Holdings Limited and Subsidiaries****Notes to Condensed Consolidated Financial Statements**

The calculation of the gains on sale is as follows (in millions):

	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Proceeds from sale	\$ 251.4	\$ 251.4
Transaction costs	(0.6)	(8.4)
Preliminary working capital adjustment	(1.7)	(1.7)
Net proceeds	249.1	241.3
Net assets sold	(228.0)	(228.0)
Gain on sale before taxes	21.1	13.3
Taxes on gain	—	—
Gain on sale, net of tax	21.1	13.3
Release of OCI upon sale	(2.9)	(2.9)
Gain on sale of Wells	\$ 18.2	\$ 10.4

The gain on sale for the three months ended September 30, 2015 does not include \$7.8 million of transaction costs incurred during the six months ended June 30, 2015. Details of the net assets sold are presented in the table below under the June 30, 2015 columns.

**Assets and Liabilities Classified as Held For Sale**

Holdings classifies assets as held for sale (or disposal groups comprised of assets and liabilities) which are expected to be recovered primarily through sale rather than through continuing use. They are stated at the lower of carrying amount or fair value less costs to sell. Upon reclassification, Holdings ceases to depreciate or amortize non-current assets classified as held for sale.

**Discontinued Operations**

A discontinued operation is a component of Holdings' business that represents a separate major line of business or geographical area of operation that has been disposed of or is held for sale and a strategic shift that will have a major effect on Holdings' operations and financial results. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income (loss) is revised as if the operation had been discontinued from the start of the comparative period.

Upon completion of this review, Holdings determined that the sale of Wells meets the criteria for assets and liabilities held for sale and discontinued operations presentation. Accordingly, the presentation of the interim unaudited condensed consolidated statements of comprehensive income (loss) has been revised as if Wells had been discontinued for the three and nine months ended September 30, 2014. In addition, the assets and liabilities related to Wells have been presented as discontinued assets and liabilities in the interim unaudited condensed consolidated balance sheet as of December 31, 2014. Presented in the tables below are details of assets and liabilities and income (loss) related to the Wells' discontinued business, along with certain information for the interim unaudited condensed consolidated statements of cash flows.

As part of the discontinued operations presentation, certain assumptions were made around the allocation of goodwill, other intangible assets and interest expense, net as discussed below. In addition, income tax benefit (expense) was allocated to Wells using a stand-alone Wells basis.

- Goodwill – allocated based upon the proceeds from the Wells sale as a percentage of the overall estimated Holdings' enterprise fair value;
- Other Intangible Assets – certain intangibles that are valued on an entity-wide basis, in which Wells retains some value, were allocated based upon the proceeds from the Wells sale as a percentage of the overall estimated Holdings' enterprise fair value; and
- Interest Expense, net – Senior Secured Term Loan interest expense and associated debt issuance cost amortization were

allocated to discontinued operations based upon the amount of the Senior Secured Term Loan that was required to be prepaid with proceeds from the sale.

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# **UCI Holdings Limited and Subsidiaries**

## **Notes to Condensed Consolidated Financial Statements**

Assets and liabilities from discontinued operations were as follows (in millions):

	June 30, 2015	December 31, 2014		June 30, 2015	December 31, 2014
<b>Assets</b>			<b>Liabilities</b>		
Current			Current		
Cash and cash equivalents	\$ 3.0	\$ 3.0	Accounts payable	\$ 20.0	\$ 31.7
Accounts receivable, net	60.1	75.7	Current maturities of long-term debt	0.1	0.1
Inventories	45.5	50.4	Product returns liability	1.5	1.9
Deferred tax assets	2.0	3.9	Accrued expenses and other current liabilities	10.3	10.9
Other current assets	1.2	0.6	Total current liabilities	31.9	44.6
Total current assets	111.8	133.6			
Long-term			Long-term		
Property, plant and equipment, net	33.7	30.4	Long-term debt, less current maturities	0.2	0.2
Goodwill	89.0	89.0	Pension and other post-retirement liabilities	7.5	7.4
Other intangible assets, net	54.5	56.7	Deferred tax liabilities	21.5	22.6
Other longer term assets	0.1	—	Total long-term liabilities	29.2	30.2
Total long-term assets	177.3	176.1	Total liabilities	\$ 61.1	\$ 74.8
Total assets	\$289.1	\$ 309.7			

Accrued expenses and other current liabilities include rebates, credits and discounts due to customers and employee compensation and benefits liabilities.

Income from discontinued operations was as follows (in millions):

	Three Months Ended September 30, 2015	2014	Nine Months Ended September 30, 2015	2014
Net sales	\$ —	\$51.2	\$86.1	\$155.7
Cost of sales	—	43.0	77.1	125.9
Gross profit	—	8.2	9.0	29.8
Operating expenses				
Selling, general and administrative	—	(2.3)	(5.9)	(8.3)
Amortization of acquired intangible assets	—	(1.5)	(2.0)	(4.4)
Operating income	—	4.4	1.1	17.1
Other expense				
Interest expense, net	—	(3.6)	(7.8)	(10.7)
Gain on sale	18.2	—	10.4	—
Miscellaneous, net	—	(0.6)	(1.1)	(1.8)
Income from discontinued operations before income taxes	18.2	0.2	2.6	4.6
Income tax expense	—	(0.2)	—	(1.9)
Income from discontinued operations	\$18.2	\$ (0.0)	\$ 2.6	\$ 2.7

## UCI Holdings Limited and Subsidiaries

### Notes to Condensed Consolidated Financial Statements

Holdings elected to not revise its condensed consolidated statements of cash flows for discontinued operations. The table below provides selected cash flow items to assist in understanding the impact of the discontinued operations on Holdings' cash flows (in millions).

	Nine Months Ended September 30,	
	2015	2014
Depreciation and amortization	\$3.8	\$ 8.0
Amortization of deferred financing costs and debt issuance costs	1.2	0.7
Capital expenditures	4.8	4.3

#### Other Matters

As part of the sale, Holdings has provided certain warranties and indemnities to NGK as set out in the sale agreement. These warranties and indemnities are subject to various terms and conditions affecting the duration and total amount of the indemnities. As of September 30, 2015, Holdings is not aware of any material claims under the agreement that would give rise to a liability for which a provision would be needed. However, if such claims arise in the future, they could have a material effect on Holdings' financial position, results of operations and cash flows.

#### NOTE 3 — RESTRUCTURING COSTS, NET

During the three and nine months ended September 30, 2015 and 2014, Holdings incurred costs related to various cost reduction activities which are reported in the interim unaudited condensed consolidated statements of comprehensive income (loss) in restructuring costs, net. The components of restructuring costs, net are as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Manufacturing and distribution footprint optimization	\$ 0.8	\$ 5.6	\$ 5.4	\$10.8
Severance and other termination benefits	1.1	—	2.9	3.3
Impairment of property, plant and equipment	0.4	0.3	0.7	0.3
Gain on sale of equipment	—	(0.1)	—	(0.2)
	<u>\$ 2.3</u>	<u>\$ 5.8</u>	<u>\$ 9.0</u>	<u>\$14.2</u>

In May 2015, Holdings announced a plan to relocate the remainder of the U.S. manufacturing operations of its fuel delivery systems product line, along with associated equipment, to one of its existing Mexican subsidiaries. In addition, certain volume will be transferred to its existing fuel delivery systems operations in China. The plan will impact approximately 240 employees and is expected to be completed by June 30, 2016. Employees will be eligible for termination benefits including severance and medical insurance coverage. The total cost of the plan is estimated to be \$7.5 million including \$4.1 million for equipment relocation and reinstallation costs, training, project management and other execution costs, \$2.8 million for termination benefit costs and \$0.6 million in employee retention costs. During the three months ended September 30, 2015, Holdings accrued \$1.0 million in termination benefit costs, incurred \$0.2 million in employee retention costs and incurred \$0.1 million of equipment relocation and plan execution costs. During the nine months ended September 30, 2015, Holdings accrued \$1.5 million in termination benefit costs, incurred \$0.4 million in employee retention costs and incurred \$0.2 million of equipment relocation and plan execution costs.

During the three and nine months ended September 30, 2015 and 2014, Holdings incurred costs associated with a manufacturing and distribution footprint optimization plan in our filtration product line, which began in December 2013, that resulted in the closure of one of its U.S. filtration facilities and the transfer of the manufacturing capacity, along with associated equipment, to one of Holdings' existing U.S. facilities and one facility operated by Autoparts Holdings. During the three months ended September 30, 2015, Holdings incurred integration and execution costs of \$0.5 million and additional equipment impairment



charges of \$0.4 million. During the nine months ended September 30, 2015, Holdings incurred integration and execution costs of \$4.8 million and additional equipment impairment charges

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## UCI Holdings Limited and Subsidiaries

### Notes to Condensed Consolidated Financial Statements

of \$0.7 million. During the three and nine months ended September 30, 2014, Holdings incurred \$5.3 million and \$8.0 million, respectively, of equipment relocation and facility closing costs, recorded a \$0.3 million additional impairment loss to write down equipment to estimated net realizable value and recorded a \$0.1 million gain on the sale of equipment. During the nine months ended September 30, 2014, Holdings recorded \$1.8 million of termination benefits.

During the three and nine months ended September 30, 2015, Holdings recorded employee severance costs of \$0.1 million and \$1.4 million, respectively, associated with headcount reductions.

During the nine months ended September 30, 2014, Holdings recorded: (i) severance of \$0.7 million related to involuntary terminations of employees as part of cost reduction actions and business realignment, (ii) manufacturing footprint optimization costs of \$0.5 million related to its filtration product line, (iii) residual closing costs of \$0.1 million related to the closure of a Chinese facility in 2013 and (iv) a gain on sale of equipment of \$0.1 million associated with its now closed Mexican foundry operations.

During the three and nine months ended September 30, 2014, as part of a manufacturing footprint optimization plan for its fuel delivery systems product line, Holdings incurred \$0.1 million and \$0.3 million, respectively, of costs associated with asset relocation and installation, \$0.1 million and \$0.7 million, respectively, of plan execution costs, and \$0.1 million in each period for employee retention costs, and during the nine months ended September 30, 2014, incurred \$1.1 million of professional costs and \$0.8 million of severance.

The following table summarizes the activity in accrued restructuring reserves during the nine months ended September 30, 2015 and 2014 (in millions):

	Severance Costs	Asset Impairments	Other	Total
Balance at December 31, 2014	\$ 0.2	\$ —	\$ —	\$ 0.2
Charges	2.9	0.7	5.4	9.0
Allocation to Autoparts Holdings	1.3	—	—	1.3
Usage	(0.8)	(0.7)	(5.4)	(6.9)
Balance at September 30, 2015	<u>\$ 3.6</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3.6</u>
Balance at December 31, 2013	\$ 1.4	\$ —	\$ —	\$ 1.4
Charges	3.3	0.3	10.6	14.2
Usage	(4.2)	(0.3)	(10.6)	(15.1)
Balance at September 30, 2014	<u>\$ 0.5</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0.5</u>

At September 30, 2015, the severance and other accruals of \$2.8 million and \$0.8 million are included in the interim unaudited condensed consolidated balance sheet in accrued expenses and other current liabilities and other long-term liabilities, respectively. At September 30, 2014, the severance accrual is included in the interim unaudited condensed consolidated balance sheet in accrued expenses and other current liabilities. While Holdings retains the obligation, a portion of severance expense accrued during the nine months ended September 30, 2015 was allocated to Autoparts Holdings under the terms of the JSA (as defined in Note 12) and is included in the related party receivables in the interim unaudited condensed consolidated balance sheet.

#### NOTE 4 — SALES OF RECEIVABLES

Holdings has factoring agreements arranged by seven customers with eight banks. Under these agreements, Holdings has the ability to sell undivided interests in certain of its receivables to the banks which in turn have the right to sell an undivided interest to a financial institution or other third party. Holdings enters into these relationships at its discretion as part of its overall customer agreements and cash management activities. Pursuant to these agreements, \$54.5 million and \$63.7 million of receivables were sold during the three months ended September 30, 2015 and 2014, respectively, and \$171.5 million and \$186.3 million of receivables were sold during the nine months ended September 30, 2015 and 2014, respectively.

# UCI Holdings Limited and Subsidiaries

## Notes to Condensed Consolidated Financial Statements

Holdings retained no rights or interests in the receivables, and has no obligations with respect to the sold receivables. Holdings does not service the receivables after the sales.

The sales of receivables were accounted for as a sale and were removed from the balance sheet at the time of the sales. The costs of the sales were discounts deducted by the factoring companies and accounted for as a loss on sale. These costs were \$1.0 million for each of the three months ended September 30, 2015 and 2014, and \$3.0 million and \$2.8 million for the nine months ended September 30, 2015 and 2014, respectively. These costs are recorded in the interim unaudited condensed consolidated statements of comprehensive income (loss) in miscellaneous, net.

### NOTE 5 — INVENTORIES

The components of inventories were as follows (in millions):

	September 30, 2015	December 31, 2014
Raw materials	\$ 69.1	\$ 69.0
Work in process	30.2	33.0
Finished products	81.3	78.5
	<u>\$ 180.6</u>	<u>\$ 180.5</u>

### NOTE 6 — GOODWILL AND OTHER INTANGIBLE ASSETS

Holdings reviews the carrying amount of goodwill for impairment annually as of December 31 or whenever events or conditions indicate that the net carrying amount may not be recoverable from estimated undiscounted future cash flows. Based upon the sale of Wells, which was considered to be a triggering event, Holdings conducted a fair value assessment of its goodwill as of June 30, 2015. The results of the impairment test as of June 30, 2015 determined that the fair value of Holdings exceeded the carrying value of its net assets, therefore no impairment of goodwill was recorded.

If the reported reduction in the financial performance of Holdings continues, the excess of the recoverable amount over the carrying value of goodwill and other intangible assets will be reduced. Such a reduction may increase the risk of a future impairment expense in relation to goodwill and other intangible assets. A number of initiatives have been identified and are in the process of being implemented to improve the financial performance of Holdings.

The components of other intangible assets were as follows (in millions):

	Amortizable Life	Weighted Average Remaining Life	September 30, 2015				December 31, 2014
			Gross	Accumulated Amortization	Effect of Foreign Currency	Net	Net
Acquired intangibles assets							
Customer relationships	10 - 15 years	9 years	\$207.0	\$ (75.0)	\$ (2.0)	\$130.0	\$ 142.7
Trademarks	5 years	—	0.6	(0.6)	—	—	0.1
Trademarks	Indefinite	Indefinite	109.1	—	—	109.1	109.1
Integrated software system	5 years	Less than 1 year	7.7	(7.0)	—	0.7	1.8
			<u>\$324.4</u>	<u>\$ (82.6)</u>	<u>\$ (2.0)</u>	<u>\$239.8</u>	<u>\$ 253.7</u>

During the nine months ended September 30, 2014, Holdings recorded a trademark impairment loss of \$38.0 million related to the indefinite-lived trademark intangible asset of its fuel delivery systems product line. A decision by a customer to change suppliers and a change by another customer from branded to private label products triggered the need to test the carrying value of this indefinite-lived intangible asset. A discounted cash flow calculation was performed reflecting the revised forecasted net sales information. This identified that the estimated recoverable amount was less than the carrying value. The impairment is recorded in the interim unaudited condensed consolidated statements of comprehensive income (loss) in trademark impairment loss.



## UCI Holdings Limited and Subsidiaries

### Notes to Condensed Consolidated Financial Statements

The aggregate intangible amortization expense recorded in the interim unaudited condensed consolidated statements of comprehensive income (loss) was \$4.4 million and \$13.3 million for the three and nine months ended September 30, 2015, respectively, and \$4.5 million and \$13.4 million for the three and nine months ended September 30, 2014, respectively.

The estimated amortization expense related to acquired intangible assets and the integrated software system for each of the succeeding five years is as follows (in millions):

	Acquired Intangible Assets	Integrated Software System
Remainder of 2015	\$ 4.0	\$ 0.4
2016	16.1	0.3
2017	16.1	—
2018	16.1	—
2019	16.1	—

#### NOTE 7 — ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following (in millions):

	September 30, 2015	December 31, 2014
Taxes payable	\$ 17.0	\$ 6.2
Rebates, credits and discounts due to customers	10.5	8.2
Insurance	6.8	6.3
Bonuses	6.0	4.5
Salaries and wages	4.2	2.2
Restructuring reserves	2.8	0.2
Vacation pay	2.6	2.9
Employee benefit plans	2.4	2.6
Costs associated with the sale of Wells	2.1	—
Professional fees	1.3	0.7
Other	5.4	6.2
	<u>\$ 61.1</u>	<u>40.0</u>

#### NOTE 8 — PRODUCT RETURNS LIABILITY

The product return liability is comprised of estimated accruals for products to be returned under warranty and for products to be returned because of customer excess quantities. Holdings provides warranties for its products' performance. Warranty periods vary by product. In addition to returns under warranty, Holdings allows its customers to return quantities of products that the customer determines to be in excess of its current needs. Customer rights to return excess quantities vary by customer and by product category. Generally, these returns are contractually limited to 3% to 5% of the customer's purchases in the preceding year. While Holdings does not have a contractual obligation to accept excess quantity returns from all customers, common practice for Holdings and the industry is to accept periodic returns of excess quantities from ongoing customers. If a customer elects to cease purchasing from Holdings and change to another vendor, it is industry practice for the new vendor, and not Holdings, to accept any inventory returns resulting from the vendor change and any subsequent inventory returns. Conversely, Holdings assumes responsibility for product returns related to a prior vendor when Holdings obtains a new customer. During the nine months ended September 30, 2015, Holdings released \$6.0 million, net of product returns reserves primarily due to the loss of a customer, increasing third party and total net sales in the interim unaudited condensed consolidated statements of comprehensive income (loss).

## UCI Holdings Limited and Subsidiaries

### Notes to Condensed Consolidated Financial Statements

Changes in Holdings' product returns accrual were as follows (in millions):

	Nine Months Ended September 30,	
	2015	2014
Beginning of period	\$ 35.7	\$ 36.7
Expenditures	(23.2)	(26.5)
Provisions, net	14.7	26.8
End of period	<u>\$ 27.2</u>	<u>\$ 37.0</u>

#### NOTE 9 — DEBT

Debt is summarized as follows (in millions):

	September 30, 2015	December 31, 2014
ABL Credit Facility	\$ 77.0	\$ —
Senior Secured Revolving Credit Facility	—	20.0
Senior Secured Term Loan Facility	—	288.0
Senior Notes	400.0	400.0
Capital lease obligations	0.1	0.2
Unamortized original issue discount	—	(0.3)
	<u>477.1</u>	<u>707.9</u>
Less:		
Current maturities	—	23.1
Long-term debt	<u>\$ 477.1</u>	<u>\$ 684.8</u>

#### *ABL Credit Facility*

On September 30, 2015, Holdings, UCI International, LLC, the subsidiary borrowers, the guarantors party thereto and Credit Suisse AG, Cayman Islands Branch entered into the ABL Credit Facility (the “ABL Credit Facility”). The ABL Credit Facility provides a senior secured asset-based revolving loan and letters of credit of up to a maximum aggregate principal amount of \$125.0 million outstanding at any time, subject to availability under a borrowing base. Extensions of credit under the ABL Credit Facility will be limited by a borrowing base calculated periodically based on specified percentages of the value of eligible inventory and eligible accounts receivable, subject to certain reserves and other adjustments. At September 30, 2015, the total availability under the ABL Credit Facility was \$110.1 million, outstanding borrowings under the ABL Credit Facility were \$77.0 million and letters of credit issued under the ABL Credit Facility totaled \$5.8 million, which reduced the availability under the ABL Credit Facility. On October 30, 2015, Holdings repaid \$12.0 million of borrowings under the ABL Credit Facility.

At the option of the borrowers, the interest rates applicable to borrowings under the ABL Credit Facility are based on a fluctuating rate of interest measured by reference to either an adjusted LIBOR (adjusted for statutory reserve requirements) or an alternate base rate, in each case plus an applicable margin. The applicable margin for each elected interest rate is subject to a pricing grid, as set forth in the ABL Credit Facility, based on average excess availability for the previous fiscal quarter. As of September 30, 2015, the applicable interest rate was 1.9436%.

The ABL Credit Facility matures on September 30, 2020, provided that the maturity date will be advanced to November 15, 2018 if the Senior Notes are not repaid or refinanced with certain qualified indebtedness prior to such date.

## UCI Holdings Limited and Subsidiaries

### Notes to Condensed Consolidated Financial Statements

The ABL Credit Facility may be voluntarily prepaid at any time without premium or penalty and will be subject to mandatory prepayment if the amount outstanding under the ABL Credit Facility exceeds either the aggregate commitments with respect thereto or the current borrowing base, in an amount equal to such excess. Mandatory prepayments do not result in a permanent reduction of the lenders' commitments under the ABL Credit Facility.

Holdings and certain of its wholly-owned U.S. subsidiaries have entered into a guarantee and collateral agreement. All obligations under the ABL Credit Facility are guaranteed by Holdings and certain of its direct and indirect subsidiaries, subject to certain legal and tax limitations and other agreed exceptions. All obligations under the ABL Credit Facility are secured by substantially all the assets of Holdings, UCI International, LLC, the subsidiary borrowers and the other guarantors under the ABL Credit Facility, subject to certain agreed limitations.

The ABL Credit Facility contains a number of covenants that, among other things, limit or restrict the ability of Holdings and its subsidiaries to incur indebtedness, permit liens on their property or assets securing indebtedness, merge or consolidate, dispose of assets, pay dividends, make acquisitions and other investments, prepay or modify certain indebtedness, and engage in transactions with affiliates, in each case subject to customary exceptions. The ABL Credit Facility also contains certain affirmative covenants including financial and other reporting requirements.

The ABL Credit Facility does not include any financial maintenance covenants, other than a springing minimum fixed charge coverage ratio of at least 1.00 to 1.00 on a trailing four-quarter basis, which will be tested only upon the occurrence of specified events of default or when excess availability falls below a specified threshold, as set forth in the ABL Credit Facility, and continuing until such time as such specified default no longer exists or excess availability has been in excess of such threshold for a period of 20 consecutive calendar days.

As of September 30, 2015, Holdings and its subsidiaries were in compliance with all applicable covenants.

#### ***Senior Secured Credit Facilities***

On January 26, 2011, Holdings, as a guarantor, and UCI International, LLC, as borrower, entered into a \$375.0 million senior secured credit facilities agreement (the "Senior Secured Credit Facilities") comprised of a \$300.0 million senior secured term loan facility due July 26, 2017 (the "Senior Secured Term Loan Facility") and a \$75.0 million senior secured revolving credit facility due January 26, 2016 (the "Senior Secured Revolving Credit Facility"). Prior to repayment on September 30, 2015, outstanding borrowings under the Senior Secured Revolving Credit Facility and the Senior Secured Term Loan Facility were \$30.0 million and \$45.0 million, respectively. At December 31, 2014, outstanding borrowings under the Senior Secured Revolving Credit Facility were \$20.0 million and letters of credit issued under the Senior Secured Revolving Credit Facility totaled \$6.5 million. The Senior Secured Credit Facilities were repaid in full on September 30, 2015.

On May 5, 2015, Holdings amended its Senior Secured Credit Facilities. Under the amendment, the asset sale covenant was amended to permit asset sales so long as, after giving pro forma effect to such asset sale, the senior secured leverage ratio of Holdings and its subsidiaries does not exceed 0.75 to 1.00. The amendment further required that any net cash proceeds from such asset sales be used to prepay term loans and other pari passu debt and may not be reinvested by Holdings and its subsidiaries. In addition, the amendment permitted Holdings to add and release wholly-owned subsidiaries as additional borrowers of the term loans. All other material terms of the Senior Secured Credit Facilities remained the same, except for certain technical amendments, including amendments to the prepayment notice related to required prepayments with asset sale or debt proceeds.

#### ***Senior Notes***

On January 26, 2011, UCI International, LLC issued \$400.0 million aggregate principal amount of 8.625% Senior Notes due 2019 (the "Senior Notes"). The Senior Notes are guaranteed on a senior basis by Holdings and certain of its subsidiaries. The Senior Notes bear interest at a rate of 8.625% per annum, and interest is payable semi-annually on February 15 and August 15. As of September 30, 2015 and December 31, 2014, Holdings and its subsidiaries were in compliance with all applicable covenants.

# UCI Holdings Limited and Subsidiaries

## Notes to Condensed Consolidated Financial Statements

### *Loss on Early Extinguishment of Debt*

Holdings recorded a loss of \$1.8 million on the early extinguishment of the Senior Secured Credit Facilities. The components of the loss on early extinguishment were as follows (in millions):

Write-off Senior Secured Term Loan Facility unamortized deferred financing costs	\$1.6
Write-off Senior Secured Revolving Credit Facility unamortized deferred financing costs	0.1
Write-off unamortized original issue discount	0.1
	<u>\$1.8</u>

### *Future repayments*

Below is a schedule of required future repayments of all debt outstanding on September 30, 2015 (in millions).

Remainder of 2015	\$ —
2016	0.1
2017	—
2018	—
2019	400.0
2020	77.0
	<u>\$477.1</u>

### *Interest expense (income), net*

The following table provides the detail of net interest expense (income) for the respective periods (in millions). No interest was capitalized during the nine months ended September 30, 2015. Capitalized interest was \$0.1 million for the nine months ended September 30, 2014.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Interest expense				
Senior Secured Revolving Credit Facility	\$ 0.5	\$ 0.1	\$ 1.2	\$ 0.1
Senior Secured Term Loan Facility	0.5	0.7	1.9	2.1
Senior Notes	8.7	8.7	25.9	25.9
Other	0.2	0.2	0.7	0.8
Amortization				
Debt issue costs				
Senior Secured Term Loan Facility	0.2	—	0.5	0.2
Senior Notes	0.4	0.5	1.2	1.1
Senior Secured Revolving Credit Facility	0.1	0.1	0.3	0.3
Original issue discounts	0.1	—	0.2	0.2
Unrealized foreign exchange gains	(7.0)	(11.8)	(21.5)	(5.4)
Total interest expense	3.7	(1.5)	10.4	25.3
Interest income	—	—	—	(0.1)
Interest expense (income), net	<u>\$ 3.7</u>	<u>\$ (1.5)</u>	<u>\$ 10.4</u>	<u>\$ 25.2</u>

Holdings has a \$102.1 million, U.S. dollar denominated, intercompany loan with one of its U.S. subsidiaries. The non-cash unrealized foreign exchange gains arose from a strengthening of the U.S. dollar against the New Zealand dollar in 2015 and 2014. The intercompany loan is eliminated upon consolidation, but in accordance with GAAP the impact of currency exchange rate fluctuations is recorded in interest expense, net in the interim unaudited condensed consolidated statements of comprehensive income (loss).





## UCI Holdings Limited and Subsidiaries

### Notes to Condensed Consolidated Financial Statements

#### NOTE 10 — EMPLOYEE BENEFIT PLANS

##### *Defined Benefit Pension Plans*

The following are the components of net periodic pension expense (income) (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Service cost	\$ 0.2	\$ 0.1	\$ 0.5	\$ 0.4
Interest cost	3.1	3.0	9.2	8.9
Expected return on plan assets	(3.1)	(3.5)	(9.3)	(10.3)
Amortization of prior service costs and unrecognized loss	0.5	—	1.5	—
	<u>\$ 0.7</u>	<u>\$ (0.4)</u>	<u>\$ 1.9</u>	<u>\$ (1.0)</u>

##### *Other Post-retirement Benefits*

The following are the components of net periodic other post-retirement expense (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Service cost	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.3
Interest cost	0.2	0.1	0.5	0.4
Amortization of prior service costs and unrecognized loss	0.1	—	0.3	0.1
	<u>\$ 0.4</u>	<u>\$ 0.2</u>	<u>\$ 1.0</u>	<u>\$ 0.8</u>

#### NOTE 11 — CONTINGENCIES

##### *Insurance Reserves*

Holdings purchases insurance policies for workers' compensation, automobile and product and general liability. These policies include high deductibles for which Holdings is responsible. These deductibles are estimated and recorded as expenses in the period incurred. Estimates of these expenses are updated each quarter and are adjusted accordingly. These estimates are subject to substantial uncertainty because of several factors that are difficult to predict, including actual claims experience, regulatory changes, litigation trends and changes in inflation. Estimated unpaid losses for which Holdings is responsible are included in the interim unaudited condensed consolidated balance sheets in accrued expenses and other current liabilities. Holdings' self-insured insurance reserves, including group medical insurance reserves, were \$5.7 million and \$6.3 million as of September 30, 2015 and December 31, 2014, respectively.

##### *Environmental*

Holdings is subject to a variety of federal, state, local and foreign environmental, health and safety laws and regulations, including those governing the discharge of pollutants into the air or water, the management and disposal of hazardous substances or wastes, and the cleanup of contaminated sites. UCI International or its predecessors have been identified as a potentially responsible party, or is otherwise currently responsible, for contamination at three sites. Because all the investigation and analysis has not yet been completed and due to inherent uncertainty in such environmental matters, it is possible that the ultimate outcome of these matters could have a material adverse effect on the results of operations for a single quarter.

As of September 30, 2015, environmental liability accruals of \$0.4 million and \$0.7 million are recorded in accrued expenses and other current liabilities and other long-term liabilities, respectively, in the interim unaudited condensed consolidated balance sheets. At December 31, 2014, environmental liability accruals of \$0.4 million and \$0.6 million are recorded in accrued expenses and other current liabilities and other long-term liabilities, respectively, in the audited condensed consolidated balance sheets.



**UCI Holdings Limited and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

***Product Recall***

In January 2014, Holdings was notified by one of its customers that the customer was recalling certain defective parts manufactured by one of Holdings' U.S. subsidiaries. On October 30, 2014, Holdings reached an agreement with the customer for settlement and full release of claims associated with this recall. The settlement amount of \$0.6 million was paid on January 30, 2015.

***Other Litigation***

Holdings is subject to various other contingencies, including routine legal proceedings and claims arising out of the normal course of business. These proceedings primarily involve commercial claims, product liability claims, personal injury claims and workers' compensation claims. The outcome of these lawsuits, legal proceedings and claims cannot be predicted with certainty. Nevertheless, Holdings believes that the outcome of any of these currently existing proceedings, even if determined adversely, would not have a material adverse effect on its financial condition or results of operations.

**NOTE 12 — RELATED PARTY TRANSACTIONS**

Holdings has entered into agreements of indemnification for the benefit of the directors and officers of certain subsidiaries of Holdings, including UCI International, LLC and the guarantors of the Senior Notes and the ABL Credit Facility.

The immediate parent of Holdings is UCI Holdings (No.1) Limited and the ultimate controlling entity is UCI Holdings (No.2) Limited. The ultimate sole shareholder of Holdings is Mr. Graeme Hart.

In addition to the related party transactions discussed below, from time to time, Holdings enters into other transactions with affiliates which are not material to Holdings or its affiliates.

During the three and nine months ended September 30, 2015 and 2014, Holdings undertook a number of transactions with the following related party entities under the common ultimate control of Mr. Graeme Hart:

- Autoparts Holdings
- Rank Group Limited ("Rank Group")
- UCI Holdings (No.2) Limited

## UCI Holdings Limited and Subsidiaries

### Notes to Condensed Consolidated Financial Statements

In millions	Transaction values				Balance outstanding as of	
	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014	September 30, 2015	December 31, 2014
<b>Related Party Receivables</b>						
Autoparts Holdings						
Recharges (credit) of services (a)	\$ (1.2)	\$ (1.7)	\$ 1.1	\$ (4.3)	\$ (0.3)	\$ (3.9)
Joint services agreement	2.5	2.6	7.7	7.6	2.6	1.3
Sale of goods	12.5	11.7	41.5	39.9	23.3	23.6
Asset sales	—	0.3	—	0.6	—	0.4
Purchase of goods	(5.5)	(1.3)	(18.0)	(3.1)	(17.2)	(3.9)
State income taxes	—	—	—	—	—	(0.3)
					8.4	17.2
<b>Related Party Payables</b>						
Autoparts Holdings						
Purchase of goods	0.3	0.4	0.5	0.6	0.7	0.7
Rank Group						
Recharges of professional services	0.2	0.8	2.5	0.8	4.3	1.7
UCI Holdings (No.2) Limited						
Transfer of income tax losses (b)	—	—	0.5	—	0.5	—
					5.5	2.4
<b>Long-Term Related Party Payables</b>						
Autoparts Holdings						
Deferred income taxes	—	—	—	—	0.1	0.1

Unless otherwise disclosed below, the nature and terms of all related party transactions and repayment terms are the same as those disclosed in Holdings' annual financial statements for the year ended December 31, 2014.

- (a) During the three months ended September 30, 2015 and 2014, Holdings received total credits of \$1.2 million and \$1.7 million, respectively, and during the nine months ended September 30, 2015 and 2014, Holdings incurred recharges of \$1.1 million and received credits of \$4.3 million, respectively, related to the implementation of the cost sharing and manufacturing arrangements with FRAM Group, business optimization costs (mainly professional fees for various cost saving projects) and to accelerate the manufacture of parts for new model cars previously sourced from external vendors. The amounts in the table are for FRAM Group's share of these credits and costs.
- (b) During the nine months ended September 30, 2015, Holdings received income tax losses in New Zealand from UCI Holdings (No.2) Limited. The balance is payable on normal trade terms.

# UCI Holdings Limited and Subsidiaries

## Notes to Condensed Consolidated Financial Statements

### NOTE 13 — GEOGRAPHIC INFORMATION

Net sales by region were as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
United States	\$144.4	\$154.0	\$456.3	\$457.7
Mexico	11.0	9.6	36.1	30.4
Canada	10.7	10.6	31.4	31.3
France	3.4	3.5	11.2	11.0
Germany	3.9	4.2	10.8	11.3
China	3.2	2.8	9.0	8.2
Spain	1.3	1.8	4.4	5.5
United Kingdom	1.4	2.6	3.7	8.8
Other	9.7	10.9	28.9	34.4
	<u>\$189.0</u>	<u>\$200.0</u>	<u>\$591.8</u>	<u>\$598.6</u>

Net long-lived assets by country, excluding long-lived assets of discontinued operations, were as follows (in millions):

	September 30, 2015	December 31, 2014
United States	\$ 522.9	\$ 551.3
China	48.7	50.5
Spain	15.8	17.2
Mexico	4.0	4.3
Other	0.8	0.9
	<u>\$ 592.2</u>	<u>\$ 624.2</u>

### NOTE 14 — FAIR VALUE ACCOUNTING

The accounting guidance on fair value measurements uses the term “inputs” to broadly refer to the assumptions used in estimating fair values. It distinguishes between (i) assumptions based on market data obtained from independent third party sources (“observable inputs”) and (ii) Holdings’ assumptions based on the best information available (“unobservable inputs”). The accounting guidance requires that fair value valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy consists of the three broad levels listed below. The highest priority is given to Level 1, and the lowest is given to Level 3.

Level 1 — Quoted market prices in active markets for identical assets or liabilities

Level 2 — Inputs other than Level 1 inputs that are either directly or indirectly observable

Level 3 — Unobservable inputs developed using Holdings’ estimates and assumptions, which reflect those that market participants would use when valuing an asset or liability

The determination of where an asset or liability falls in the hierarchy requires significant judgment.

#### *Assets measured at fair value on a non-recurring basis*

During the three and nine months ended September 30, 2015, as part of the manufacturing and distribution footprint optimization restructuring discussed in Note 3, certain assets were adjusted to their fair values. During the nine months ended September 30, 2014, Holdings recorded an impairment loss related to the indefinite-lived intangible asset of its fuel delivery systems product line. See Note 6 for a more detailed discussion.



**UCI Holdings Limited and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

***Commodity price risk management***

Exposure to market risk for commodity prices can result in changes in the cost of production. When possible, this risk is mitigated through the use of long-term, fixed-price contracts with suppliers. On January 13, 2014, Holdings entered into a commodity-based derivative financial instrument to acquire 168,310 gallons of diesel fuel ratably during the period February 1, 2014 through January 31, 2015. In addition, on March 19, 2014, April 2, 2014 and July 17, 2014, Holdings entered into commodity-based derivative financial instruments to acquire a total of 168,360 gallons of diesel fuel ratably during the period January 1, 2015 through December 31, 2015. Holdings entered into the contracts to commercially hedge the cost of diesel fuel and did not enter into the contracts for speculative purposes. Holdings elected not to document and account for the contracts as effective hedges for accounting purposes, but rather as financial instruments. The cost of entering into the contracts was nil. Changes in the market values of the fuel hedge contracts are recognized as a component of cost of sales in the interim unaudited condensed consolidated statements of comprehensive income (loss). During both the three and nine months ended September 30, 2015, the unrealized gains on these contracts were less than \$0.1 million. During both the three and nine months ended September 30, 2014, the unrealized losses on these contracts were \$0.1 million.

***Fair value of financial instruments***

*Cash and cash equivalents* — The carrying amount of cash equivalents approximates fair value because the original maturity was less than 90 days.

*Trade accounts receivable* — The carrying amount of trade receivables approximates fair value because of their short outstanding terms.

*Trade accounts payable* — The carrying amount of trade payables approximates fair value because of their short outstanding terms.

*Short-term borrowings* — The carrying amount of these borrowings equals fair value because their interest rates reflect current market rates.

*Long-term debt* — The fair value of the Senior Notes was \$237.0 million and \$377.1 million at September 30, 2015 and December 31, 2014, respectively. The estimated fair value of these notes was based on recent trades, as reported by a third party bond pricing service. Due to the infrequency of trades of these notes, these inputs are considered to be Level 2 inputs.

The fair value of the ABL Credit Facility was \$77.0 million at September 30, 2015. The estimated fair value of borrowings under the ABL Credit Facility is the carrying value since the facility was entered into on September 30, 2015.

The fair value of the Senior Secured Term Loan Facility was \$285.8 million at December 31, 2014. The estimated fair value of borrowings under the Senior Secured Term Loan Facility was based on the bid/ask prices, as reported by a third party bond pricing service. Due to the infrequency of trades, this input is considered to be a Level 2 input.

The estimated fair values of the fuel contracts were \$0.1 million at September 30, 2015 and \$0.2 million at December 31, 2014. The estimated fair values of the fuel contracts were based on information provided by an independent third party who participates in the trading market for financial instruments similar to the fuel contracts. Due to the infrequency of trades of similar financial instruments, this input is considered to be Level 2 input.



## UCI Holdings Limited and Subsidiaries

### Notes to Condensed Consolidated Financial Statements

#### NOTE 15 — ACCUMULATED OTHER COMPREHENSIVE LOSS

The table below presents the changes in accumulated other comprehensive income (loss) by component for the following periods:

	Nine Months Ended September 30,	
	2015	2014
<i>Foreign currency translation</i>		
Beginning of period	\$ (11.2)	\$ (1.5)
Net loss on foreign currency translation	(23.5)	(8.1)
End of period	(34.7)	(9.6)
<i>Pension and other post-retirement benefits</i>		
Beginning of period	(30.4)	(5.3)
Amortization of unrecognized loss included in net loss, net of tax (a)	1.2	0.1
OCI associated with the sale of Wells	3.0	—
End of period	(26.2)	(5.2)
Total accumulated other comprehensive loss	\$ (60.9)	\$ (14.8)

- (a) These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension expense and net periodic post-retirement expense (see Note 10 for additional details).

#### NOTE 16 — OTHER INFORMATION

##### *Cash payments*

Cash payments for interest and income taxes (net of refunds) were as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Interest	\$20.1	\$21.7	\$45.0	\$47.7
Income taxes (net of refunds)	\$ (1.5)	\$ 2.6	\$ 1.7	\$ 4.3

##### *Non-U.S. cash*

Holdings has its bank accounts with a relatively small number of high quality financial institutions. Substantially all of the cash and cash equivalents, including cash balances at non-U.S. subsidiaries, at September 30, 2015 and December 31, 2014, were uninsured. Holdings' non-U.S. subsidiaries had cash balances of \$9.9 million and \$9.5 million at September 30, 2015 and December 31, 2014, respectively. During the nine months ended September 30, 2015 and 2014, Holdings' Spanish subsidiary distributed cash dividends of \$2.4 million and \$7.6 million, respectively, to its U.S. parent company. During the nine months ended September 30, 2014, one of Holdings' Mexican subsidiaries distributed cash dividends of \$1.8 million to its U.S. parent company.

##### *Income tax matters*

During the three months ended September 30, 2015, Holdings recorded income tax expense of \$3.4 million, or a negative 24.1% effective tax rate, on a pre-tax loss from continuing operations of \$14.1 million. The effective tax rate differs from the U.S. federal

## UCI Holdings Limited and Subsidiaries

### Notes to Condensed Consolidated Financial Statements

statutory rate principally due to certain adjustments related to prior period financial statements in relation to current and deferred income tax expense. See Note 1 for further information. During the nine months ended September 30, 2015, Holdings recorded income tax expense of \$15.5 million, or a negative 52.2% effective tax rate, on a pre-tax loss from continuing operations of \$29.7 million. The effective tax rate differs from the U.S. federal statutory rate principally due to valuation allowances recorded on certain deferred tax assets in the U.S. as well as non-U.S. jurisdictions. The recognition of the valuation allowance was triggered by the sale of Wells.

During the three months ended September 30, 2014, Holdings recorded an income tax benefit of \$1.0 million, or a 62.5% effective tax rate, on pre-tax income from continuing operations of \$1.6 million. The effective tax rate differs from the U.S. federal statutory rate principally due to state income taxes, non-U.S. tax rate differences and an adjustment from the resolution of transfer price assessments at one of Holdings' Chinese subsidiaries between the U.S. and China tax authorities, partially offset by the provision of U.S. deferred income tax expense on undistributed earnings of Holdings' Spanish subsidiary and valuation allowances against certain deferred tax assets. During the nine months ended September 30, 2014, Holdings recorded an income tax benefit of \$21.4 million, or a 35.9% effective tax rate, on a pre-tax loss from continuing operations of \$59.6 million. The effective tax rate differs from the U.S. federal statutory rate principally due to valuation allowances against certain deferred tax assets, provision of U.S. deferred income tax expense on undistributed earnings of Holdings' Spanish subsidiary and withholding taxes on a dividend distribution from Holdings' Spanish subsidiary, partially offset by state income taxes, non-U.S. tax rate differences and an adjustment from the resolution of transfer price assessments at one of Holdings' Chinese subsidiaries between the U.S. and China tax authorities.

#### *Concentrations of risk*

Holdings sells vehicle parts to a wide base of customers primarily in the automotive aftermarket. Holdings has outstanding receivables owed by these customers and to date has experienced no significant collection problems. For the nine months ended September 30, 2015, sales to three customers, General Motors Company ("GM"), Advance Stores Company, Inc. ("Advance") and AutoZone, Inc. ("AutoZone"), accounted for 18.8%, 12.0%, and 10.0% of total net sales, respectively. For the nine months ended September 30, 2014, sales to two customers, GM and AutoZone, accounted for 18.1% and 16.3%, respectively, of total net sales. No other customer accounted for more than 10% of total net sales for the nine months ended September 30, 2015 and 2014. At September 30, 2015 and December 31, 2014, the receivable balances from GM were \$21.3 million and \$20.1 million, respectively. At September 30, 2015 and December 31, 2014, the receivable balances from AutoZone were \$25.5 million and \$49.4 million, respectively. At September 30, 2015 and December 31, 2014, the receivable balances from Advance were \$10.9 million and \$7.9 million, respectively.

#### *Capital stock*

At both September 30, 2015 and December 31, 2014, there were 1,002 ordinary shares of Holdings authorized, issued and outstanding.

#### **NOTE 17 — MISCELLANEOUS, NET**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Costs associated with the sale of receivables	\$ 1.0	\$ 1.0	\$ 3.0	\$ 2.8
Strategic review costs	0.1	0.9	0.1	0.9
Foreign currency exchange gains	(0.2)	—	(0.2)	—
Other expense, net	<u>\$ 0.9</u>	<u>\$ 1.9</u>	<u>\$ 2.9</u>	<u>\$ 3.7</u>

In August 2014, Holdings' shareholder advised that it would be undertaking a strategic review of its ownership of the business, as part of a broader strategic review of the commonly-owned automotive aftermarket businesses (which includes businesses operated by Autoparts Holdings). Holdings' shareholder has advised that the review has been completed and, other than the sale of Wells (see Note 2), Holdings will be retaining ownership of its remaining businesses.



**UCI Holdings Limited and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

**NOTE 18 — GUARANTOR AND NON-GUARANTOR FINANCIAL STATEMENTS**

Certain of Holdings' subsidiaries have guaranteed UCI International, LLC's obligations under the Senior Notes described in Note 9.

The condensed financial information that follows includes condensed financial statements for (a) Holdings, which is the parent of UCI International, LLC and a guarantor of the Senior Notes, (b) UCI International, LLC, which is the issuer of the Senior Notes, (c) certain of the U.S. subsidiaries which guarantee the Senior Notes (the "Guarantor Subsidiaries"), (d) the non-U.S. subsidiaries and certain U.S. subsidiaries which do not guarantee the Senior Notes (the "Non-Guarantor Subsidiaries"), and (e) consolidated Holdings. Also included are consolidating entries, which principally consist of eliminations of investments in consolidated subsidiaries and intercompany balances and transactions.

Separate financial statements of the Guarantor Subsidiaries are not presented because their guarantees are full and unconditional and joint and several.

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**UCI Holdings Limited and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

**Condensed Consolidating Balance Sheet**

**September 30, 2015**

*(in thousands)*

	<b>UCI Holdings Limited Consolidated</b>	<b>Eliminations</b>	<b>Parent Guarantor UCI Holdings Limited</b>	<b>Issuer UCI International</b>	<b>Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>
Assets						
Current assets						
Cash and cash equivalents	\$ 43,988	\$ —	\$ 75	\$ 7,096	\$ 26,922	\$ 9,895
Intercompany receivables — current	—	(220,438)	5,902	139,415	44,656	30,465
Accounts receivable, net	119,084	—	—	—	103,062	16,022
Related party receivables	8,445	—	—	—	8,445	—
Inventories, net	180,600	—	—	—	149,087	31,513
Deferred tax assets	15,043	—	—	—	13,546	1,497
Other current assets	25,578	—	—	2,346	15,278	7,954
Total current assets	<u>392,738</u>	<u>(220,438)</u>	<u>5,977</u>	<u>148,857</u>	<u>360,996</u>	<u>97,346</u>
Property, plant and equipment, net	124,022	—	—	—	81,982	42,040
Investment in subsidiaries	—	(529,796)	67,810	356,097	105,889	—
Goodwill	218,209	—	—	—	192,387	25,822
Other intangible assets, net	239,836	—	—	—	235,422	4,414
Intercompany receivables non-current	—	(113,825)	102,071	—	11,754	—
Deferred financing costs, net	9,337	—	—	9,337	—	—
Other long-term assets	775	—	—	—	563	212
Total assets	<u>\$ 984,917</u>	<u>\$ (864,059)</u>	<u>\$ 175,858</u>	<u>\$ 514,291</u>	<u>\$ 988,993</u>	<u>\$ 169,834</u>
Liabilities and shareholder's equity						
Current liabilities						
Accounts payable	\$ 108,511	\$ —	\$ —	\$ —	\$ 85,656	\$ 22,855
Current maturities of long-term debt	61	—	—	—	59	2
Related party payables	5,516	—	4,860	—	83	573
Intercompany payables — current	—	(220,438)	—	—	193,170	27,268
Product returns liability	27,231	—	—	—	26,676	555
Interest payable	4,414	—	—	4,414	—	—
Accrued expenses and other current liabilities	61,069	—	7,401	(3,221)	48,388	8,501
Total current liabilities	<u>206,802</u>	<u>(220,438)</u>	<u>12,261</u>	<u>1,193</u>	<u>354,032</u>	<u>59,754</u>
Long-term debt, less current maturities	477,055	—	—	476,981	58	16
Pension and other post-retirement liabilities	88,643	—	—	—	88,481	162
Deferred tax liabilities	45,517	—	—	(43,442)	85,873	3,086
Intercompany payables — non-current	—	(113,825)	—	11,749	102,071	5
Long-term related party payables	101	—	—	—	101	—
Other long-term liabilities	3,202	—	—	—	2,280	922
Total shareholder's equity (deficit)	<u>163,597</u>	<u>(529,796)</u>	<u>163,597</u>	<u>67,810</u>	<u>356,097</u>	<u>105,889</u>
Total liabilities and shareholder's equity (deficit)	<u>\$ 984,917</u>	<u>\$ (864,059)</u>	<u>\$ 175,858</u>	<u>\$ 514,291</u>	<u>\$ 988,993</u>	<u>\$ 169,834</u>

# UCI Holdings Limited and Subsidiaries

## Notes to Condensed Consolidated Financial Statements

### Condensed Consolidating Balance Sheet

December 31, 2014

(in thousands)

	UCI Holdings Limited Consolidated	Eliminations	Parent Guarantor UCI Holdings Limited	Issuer UCI International	Guarantor Subsidiaries	Non- Guarantor Subsidiaries
Assets						
Current assets						
Cash and cash equivalents	\$ 41,468	\$ —	\$ 75	\$ 2,626	\$ 29,242	\$ 9,525
Intercompany receivables — current	—	(255,603)	2,071	179,121	42,638	31,773
Accounts receivable, net	140,762	—	—	—	121,715	19,047
Related party receivables	17,185	—	—	—	17,185	—
Inventories, net	180,517	—	—	—	148,993	31,524
Deferred tax assets	27,009	—	—	1,466	24,011	1,532
Discontinued current assets	133,601	—	—	—	129,591	4,010
Other current assets	19,358	—	4	2,163	10,029	7,162
Total current assets	559,900	(255,603)	2,150	185,376	523,404	104,573
Property, plant and equipment, net	138,404	—	—	—	95,126	43,278
Investment in subsidiaries	—	(856,463)	128,236	624,722	103,505	—
Goodwill	219,125	—	—	—	192,389	26,736
Other intangible assets, net	253,685	—	—	—	248,229	5,456
Intercompany receivables non-current	—	(100,005)	100,000	—	5	—
Deferred financing costs, net	11,578	—	—	11,578	—	—
Discontinued long-term assets	176,051	(7,265)	—	—	178,925	4,391
Other long-term assets	1,380	—	—	—	681	699
Total assets	<u>\$1,360,123</u>	<u>\$(1,219,336)</u>	<u>\$230,386</u>	<u>\$ 821,676</u>	<u>\$1,342,264</u>	<u>\$ 185,133</u>
Liabilities and shareholder's equity						
Accounts payable	\$ 111,888	\$ —	\$ —	\$ —	\$ 83,104	\$ 28,784
Current maturities of long-term debt	23,066	—	—	23,000	59	7
Related party payables	2,450	—	1,706	—	—	744
Intercompany payables — current	—	(255,603)	—	3,160	220,727	31,716
Product returns liability	35,736	—	—	—	35,251	485
Interest payable	13,083	—	—	13,083	—	—
Discontinued current liabilities	44,628	—	—	—	44,283	345
Accrued expenses and other current liabilities	39,970	—	2,940	(6,753)	37,096	6,687
Total current liabilities	270,821	(255,603)	4,646	32,490	420,520	68,768
Long-term debt, less current maturities	684,798	—	—	684,679	101	18
Pension and other post-retirement liabilities	90,296	—	—	—	90,207	89
Deferred tax liabilities	55,695	—	—	(23,729)	75,692	3,732
Intercompany payables — non-current	—	(100,005)	—	—	100,000	5
Long-term related party payables	101	—	—	—	101	—
Discontinued long-term liabilities	30,183	(318)	159	159	29,392	791
Other long-term liabilities	2,648	—	—	—	1,688	960
Total shareholder's equity (deficit)	<u>225,581</u>	<u>(863,410)</u>	<u>225,581</u>	<u>128,077</u>	<u>624,563</u>	<u>110,770</u>
Total liabilities and shareholder's equity (deficit)	<u>\$1,360,123</u>	<u>\$(1,219,336)</u>	<u>\$230,386</u>	<u>\$ 821,676</u>	<u>\$1,342,264</u>	<u>\$ 185,133</u>

**UCI Holdings Limited and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

**Condensed Consolidating Statement of Comprehensive Income (Loss) (Unaudited)**  
**Three Months Ended September 30, 2015**  
*(in thousands)*

	<b>UCI Holdings Limited Consolidated</b>	<b>Eliminations</b>	<b>Parent Guarantor UCI Holdings Limited</b>	<b>Issuer UCI International</b>	<b>Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>
Net sales	\$ 188,984	\$ (34,819)	\$ —	\$ —	\$ 173,582	\$ 50,221
Cost of sales	178,320	(34,819)	—	38	167,816	45,285
Gross profit	10,664	—	—	(38)	5,766	4,936
Operating expenses						
Selling, general and administrative	(11,708)	—	—	(137)	(9,750)	(1,821)
Amortization of acquired intangible assets	(4,274)	—	—	—	(4,079)	(195)
Restructuring costs, net	(2,272)	—	—	—	(2,272)	—
Operating (loss) income	(7,590)	—	—	(175)	(10,335)	2,920
Other expense						
Interest (expense) income, net	(3,711)	—	6,969	(10,692)	—	12
Intercompany interest	—	—	518	5,565	(6,083)	—
Loss on early extinguishment of debt	(1,840)	—	—	(1,840)	—	—
Miscellaneous, net	(943)	—	196	(7)	(1,117)	(15)
(Loss) income before income taxes	(14,084)	—	7,683	(7,149)	(17,535)	2,917
Income tax expense	(3,402)	—	(2,152)	385	195	(1,830)
(Loss) income before equity in earnings of subsidiaries from continuing operations	(17,486)	—	5,531	(6,764)	(17,340)	1,087
Equity (deficit) in earnings of subsidiaries from continuing operations	—	38,183	(23,017)	(16,253)	1,087	—
Income (loss) from discontinued operations, net of tax	18,192	(18,297)	18,192	(22)	18,319	—
Net income (loss)	\$ 706	\$ 19,886	\$ 706	\$ (23,039)	\$ 2,066	\$ 1,087
Comprehensive (loss) income	\$ (3,057)	\$ 22,540	\$ (10,670)	\$ (20,273)	\$ 4,832	\$ 514

**UCI Holdings Limited and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

**Condensed Consolidating Statement of Comprehensive Income (Loss) (Unaudited)**

**Three Months Ended September 30, 2014**

*(in thousands)*

	<b>UCI Holdings Limited Consolidated</b>	<b>Eliminations</b>	<b>Parent Guarantor UCI Holdings Limited</b>	<b>Issuer UCI International</b>	<b>Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>
Net sales	\$ 200,053	\$ (38,702)	\$ —	\$ —	\$ 187,318	\$ 51,437
Cost of sales	176,021	(38,702)	—	76	170,152	44,495
Gross profit	24,032	—	—	(76)	17,166	6,942
Operating expenses						
Selling, general and administrative	(12,102)	—	57	(232)	(9,885)	(2,042)
Amortization of acquired intangible assets	(4,078)	—	—	—	(3,845)	(233)
Restructuring costs, net	(5,823)	—	—	—	(5,801)	(22)
Trademark impairment loss	—	—	—	—	—	—
Operating (loss) income	2,029	—	57	(308)	(2,365)	4,645
Other expense						
Interest (expense) income, net	1,487	—	11,799	(13,879)	3,557	10
Intercompany interest	—	—	518	5,548	(6,022)	(44)
Miscellaneous, net	(1,937)	—	(916)	—	(987)	(34)
Income (loss) before income taxes	1,579	—	11,458	(8,639)	(5,817)	4,577
Income tax (expense) benefit	1,026	—	(1,928)	3,325	1,398	(1,769)
Income (loss) before equity in earnings of subsidiaries from continuing operations	2,605	—	9,530	(5,314)	(4,419)	2,808
(Loss) income before equity in earnings of subsidiaries from continuing operations	—	5,728	(6,925)	(1,611)	2,808	—
Income (loss) from discontinued operations, net of tax	36	55	36	36	36	(127)
Net income (loss)	\$ 2,641	\$ 5,783	\$ 2,641	\$ (6,889)	\$ (1,575)	\$ 2,681
Comprehensive (loss) income	\$ (11,613)	\$ 53,619	\$ (51,618)	\$ (9,489)	\$ (4,175)	\$ 50

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**UCI Holdings Limited and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

**Condensed Consolidating Statement of Comprehensive Income (Loss) (Unaudited)**

**Nine Months Ended September 30, 2015**

*(in thousands)*

	<b>UCI Holdings Limited Consolidated</b>	<b>Eliminations</b>	<b>Parent Guarantor UCI Holdings Limited</b>	<b>Issuer UCI International</b>	<b>Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>
Net sales	\$ 591,824	\$ (108,705)	\$ —	\$ —	\$ 549,077	\$ 151,452
Cost of sales	545,983	(108,705)	—	34	522,962	131,692
Gross profit	45,841	—	—	(34)	26,115	19,760
Operating expenses						
Selling, general and administrative	(39,074)	—	—	(561)	(32,649)	(5,864)
Amortization of acquired intangible assets	(12,365)	—	—	—	(11,770)	(595)
Restructuring costs, net	(9,012)	—	—	—	(9,012)	—
Operating (loss) income	(14,610)	—	—	(595)	(27,316)	13,301
Other expense						
Interest (expense) income, net	(10,380)	—	21,465	(31,875)	—	30
Intercompany interest	—	—	1,544	16,702	(18,246)	—
Loss on early extinguishment of debt	(1,840)	—	—	(1,840)	—	—
Miscellaneous, net	(2,874)	—	243	(7)	(3,062)	(48)
(Loss) income before income taxes	(29,704)	—	23,252	(17,615)	(48,624)	13,283
Income tax expense	(15,534)	—	(6,513)	(622)	(3,220)	(5,179)
(Loss) income before equity in earnings of subsidiaries from continuing operations	(45,238)	—	16,739	(18,237)	(51,844)	8,104
Equity (deficit) in earnings of subsidiaries from continuing operations	—	89,779	(61,977)	(35,906)	8,104	—
Income (loss) from discontinued operations, net of tax	2,618	(773)	2,618	(7,902)	8,923	(248)
Net (loss) income	\$ (42,620)	\$ 89,006	\$ (42,620)	\$ (62,045)	\$ (34,817)	\$ 7,856
Comprehensive (loss) income	\$ (61,984)	\$ 127,086	\$ (98,055)	\$ (61,342)	\$ (34,114)	\$ 4,441

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**UCI Holdings Limited and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

**Condensed Consolidating Statement of Comprehensive Income (Loss) (Unaudited)**

**Nine Months Ended September 30, 2014**

*(in thousands)*

	<b>UCI Holdings Limited Consolidated</b>	<b>Eliminations</b>	<b>Parent Guarantor UCI Holdings Limited</b>	<b>Issuer UCI International</b>	<b>Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>
Net sales	\$ 598,621	\$ (121,691)	\$ —	\$ —	\$ 557,626	\$ 162,686
Cost of sales	524,003	(121,691)	—	50	508,085	137,559
Gross profit	74,618	—	—	(50)	49,541	25,127
Operating expenses						
Selling, general and administrative	(40,829)	—	—	(502)	(34,425)	(5,902)
Amortization of acquired intangible assets	(12,246)	—	—	—	(11,536)	(710)
Restructuring costs, net	(14,200)	—	—	—	(13,935)	(265)
Trademark impairment loss	(38,000)	—	—	—	(38,000)	—
Operating (loss) income	(30,657)	—	—	(552)	(48,355)	18,250
Other expense						
Interest (expense) income, net	(25,212)	—	5,439	(41,366)	10,663	52
Intercompany interest	—	—	1,514	16,685	(18,031)	(168)
Miscellaneous, net	(3,744)	—	(915)	—	(2,869)	40
(Loss) income from continuing operations before income taxes	(59,613)	—	6,038	(25,233)	(58,592)	18,174
Income tax benefit (expense)	21,393	—	(1,951)	9,510	19,358	(5,524)
(Loss) income before equity in earnings of subsidiaries from continuing operations	(38,220)	—	4,087	(15,723)	(39,234)	12,650
Equity (deficit) in earnings of subsidiaries from continuing operations	—	56,241	(42,307)	(26,584)	12,650	—
Income (loss) from discontinued operations, net of tax	2,719	(5,296)	2,719	2,719	2,719	(142)
Net (loss) income	\$ (35,501)	\$ 50,945	\$ (35,501)	\$ (39,588)	\$ (23,865)	\$ 12,508
Comprehensive (loss) income	\$ (43,529)	\$ 76,717	\$ (60,997)	\$ (42,325)	\$ (26,602)	\$ 9,678

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# UCI Holdings Limited and Subsidiaries

## Notes to Condensed Consolidated Financial Statements

### Condensed Consolidating Statement of Cash Flows Nine Months Ended September 30, 2015 *(in thousands)*

	UCI Holdings Limited Consolidated	Eliminations	Parent Guarantor UCI Holdings Limited	Issuer UCI International	Guarantor Subsidiaries	Non- Guarantor Subsidiaries
<b>Net cash provided by (used in) operating activities</b>	\$ (1,060)	\$ —	\$ —	\$ (8,976)	\$ 1,897	\$ 6,019
<b>Cash flows from investing activities:</b>						
Capital expenditures	(14,457)	—	—	—	(11,410)	(3,047)
Proceeds from sale of Wells, net of cash sold	248,377	—	—	—	248,377	—
Proceeds from sale of property, plant and equipment	293	—	—	—	293	—
Net cash provided by (used in) investing activities	234,213	—	—	—	237,260	(3,047)
<b>Cash flows from financing activities:</b>						
Revolver borrowings	10,000	—	—	10,000	—	—
Revolver repayments	(30,000)	—	—	(30,000)	—	—
Payment of deferred financing costs	(2,032)	—	—	(2,032)	—	—
Term loan repayments	(288,000)	—	—	(288,000)	—	—
ABL borrowings	76,981	—	—	76,981	—	—
Other debt repayments	(51)	—	—	—	(51)	—
Intercompany dividends received (paid)	—	—	—	—	2,368	(2,368)
Change in intercompany indebtedness	—	—	—	246,497	(246,497)	—
Net cash provided by (used in) financing activities	(233,102)	—	—	13,446	(244,180)	(2,368)
Effect of exchange rate changes on cash	(531)	—	—	—	—	(531)
Net increase (decrease) in cash and cash equivalents	(480)	—	—	4,470	(5,023)	73
Cash and cash equivalents at beginning of period	44,468	—	75	2,626	31,945	9,822
Cash and cash equivalents at end of period	\$ 43,988	\$ —	\$ 75	\$ 7,096	\$ 26,922	\$ 9,895

**UCI Holdings Limited and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

**Condensed Consolidating Statement of Cash Flows (Unaudited)**  
**Nine Months Ended September 30, 2014**  
*(in thousands)*

	<u>UCI Holdings Limited Consolidated</u>	<u>Eliminations</u>	<u>Parent Guarantor UCI Holdings Limited</u>	<u>Issuer UCI International</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>
<b>Net cash (used in) provided by operating activities</b>	<u>\$ (36,382)</u>	<u>\$ —</u>	<u>\$ 14</u>	<u>\$ (8,150)</u>	<u>\$ (37,679)</u>	<u>\$ 9,433</u>
<b>Cash flows from investing activities:</b>						
Capital expenditures	(27,059)	—	—	—	(22,162)	(4,897)
Proceeds from sale of property, plant and equipment	<u>1,494</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,004</u>	<u>490</u>
Net cash used in investing activities	(25,565)	—	—	—	(21,158)	(4,407)
<b>Cash flows from financing activities:</b>						
Revolver borrowings	20,000	—	—	20,000	—	—
Debt repayments	(2,303)	—	—	(2,250)	(44)	(9)
Intercompany dividends received (paid)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,446</u>	<u>(9,446)</u>
Net cash provided by (used in) financing activities	17,697	—	—	17,750	9,402	(9,455)
Effect of exchange rate changes on cash	<u>(550)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(550)</u>
Net (decrease) increase in cash and cash equivalents	(44,800)	—	14	9,600	(49,435)	(4,979)
Cash and cash equivalents at beginning of period	<u>76,619</u>	<u>—</u>	<u>1</u>	<u>3,026</u>	<u>57,407</u>	<u>16,185</u>
Cash and cash equivalents at end of period	<u><u>\$ 31,819</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 15</u></u>	<u><u>\$ 12,626</u></u>	<u><u>\$ 7,972</u></u>	<u><u>\$ 11,206</u></u>

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**EXHIBIT D**

**Financial Projections**

The Financial Projections should be read in conjunction with the significant assumptions, qualifications and notes set forth below, as well as the assumptions, qualifications and explanations set forth in the Disclosure Statement and the Plan. See Section IX.B: Other Risk Factors, Including Risks Relating to the Debtors' Business.

THE DEBTORS DID NOT PREPARE THE FINANCIAL PROJECTIONS TO COMPLY WITH THE GUIDELINES FOR PROSPECTIVE STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND THE RULES AND REGULATIONS OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. THE DEBTORS' INDEPENDENT AUDITORS HAVE NEITHER EXAMINED NOR COMPILED THE FINANCIAL PROJECTIONS THAT ACCOMPANY THE DISCLOSURE STATEMENT AND, ACCORDINGLY, DO NOT EXPRESS AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT TO THE FINANCIAL PROJECTIONS, ASSUME NO RESPONSIBILITY FOR THE FINANCIAL PROJECTIONS, AND DISCLAIM ANY ASSOCIATION WITH THE FINANCIAL PROJECTIONS. EXCEPT FOR THE PURPOSES OF THE DISCLOSURE STATEMENT, THE DEBTORS DO NOT, AS A MATTER OF COURSE, PUBLISH, OR OTHERWISE PUBLICLY DISCLOSE, FINANCIAL PROJECTIONS OF THEIR ANTICIPATED FINANCIAL POSITION OR RESULTS OF OPERATIONS.

MOREOVER, THE FINANCIAL PROJECTIONS CONTAIN CERTAIN STATEMENTS THAT ARE "FORWARD-LOOKING" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THESE STATEMENTS ARE SUBJECT TO A NUMBER OF ASSUMPTIONS, RISKS AND UNCERTAINTIES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE DEBTORS, INCLUDING THE IMPLEMENTATION OF THE PLAN, THE CONTINUING AVAILABILITY OF SUFFICIENT BORROWING CAPACITY OR OTHER FINANCING TO FUND OPERATIONS, ACHIEVING OPERATING EFFICIENCIES, MAINTAINING GOOD EMPLOYEE RELATIONS, EXISTING AND FUTURE GOVERNMENTAL REGULATIONS AND ACTIONS OF GOVERNMENT BODIES, NATURAL DISASTERS AND UNUSUAL WEATHER CONDITIONS, ACTS OF TERRORISM OR WAR, INDUSTRY-SPECIFIC RISK FACTORS (AS DETAILED IN ARTICLE IX OF THE DISCLOSURE STATEMENT ENTITLED "CERTAIN RISK FACTORS TO BE CONSIDERED"), AND OTHER MARKET AND COMPETITIVE CONDITIONS. HOLDERS OF CLAIMS AND INTERESTS ARE CAUTIONED THAT THE FORWARD-LOOKING STATEMENTS SPEAK AS OF THE DATE MADE AND ARE NOT GUARANTEES OF FUTURE PERFORMANCE. ACTUAL RESULTS OR DEVELOPMENTS MAY DIFFER MATERIALLY FROM THE EXPECTATIONS EXPRESSED OR IMPLIED IN THE FORWARD-LOOKING STATEMENTS, AND THE DEBTORS UNDERTAKE NO OBLIGATION TO UPDATE ANY SUCH STATEMENTS.

THE FINANCIAL PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE NECESSARILY BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH, THOUGH CONSIDERED REASONABLE BY THE DEBTORS AND THEIR PROFESSIONALS, MAY NOT BE REALIZED AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, COMPETITIVE, INDUSTRY,

REGULATORY, MARKET AND FINANCIAL UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE DEBTORS' CONTROL AND WILL BE BEYOND THE REORGANIZED DEBTORS' CONTROL. THE DEBTORS CAUTION THAT NO REPRESENTATIONS CAN BE MADE OR ARE MADE AS TO THE ACCURACY OF THE FINANCIAL PROJECTIONS OR THE REORGANIZED DEBTORS' ABILITY TO ACHIEVE THE PROJECTED RESULTS. SOME ASSUMPTIONS INEVITABLY WILL BE INACCURATE. MOREOVER, EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE DEBTORS PREPARED THESE FINANCIAL PROJECTIONS MAY BE DIFFERENT FROM THOSE ASSUMED, OR, ALTERNATIVELY MAY HAVE BEEN UNANTICIPATED, AND THUS THE OCCURRENCE OF THESE EVENTS MAY AFFECT FINANCIAL RESULTS IN A MATERIALLY ADVERSE OR MATERIALLY BENEFICIAL MANNER. EXCEPT AS OTHERWISE PROVIDED IN THE PLAN OR DISCLOSURE STATEMENT, THE DEBTORS AND REORGANIZED DEBTORS, AS APPLICABLE, DO NOT INTEND AND UNDERTAKE NO OBLIGATION TO UPDATE OR OTHERWISE REVISE THE FINANCIAL PROJECTIONS TO REFLECT EVENTS OR CIRCUMSTANCES EXISTING OR ARISING AFTER THE DATE THE DISCLOSURE STATEMENT IS INITIALLY FILED OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS. THEREFORE, THE FINANCIAL PROJECTIONS MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR. IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, HOLDERS OF CLAIMS MUST MAKE THEIR OWN DETERMINATIONS AS TO THE REASONABLENESS OF SUCH ASSUMPTIONS AND THE RELIABILITY OF THE FINANCIAL PROJECTIONS AND SHOULD CONSULT WITH THEIR OWN ADVISORS.

#### *Accounting Policies*

The Financial Projections have been prepared using accounting policies that are consistent with those applied in the Debtors' historical financial statements.

Upon emergence from chapter 11, the Reorganized Debtors will implement "fresh start" reporting pursuant to Accounting Standards Codification ("ASC") Topic 852, "Reorganization." The main principles of fresh start reporting require that the reorganization value of the emerging entity be allocated to all of the entity's assets in conformity with the procedures specified by ASC Topic 805, "Business Combinations," and any portion of the reorganization value that cannot be attributed to specific tangible or identifiable intangible assets of the emerging entity is required to be reported as goodwill. The Projections may not reflect all of the adjustments necessary to implement fresh-start reporting.

#### *Summary of Significant Assumptions*

The Debtors, with the assistance of various professionals, including their financial advisors, prepared the Financial Projections for 2016 to 2020. The Financial Projections are based on a number of assumptions with respect to the future performance of the Reorganized Debtors' operations. Although these Financial Projections have been prepared in good faith and are believed to be reasonable, it is important to note that the Debtors can provide no assurance that

such assumptions will be realized. As described in detail in Article IX of the Disclosure Statement, a variety of risk factors could affect the Reorganized Debtors' financial results and should be considered. The Financial Projections should be reviewed in conjunction with a review of these assumptions, including the qualifications and footnotes set forth herein.

### *General Assumptions*

The Company operates on a calendar year and the Financial Projections assume that the Effective Date will be December 31, 2016 and that the Reorganized Debtors will continue to conduct operations substantially similar to their businesses currently. In addition, the Financial Projections take into account the current market environment in which the Debtors compete, including many economic and financial forces that are beyond the control of the Debtors and management. The Debtors operate in the automotive parts industry, supplying a broad range of products in the automotive, trucking, construction, mining, agricultural, marine, and other industrial markets. Economic growth or slowdowns on a global, national or regional basis may impact the Reorganized Debtors' revenues and expenses. In addition, general trends and changes within the automotive industries may impact performance.

### *Projected Statements of Operations*

"Adjusted EBITDA" is defined as earnings before interest, taxes, depreciation, amortization and restructuring expense. Adjusted EBITDA is not a measure of financial performance under Generally Accepted Accounting Principles ("GAAP") and should not be considered as a substitute for measures of financial performance prepared in accordance with GAAP.

The Projected Consolidated Statements of Operations do not reflect potential impacts from fresh start accounting and 2016 is not presented on a pro forma basis for the new capital structure.



UCI International, LLC  
Projected Consolidated Statements of Operations

(\$s in millions)

	Annual Total				
	FY2016	FY2017	FY2018	FY2019	FY2020
	Est.	Fcst.	Fcst.	Fcst.	Fcst.
<b>Revenue</b>					
Pumps	\$ 341.7	\$ 346.0	\$ 360.6	\$ 368.6	\$ 395.7
Filters	346.8	316.5	308.9	303.2	304.0
<b>Total Revenue</b>	<b>688.5</b>	<b>662.5</b>	<b>669.5</b>	<b>671.8</b>	<b>699.7</b>
<b>Cost of Goods Sold</b>					
COGS	(613.1)	(566.0)	(565.9)	(564.7)	(582.9)
Depreciation & Amortization	(24.7)	(25.0)	(24.5)	(22.8)	(20.4)
Total COGS	(637.8)	(590.9)	(590.4)	(587.5)	(603.3)
<b>Gross Profit</b>	<b>\$ 50.7</b>	<b>\$ 71.6</b>	<b>\$ 79.0</b>	<b>\$ 84.3</b>	<b>\$ 96.4</b>
<i>Gross Profit %</i>	<i>7.4%</i>	<i>10.8%</i>	<i>11.8%</i>	<i>12.5%</i>	<i>13.8%</i>
<b>SG&amp;A</b>					
SG&A	\$ (42.4)	\$ (43.7)	\$ (45.3)	\$ (47.7)	(50.4)
Depreciation & Amortization	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)
Total SG&A	(42.8)	(43.9)	(45.5)	(47.9)	(50.6)
<b>Operating EBIT</b>	<b>\$ 8.0</b>	<b>\$ 27.7</b>	<b>\$ 33.5</b>	<b>\$ 36.3</b>	<b>\$ 45.8</b>
<i>Operating EBIT Margin %</i>	<i>1.2%</i>	<i>4.2%</i>	<i>5.0%</i>	<i>5.4%</i>	<i>6.5%</i>
Other Income	\$ -	\$ -	\$ -	\$ -	\$ -
Restructuring Expense	(59.2)	(6.1)	(2.0)	(2.0)	(2.0)
<b>EBIT</b>	<b>(51.3)</b>	<b>21.6</b>	<b>31.5</b>	<b>34.3</b>	<b>43.8</b>
Net Interest Expense	(21.8)	(6.3)	(5.5)	(4.9)	(4.9)
Profit Before Tax	(73.1)	15.4	26.0	29.5	38.9
Tax Expense	(4.5)	(5.9)	(10.0)	(11.3)	(15.0)
Profit After Tax	(77.6)	9.4	16.0	18.1	23.9
<b>Adjusted EBITDA</b>					
EBIT	(51.3)	21.6	31.5	34.3	43.8
Depreciation and Amortization	25.0	25.2	24.7	23.0	20.6
Factoring Expense	(2.9)	(2.4)	(2.5)	(2.8)	(3.1)
Restructuring Expense	59.2	6.1	2.0	2.0	2.0
<b>Adjusted EBITDA</b>	<b>\$ 30.1</b>	<b>\$ 50.5</b>	<b>\$ 55.7</b>	<b>\$ 56.6</b>	<b>\$ 63.3</b>
<i>Adjusted EBITDA Margin %</i>	<i>4.4%</i>	<i>7.6%</i>	<i>8.3%</i>	<i>8.4%</i>	<i>9.0%</i>

UCI International, LLC  
Projected Pro Forma Consolidated Balance Sheet – December 31, 2016

(\$s in millions)

	Projected Pro Forma Consolidated Balance Sheet – December 31, 2016 (Unaudited)			
	Estimated Pre-Effective	Reorganization Adjustments	Fresh Start Adjustments	Pro Forma Reorganized
<b>CURRENT ASSETS</b>				
Cash & Cash Equivalents	\$ 15.7	\$ (0.7) (a.)	\$ -	\$ 15.0
Accounts Receivable, Net	100.5	-	-	100.5
Total Inventories	119.7	-	-	119.7
Total Other Current Assets	16.9	3.2 (b.)	-	20.0
Total Current Assets	252.6	2.5	-	255.1
<b>OTHER ASSETS</b>				
Total Fixed Assets	98.7	-	-	98.7
Negative Goodwill to Be Allocated	0.0	-	(6.7) (h.)	(6.7)
Other Assets	9.4	-	-	9.4
Total Other Assets	108.1	-	(6.7)	101.4
<b>Total Assets</b>	<b>360.8</b>	<b>2.5</b>	<b>(6.7)</b>	<b>356.5</b>
<b>CURRENT LIABILITIES</b>				
Trade Payables	37.0	-	-	37.0
Other Liabilities	50.6	(4.7) (c.)	-	45.9
Accrued Interest	-	-	-	-
Total Current Liabilities	87.6	(4.7)	-	82.9
<b>OTHER LIABILITIES</b>				
Total Non-Current Reserves	18.6	-	-	18.6
Second Lien Rights Offering Facility	-	30.0 (d.)	-	30.0
First Lien Exit Facility	-	70.0 (e.)	-	70.0
Other Long-Term Liabilities	0.1	-	-	0.1
Total Other Liabilities	18.6	100.0	-	118.6
Liabilities Subject to Compromise	605.4	(605.4) (f.)	-	-
<b>Total Liabilities</b>	<b>711.7</b>	<b>(510.2)</b>	<b>-</b>	<b>201.5</b>
<b>Total Stockholders' Equity</b>	<b>(351.0)</b>	<b>512.7 (g.)</b>	<b>(6.7) (i.)</b>	<b>155.0</b>
<b>Total Liabilities &amp; Equity</b>	<b>\$ 360.8</b>	<b>\$ 2.5</b>	<b>\$ (6.7)</b>	<b>\$ 356.5</b>

### *Notes to Projected Pro Forma Consolidated Balance Sheet*

The pro forma balance sheet adjustments contained herein account for (i) the reorganization and related adjustments pursuant to the Plan and (ii) the estimated impact from the implementation of fresh start accounting pursuant to ASC Topic 852, “Reorganization.”

The Debtors have not yet completed their fresh start reporting analysis. However, for purposes of preliminary fresh start reporting, the Financial Projections incorporate estimates of the effect of fresh start reporting which are based upon an estimated Equity Value of approximately \$155.0 million based on the mid-point of the enterprise valuation prepared by the Debtors’ investment bank less the pro forma indebtedness at emergence. The reorganized value ultimately used by the Debtors in implementing fresh start reporting may differ from this estimate. Likewise, the Debtors’ allocation of the reorganized value to individual assets and liabilities is based upon preliminary estimates that are subject to change upon the formal implementation of fresh start reporting and could result in material differences to the allocated values included in these Financial Projections. For purposes of estimating the impact of fresh start accounting, the Debtors’ have assumed that the book value of all of their assets except for goodwill approximates fair market value. Reorganization value that differs from liabilities and tangible assets is shown as a change in Negative Goodwill to Be Allocated. The Debtors have not estimated the change in deferred tax assets or liabilities that may result for the reorganization, only the impact of incremental cash over book taxes which is reflected in the projected statement of cash flows.

- (a.) Reflects cash distributions in accordance with the terms of the Plan.
- (b.) Deferred financing fees associated with the Second Lien Rights Offering Facility.
- (c.) Reflects payment of accrued professional fees associated with the reorganization.
- (d.) Second Lien Rights Offering Facility issued pursuant to the Plan. Assumed to be in an aggregate principal amount of \$30 million.
- (e.) Assumed draw on First Lien Exit Facility.
- (f.) All liabilities subject to compromise will be settled in accordance with the terms of the Plan.
- (g.) Represents the net gain from completion of the reorganization.
- (h.) The change in the book value of goodwill as part of fresh start accounting. The Financial Projections do not reflect the allocation of the negative goodwill to other assets as may be required.
- (i.) Adjustment to reflect the value for the new equity of the Reorganized Debtors.

UCI International, LLC  
Projected Consolidated Balance Sheet

(\$s in millions)

	Annual Total				
	FY2016	FY2017	FY2018	FY2019	FY2020
	Fcst.	Fcst.	Fcst.	Fcst.	Fcst.
<b>CURRENT ASSETS</b>					
Cash & Cash Equivalents	\$ 15.0	\$ 15.0	\$ 15.0	\$ 28.0	\$ 49.0
Accounts Receivable, Net	100.5	102.2	105.0	107.5	114.0
Total Inventories	119.7	106.8	110.7	110.1	117.9
Total Other Current Assets	20.0	19.4	18.8	18.1	17.5
Total Current Assets	255.1	243.4	249.4	263.7	298.3
<b>OTHER ASSETS</b>					
Total Fixed Assets	98.7	88.3	75.3	62.6	52.3
Negative Goodwill To Be Allocated	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)
Other Assets	9.4	9.4	9.4	9.4	9.4
Total Other Assets	101.4	91.0	78.1	65.3	55.1
<b>Total Assets</b>	<b>356.5</b>	<b>334.5</b>	<b>327.5</b>	<b>329.0</b>	<b>353.4</b>
<b>CURRENT LIABILITIES</b>					
Trade Payables	37.0	50.4	48.9	45.9	46.4
Other Liabilities	45.9	37.9	36.9	35.9	35.9
Accrued Interest	-	0.0	0.0	0.0	0.0
Total Current Liabilities	82.9	88.3	85.9	81.9	82.3
<b>OTHER LIABILITIES</b>					
Total Non-Current Reserves	18.6	18.6	18.6	18.6	18.6
Second Lien Rights Offering Facility	30.0	30.0	30.0	30.0	30.0
First Lien Exit Facility	70.0	33.1	12.5	-	-
Other Long-Term Liabilities	0.1	0.1	0.1	0.1	0.1
Total Other Liabilities	118.6	81.7	61.2	48.6	48.6
<b>Total Liabilities</b>	<b>201.5</b>	<b>170.0</b>	<b>147.0</b>	<b>130.5</b>	<b>130.9</b>
<b>Total Stockholders' Equity</b>	<b>155.0</b>	<b>164.4</b>	<b>180.4</b>	<b>198.5</b>	<b>222.5</b>
<b>Total Liabilities &amp; Equity</b>	<b>\$ 356.5</b>	<b>\$ 334.5</b>	<b>\$ 327.5</b>	<b>\$ 329.0</b>	<b>\$ 353.4</b>

UCI International, LLC  
Projected Consolidated Statements of Cash Flows

(\$s in millions)

	Annual Total			
	FY2017	FY2018	FY2019	FY2020
	Fcst.	Fcst.	Fcst.	Fcst.
<b><u>OPERATING ACTIVITIES</u></b>				
Operating EBIT	\$ 27.7	\$ 33.5	\$ 36.3	\$ 45.8
Depreciation and Amortization	25.2	24.7	23.0	20.6
Factoring Expense	(2.4)	(2.5)	(2.8)	(3.1)
Adjusted EBITDA	50.5	55.7	56.6	63.3
Accounts Receivable	(1.8)	(2.7)	(2.6)	(6.5)
Inventories	12.8	(3.8)	0.6	(7.8)
Accounts Payable	13.4	(1.4)	(3.0)	0.4
Decrease/(Increase) Working Capital	24.4	(8.0)	(4.9)	(13.9)
Restructuring	(6.1)	(2.0)	(2.0)	(2.0)
External Interest Paid (Excluding Factoring)	(3.3)	(2.4)	(1.5)	(1.1)
Tax (Paid) Refunded	(13.9)	(11.0)	(12.3)	(15.0)
Operating Cash Flow	51.7	32.3	35.8	31.3
<b><u>INVESTING ACTIVITIES</u></b>				
Capital Expenditures	(14.8)	(11.7)	(10.3)	(10.3)
Total Investing Activities	(14.8)	(11.7)	(10.3)	(10.3)
<b><u>FINANCING ACTIVITIES</u></b>				
(Payments) / Draw Second Lien Rights Offering Facility	-	-	-	-
(Payments) / Draw First Lien Exit Facility	(36.9)	(20.6)	(12.5)	-
Total Financing Activities	(36.9)	(20.6)	(12.5)	-
<b><u>CASH ROLLFORWARD</u></b>				
Beginning Cash	15.0	15.0	15.0	28.0
Total Change in Cash	-	-	13.0	21.0
Ending Cash	\$ 15.0	\$ 15.0	\$ 28.0	\$ 49.0

## *Summary of Significant Assumptions*

### *Revenues*

The Financial Projections assume total consolidated revenue declines 3.8% in 2017, increases 1.0% in 2018, increases 0.3% in 2019 and increases 4.2% in 2020.

### Pumps

The Company assumes overall growth in Pumps revenue of 1.2% in 2017, 4.2% in 2018, 2.2% in 2019 and 7.4% in 2020. There is assumed to be continued pressure on the Fuel Pumps business in 2017 with declining revenue of 4.5% primarily driven by product rationalization efforts. This trend is assumed to reverse in 2018 as the Company leverages its new lower cost base to win share in the retail, traditional and original equipment (“OE”) channels with revenue growth of 40.7% in 2018, 43.8% in 2019 and 28.5% in 2020. Water Pump revenue is anticipated to increase modestly at 2.7% in 2017 and decline 3.4% in 2018, 10.4% in 2019 and 3.0% in 2020 driven by the timing of certain OE vehicle platform transitions.

### Filters

The Company assumes a revenue decline of 8.7% in 2017, 2.4% in 2018, 1.8% in 2019 and flat revenues in 2020 due to loss of previous intercompany volume over a period of time. Based in part on recent trends and industry estimates, the Company assumes continued near-term industry-wide pressure on both the Oil and Air Filter markets.

### *Operating Expenses*

The Financial Projections assume that total consolidated operating expenses decline 6.7% in 2017, driven in large part by the annualized impact of the closure of the fuel pump facility in Fairfield, IL and certain sourcing changes, both implemented during 2016, and remain generally flat as a percent of sales in 2018 to 2020.

### Depreciation and Amortization

Depreciation and amortization was estimated based on current book values and useful lives for existing property, plant and equipment and intangible assets subject to amortization, and includes estimated depreciation on future capital expenditures.

### Net Interest Expense

The Financial Projections include interest expense and fees associated with factoring arrangements for receivables related to the Reorganized Debtors’ retail customers, a First Lien Exit Facility and a Second Lien Rights Offering Facility, which would be entered into by the Reorganized Debtors on the Effective Date. The First Lien Exit Facility is assumed to be an aggregate revolving commitment amount of up to \$100.0 million with a letter of credit sub-facility of up to \$15.0 million. The First Lien Exit Facility is expected to be drawn by

approximately \$70.0 million at emergence and have letters of credit issued. The Second Lien Rights Offering Facility is assumed to be in an aggregate principal amount of \$30.0 million.

The Financial Projections assume the Reorganized Debtors will incur interest expense of \$21.8 million in 2016, \$6.3 million for the full-year 2017, \$5.5 million for the full-year 2018, \$4.9 million for the full-year 2019 and \$4.9 million for the full-year 2020. These projections reflect interest expense incurred related to factoring arrangements, the borrowings under the facilities described above and based on terms that reflect the current interest rate and market conditions and do not assume any interest rate hedging during the Financial Projection Period. The effective interest rate on the Second Lien Rights Offering Facility is assumed to be 3.00%.

### Income Taxes

The Financial Projections reflect income tax expense at an effective tax rate of 38.5%. Taxable net income is expected to be higher than book net income due to the impact of cancellation of indebtedness income on tax attributes and tax basis of assets. As a result, the projections reflect cash taxes in excess of book tax expense of \$8.0M in 2017, \$1.0M in 2018 and \$1.0M in 2019.

### *Projected Statements of Cash Flows*

### Working Capital

The Financial Projections assume the Reorganized Debtors' working capital accounts, including accounts receivables, inventories and accounts payables, continue to perform according to the historical relationships with respect to revenue and expense activity. Inventory is anticipated to decline in 2017 based on the sell-through of the inventory buffer produced while the Pumps business implemented the move to its Mexico facility.

### Capital Expenditures

The Financial Projections assume capital expenditures of \$14.8 million in 2017, \$11.7 million in 2018, \$10.3 million in 2019 and \$10.3 million in 2020 based on the Reorganized Debtors' expected requirements to maintain the existing operations and support any new customers or operational efficiency improvements included in the projected statement of operations.

### Pension

The Financial Projections assume the Company's defined benefit pension plans are either assumed by Rank or terminated and include no future expense, assets or liabilities, or cash funding for the plans. In the event the plans are terminated, the Reorganized Debtors may have liability for a "termination premium" of \$1,250 per plan participant per year for 3 years following the termination date, an amount estimated at \$19.0 million in aggregate. This potential liability is not reflected in the financial projections.

**EXHIBIT E**

**Valuation Analysis**



THE VALUATION INFORMATION CONTAINED HEREIN IS NOT A PREDICTION OR GUARANTEE OF THE ACTUAL MARKET VALUE THAT MAY BE REALIZED THROUGH THE SALE OF ANY ASSETS OF THE DEBTORS OR ANY SECURITIES OR CVRS TO BE ISSUED PURSUANT TO THE PLAN OR THE PRICES AT WHICH THEY MAY TRADE IN THE FUTURE. THIS VALUATION IS PRESENTED SOLELY FOR THE PURPOSE OF PROVIDING ADEQUATE INFORMATION AS REQUIRED BY SECTION 1125 OF THE BANKRUPTCY CODE TO ENABLE THE HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN AND SHOULD NOT BE USED OR RELIED UPON FOR ANY OTHER PURPOSE.

#### Exhibit E. Reorganized Debtors Valuation Analysis

At the Debtors' request, Moelis & Company LLC ("Moelis") performed a valuation analysis of the Reorganized Debtors. Based upon and subject to the review and analysis described herein, and subject to the assumptions, limitations and qualifications described herein, Moelis' view, as of September 22, 2016, was that the estimated going concern enterprise value of the Reorganized Debtors, as of December 31, 2016 (the "Assumed Effective Date"), would be in a range between \$210 million and \$300 million. Moelis' views are necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Moelis as of the date of its analysis. It should be understood that, although subsequent developments may affect Moelis' views, Moelis does not have any obligation to update, revise, or reaffirm its estimate.

Moelis' analysis is based, at the Debtors' direction, on a number of assumptions, including, among other assumptions, that: (i) the Debtors will be reorganized in accordance with the Plan which will be effective on the Assumed Effective Date; (ii) the Reorganized Debtors will achieve the results in the amounts and timing set forth in the Debtors' management's Projections (as defined in this Disclosure Statement and attached as Exhibit D to this Disclosure Statement) provided to Moelis by the Debtors; (iii) the Reorganized Debtors' capitalization and available cash will be as set forth in the Plan and this Disclosure Statement (in particular, the pro forma indebtedness of the Reorganized Debtors as of the Assumed Effective Date will be approximately \$100 million); and (iv) the Reorganized Debtors will be able to obtain all future financings, on the terms and at the times, necessary to achieve the results in the amounts and timing set forth in the Projections. Moelis makes no representation as to the achievability or reasonableness of the Projections or the foregoing assumptions. In addition, Moelis assumed that there will be no material change in economic, monetary, market, and other conditions as in effect on, and the information made available to Moelis as of the Assumed Effective Date.

Moelis assumed, at the Debtors' direction, that the Projections prepared by the Debtors' management were reasonably prepared on a basis reflecting the best currently available estimates and judgments of the Debtors' management as to the future financial and operating performance of the Reorganized Debtors. The

future results of the Reorganized Debtors are dependent upon various factors, many of which are beyond the control or knowledge of the Debtors, and consequently are inherently difficult to project. The Reorganized Debtors' actual future results may differ materially (positively or negatively) from the Projections and as a result, the actual enterprise value of the Reorganized Debtors may be materially higher or lower than the estimated range herein. Among other things, failure to consummate the Plan in a timely manner may have a materially negative impact on the enterprise value of the Reorganized Debtors.

The estimated enterprise value in this section represents a hypothetical enterprise value of the Reorganized Debtors as the continuing operators of the businesses and assets of the Debtors, after giving effect to the Plan, based on consideration of certain valuation methodologies as described below. The estimated enterprise value in this section does not purport to constitute an appraisal or necessarily reflect the actual market value that might be realized through a sale or liquidation of the Reorganized Debtors, its securities or its assets, which may be materially higher or lower than the estimated enterprise value range herein. The actual value of an operating business such as the Reorganized Debtors' business is subject to uncertainties and contingencies that are difficult to predict and will fluctuate with changes in various factors affecting the financial condition and prospects of such a business.

In conducting its analysis, Moelis, among other things: (i) reviewed certain publicly available business and financial information relating to the Reorganized Debtors that Moelis deemed relevant; (ii) reviewed certain internal information relating to the business, earnings, cash flow, capital expenditures, assets, liabilities and prospects of the Reorganized Debtors, including the Projections, furnished to Moelis by the Debtors; (iii) conducted discussions with members of senior management and representatives of the Debtors concerning the matters described in clauses (i) and (ii) of this paragraph, as well as their views concerning the Debtors' business and prospects before giving effect to the Plan, and the Reorganized Debtors' business prospects after giving effect to the Plan; (iv) reviewed publicly available financial and stock market data for certain other companies in lines of business that Moelis deemed relevant; (v) reviewed publicly available financial data of certain transactions that Moelis deemed relevant; (vi) reviewed a draft of the Plan; and (vii) conducted such other financial studies and analyses and took into account such other information as Moelis deemed appropriate. In connection with its review, Moelis did not assume any responsibility for independent verification of any of the information supplied to, discussed with, or reviewed by Moelis and, with the consent of the Debtors, relied on such information being complete and accurate in all material respects. In addition, at the direction of the Debtors, Moelis did not make any independent evaluation or appraisal of any of the assets or liabilities (contingent, derivative, off-balance-sheet, or otherwise) of the Reorganized Debtors, nor was Moelis furnished with any such evaluation or appraisal other than the draft of the liquidation analysis provided by the Debtor's advisors. Moelis also assumed, with the Debtors' consent, that the final form of the Plan does not differ in any respect material to its analysis from the draft that Moelis reviewed.

The estimated enterprise value in this section does not constitute a recommendation to any holder of a

Claim or Interest as to how such holder should vote or otherwise act with respect to the Plan. Moelis has not been asked to and does not express any view as to what the trading value of the Reorganized Debtors' securities would be when issued pursuant to the Plan or the prices at which they may trade in the future. The estimated enterprise value set forth herein does not constitute an opinion as to fairness from a financial point of view to any holder of the consideration to be received by such holder under the Plan or of the terms and provisions of the Plan.

### **Valuation Methodologies**

In preparing its valuation, Moelis performed a variety of financial analyses and considered a variety of factors. The following is a brief summary of the material financial analyses performed by Moelis, which consisted of (a) a discounted cash flow analysis, (b) a selected publicly traded companies analysis, and (c) a selected transactions analysis. This summary does not purport to be a complete description of the analyses performed and factors considered by Moelis. The preparation of a valuation analysis is a complex analytical process involving various judgmental determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to particular facts and circumstances, and such analyses and judgments are not readily susceptible to summary description. As such, Moelis' valuation analysis must be considered as a whole. Reliance on only one of the methodologies used, or portions of the analysis performed, could create a misleading or incomplete conclusion as to enterprise value.

**A. Discounted Cash Flow Analysis.** The discounted cash flow ("DCF") analysis is a forward-looking valuation methodology that estimates the value of an asset or business by calculating the present value of expected future cash flows to be generated by that asset or business. Moelis' DCF analysis used the Projections' estimated debt-free, after-tax free cash flows through December 31, 2020 (the "Projection Period"). These cash flows were then discounted based on a range of estimated weighted average cost of capital for the Reorganized Debtor. The enterprise value was determined by calculating the present value of the Reorganized Debtors' unlevered after-tax free cash flows based on the Projections plus an estimate for the value of the Reorganized Debtors beyond the Projection Period known as the terminal value. In determining the estimated terminal value of the Reorganized Debtors, Moelis utilized the perpetuity growth rate method which estimates a range of terminal values for the Reorganized Debtors based on a constant growth profile of its unlevered free cash flow into perpetuity. The DCF analysis involves considerations and judgments concerning appropriate terminal values and discount rates.

**B. Selected Publicly Traded Companies Analysis.** The selected publicly traded companies analysis is based on the enterprise values of selected publicly traded companies that have operating and financial characteristics comparable in certain respects to the Reorganized Debtors. Similar characteristics could include, among other things: comparable lines of business, revenue drivers, business risks, growth prospects and geographic presence. Under this methodology, certain financial multiples that measure

financial performance and value are calculated for each selected company and then applied to the Reorganized Debtors' financials to imply an enterprise value for the Reorganized Debtors. Moelis used, among other measures, enterprise value (defined as market value of equity plus book value of debt, book value of preferred stock and minority interests less cash, subject to adjustment where appropriate) for each selected company as a multiple of such company's publicly available forward consensus projected EBITDA for 2017.

Although the selected companies were used for comparison purposes, no selected company is either identical or directly comparable to the business of the Reorganized Debtors. Accordingly, Moelis' comparison of selected companies to the business of the Reorganized Debtors and analysis of the results of such comparisons was not purely mathematical but instead necessarily involved complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the relative values of the selected companies and Reorganized Debtors. The selection of appropriate companies for analysis is a matter of judgment and subject to limitations due to sample size and the public availability of meaningful market-based information.

**C. Selected Transactions Analysis.** The selected transactions analysis is based on the implied enterprise values of companies and assets involved in publicly disclosed merger and acquisition transactions for which the targets had operating and financial characteristics comparable in certain respects to the Reorganized Debtors. Under this methodology, the enterprise value of each such target is determined by an analysis of the consideration paid and the net debt assumed in the merger or acquisition transaction. The enterprise value is then compared to a selected operating metric, in this case, EBITDA, in order to determine an enterprise value multiple. Moelis analyzed various merger and acquisition transactions that have occurred in the autoparts manufacturing sector since 2010. In this analysis, the LTM enterprise value multiples were utilized to determine a range of implied enterprise value for the Reorganized Debtors.

Other factors not directly related to a company's business operations can affect a valuation in a transaction, including, among others factors: (a) circumstances surrounding a merger transaction may introduce "diffusive quantitative results" into the analysis (i.e., a buyer may pay an additional premium for reasons that are not solely related to competitive bidding); (b) the market environment is not identical for transactions occurring at different periods of time; and (c) circumstances pertaining to the financial position of the company may have an impact on the resulting purchase price (i.e., a company in financial distress may receive a lower price due to perceived weakness in its bargaining leverage). The selection of appropriate transactions for analysis is a matter of judgment and subject to limitations due to sample size and the public availability of meaningful market-based information.

## **Valuation Considerations**

As a result of the foregoing, the estimated enterprise value in this section is not necessarily indicative of actual value, which may be significantly higher or lower than the estimate herein. Accordingly, none of the Debtors, Moelis or any other person assumes responsibility for the accuracy of such estimated enterprise value. Depending on the actual financial results of the Debtors or changes in the financial markets, the enterprise value of the Reorganized Debtors as of the Assumed Effective Date may differ from the estimated enterprise value set forth herein. In addition, the market prices, to the extent there is a market, of the Reorganized Debtors' securities will depend upon, among other things, prevailing interest rates, conditions in the financial markets, the investment decisions of prepetition creditors receiving such securities under the Plan (some of whom may prefer to liquidate their investment rather than hold it on a long-term basis), and other factors that generally influence the prices of securities.

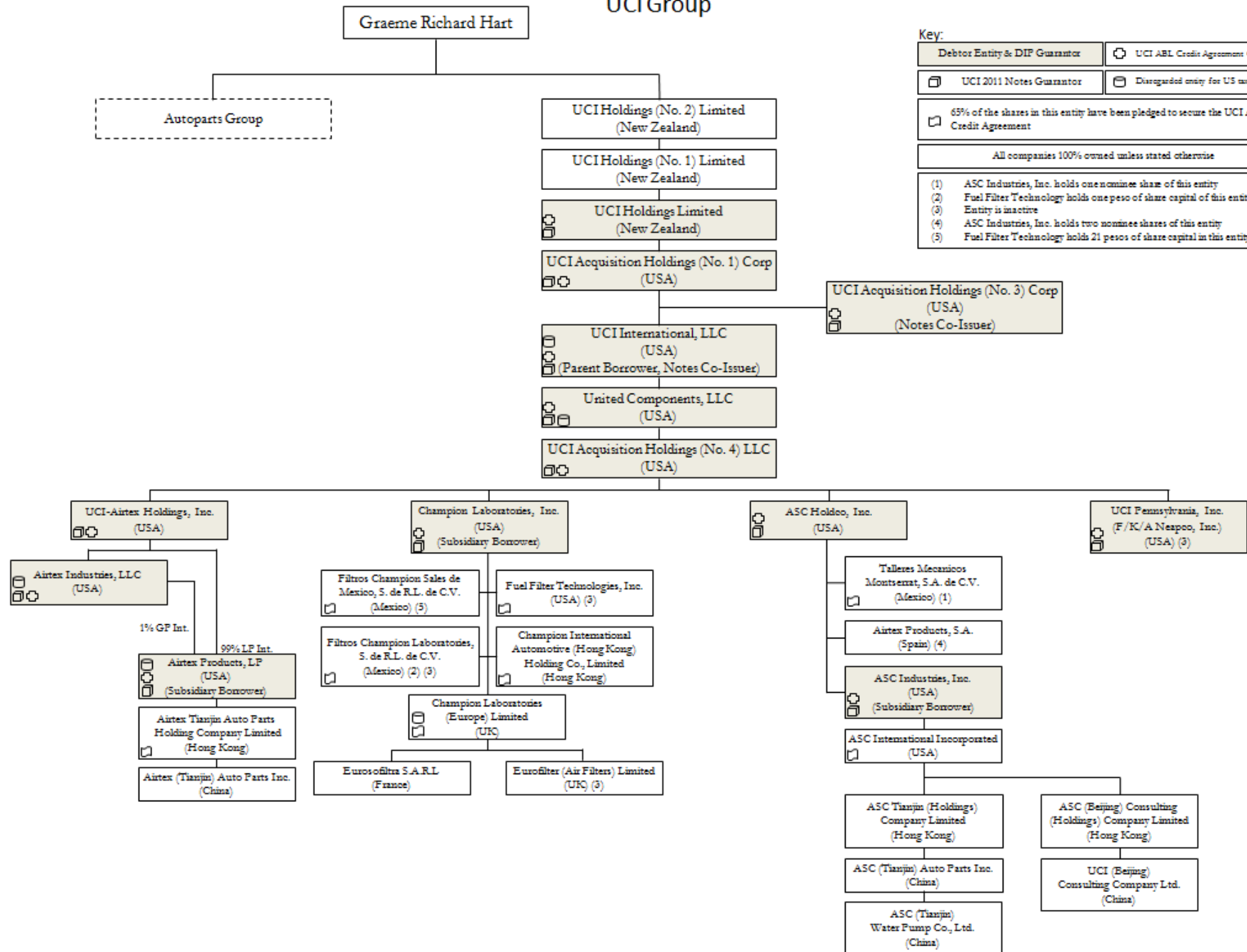
**EXHIBIT F**

**Corporate Organizational Chart**

# UCI Group

Key:

Debtor Entity & DIP Guarantor	UCI ABL Credit Agreement Guarantor
UCI 2011 Notes Guarantor	Disregarded entity for US tax purposes
65% of the shares in this entity have been pledged to secure the UCI ABL Credit Agreement	
All companies 100% owned unless stated otherwise	
(1) ASC Industries, Inc. holds one nominee share of this entity (2) Fuel Filter Technology holds one peso of share capital of this entity (3) Entity is inactive (4) ASC Industries, Inc. holds two nominee shares of this entity (5) Fuel Filter Technology holds 21 pesos of share capital in this entity	



**EXHIBIT G**

**Backstop Commitment Agreement**



## **BACKSTOP COMMITMENT AGREEMENT**

**BACKSTOP COMMITMENT AGREEMENT** (this “Agreement”), dated as of September 30, 2016, is by and among (i) UCI International, LLC; Airtex Industries, LLC; Airtex Products, LP; ASC Holdco, Inc.; ASC Industries, Inc.; Champion Laboratories, Inc.; UCI Acquisition Holdings (No. 1) Corp; UCI Acquisition Holdings (No. 3) Corp; UCI Acquisition Holdings (No. 4) LLC; UCI-Airtex Holdings, Inc.; UCI Pennsylvania, Inc.; and United Components, LLC. (together, the “Debtors,” or the “Company”), and (ii) the parties identified on Schedule I hereto (each, a “Backstop Party” and, collectively, the “Backstop Parties”). Each of the Debtors, the Backstop Parties and any subsequent person that becomes a party hereto in accordance with the terms hereof are each referred to herein as a “Party” and collectively as the “Parties.”

### **RECITALS**

WHEREAS, on June 2, 2016 (the “Petition Date”), the Debtors each filed voluntary petitions (the “Chapter 11 Proceedings”) for relief under chapter 11 of title 11 of the United States Code (as amended, the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”);

WHEREAS, each of the Backstop Parties is the holder of one or more claims, as defined in section 101(5) of title 11 of the United States Code, 11 U.S.C. §§ 101-1330 (as amended, the “Bankruptcy Code”) against the Company (each, a “Claim”), including Claims arising out of, or related to, the Company’s 8.625% senior unsecured notes due 2019 (the “Senior Unsecured Notes”) issued pursuant to the Indenture dated as of January 26, 2011 by and among Uncle Acquisition 2010 Corp as issuer, the guarantors from time to time party thereto, and Wilmington Trust National Association (as successor by merger to Wilmington Trust FSB), as trustee (as it may have been amended, amended and restated, modified or supplemented from time to time);

WHEREAS, certain of the Backstop Parties (the “Ad Hoc Group”) have retained Willkie Farr & Gallagher LLP (“Willkie”) and Morris Nichols Arsht & Tunnell (“MNAT”) as legal counsel, and Willkie has retained GLC Advisors & Co., LLC as investment banker (“GLC”) and Conway MacKenzie, Inc. as financial advisor (“CM” and, together with GLC, MNAT and Willkie and any other advisor agreed by the Debtors, the “Ad Hoc Group Professionals”);

WHEREAS, on August 26, 2016, the Debtors filed a Joint Plan of Reorganization (as may be amended or modified, the “Plan”) with the Bankruptcy Court;

WHEREAS, pursuant to the Plan, unless the Company and the Required Backstop Parties (as defined below) elect otherwise, the Company shall conduct a rights offering (the “Rights Offering”), to facilitate consummation of the Plan and the funding of the Second Lien Rights Offering Facility; and

WHEREAS, subject to the terms herein, to facilitate the Rights Offering, the Company is willing to sell, and each Backstop Party is willing to commit to purchase its Back-Stop Party Pro Rata Share (as defined below) in accordance with the terms hereof.

**NOW, THEREFORE,** in consideration of the premises and the mutual agreements contained herein, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

**SECTION 1. DEFINITIONS.** As used in this Agreement, the following terms shall have the following meanings:

“Acceptable Disclosure Statement” has the meaning assigned to it in Section 7.1.

“Acceptable Plan” has the meaning assigned to it in Section 7.1.

“Ad Hoc Group” has the meaning assigned to it in the Recitals hereto.

“Ad Hoc Group Professionals” has the meaning assigned to it in the Recitals hereto.

“Agreement” has the meaning assigned to it in the preamble hereto.

“Approval Order” has the meaning assigned to it in Section 4.1.

“Backstop Commitment” means, with respect to each Backstop Party, the sum of (a) such Backstop Party’s Notes Pro Rata Allocation of the Second Lien Rights Offering Facility plus (b) the product of (i) such Backstop Party’s Backstop Party Pro Rata Share times (ii) the amount of the Second Lien Rights Offering Facility not elected to be purchased by the Eligible Parties (other than Backstop Parties) prior to the Election Expiration Time.

“Backstop Fee” means an aggregate commitment fee of 4% of the New Common Stock (inclusive of the amount of New Common Stock that would be issued to Holders of Allowed General Unsecured Claims notwithstanding any Cash Elections (as such terms are defined in the Plan)), which fee shall be allocated to each Backstop Party in accordance with the terms of this Agreement.

“Backstop Fee Share” means, with respect to each Backstop Party, the percentage set forth opposite the name of such Backstop Party on Schedule II hereto, as such Schedule II may be updated from time to time by agreement of the Backstop Parties. Any update to Schedule II hereto described in the immediately preceding sentence shall not be deemed an amendment or modification of this Agreement.

“Backstop Parties” has the meaning assigned to it in the preamble hereto.

“Backstop Party Default” has the meaning assigned to it in Section 7.1.

“Backstop Party Expenses” means all reasonable documented costs and expenses of the Ad Hoc Group Professionals, in their capacity as such, incurred prior to termination of this Agreement.

“Backstop Party Pro Rata Share” or “Backstop Party’s Pro Rata Share” means, with respect to each Backstop Party, the percentage set forth opposite the name of such Backstop

Party on Schedule I hereto, as such Schedule I may be updated from time to time by agreement of the Backstop Parties and/or pursuant to Section 7.4 hereof. Any update to Schedule I hereto described in the immediately preceding sentence shall not be deemed an amendment or modification of this Agreement.

“Backstop Party Termination” has the meaning assigned in Section 7.1.

“Backstop Replacement Party” has the meaning assigned to it in Section 7.4.

“Backstop Replacement Period” has the meaning assigned to it in Section 7.4.

“Bankruptcy Code” has the meaning assigned to it in the Recitals hereto.

“Bankruptcy Court” has the meaning assigned to it in the Recitals hereto.

“BlackRock” means the funds and accounts identified as “BlackRock Backstop Parties” on Schedule I hereto.

“Chapter 11 Proceedings” has the meaning assigned to it in the Recitals hereto.

“Claim” has the meaning assigned to it in the Recitals hereto.

“CLO Issuer” has the meaning assigned to it in Section 9.15.

“Commitment Outside Date” means February 12, 2017; *provided, however*, that the Commitment Outside Date may be extended by agreement between the Required Backstop Parties and the Company.

“Committee” means the official committee of unsecured creditors appointed in the Chapter 11 Proceedings.

“Company” has the meaning assigned to it in the preamble hereto.

“Confirmation Order” means the Final Order of the Bankruptcy Court confirming the Plan pursuant to Section 1129 of the Bankruptcy Code, which order shall be in form and substance acceptable to the Company and the Required Backstop Parties.

“CSAM Backstop Parties” means the funds and accounts identified as “CSAM Backstop Parties” on Schedule I hereto.

“Debtors” has the meaning assigned to it in the preamble hereto.

“Defaulting Backstop Party” has the meaning assigned to it in Section 7.1.

“Effective Date” means the effective date of the Plan.

“Election Expiration Time” means the time and date of expiration of the period during which Eligible Parties can elect to participate in the Rights Offering, which date shall be no

earlier than November 29, 2016, or such later date as the Debtors may specify with the reasonable consent of the Required Backstop Parties.

“Eligible Parties” means each holder of allowed Senior Unsecured Notes Claims.

“Final Cash Collateral Order” has the meaning assigned to it in Section 7.1.

“Indemnified Parties” means the Backstop Parties and each of their affiliates and each of their and their affiliates’ respective directors, managers, officers, principals, partners, members, equity holders (regardless of whether such interests are held directly or indirectly), trustees, controlling persons, predecessors, successors and assigns, subsidiaries, employees, agents, advisors, attorneys and representatives.

“JPM Backstop Parties” means the funds and accounts identified as “JPM Backstop Parties” on Schedule I hereto.

“Material Adverse Effect” means any effect, change, event, occurrence, development, or state of facts that, individually or in the aggregate with all other such effects, changes, events, occurrences, developments, or states of fact, (A) has had, or would reasonably be expected to have, a material adverse effect on the business, assets, liabilities, condition (financial or otherwise) or results of operations of the Company, taken as a whole or (B) would, or would reasonably be expected to, prevent or materially impair the ability of the Company to consummate the transactions contemplated by this Agreement, *but expressly excluding* (i) any such effect, change, event, occurrence, development, or state of facts to the extent arising out of or resulting from the commencement or continuation of the Chapter 11 Proceedings, (ii) changes affecting the economy generally or financial or securities markets generally or changes that are the result of factors generally affecting industries in which the Company operates, to the extent that such changes do not materially disproportionately impact the Company, relative to other companies in such industries generally and (iii) financial results of the Company that are consistent with or not materially worse than those set forth in the Acceptable Disclosure Statement.

“New Common Stock” means the new common stock to be issued by Reorganized UCI on the Effective Date in connection with the implementation of, and as authorized by, the Plan.

“Notes Pro Rata Allocation” means, with respect to each Eligible Party, the fraction equal to (a) the amount of such holder’s allowed Senior Unsecured Notes Claims as of the Voting Record Date divided by (b) the total amount of allowed Senior Unsecured Notes Claims.

“Petition Date” has the meaning assigned to it in the Recitals hereto.

“Plan” has the meaning assigned to it in the Recitals hereto.

“Plan Supplement” means the supplement to this Plan to be filed with the Bankruptcy Court no later than ten (10) days prior to the deadline to vote on the Plan, or such other date as is acceptable to the Company and the Required Backstop Parties.

“Remaining Backstop Parties” has the meaning assigned to it in Section 7.4.

“Reorganized UCI” means reorganized UCI Acquisition Holdings (No. 1) Corp. or UCI International, LLC, as determined by the Company and the Required Backstop Parties in accordance with the terms of the Plan, or any successors thereto by merger, consolidation, conversion or otherwise, on or after the Effective Date, including any new entity formed pursuant to the restructuring transactions contemplated by the Plan to directly or indirectly acquire the assets or equity of the Debtors.

“Required Backstop Parties” means the BlackRock Backstop Parties (collectively) and one of either the CSAM Backstop Parties (collectively) or the JPM Backstop Parties (collectively).

“Rights Offering” has the meaning assigned to it in the Recitals hereto.

“Rights Offering Documents” means, collectively, all related agreements, documents, or instruments in connection with the Rights Offering and this Agreement, which shall be (i) in form and substance materially consistent with this Agreement and the Plan and (ii) in form and substance acceptable to the Required Backstop Parties and the Company.

“Rights Offering Procedures” means the procedures for conducting the Rights Offering, including the exhibits and annexes thereto and all amendments, supplements changes, and modifications thereto, which procedures may be included in the Plan and shall be filed with the Bankruptcy Court no later than October 1, 2016 and shall be in form and substance acceptable to the Required Backstop Parties and the Debtors.

“Rights Offering Stock” means the product of (a) 15% of the New Common Stock to be issued by Reorganized UCI (inclusive of the amount of New Common Stock that would be issued to Holders of Allowed General Unsecured Claims notwithstanding any Cash Elections (as such terms are defined in the Plan)) on the Effective Date multiplied by (b) the fraction equal to (i) the principal amount of the Second Lien Rights Offering Facility divided by (ii) \$30 million.

“Rights Offering Stock Pro Rata Allocation” means, with respect to each Eligible Party, the number of Rights Offering Stock equal to the product of (a) the total number of Rights Offering Stock multiplied by (b) the fraction equal to (i) the amount of the Second Lien Rights Offering Facility purchased by such party pursuant to the Rights Offering and/or this Agreement divided by (ii) the total amount of the Second Lien Rights Offering Facility.

“Second Lien Rights Offering Facility” means a second lien term loan facility in an aggregate principal amount of up to \$30 million, which facility shall be funded by the proceeds of the Rights Offering. The principal terms of the Second Lien Rights Offering Facility shall be consistent with the terms attached hereto as Exhibit A, and filed with the Plan Supplement in form and substance acceptable to the Company and the Required Backstop Parties.

“Senior Unsecured Notes” has the meaning assigned to it in the Recitals hereto.

“Shortfall Notice” has the meaning assigned to it in Section 7.4.

“Subscription Agent” means the entity, reasonably acceptable to the Required Backstop Parties, engaged by the Debtors to administer the Rights Offering in accordance with the Rights Offering Procedures.

“Subscription Payment Amount” means, with respect to each Eligible Party, the aggregate dollar amount of Second Lien Rights Offering Facility such Eligible Party elects to purchase pursuant to the Rights Offering Documents and in accordance with the Rights Offering Procedures.

“Terminating Backstop Party” has the meaning assigned in Section 7.1.

“Unfunded Backstop Commitment” has the meaning assigned in Section 7.3.

“Voting Record Date” has the meaning assigned in the Plan.

## **SECTION 2. RIGHTS OFFERING; BACKSTOP.**

2.1 Rights Offering. Unless the Required Backstop Parties and the Company elect otherwise, the Company shall conduct the Rights Offering pursuant to the Plan and the Rights Offering Procedures and such other terms and conditions set forth in the Rights Offering Documents and consistent with this Agreement. The Company shall give each Eligible Party the right to purchase its Notes Pro Rata Allocation of the Second Lien Rights Offering Facility and its Rights Offering Stock Pro Rata Allocation. The right to participate in the Rights Offering may not be sold, transferred, or assigned, *provided*, that each Eligible Party may assign its right to participate to an affiliate. To exercise its right to participate in the Rights Offering, each Eligible Party must cause its Subscription Payment Amount to be delivered to the Subscription Agent prior to the Election Expiration Time. The closing of the Rights Offering, if any, is conditioned upon consummation of the Plan. The Company agrees to give, or instruct the Subscription Agent for the Rights Offering to give, the Backstop Parties, within three (3) business days after the Election Expiration Time, a notice setting forth: the aggregate Subscription Payment Amount collected by the Subscription Agent and the Company’s calculation of each Backstop Party’s Pro Rata Share of the Second Lien Rights Offering Facility not subscribed for in the Rights Offering, which calculation shall be made in consultation with the Ad Hoc Group Professionals; *provided* that the Backstop Parties may seek an upward or downward adjustment if the Backstop Parties can reasonably show that such calculations are inaccurate. The Company shall promptly provide any written backup and documentation prepared by the Company in connection with such calculations as any Backstop Party may reasonably request.

### 2.2 Backstop.

(a) Subject to and in accordance with the terms and conditions set forth herein, each Backstop Party hereby commits, on behalf of itself and no other Backstop Party, to purchase its Backstop Commitment by: (i) electing to purchase its Notes Pro Rata Allocation of the Second Lien Rights Offering and causing its Subscription Payment Amount to be delivered to the Subscription Agent prior to the Election Expiration Time, and (ii) paying to the Company, on the Effective Date, the dollar amount of its Backstop Party Pro Rata Share of the Second Lien Rights Offering Facility not subscribed for in

the Rights Offering as calculated pursuant to Section 2.1. Notwithstanding anything else herein to the contrary, the obligation of each Backstop Party to purchase its Backstop Commitment may be assigned to an affiliate in the sole discretion of such Backstop Party.

(b) Subject to and in accordance with the terms and conditions set forth herein, the Company or Reorganized UCI, as applicable, agrees to issue to each Backstop Party: (i) an amount of the Second Lien Rights Offering Facility equal to such Party's Backstop Commitment; (ii) its Rights Offering Stock Pro Rata Allocation; and (iii) its Backstop Fee Share of the Backstop Fee.

(c) The closing of the Rights Offering will occur on the Effective Date contemporaneously with substantial consummation of the Plan. On the Effective Date, funding of the Second Lien Rights Offering Facility not funded by the Subscription Payment Amounts paid to the Subscription Agent shall be effected by the Backstop Parties through the delivery to the Company, in immediately available funds, of their respective Backstop Party Pro Rata Share of the Second Lien Rights Offering not subscribed for in the Rights Offering in exchange for delivery by the Company or Reorganized UCI, as applicable, to each Backstop Party of such certificates, documents or instruments required to be delivered by the Company in connection with the consummation of the funding of the Second Lien Rights Offering Facility and the issuance of the Rights Offering Stock.

2.3 Backstop Fee. In consideration of each Backstop Party's commitment to purchase its Backstop Commitment of the Second Lien Rights Offering Facility, whether or not called upon, the Company or Reorganized UCI, as applicable, shall issue and grant to each Backstop Party its Backstop Fee Share of the Backstop Fee. The Backstop Fee, with respect to each Backstop Party, shall be fully vested, nonrefundable and non-avoidable upon entry of the Approval Order and shall be payable upon the earlier of (a) the Effective Date, or (b) termination of this Agreement in accordance with Section 7 (in which case the Backstop Fee shall be payable in cash, in an amount equal to \$3 million), *provided*, that no portion of the Backstop Fee shall be payable to a Defaulting Backstop Party in the event of a Backstop Party Default. For the avoidance of doubt, subject to entry of the Approval Order and the conditions set forth herein, the Backstop Fee will be payable regardless of whether the Rights Offering is consummated. The provisions for the payment of the Backstop Fee and the Backstop Party Expenses, are an integral part of the transactions contemplated by this Agreement and without these provisions the Backstop Parties would not have entered into this Agreement, and the Backstop Fee and the Backstop Party Expenses shall, pursuant to the Approval Order, constitute allowed administrative expenses of the Debtors' estates under Sections 503(b) and 507 of the Bankruptcy Code.

2.4 Rounding of Shares. The number of shares of New Common Stock allocated to each Backstop Party in respect of the Backstop Fee shall be rounded among the applicable Backstop Parties solely to avoid fractional units as the Company shall determine in consultation with the Required Backstop Parties.

2.5 Taxes. All of the New Common Stock and Rights Offering Stock of the Backstop Parties will be delivered with any and all issue, stamp, transfer or similar taxes or duties payable in connection with such delivery duly paid by the Company.

### **SECTION 3. REPRESENTATIONS AND WARRANTIES.**

3.1 Each Backstop Party represents and warrants, as to itself and no other Backstop Party, to the Debtors that the following statements are true, correct, and complete as of the date hereof:

(a) such Backstop Party is the sole legal owner, beneficial owner, or holder of investment and voting authority over the aggregate amount of Senior Unsecured Notes set forth below its name on the signature pages hereto, and does not legally or beneficially own, or hold investment or voting authority over, any other Senior Unsecured Notes; and

(b) such Backstop Party (i) is a sophisticated investor with respect to the transactions described in this Agreement with sufficient knowledge and experience in financial and business matters and is capable of evaluating the merits and risks of owning and investing in securities (including any securities that may be issued in connection with the transactions contemplated by the Plan), in making an informed decision with respect thereto and has made its own analysis and decision to enter into this Agreement, (ii) is an “accredited investor” within the meaning of Rule 501 of the Securities Act of 1933, as amended, and (iii) with respect to any New Common Stock or Rights Offering Stock that may be acquired under the Plan or pursuant to this Agreement, is not acquiring such new equity with a view to a distribution in violation of applicable securities laws;

3.2 Each Party represents and warrants, severally and not jointly, to the other Parties that the following statements, as applicable, are true, correct, and complete as of the date hereof:

(a) It has all requisite, individual, corporate, partnership, or limited liability company power and authority to enter into this Agreement and to carry out the transactions contemplated hereby, and to perform its obligations hereunder;

(b) To the extent applicable, it is duly organized, validly existing, and in good standing under the laws of its state or jurisdiction of organization;

(c) To the extent applicable, the execution and delivery of this Agreement and the performance of its obligations hereunder have been duly authorized by all necessary corporate, partnership, or limited liability company action on its part;

(d) Subject to obtaining each of the approvals and consents set forth in Section 3.2(e), the execution, delivery and performance of this Agreement does not and shall not (A) violate any provision of law, rule, or regulation applicable to it, except to the extent the failure to comply therewith could not reasonably be expected to materially and adversely affect its ability to perform its obligations hereunder; (B) to the extent applicable, violate its articles or certificate of incorporation, bylaws, or other organizational documents; or (C) conflict with, result in a breach of, or constitute (with



due notice or lapse of time or both) a default under any material contractual obligation to which it or any of its subsidiaries is a party, except in the case of the Debtors to the extent such contractual obligation relates to the Senior Unsecured Notes or related loan documents;

(e) The execution, delivery, and performance by it of this Agreement does not and shall not require any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any federal, state, or other governmental authority or regulatory body, except such filings, approvals, and consents as (i) may be necessary or required under antitrust or federal securities laws or regulations; (ii) may be necessary and/or required under any laws or regulations of any state; or (iii) may be necessary or required in connection with the Debtors' bankruptcy cases, the approval of the disclosure statement, and the confirmation and effectiveness of the Plan; and

(f) Subject in the case of the Debtors to entry of the Approval Order, this Agreement is a legally valid and binding obligation of such Party, enforceable against such Party in accordance with its terms.

#### **SECTION 4. ADDITIONAL COVENANTS.**

4.1 Approval Motion and Approval Order. Within three (3) business day following the execution of this Agreement, the Debtors shall file, and use commercially reasonable efforts to diligently prosecute, a motion (which motion shall be in form and substance reasonably satisfactory to the Required Backstop Parties) seeking an order of the Bankruptcy Court in form and substance materially consistent with this Agreement and acceptable to the Required Backstop Parties (the "Approval Order") approving this Agreement, and shall seek (i) the authority to enter into this Agreement and (ii) the authority to pay, when due and payable, the Backstop Fee and the Backstop Party Expenses in accordance with the terms of this Agreement. The Ad Hoc Group shall use commercially reasonable efforts to assist the Company in expeditiously seeking entry of the Approval Order and defend against any objections thereto.

4.2 Commercially Reasonable Efforts. Each of the Company and the Backstop Parties hereby agrees to use its commercially reasonable efforts to timely satisfy (if applicable) each of the conditions under Sections 5 and 6, respectively.

4.3 Further Assurances. Each Party hereto shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as any other party hereto may reasonably request to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

4.4 Cooperation. During the Company's Chapter 11 Proceedings, the Company shall provide to counsel for the Backstop Parties draft copies of all motions, proposed orders, applications and other documents, in each case relating to the Plan or this Agreement, that the Company intends to file with the Bankruptcy Court, at least two (2) business days prior to the date when the Company intends to file any such pleading or other document (and, if not reasonably practicable, as soon as reasonably practicable prior to filing) and the Company shall

consult in good faith with such counsel regarding the form and substance thereof prior to filing such pleading or other document with the Bankruptcy Court. Nothing in this Section 4.4 shall restrict, limit, prohibit or preclude any party hereto from appearing in the Bankruptcy Court with respect to any motion, application or other document filed by the Company and objecting to, or commenting upon, the relief requested therein, to the extent such objection or comment is not inconsistent with the provisions of this Agreement.

4.5 Use of Proceeds. The Company shall use the net proceeds from the transactions contemplated hereby solely as provided herein and in the Plan.

4.6 Backstop Party Expenses. Subject to entry of the Approval Order, the Company shall pay the Backstop Party Expenses incurred from the Petition Date until the date hereof and from time to time until the termination of this Agreement within fifteen (15) calendar days after receipt by the Debtors and the Committee of a reasonably detailed invoice. Unless otherwise ordered by the Bankruptcy Court, no recipient of such payment shall be required to file with respect thereto any interim or final fee application with the Bankruptcy Court. The Debtors and the Committee shall have ten (10) days following their receipt of such invoices to provide objections with notice to the Backstop Parties, with respect to the reasonableness of the fees and expenses included therein. If any such objection is not resolved within ten (10) days after such objection is made, then a hearing with respect thereto shall be conducted at a regularly scheduled omnibus hearing in the Debtors' chapter 11 cases; provided, however, that the Debtors shall pay any undisputed portion of such fees, costs and expenses within fifteen (15) days after their receipt of such invoice. Once paid, the Backstop Party Expenses shall not be refundable under any circumstances, regardless of whether the transactions contemplated hereunder are consummated, and shall not be creditable against any other amount payable in connection with the Chapter 11 Proceedings or otherwise.

4.7 Notification. The Company agrees to notify, or cause the Company's professionals or Subscription Agent to notify, as reasonably practicable and upon the request of the Backstop Parties, during the exercise period for the Right Offering and on each business day during the five (5) business days prior to the expiration thereof (and any extensions thereto), the Backstop Parties of the aggregate principal amount of the Second Lien Rights Offering Facility known by the Company to have been subscribed for pursuant to the Rights Offering as of such date.

4.8 Conduct of the Business of Company. From the date hereof until the Effective Date, except (a) as expressly permitted by this Agreement, (b) as required by law, or (c) with the written consent of the Required Backstop Parties, the Company shall (except as contemplated by the Acceptable Plan) conduct its business and operations in the ordinary course of business consistent with past practice and use commercially reasonable efforts to (x) preserve intact its present business organization; (y) maintain good relationships with its customers, suppliers, and others having material business relationships with it (it being understood that the Company may terminate or modify such relationships if, upon consultation with the Required Backstop Parties, the Company in good faith deems that to be in the best interests of the Company); and (z) manage its working capital (including the timing of collection of accounts receivable and the payment of accounts payable and the management of its inventory) in the ordinary course of business consistent with past practice.

4.9 Executory Contracts and Leases. The Debtors shall identify in writing to the Backstop Parties the contracts and leases proposed to be assumed, assumed and assigned, or rejected pursuant to the Plan at least 10 business days prior to filing the Plan Supplement (the “Executory Contracts and Leases Information”), which shall be subject to the approval of the Required Backstop Parties. The Company shall make relevant personnel or advisors reasonably available during business hours to provide reasonable assistance to the Backstop Parties’ review of any such executory contracts and leases identified in the Executory Contracts and Leases Information, and the Company shall reserve the right, upon consultation with the Required Backstop Parties, to supplement, amend or modify the Executory Contracts and Leases Information at any time prior to filing the Plan Supplement.

4.10 Plan Support. From and after the date hereof, and provided that (a) this Agreement has not been terminated and (b) neither the Acceptable Plan nor the Acceptable Disclosure Statement have been modified, amended or supplemented in any manner that adversely affects any Backstop Party in any capacity without the consent of the Required Backstop Parties, each of Backstop Parties shall (i) take any and all actions reasonably requested by the Debtors to support (A) approval of the Acceptable Disclosure Statement in accordance with section 1125 of the Bankruptcy Code and (B) confirmation of the Acceptable Plan in accordance with section 1129 of the Bankruptcy Code, and (ii) not vote for or support any chapter 11 plan not proposed or supported by the Debtors. Notwithstanding anything contained in this Section 4 or elsewhere in this Agreement to the contrary, this Agreement is not, and shall not be deemed to be, a solicitation of acceptances of the Plan. The Debtors and the Backstop Parties acknowledge and agree that the acceptance of the Plan will not be solicited unless and until the Bankruptcy Court has approved the Disclosure Statement and related Ballots, and such Disclosure Statement and Ballots have been transmitted to parties entitled to receive same.

## **SECTION 5. CONDITIONS TO THE BACKSTOP PARTIES’ OBLIGATIONS.**

The obligations of each of the Backstop Parties to consummate the transactions contemplated hereby pursuant to this Agreement on the Effective Date shall be subject to the satisfaction at or prior to the Effective Date of each of the following conditions, any one or more of which may be waived in writing by the Required Backstop Parties:

5.1 Representations and Warranties. (a) All of the representations and warranties made by the Company in this Agreement shall be true and correct in all material respects as of the Effective Date as though made at and as of the Effective Date (except to the extent such representations and warranties expressly speak as of an earlier date, which shall be true and correct as of such date); and (b) the Company shall have performed and complied in all material respects with all agreements and covenants required by this Agreement to be performed by the Company on or prior to the Effective Date or such earlier date as may be applicable.

5.2 Approval Order. The Approval Order shall have been entered by the Bankruptcy Court.

5.3 Confirmation Order. The Confirmation Order shall have been entered by the Bankruptcy Court, shall not have been stayed pending appeal, and there shall not have been entered by any court of competent jurisdiction any reversal, modification or vacatur, in whole or in part, of the Confirmation Order.

5.4 Conditions to Effective Date. Each of the conditions precedent to the effectiveness of the Plan and the occurrence of the Effective Date shall have been satisfied or waived in accordance with the Plan.

5.5 Payment of Amounts. The Company shall have paid the accrued and unpaid Backstop Party Expenses, and the Company and/or Reorganized UCI's obligation to pay each Backstop Party (that is not a Defaulting Backstop Party) its Backstop Fee Share of the Backstop Fee shall remain in full force and effect.

**SECTION 6. CONDITIONS TO THE COMPANY'S OBLIGATIONS.** The obligations of the Company to consummate the Rights Offering shall be subject to the satisfaction at or prior to the Effective Date of each of the following conditions, any one or more of which may be waived in writing by the Company:

6.1 Representations and Warranties. (a) All of the representations and warranties made by the applicable Backstop Party in this Agreement shall be true and correct in all material respects as of the date hereof and as of the Effective Date as though made at and as of the Effective Date (except to the extent such representations and warranties expressly speak as of an earlier date, which shall be true and correct as of such date), and (b) the applicable Backstop Party shall have performed and complied in all material respects with all agreements and covenants required by this Agreement to be performed by such Backstop Party on or prior to the Effective Date.

6.2 Approval Order. The Approval Order shall have been entered by the Bankruptcy Court.

6.3 Confirmation Order. The Confirmation Order shall have been entered by the Bankruptcy Court, shall not have been stayed pending appeal, and there shall not have been entered by any court of competent jurisdiction any reversal, modification or vacatur, in whole or in part, of the Confirmation Order.

6.4 Conditions to Effective Date. Each of the conditions precedent to the effectiveness of the Plan and the occurrence of the Effective Date shall have been satisfied in accordance with the Plan.

6.5 Fiduciary Obligations. Notwithstanding anything to the contrary in this Agreement, nothing in this Agreement shall require the Company, or any Backstop Party that is a member of the Official Committee of Unsecured Creditors in the Debtors' bankruptcy cases, or any director, manager or officer of the foregoing, in such person's capacity as such, to take any action, or to refrain from taking any action that is reasonably determined, after consulting with and not inconsistent with advice received from counsel, to be inconsistent with such Party's or such director's, manager's or officer's fiduciary obligations under applicable law.

## **SECTION 7. TERMINATION.**

7.1 Termination by the Backstop Parties. This Agreement may be terminated at any time by any Backstop Party with respect to itself (and not with respect to any other Backstop Party) upon the occurrence of any of the following events (each a "Backstop Party Termination

Event”), by delivering written notice of the occurrence of such event to the Company in accordance with Section 9.7, *provided*, that (a) upon a Backstop Party Termination Event under subsections 7.1(j) through (n) of this Agreement, this Agreement shall terminate (with respect to such terminating Backstop Party) immediately upon written notice thereof; and (b) upon any other Backstop Termination Event, this Agreement shall terminate (with respect to such terminating Backstop Party) three (3) business days after written notice to the Company thereof and of the intent to terminate this Agreement and the breach or other matter giving rise to the right to so terminate this Agreement shall not have been cured during the three (3) business day period after receipt of such notice:

(a) The Debtors have not filed revisions to the Plan in form and substance acceptable to the Required Backstop Parties (an “Acceptable Plan”) on or prior to October 3, 2016;

(b) The Bankruptcy Court has not (i) entered the Approval Order and (ii) approved a disclosure statement with respect to the Acceptable Plan in form and substance reasonably acceptable to the Required Backstop Parties (the “Acceptable Disclosure Statement”) on or prior to October 21, 2016;

(c) The Acceptable Plan or Acceptable Disclosure Statement or any documents included in the solicitation package applicable to Reorganized UCI are modified, amended or supplemented in any manner that adversely affects any Backstop Party in any capacity without the consent of the Required Backstop Parties;

(d) The Bankruptcy Court shall not have entered the Confirmation Order on or prior to January 23, 2016;

(e) The occurrence of the Commitment Outside Date;

(f) The Bankruptcy Court shall have entered an order appointing, in respect of any of the Debtors, (A) a trustee under chapter 11 of the Bankruptcy Code, (B) a responsible officer, or (C) an examiner with enlarged powers relating to the operation of the business (powers beyond those set forth in subclauses (3) and (4) of section 1106(a)) under section 1106(b) of the Bankruptcy Code; *provided* that the appointment of any of the parties identified in the immediately preceding clauses (A) through (C) shall not result in a Backstop Party Termination Event enforceable by any Backstop Party that requested or supported such appointment;

(g) The Bankruptcy Court shall have entered an order terminating the Debtors’ exclusive right to file or solicit acceptances of a plan; *provided* that such termination of the Debtors’ rights shall not result in a Backstop Party Termination Event enforceable by any Backstop Party in the event that one or more Backstop Party(ies) requested or supported such termination or in the event that one or more Backstop Party(ies) that opposed any extension of the Debtors’ exclusive periods to file or solicit acceptance of the plan;

(h) Any of the Debtors' Chapter 11 Proceedings is dismissed or converted to a case under chapter 7 of the Bankruptcy Code, with the exception of UCI Holdings Limited;

(i) Any governmental authority, including the Bankruptcy Court, or any other regulatory authority or court of competent jurisdiction, enters a final, non-appealable judgment or order (A) declaring this Agreement or any material portion hereof to be unenforceable, (B) preventing consummation of the Plan or any material portion thereof or (C) that grants relief that is inconsistent with this Agreement and materially adverse to the Backstop Parties;

(j) On or after October 1, 2016, if the Debtors withdraw the Plan or any of the Debtors publicly announces its intention not to support the Plan, or the Debtors file any motion or pleading with the Bankruptcy Court that is inconsistent with this Agreement and materially adverse to the Backstop Parties;

(k) At any time, if the Debtors are party to any plan support, restructuring or similar agreement that provides for a restructuring or plan that is not, in the determination of the terminating Backstop Party, consistent in all material respects with this Agreement, or the Plan as filed on or after October 1, 2016.

(l) The Approval Order or the orders of the Bankruptcy Court approving the disclosure statement or confirming the Plan are stayed, reversed, vacated, or otherwise modified in a material manner for greater than 14 days;

(m) At any time, following either (i) termination of this Agreement by another Backstop Party (a "Backstop Party Termination" and any such terminating Backstop Party, a "Terminating Backstop Party"), (ii) any other Backstop Party breaches any representation or warranty or breaches any covenant applicable to it in any material respect under this Agreement (each, a "Backstop Party Default" and any such defaulting Backstop Party, a "Defaulting Backstop Party"), or (iii) receipt of a Shortfall Notice from the Company as set forth in Section 7.4;

(n) The occurrence of a "Termination Date" in accordance with the *Final Order (I) Authorizing the Debtors to Utilize Cash Collateral Pursuant to 11 U.S.C. § 363; (II) Granting Adequate Protection to the Prepetition ABL Secured Parties Pursuant to 11 U.S.C. §§ 105(a), 361, 362, 363, and 507; and (III) Granting Related Relief* [Docket No. 436] (the "Final Cash Collateral Order") entered by the Bankruptcy Court on August 16, 2016, or any subsequent order of the Bankruptcy Court regarding the Debtors' right to use cash collateral unless, following termination of the Debtors' use of cash collateral pursuant to the Final Cash Collateral or any subsequent order entered by the Bankruptcy Court, the Bankruptcy Court enters an order authorizing interim or final use of cash collateral within five (5) days following such termination;

(o) The occurrence of a Material Adverse Effect;

(p) On or after the date the Plan Supplement is filed, if any documents applicable to Reorganized UCI included in the Plan Supplement are not in form and

substance acceptable to the Required Backstop Parties, or are modified, amended or supplemented in any manner that adversely affects any Backstop Party in any capacity without the consent of the Required Backstop Parties;

(q) Any material breach of any provision of this Agreement by any of the Debtors; or

(r) If a Backstop Party that is a member of the Official Committee of Unsecured Creditors in the Debtors' bankruptcy cases determines, after consultation with and not inconsistent with the advice received from counsel, that the failure to terminate this Agreement would be inconsistent with its fiduciary duties under applicable law as referenced in Section 6.5 above;

*provided further that*, any of the dates set forth in this Section 7.1 may be extended by agreement between the Debtors and the Required Backstop Parties. In addition, no Party may seek to terminate this Agreement based upon a breach or a failure of a condition (if any) in this Agreement if such breach or failure is caused by, results from, or arises out of, solely such Party's own actions or omissions.

7.2 Effect of Backstop Party Termination. Upon a termination of this Agreement in accordance with Section 7.1 (with respect to such Terminating Backstop Party), the Terminating Backstop Party shall have no continuing liability or obligation to any other Party hereunder and the provisions of this Agreement shall have no further force or effect with respect to such Terminating Backstop Party, except for the provisions in Sections 2.3, 4.6, 7.2, 7.6 and 9, each of which shall survive termination of this Agreement; *provided, however*, that the Backstop Fee or Backstop Expenses shall not be payable to any Backstop Party in the event of a Backstop Party Termination pursuant solely to Section 7.1(b); *provided, further* that no such termination shall relieve any Terminating Backstop Party from liability for its breach or non-performance of its obligations hereunder prior to the date of such termination and the rights of any Party as it relates to such breach or non-performance by any Backstop Party shall be preserved in the event of the occurrence of such breach or non-performance.

7.3 Termination by the Company. This Agreement may be terminated by the Debtors following the occurrence of any of the following events immediately upon delivery of written notice to the Parties except as set forth below:

(a) An order converting all of the Chapter 11 Proceedings to cases under chapter 7 of the Bankruptcy Code is entered by the Bankruptcy Court;

(b) Any court has entered a final, non-appealable judgment or order declaring this Agreement or any material portion hereof to be unenforceable;

(c) If the Debtors reasonably determine, after consultation with and not inconsistent with the advice received from counsel, that the failure to terminate this Agreement would be inconsistent with their fiduciary duties under applicable law as referenced in Section 6.5 above;

(d) The entry of an order dismissing all of the Debtors' Chapter 11 Proceedings; or

(e) Following the conclusion of the Backstop Replacement Period, if, following either a Backstop Party Termination or a Backstop Party Default, the amount of the Terminating Backstop Party's or Defaulting Backstop Party's Backstop Pro Rata Share (the "Unfunded Backstop Commitment") is not re-allocated in accordance with Section 7.4.

7.4 Replacement of Terminated or Defaulted Backstop Commitments. Upon the occurrence of a Backstop Party Termination or Backstop Party Default, the Company shall send a written notice (a "Shortfall Notice") to the Backstop Parties (other than a Terminating Backstop Party or Defaulting Backstop Party) (the "Remaining Backstop Parties") of (a) such Backstop Party Termination or Backstop Party Default, and (b) the amount of the Unfunded Backstop Commitment. The Remaining Backstop Parties shall have the right, but not the obligation, within ten (10) business days from receipt of the Shortfall Notice (the "Backstop Replacement Period") to elect to purchase all or a portion of the Unfunded Backstop Commitment, or find one or more third-parties reasonably satisfactory to the Company and the Remaining Backstop Parties (such electing Remaining Backstop Party or third party, a "Backstop Replacement Party") to purchase all or a portion of the Unfunded Backstop Commitment, each on the terms and subject to the conditions set forth in this Agreement. If the total amount of the Unfunded Backstop Commitment is re-allocated to a Backstop Replacement Party (or combination of Backstop Replacement Parties), Schedule I hereto shall be updated by the Company solely to reflect the name and address of the applicable Backstop Replacement Party (to the extent not already a Backstop Party) and the Backstop Party Pro Rata Share of the Second Lien Rights Offering Facility that shall apply to such Backstop Replacement Party, and the reduction of the Defaulting Backstop Party or Terminating Backstop Party's Backstop Party Pro Rata Share. In performing this Agreement, the Company may rely solely on the most current Schedule I. If, at the conclusion of the Backstop Replacement Period, Backstop Replacement Parties have not elected to fund the total amount of the Unfunded Backstop Commitment, the Company may terminate this agreement pursuant to Section 7.3(e) or, in the Company's and Remaining Backstop Parties' reasonable discretion, proceed in accordance with the terms of this Agreement notwithstanding the Unfunded Backstop Commitment. For the avoidance of doubt, any Backstop Parties may terminate this agreement with respect to itself following either a Backstop Party Termination, a Backstop Party Default, or receipt of a Shortfall Notice.

7.5 Mutual Termination. This Agreement may be terminated immediately by the mutual written consent of the Company and the Required Backstop Parties.

7.6 Effect of Company or Mutual Termination. Upon a termination of this Agreement in accordance with Sections 7.3 or 7.5, no Party hereto shall have any continuing liability or obligation to any other Party hereunder and the provisions of this Agreement shall have no further force or effect, except for the provisions in Sections 2.3, 4.6, 7.2, 7.6 and 9, each of which shall survive termination of this Agreement; *provided* that no such termination shall relieve any Party from liability for its breach or non-performance of its obligations hereunder prior to the date of such termination and the rights of any Party as it relates to such breach or



non-performance by any Party shall be preserved in the event of the occurrence of such breach or non-performance.

## **SECTION 8. INDEMNIFICATION; EXCULPATION.**

8.1 Subject to entry of the Approval Order, the Company agrees to indemnify and hold harmless the Indemnified Parties from and against any and all claims, damages, losses, liabilities and reasonable expenses (including, without limitation, reasonable fees and disbursements of counsel), that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or relating to this Agreement, the Rights Offering Documents, or the transactions contemplated hereby or thereby, the payment of the Backstop Fee or the Backstop Party Expenses, any use made or proposed to be made with the proceeds of the Rights Offering, or any claim, litigation, investigation or proceeding relating to any of the foregoing, regardless of whether any Indemnified Party is a party thereto, and the Company shall reimburse each Indemnified Party upon demand for fees and expenses of counsel (which, so long as there are no conflicts among such Indemnified Parties, shall be limited to one law firm serving as counsel for the Indemnified Parties) and other expenses incurred by it in connection with investigating, preparing to defend or defending, or providing evidence in or preparing to serve or serving as a witness with respect to, any lawsuit, investigation, claim or other proceeding relating to any of the foregoing (including, without limitation, in connection with the enforcement of the indemnification obligations set forth herein), irrespective of whether the transactions contemplated hereby are consummated, except to the extent such claim, damage, loss, liability, or expense is found in a final, non-appealable order of a court of competent jurisdiction to have resulted from such Indemnified Party's bad faith, actual fraud, gross negligence, or willful misconduct. No Indemnified Party shall have any liability (whether direct or indirect, in contract, tort or otherwise) to the Company for or in connection with the transactions contemplated hereby, except to the extent such liability is found in a final, non-appealable order of a court of competent jurisdiction to have resulted from such Indemnified Party's bad faith, actual fraud, gross negligence or willful misconduct. In no event, however, shall any Indemnified Party be liable on any theory of liability for any special, indirect, consequential or punitive damages. Without the prior written consent of the Indemnified Parties, the Company agrees that it will not enter into any settlement of any lawsuit, claim or other proceeding arising out of this Agreement, the Rights Offering Documents, or the transactions contemplated hereby or thereby unless such settlement (i) includes an explicit and unconditional release from the party bringing such lawsuit, claim or other proceeding of all Indemnified Parties and (ii) does not include a statement as to or an admission of fault, culpability, or a failure to act by or on behalf of any Indemnified Party. No Indemnified Party shall be liable for any damages arising from the use by unauthorized persons of any information made available to the Indemnified Parties by the Company or any of its representatives through electronic, telecommunications or other information transmission systems that is intercepted by such persons. Notwithstanding the foregoing, the Company's obligations pursuant to this Section 8 shall only be binding on the Company upon entry of the Approval Order. No Indemnified Party shall settle any lawsuit, claim, or other proceeding arising out of this Agreement, the Rights Offering Documents, or the transactions contemplated hereby or thereby without the prior written consent of the Company. The Company acknowledges and agrees that each and all of the Indemnified Parties shall be treated as third-party beneficiaries with rights to bring an action against the Company under this Section 8.

## **SECTION 9. MISCELLANEOUS.**

9.1 Arm's Length Transaction. The Company acknowledges and agrees that (i) the Rights Offering and any other transactions described in this Agreement are an arm's-length commercial transaction between the parties hereto and (ii) the Backstop Parties have not assumed nor will they assume an advisory or fiduciary responsibility in the Company's favor with respect to any of the transactions contemplated hereby or the process leading thereto, and the Backstop Parties have no obligation to the Company with respect to the transactions contemplated hereby except those obligations expressly set forth in this Agreement or the Rights Offering Documents to which they are party.

9.2 Entire Agreement. This Agreement (including the Schedules and Exhibits hereto) and the agreements and documents referenced herein constitute the entire agreement of the parties hereto with respect to the subject matter hereof and supersede all prior agreements and undertakings, both written and oral, among the parties hereto with respect to the subject matter hereof.

9.3 Amendment or Waiver. This Agreement may not be altered, amended, supplemented or modified, or compliance with any provision waived, except by a written instrument executed by or on behalf of the Company and the Required Backstop Parties. All waivers hereunder must be made in writing, and the failure of any party at any time to require another party's performance of any obligation under this Agreement shall not affect the right subsequently to require performance of that obligation. Any waiver of any breach of any provision of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision or a waiver or modification of any other provision.

9.4 Payments. All payments made by or on behalf of the Company or any of their affiliates to a Backstop Party or its assigns, successors or designees pursuant to this Agreement shall be without withholding, set-off, counterclaim or deduction of any kind (other than any tax withholding required by law).

9.5 Survival. The representations and warranties made in this Agreement will not survive the closing of the Rights Offering and shall expire and be of no further force and effect simultaneously therewith. Each of the Parties acknowledges and agrees that (a) the termination of this Agreement in accordance with Section 7 will not violate the automatic stay provisions of the Bankruptcy Code; and (c) each Party hereto hereby waives its right to assert a contrary position in the Debtors' bankruptcy cases with respect to the foregoing.

9.6 Notices. Any notices or other communications in connection with this Agreement shall be in writing and shall be deemed to have been duly given when delivered in person or when transmitted by email or on receipt after dispatch by registered or certified mail, postage prepaid, or on the next business day if transmitted by national overnight courier, addressed in each case as follows:

- (a) If to the Company, to:

UCI International, LLC  
1900 West Field Court

Lake Forest, IL 60045  
Attention: Brian Whittman

With a copy to:

Sidley Austin LLP  
One South Dearborn  
Chicago, IL 60603  
lnyhan@sidley.com  
jboelter@sidley.com  
Attention: Larry J. Nyhan, Esq.  
Jessica C.K. Boelter, Esq.

- (b) If to a Backstop Party, to the mailing address or facsimile number set forth on Schedule III hereto.

With a copy to:

Willkie Farr & Gallagher LLP  
787 Seventh Avenue  
New York, NY 10019  
Fax: (212) 728-  
mfeldman@willkie.com  
pshalhoub@willkie.com  
dforman@willkie.com  
Attention: Matthew Feldman, Esq.  
Paul Shalhoub, Esq.  
Dan Forman, Esq.

9.7 Headings. The section and subsection headings in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

9.8 Assignment; Severability. This Agreement is intended to bind and inure to the benefit of the Parties and their respective successors, assigns, heirs, executors, administrators and representatives. Any term or provision of this Agreement that is invalid or unenforceable in any jurisdiction, shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only as broad as is enforceable.

9.9 No Third Party Beneficiaries. This Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their respective successors and permitted assigns and, except as expressly set forth in Section 8, nothing herein, express or implied, is intended to

or shall confer upon any other person any legal or equitable right, benefit or remedy of any nature whatsoever.

9.10 Governing Law. This Agreement shall be interpreted, construed and enforced in accordance with the laws of the State of New York, without regard to the conflicts of law principles thereof.

9.11 Consent to Jurisdiction. Each of the Parties hereto (a) irrevocably and unconditionally agrees that any actions, suits or proceedings, at law or equity, arising out of or relating to this Agreement or any agreements or transactions contemplated hereby shall be heard and determined in the Bankruptcy Court; (b) irrevocably submits to the jurisdiction of such court in any such action, suit or proceeding; (c) consents that any such action, suit or proceeding may be brought in such courts and waives any objection that such party may now or hereafter have to the venue or jurisdiction or that such action or proceeding was brought in an inconvenient court; and (d) agrees that service of process in any such action, suit or proceeding may be effected by providing a copy thereof by any of the methods of delivery permitted by Section 9.6 to such party (*provided* that nothing herein shall affect the right to effect service of process in any other manner permitted by law).

9.12 Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS (WHETHER BASED ON CONTRACT, TORT, OR ANY OTHER THEORY). EACH OF THE PARTIES HERETO HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.12.

9.13 Currency. Unless otherwise specified in this Agreement, all references to currency, monetary values and dollars set forth herein shall mean United States (U.S.) dollars and all payments hereunder shall be made in United States dollars.

9.14 Counterparts. This Agreement may be executed and delivered (including by facsimile or electronic transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

9.15 Specific Performance. It is understood and agreed by the Parties that money damages would not be a sufficient remedy for any breach of this Agreement by any Party and each non-breaching Party shall be entitled to specific performance and injunctive or other equitable relief as the sole and exclusive remedy of any such breach, without the necessity of proving the inadequacy of monetary damages as a remedy, including an order of the Bankruptcy

Court requiring any Party to comply promptly with any of its obligations hereunder. Notwithstanding the foregoing or anything in this Agreement to the contrary, no Party shall institute against, or join any other person in instituting against, a Backstop Party that is an issuer or similar obligor with respect to a collateralized loan obligation (a “CLO Issuer”), any bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings, or other similar proceedings under United States federal or state bankruptcy laws, or any similar laws; provided, however, that nothing in this agreement (i) shall preclude, or be deemed to estop, any Party (A) from taking any action in (x) any case or proceeding voluntarily filed or commenced by such CLO Issuer or (y) any involuntary insolvency proceeding filed or commenced against a CLO Issuer by a person other than a Party or any of their respective affiliates or (B) from commencing against a CLO Issuer or any properties of a CLO Issuer, any legal action which is not a bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceeding, including, without limitation, any legal action to enforce this agreement. Each CLO Issuer’s obligations hereunder will be solely the corporate, limited liability company or limited partnership, as the case may be, obligations of such CLO Issuer and no Party shall have any recourse to any of the directors, officers, employees, shareholders, members, governors or affiliates of such CLO Issuer with respect to any claims, losses, damages, liabilities, indemnities or other obligations contemplated by this agreement.

9.16 Representation by Counsel. Each Party acknowledges that it has had the opportunity to be represented by counsel in connection with this Agreement and the transactions contemplated by this Agreement. Accordingly, any rule of law or any legal decision that would provide any Party with a defense to the enforcement of the terms of this Agreement against such Party based upon lack of legal counsel, shall have no application and is expressly waived.

9.17 Settlement Discussions. This Agreement is part of a proposed settlement of matters that could otherwise be the subject of litigation among the Parties hereto. Nothing herein shall be deemed an admission of any kind. Pursuant to Federal Rule of Evidence 408, any applicable state rules of evidence and any other applicable law, foreign or domestic, this Agreement and all negotiations relating thereto shall not be admissible into evidence in any proceeding other than to prove the existence of this Agreement or in a proceeding to enforce the terms of this Agreement.

*[No further text appears; signature pages follow]*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

UCI INTERNATIONAL LLC, on behalf of the  
Company

By: \_\_\_\_\_

Name: Brian Whittman

Title: Chief Restructuring Officer

[BACKSTOP PARTY]

By: \_\_\_\_\_

Name:

Title:

**EXHIBIT A**

**Principal Terms of Second Lien Rights Offering Facility**



## SUMMARY OF PROPOSED TERMS

Set forth below is a summary of the indicative principal terms and conditions for the Proposed Facility (as defined below). As used herein: “Exit ABL Facility” has the meaning assigned to such term as set forth in Exhibit 1.78 to the Plan (as defined below).<sup>1</sup>

<b>BORROWER</b>	A reorganized entity (“ <u>Borrower</u> ”) designated by the Debtors and the Required Backstop Parties, as reorganized pursuant to the <i>Joint Plan of Reorganization for UCI International, LLC and its Debtors Affiliates</i> (the “ <u>Plan</u> ”), provided, that UCI Holdings Limited shall not be a Borrower.
<b>GUARANTORS</b>	All non-Borrower wholly-owned domestic subsidiaries of the Borrower (collectively with the Borrower, the “ <u>Loan Parties</u> ”), provided, that UCI Holdings Limited shall not be a Loan Party.
<b>LENDERS</b>	All Eligible Parties who participated in the Rights Offering in accordance with the Rights Offering Procedures.
<b>CREDIT FACILITY</b>	A senior secured loan in an aggregate principal amount of up to \$30 million (the “ <u>Proposed Facility</u> ”). The loans (“ <u>Loans</u> ”) to be provided under the Proposed Facility may be in the form of one or more term loans, a notes offering, or any combination thereof.
<b>PURPOSE</b>	The Proposed Facility will be used by to make distributions to creditors in accordance with the Plan, to pay related fees and expenses and to provide for the working capital needs and general corporate requirements of the Borrower and its subsidiaries.
<b>SECURITY</b>	Subject to exceptions to be agreed, all obligations under the Proposed Facility will be secured by (a) first priority liens on all of the Loan Parties’ existing and future assets that do not constitute ABL Priority Collateral (as defined below) (including, but not limited to, capital stock (subject to limitations to be agreed with respect to capital stock of foreign subsidiaries), equipment, intellectual property, material owned real property, material leaseholds in real property and licenses), (the “ <u>Term Loan Priority Collateral</u> ”) and (b) second priority liens on all of the Loan Parties’ existing and future current assets (including, but not limited to, accounts, inventory, deposit accounts, securities accounts and commodities accounts) (the “ <u>ABL Priority Collateral</u> ” and together with the Term Loan Priority Collateral, the “ <u>Collateral</u> ”). In the event that the ABL Priority

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<sup>1</sup>This summary of the indicative principal terms and conditions shall not constitute or give rise to any express or implied commitment or obligation of, or engagement of, any person to provide, arrange, underwrite or participate in the Proposed Facility.

Collateral is expanded to include all current and future assets of the Company, all obligations under the Proposed Facility will be secured by second priority liens on the ABL Priority Collateral.

The priority of the security interests and related creditor rights among the Exit Term Loan Facility and the Exit ABL Facility will be set forth in an intercreditor agreement. Such agreement shall be in form and substance acceptable to the Borrower and the Backstop Parties.

<b>CLOSING DATE</b>	The date on which the Plan becomes effective and the Loans are made is referred to herein as the “ <u>Closing Date</u> ”.
<b>MATURITY</b>	The Proposed Facility would mature five years after the Closing Date.
<b>INTEREST RATE</b>	3.00% of the initial principal amount of the Loans on an annual basis, payable in equal quarterly installments.
<b>REPRESENTATIONS AND WARRANTIES</b>	Representations and warranties which are usual and customary for these types of facilities, which shall be subject to exceptions and qualifications to be agreed.
<b>AFFIRMATIVE AND NEGATIVE COVENANTS</b>	Affirmative and negative covenants which are usual and customary for these types of facilities, which shall be subject to exceptions and qualifications to be agreed, <i>provided, however</i> , that the covenants contained in the Proposed Facility shall not impose any additional requirements, burdens, obligations or commitments on the Loan Parties than what is already required of such Loan Parties pursuant to the covenants set forth in the Exit ABL Facility.
<b>REPORTING</b>	Those reporting requirements set forth in the Exit ABL Facility.
<b>CONDITIONS PRECEDENT</b>	Usual and customary conditions precedent for senior secured term loan exit financing facilities, including, without limitation, the effectiveness of the Plan.