

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

FEDERAL-MOGUL GLOBAL INC., T&N
LIMITED, et al.,¹

Debtors.

Chapter 11

Case Nos. 01-10578 (RTL)
(Jointly Administered)

DISCLOSURE STATEMENT DESCRIBING
THIRD AMENDED JOINT PLAN OF REORGANIZATION

¹ The U.S. Debtors (collectively, the "U.S. Debtors") are Carter Automotive Company, Inc., Federal-Mogul Corporation, Federal-Mogul Dutch Holdings Inc., Federal-Mogul FX, Inc., Federal-Mogul Global Inc., Federal-Mogul Global Properties, Inc., Federal-Mogul Ignition Company, Federal-Mogul Machine Tool, Inc., Federal-Mogul Mystic, Inc., Federal-Mogul Piston Rings, Inc., Federal-Mogul Powertrain, Inc., Federal-Mogul Products, Inc., Federal-Mogul Puerto Rico, Inc., Federal-Mogul U.K. Holdings, Inc., Federal-Mogul Venture Corporation, Federal-Mogul World Wide, Inc., Felt Products Manufacturing Co., FM International LLC, Ferodo America, Inc., Gasket Holdings Inc., J.W.J. Holdings, Inc., McCord Sealing, Inc., and T&N Industries Inc.

The U.K. Debtors (collectively, the "U.K. Debtors") are AE Dayton Services Limited, AE Group Machines Limited, AE Holdings Limited, AE International Limited, AE Limited, AE Piston Products Limited, AE Sales (Africa) Limited, Aeroplane & Motor Aluminum Castings Limited, Amber Supervision Limited, Ashburton Road Services Limited, Associated Engineering Group Limited, Awncast Limited, Bearings (North-Western) Limited, Brake Linings Limited, Colvan Rubber Co. Limited, Contact 100 Limited, Cosmid Limited, Cranhold Limited, Dealings Limited, Dumplington Services Limited, Duron Limited, E W Engineering Limited, Edmunds, Walker & Co. Limited, Engineering Components Limited, Federal-Mogul Acquisition Company Limited, Federal-Mogul Aftermarket UK Limited, Federal-Mogul Bradford Limited, Federal-Mogul Brake Systems Limited, Federal-Mogul Bridgwater Limited, Federal-Mogul Camshaft Castings Limited, Federal-Mogul Camshafts Limited, Federal-Mogul Engineering Limited, Federal-Mogul Eurofriction Limited, Federal-Mogul Export Services Limited, Federal-Mogul Friction Products Limited, Federal-Mogul Global Growth Limited, Federal-Mogul Ignition (U.K.) Limited, Federal-Mogul Powertrain Systems International Limited, Federal-Mogul Sealing Systems (Cardiff) Limited, Federal-Mogul Sealing Systems (Rochdale) Limited, Federal-Mogul Sealing Systems (Slough) Limited, Federal-Mogul Sealing Systems Limited, Federal-Mogul Shoreham Limited, Federal-Mogul Sintered Products Limited, Federal-Mogul Systems Protection Group Limited, Federal-Mogul Technology Limited, Federal-Mogul U.K. Limited, Ferodo Caernarfon Limited, Ferodo Limited, FHE Technology Limited, Fleetside Investments Limited, F-M UK Holding Limited, FP Diesel Limited, Friction Materials Limited, G.B. Tools & Components Exports Limited, Genthope Limited, Greet Limited, Halls Gaskets Limited, Hepworth & Grandage Limited, High Precision Equipment Limited, Inblot Limited, Instantwonder Limited, J.W. Roberts Limited, Kings Park Housing Limited, Lalton Limited, Lanoth Limited, Lanoth Precision Equipment Limited, Leeds Piston Ring & Engineering Co. Limited, M.T.A. (Kettering) Limited, Manro Engineering Co. Limited, Mobile Distributing (Spares) Limited, Moores Plastic Units Limited, Newalls Insulation Company Limited, Ontall Limited, Payen (Europe) Limited, Pecal Limited, Presswork-Components Limited, Sintration Limited, Sourcelook Limited, Specialloid Limited, STS (1996) Limited, TAF International Limited, T&N Holdings Limited, T&N International Limited, T&N Investments Limited, T&N Limited, T&N Materials Research Limited, T&N Piston Products Group Limited, T&N Properties Limited, T&N Shelf Eight Limited, T&N Shelf Eighteen Limited, T&N Shelf Fifteen Limited, T&N Shelf Five Limited, T&N Shelf Four Limited, T&N Shelf Fourteen Limited, T&N Shelf Nine Limited, T&N Shelf Nineteen Limited, T&N Shelf One Limited, T&N Shelf Seven Limited, T&N Shelf Six Limited, T&N Shelf Sixteen Limited, T&N Shelf Ten Limited, T&N Shelf Thirteen Limited, T&N Shelf Thirty Limited, T&N Shelf Thirty-One Limited, T&N Shelf Thirty-Three Limited, T&N Shelf Three Limited, T&N Shelf Twenty Limited, T&N Shelf Twenty-Eight Limited, T&N Shelf Twenty-Five Limited, T&N Shelf Twenty-Four Limited, T&N Shelf Twenty-Nine Limited, T&N Shelf Twenty-One Limited, T&N Shelf Twenty-Six Limited, T&N Shelf Twenty-Two Limited, T&N Shelf Two Limited, T&N Trade Marks Limited, T&N Welfare Trust Limited, TBA Belting Limited, TBA Belting (Residual) Limited, TBA Industrial Products Limited, Telford Rubber Processors Limited, Telford Technology Supplies Limited, The British Piston Ring Company Limited, The Washington Chemical Company Limited, Tinblo Limited, Touchdown Adhesive Products Limited, Turner & Newall Limited, Turner Brothers Asbestos Company Limited, Tynoda Limited, Vanwall Cars Limited, Wellworthy Limited, Wellworthy Property Developments Limited, and William C. Jones (Polymers) Limited. Unlike all the other U.K. Debtors, T&N Investments Limited is a Scottish rather than English company and commenced administration in Scotland in April 2002.

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I.

INTRODUCTION

On October 1, 2001 (the "Petition Date"),² the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court (collectively, the "Reorganization Cases"). In all, the Debtors comprise 157 entities (134 of which are U.K. Debtors and 23 are U.S. Debtors). Also on the Petition Date, the U.K. Debtors concurrently commenced administration pursuant to Part II of the English Insolvency Act 1986 in the Companies Court of the High Court of Justice, Chancery Division in London, England.

The Debtors, the Unsecured Creditors Committee, the Asbestos Claimants Committee, the Future Claimants Representative, JPMorgan Chase Bank, as Administrative Agent for the holders of Bank Claims, and the Equity Committee (collectively, the "Plan Proponents") submit this Disclosure Statement in connection with the solicitation of acceptances and rejections with respect to the Third Amended Joint Plan of Reorganization (the "Plan"), a copy of which is attached as Exhibit A to this Disclosure Statement. The Plan is jointly proposed by the Plan Proponents.

The purpose of this Disclosure Statement is to set forth information (1) regarding the history of the Debtors, their businesses and the Reorganization Cases, (2) concerning the Plan and alternatives to the Plan, (3) advising the holders of Claims and Equity Interests of their rights under the Plan, (4) assisting the holders of Claims and Equity Interests in making an informed judgment regarding whether they should vote to accept or reject the Plan and (5) assisting the Bankruptcy Court in determining whether the Plan complies with the provisions of Chapter 11 of the Bankruptcy Code and should be confirmed.

By order dated [June __], 2004, the Bankruptcy Court approved this Disclosure Statement, in accordance with Section 1125 of the Bankruptcy Code, as containing "adequate information" to enable a hypothetical, reasonable investor typical of holders of Claims against, or Equity Interests in, the Debtors to make an informed judgment as to whether to accept or reject the Plan, and authorized its use in connection with the solicitation of votes with respect to the Plan. **APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.** No solicitation of votes may be made except pursuant to this Disclosure Statement and Section 1125 of the Bankruptcy Code. In voting on the Plan, holders of Claims and Equity Interests should not rely on any information relating to the Debtors and their businesses, other than that contained in this Disclosure Statement, the Plan and all exhibits and appendices hereto and thereto.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES, AND CONFIRMATION, OF THE PLAN AND MAY NOT BE RELIED UPON FOR ANY OTHER PURPOSE. NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT AND ANY ACCOMPANYING DOCUMENTS.

ALL CREDITORS AND HOLDERS OF EQUITY INTERESTS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN AND THE EXHIBITS AND SCHEDULES ATTACHED TO THE PLAN, WHICH CONTROL IN THE EVENT OF ANY INCONSISTENCY OR INCOMPLETENESS. 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.

² Unless otherwise defined elsewhere in this Disclosure Statement, capitalized terms used but not defined herein have the meanings ascribed to them in the Plan or the Bankruptcy Code. A Glossary of defined terms is set forth at the end of this Disclosure Statement.

ANY STATEMENTS IN THIS DISCLOSURE STATEMENT CONCERNING THE PROVISIONS OF ANY DOCUMENT ARE NOT NECESSARILY COMPLETE, AND IN EACH INSTANCE REFERENCE IS MADE TO SUCH DOCUMENT FOR THE FULL TEXT THEREOF. CERTAIN DOCUMENTS DESCRIBED OR REFERRED TO IN THIS DISCLOSURE STATEMENT HAVE NOT BEEN ATTACHED AS EXHIBITS BECAUSE OF THE IMPRACTICABILITY OF FURNISHING COPIES OF SUCH DOCUMENTS TO ALL RECIPIENTS OF THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE UNITED STATES BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAW.

THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION ("SEC") OR ANY STATE SECURITIES REGULATOR, AND NEITHER THE SEC NOR ANY STATE SECURITIES REGULATOR HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING SECURITIES OF OR CLAIMS AGAINST THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

THIS DISCLOSURE STATEMENT AND ANY ACCOMPANYING DOCUMENTS ARE THE ONLY DOCUMENTS TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES ON THE PLAN. NO SOLICITATION OF VOTES MAY BE MADE EXCEPT AFTER DISTRIBUTION OF THIS DISCLOSURE STATEMENT. NO PERSON HAS BEEN AUTHORIZED TO DISTRIBUTE ANY INFORMATION CONCERNING THE PLAN OTHER THAN THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND ANY ACCOMPANYING DOCUMENTS.

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 VIII, "CERTAIN FACTORS TO BE CONSIDERED." 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, THE OTHER PLAN PROPONENTS, NOR ANY OF THE REORGANIZED DEBTORS UNDERTAKE ANY OBLIGATION TO UPDATE PUBLICLY OR REVISE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

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.

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

A. Parties Entitled to Vote on the Plan.

Under the provisions of the Bankruptcy Code, not all parties in interest are entitled to vote on a Chapter 11 plan. Creditors or equity interest holders whose claims or interests are not impaired by a plan are deemed to accept the plan under Section 1126(f) of the Bankruptcy Code and are not entitled to vote. Creditors or equity interest holders whose claims or interests are impaired by the Plan, but will receive no distribution under the Plan, are also not entitled to vote because they are deemed to have rejected the Plan under Section 1126(g) of the Bankruptcy Code. For a discussion of these matters, see Article IX, "Voting Procedures and Requirements," and Article X, "Confirmation of the Plan."

The following sets forth which classes are entitled to vote on the Plan and which are not:

- The Plan Proponents are not seeking votes from the holders of Claims and Equity Interests in Classes listed in Exhibit B because those Claims and Equity Interests are not impaired by the Plan. These holders will be deemed to have voted to accept the Plan.
- The Plan Proponents are not seeking votes from the holders of Subordinated Securities Claims in Class 2N and Equity Interests in Class 2P because those Claims and Equity Interests are impaired under the Plan and the holders are receiving no distribution on account of such Claims and Equity Interests. These Holders will be deemed to have voted to reject the Plan.
- The Plan Proponents are seeking votes from the holders of Claims and Equity Interests in Classes listed in Exhibit C because those Claims and Equity Interests are impaired under the Plan and the holders are receiving a distribution under the Plan. The holders of Claims and Equity Interests in these Classes will have the right to vote to accept or reject the Plan.

For a detailed description of the Classes of Claims and Equity Interests and their treatment under the Plan, see Article VI, Sections B and C.

B. Solicitation Package.

Accompanying this Disclosure Statement is a package of materials called the "Solicitation Package." The Solicitation Package contains copies of, among other things:

- the Bankruptcy Court order approving the Disclosure Statement (the "Disclosure Statement Order") which, among other things, approves this Disclosure Statement as containing adequate information, schedules the Confirmation Hearing and sets the voting deadline and the deadline for objecting to confirmation of the Plan; and
- the notice of Confirmation Hearing and entry of the Disclosure Statement Order; and
- the procedures for soliciting and tabulating votes on the Plan (the "Voting Procedures") and the order approving the Voting Procedures (the "Voting Procedures Order"), which, among other things, set out the procedures for distributing Solicitation Packages to the holders of Claims against and Equity Interests in the Debtors and the procedures for tabulating ballots used in voting on the Plan;
- one or more ballots and a postage-paid return envelope (ballots are provided only to holders of Claims and Equity Interests in Classes listed in Exhibit C, the Classes that are entitled to vote on the Plan), which will be used by creditors and interest holders to vote on the Plan and, in the case of holders of claims against the U.K. Debtors, simultaneously to approve or disapprove of certain matters in the U.K. Debtors' administration proceedings;

- letters from the Unsecured Creditors Committee, the Asbestos Claimants Committee and the Equity Committee summarizing pertinent portions of the Plan for their constituencies and requesting their constituencies to vote in favor of the Plan.

C. Voting Procedures, Ballots, and Voting Deadline.

After carefully reviewing the materials in the Solicitation Package and the detailed instructions accompanying your ballot, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan. In order for your vote to be counted, you must complete and sign your original ballot and return it in the envelope provided (copies will not be accepted). Each ballot has been coded to reflect the Class of Claims or Equity Interests it represents. Accordingly, in voting to accept or reject the Plan, you must use only the coded ballot or ballots sent to you with this Disclosure Statement.

In order for your vote to be counted, your ballot must be properly completed in accordance with the voting instructions on the ballot and received no later than the Voting Deadline (as defined in the Voting Procedures Order) by the Voting Agent (as defined below). Do not return any debt instruments or equity securities with your ballot.

If you are entitled to vote to accept or reject the Plan, a ballot is enclosed for the purpose of voting on the Plan. Please vote and return your ballot(s) to the Voting Agent unless you are (i) a beneficial owner of a security whose claim will be voted by the record holder (i.e., a bank or brokerage firm) on a Master Ballot, in which case you must return your ballot to that bank or brokerage firm (or its agent) or (ii) the holder of an Asbestos Personal Injury Claim whose claim will be either voted by your attorney or whose ballot will be returned to the Voting Agent by your attorney.

Any executed ballot that does not indicate either an acceptance or rejection of the Plan or indicates both an acceptance and rejection of the Plan will not be counted as a vote either to accept or reject the Plan.

If you are a holder of a Claim or Equity Interest who is entitled to vote on the Plan and did not receive a ballot, received a damaged ballot or lost your ballot, please call the Voting Agent, The Garden City Group, Inc. at (888) 212-5571, or visit the Federal-Mogul reorganization website at <http://www.fmoplan.com>.

If you have any questions about the procedure for voting your Claim or Equity Interest, the packet of materials that you have received, the amount of your Claim, or if you wish to obtain, at your own expense an additional copy of this Disclosure Statement and its appendices and exhibits, please contact the Voting Agent.

FOR FURTHER INFORMATION AND INSTRUCTIONS ON VOTING TO ACCEPT OR REJECT THE PLAN, SEE ARTICLE IX, "VOTING PROCEDURES AND REQUIREMENTS."

Before voting on the Plan, each holder of Claims and Equity Interests in Classes listed in Exhibit C should read, in its entirety, this Disclosure Statement, the Plan, the Voting Procedures Order, the notice of the Confirmation Hearing, and the instructions accompanying the ballots. These documents contain important information concerning how Claims and Equity Interests are classified for voting purposes and how votes will be tabulated.

D. Confirmation Hearing and Deadline for Objections to Confirmation.

The Bankruptcy Court has scheduled the Confirmation Hearing on _____, 2004 at _____.m (prevailing Eastern time) at the Clarkson S. Fisher U.S. Courthouse, 402 East State Street, Courtroom 4, Trenton, New Jersey 08608. 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. Any objection to the Confirmation of the Plan must be made in writing and specify in detail (1) the name and address of the objector, (2) all grounds for the objection, and (3) the amount of the Claim or number and class of shares of Equity Interests held by the objector. Any such objection must be filed with the Bankruptcy Court, with a copy to Judge Lyons's chambers, and served so that it is received by

the Bankruptcy Court, Judge Lyons's chambers, on or before _____, 2004 at 4:00 p.m. (prevailing Eastern time).

E. Proceedings in the United Kingdom.

In addition to commencing Chapter 11 proceedings in the United States, the U.K. Debtors also commenced administration proceedings before the High Court of Justice in London, England on the Petition Date. Accordingly, the U.K. Debtors have, since the Petition Date, been parties both to the Reorganization Cases in the United States and concurrent, complementary administration proceedings in the United Kingdom. Since the commencement of the administration proceedings, the business and affairs of the U.K. Debtors have been overseen by the Joint Administrators of the U.K. Debtors, who are listed on Exhibit H to this Disclosure Statement (the "Administrators"), The Administrators, however, have consented to the Boards of Directors retaining day-to-day control of the U.K. Debtors' affairs pursuant to a Cross-Border Insolvency Protocol (the "Protocol"). The Administrators also agreed under the Protocol to cooperate with the Debtors' management in order to develop plans of reorganization for the businesses of the U.K. Debtors. The U.K. Debtors' administration proceedings are discussed in more detail in Section V.L. of this Disclosure Statement.

Attached to this Disclosure Statement as Exhibits D and E, respectively, are forms of Schemes of Arrangement and Voluntary Arrangements that parallel the provisions of the Plan to the fullest extent possible under English and Scottish insolvency law. Under English and Scottish law, however, the Administrators are the only persons with authority to recommend and submit Schemes of Arrangement and/or Voluntary Arrangements. As set forth in Section VIII.E, below, the Administrators have not agreed to recommend the Schemes of Arrangement and Voluntary Arrangements that parallel the Plan. The Plan Proponents, however, are working toward an agreement with the Administrators to recommend parallel Schemes of Arrangement and Voluntary Arrangements. Alternatively, if such an agreement cannot be achieved, the Plan Proponents will work toward an agreement with the Administrators (Consensual Marketing Procedures) to retain the businesses of those U.K. Debtors that are valuable to Federal-Mogul and its customers and to jointly market those U.K. businesses that are not valuable to Federal-Mogul and its customers. This process is similar to what Federal-Mogul has been doing for several years now as it integrates the acquisitions that it has accomplished over the last several years.

In case negotiations with the Administrators to reach an agreement as described above do not result in a consensual resolution, the Plan Proponents are, contemporaneously with soliciting votes on the Plan and conducting such negotiations with the Administrators, implementing the procedures described in Sections 6.6 and 8.1.1 of the Plan (and as described further in Section VI.E.1 and VI.E.2 of this Disclosure Statement) to direct the Administrators to recommend the parallel Schemes of Arrangement and Voluntary Arrangements or discharge the U.K. administration proceedings.

If neither agreement with the Administrators discussed above can be reached and the efforts to direct the Administrators to recommend the parallel Schemes of Arrangement and Voluntary Arrangements or discharge the Administrations as discussed above are not effective, then Federal-Mogul shall bid for those businesses of the U.K. Debtors that are valuable to Federal-Mogul Corporation and its customers. Additionally, Federal-Mogul Corporation and any actual or deemed transfer of businesses and/or assets to Federal-Mogul Corporation in connection therewith shall be entitled to the benefits of and protections of the Injunctions and other provisions of the Plan, including, without limitation, the injunction pursuant to Section 524(g) of the Bankruptcy Code, and any and all Claims and Demands against Federal-Mogul Corporation and its Affiliates relating to such businesses and assets shall be channeled to the Trust to the extent set forth in Article IV of the Plan. Any remaining assets shall be liquidated. If Federal-Mogul is not the successful bidder, the Injunctions and other protective provisions of the Plan shall not apply to the transfer of any assets to any entity other than Federal-Mogul or its designee, because no such injunctions and protective provisions apply without the requisite approval of the constituents of the Asbestos Claimants Committee and the Asbestos Claimants Committee will not support the Plan on any other terms.

The Plan Proponents believe that Federal-Mogul will be the successful bidder for those assets that are valuable to Federal-Mogul and its customers. The Plan Proponents believe that such a non-consensual process with the Administrators is not in the best interest of the creditors of the U.K. Debtors, including pension creditors, and employees of the U.K. Debtors.

II.

OVERVIEW OF THE PLAN

The following summary is a general overview only, which is qualified in its entirety by, and should be read in conjunction with, the more detailed discussions, information, and financial statements and notes thereto appearing elsewhere in this Disclosure Statement and the Plan. For a more detailed description of the terms and provisions of the Plan, see Article VI, "The Plan of Reorganization." The Plan Proponents, moreover, reserve the right to modify the Plan consistent with Section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019.

A. General Overview.

The Plan is based primarily upon a compromise and agreement among the Unsecured Creditors Committee and the Asbestos Claimants Committee. At its core, the agreement provides that the holders of Noteholder Claims and Asbestos Personal Injury Claims, subject to final approval by the actual holders of such Claims through their voting on the Plan, will receive nothing on account of their respective Claims from the Debtors except 100% of the common stock of Reorganized Federal-Mogul. Specifically, (i) 49.9% of the Reorganized Federal-Mogul Common Stock will be distributed to the Noteholders and the holders of the Convertible Subordinated Debenture Claims (subject to the enforcement of the subordination provisions relating thereto) and (b) 50.1% of the Reorganized Federal-Mogul Common Stock will be distributed to a Trust established pursuant to Section 524(g) of the Bankruptcy Code for the benefit of the holders of Asbestos Personal Injury Claims and Demands. The Trust will also receive certain other Trust Assets including, without limitation, certain rights relating to the Asbestos Insurance Policies and Asbestos Insurance Action Recoveries. As set forth further below, the Bank Claims are being restructured pursuant to an agreement with the representatives of the holders of the Bank Claims, subject to final approval by the actual holders of Bank Claims through their voting on the Plan. Most other unsecured creditors will receive cash distributions in the amounts set forth below, while the holders of existing common and preferred stock in Federal-Mogul, and the holders of claims related to such common and preferred stock will receive, subject to certain voting requirements as set forth below, Warrants to purchase Reorganized Federal-Mogul Common Stock.

B. Classification and Treatment of Claims and Equity Interests Under the Plan.

Except for Administrative Claims, Administration Claims and Priority Tax Claims, which are not required to be classified, all Claims and Equity Interests that existed on the Petition Date are divided into classes under the Plan. The following chart summarizes the treatment of such classified and unclassified Claims and Equity Interests under the Plan. This chart is only a summary of the classification and treatment of Claims and Equity Interests under the Plan. Reference should be made to the entire Disclosure Statement and the Plan for a complete description of the classification and treatment of Claims and Equity Interests.

**SUMMARY OF CLASSIFICATION AND TREATMENT OF CLAIMS
AND EQUITY INTERESTS**

Class & Description	Treatment Under the Plan
<p>Administrative Claims:</p> <p>Any Claim for the payment of an Administrative Expense, which is an expense of administration of the Reorganization Cases under Section 503(b) of the Bankruptcy Code or any fee or charge assessed against the Debtors' estates under 28 U.S.C. § 1930.</p> <p>Administration Claims:</p> <p>Any Claim, in relation to a U.K. Debtor, that ranks in the administration of that U.K. Debtor under the laws of the relevant part of the United Kingdom as an administration expense.</p>	<p>Except to the extent that any holder agrees to different treatment, on the Distribution Date, each holder of an Allowed Administrative Claim or an Allowed Administration Claim shall receive the full amount of its Allowed Claim in Cash in full satisfaction, settlement, release, extinguishment and discharge of such Claim; <u>provided, however</u>, Allowed Administrative Claims or Allowed Administration Claims representing (a) postpetition liabilities incurred in the ordinary course of business by the Debtors and (b) postpetition contractual liabilities arising under loans or advances to the Debtors, including but not limited to the DIP Facility, whether or not incurred in the ordinary course of business, shall be paid by Reorganized Federal-Mogul or the applicable Reorganized Debtor, in accordance with the terms and conditions of the particular transactions relating to such liabilities and any agreement or Court order relating thereto, subject to Section 2.2 of the Plan concerning the Tranche C Portion of the DIP Facility.</p> <p>Notwithstanding the foregoing (and in accordance with Section 8.16.4 of the Plan), in the event that Federal-Mogul Corporation bids and purchases some or all of the assets or businesses of the U.K. Debtors as provided in Section 8.16.3 of the Plan, then Federal-Mogul Corporation will pay to the relevant U.K. Debtors only that portion of the bid that is to be distributed to holders of Claims against the U.K. Debtors other than holders of Asbestos Personal Injury Claims against the U.K. Debtors. In such event, the holders of Allowed Administration Claims against the U.K. Debtors shall receive no distributions under the Plan, but instead shall receive any and all distributions on account of their Allowed Administration Claims pursuant to the U.K. administration proceedings in accordance with U.K. insolvency laws.</p> <p>Estimated Percentage Recovery: 100% (subject to the terms of Section 8.16.4 of the Plan in the case of Allowed Administration Claims).</p>
<p>Priority Tax Claims:</p> <p>Any Claim to the extent that such Claim is entitled to a priority in payment under Section 507(a)(8) of the Bankruptcy Code; <u>provided, however</u>, that such Claim is not a Preferential Claim.</p>	<p>Except to the extent that any holder agrees to different treatment, each holder of an Allowed Priority Tax Claim shall receive on account of such Claim deferred cash payments, over a period not exceeding six years after the date of assessment of each such Claim, of a value, as of the Effective Date of the Plan, equal to the Allowed amount of such Priority Tax Claim.</p> <p>Estimated Percentage Recovery: 100%</p>

<p>Priority Claims Against U.S. Debtors:</p> <p>Classes 1A through 5A, 21A through 33A and 35A through 39A consist of Priority Claims (except Priority Tax Claims), such as employee compensation and benefits claims, that are entitled to priority under Section 507(a) of the Bankruptcy Code.</p>	<p>Impaired</p> <p>On the Distribution Date, each holder of an Allowed Priority Claim shall receive either (I) Cash equal to the Allowed Amount of such Priority Claim or (II) such other treatment as may be agreed upon in writing by such holder and the respective Reorganized Debtor.</p> <p>Estimated Percentage Recovery: 100%</p>
<p>Priority Claims and Preferential Claims Against U.K. Debtors:</p> <p>Classes 6A through 20A, 34A and 40A through 157A consist of all Priority Claims against and Preferential Claims of the U.K. Debtors.</p>	<p>Unimpaired</p> <p>Each holder of a Priority Claim or Preferential Claim against the U.K. Debtors shall retain unaltered the legal, equitable and contractual rights to which such Claim entitles the holder.</p> <p>Notwithstanding the foregoing (and in accordance with Section 8.16.4 of the Plan), in the event that Federal-Mogul Corporation bids and purchases some or all of the assets or businesses of the U.K. Debtors as provided in Section 8.16.3 of the Plan, then Federal-Mogul Corporation will pay to the relevant U.K. Debtors only that portion of the bid that is to be distributed to holders of Claims against the U.K. Debtors other than holders of Asbestos Personal Injury Claims against the U.K. Debtors. In such event, the holders of Allowed Preferential Claims against the U.K. Debtors shall receive no distributions under the Plan, but instead shall receive any and all distributions on account of their Allowed Preferential Claims pursuant to the U.K. administration proceedings in accordance with U.K. insolvency laws.</p> <p>Estimated Percentage Recovery: 100% (subject to the terms of Section 8.16.4 of the Plan in the case of Allowed Preferential Claims).</p>

<p>Secured Bank Claims:</p> <p>Classes 1B through 5B, 21B through 22B, and 24B through 34B consist of all Secured Bank Claims.</p>	<p>Impaired</p> <p>On the Effective Date, Claims arising under the Bank Credit Agreement shall be deemed fully Secured and Allowed in the amount of \$1,646,681,464.00 (including certain letter of credit obligations and as adjusted as of the Effective Date to convert any foreign currencies to U.S. dollars and to take account of certain hedge obligations) and Reorganized Federal-Mogul shall (a) enter into the Reorganized Federal-Mogul Secured Term Loan Agreement which shall provide for term loans in the aggregate principal amount of (i) \$1,303,897,118.00 plus (ii) the amount of any draws prior to the Effective Date on letters of credit outstanding under the Bank Credit Agreement and (iii) the amounts, if any, required to be included in such loan agreement pursuant to Section 2.2 of the Plan, (b) replace with the Exit Facilities any letters of credit not drawn as of the Effective Date, (c) issue a total of \$300 million in Junior Secured PIK Notes to the holders of Allowed Secured Bank Claims and (d) cause those of its subsidiaries which guaranteed the Bank Claims to also guarantee the payment of the Reorganized Federal-Mogul Secured Term Loan Agreement and the Junior Secured PIK Notes. Such treatment shall be in full and complete satisfaction of all Secured Bank Claims, including, without limitation, any subordination or turnover rights relating to the Convertible Subordinated Debentures.</p> <p>Estimated Percentage Recovery: Variable</p>
<p>Secured Surety Claims:</p> <p>Classes 1C through 5C, 21C, 22 C and 24C through 34C consist of all Secured Surety Claims.</p>	<p>Impaired</p> <p>On account of the Allowed Secured Surety Claims, as determined by the CCR Litigation, the Avoidance Litigation and the Valuation Proceedings, the holders of such Claims will receive Secured Surety Notes and Junior Secured Surety PIK Notes (x) with collective principal amounts equal to the Allowed Amounts of the Allowed Secured Surety Claims, (y) that shall be secured by Liens on the same property that secured the Secured Surety Claims prior to the Petition Date (subject to the Liens securing the Exit Facilities) and (z) which shall provide for deferred cash payments of a present value equal to the Allowed Amounts of the Allowed Secured Surety Claims. The Debtors that guaranteed the Surety Claims on a secured basis shall also guarantee on a secured basis Reorganized Federal-Mogul's obligations, if any, under the Secured Surety Notes and the Junior Secured Surety PIK Notes. The balance of the Surety Claims which are deemed unsecured shall be treated as an Unsecured Claim against the Debtors obligated on the Surety Claims.</p> <p>Estimated Percentage Recovery: Variable</p>

<p>Noteholder Claims:</p> <p>Classes 1D through 5D, 21D, 22D, and 24D through 34D consist of all secured and unsecured Noteholder Claims.</p>	<p>Impaired</p> <p>On the Distribution Date, the Disbursing Agent shall issue the Reorganized Federal-Mogul Class A Common Stock for ultimate Pro Rata distribution by the Indenture Trustees to the holders of the Allowed Noteholder Claims. Additionally, if the Classes of Noteholder Claims and Asbestos Personal Injury Claims accept the Plan, and at least one of the Classes of holders of preferred stock, common stock or Subordinated Securities Claims accepts the Plan, then holders of Allowed Noteholder Claims shall also receive 50% of the Warrants; <u>provided, however</u>, that holders of Allowed Noteholder Claims agree to distribute any such Warrants to the holders of preferred stock, common stock and/or Subordinated Securities Claims in accordance with the Plan provisions governing the treatment of such Claims and Interests and subject to the requirements of Section 8.3.5 of the Plan pertaining to the issuance of Warrants.</p> <p>On the Effective Date, holders of Allowed Noteholder Claims shall also receive 100% of the equity of Reorganized Federal-Mogul Piston Rings, Inc. ("<u>FMPRI</u>"); <u>provided, however</u>, that the holders of Allowed Noteholder Claims shall be deemed to have automatically transferred 100% of the equity of Reorganized FMPRI to Federal-Mogul Powertrain, Inc. as of the Effective Date.</p> <p>In consideration of the treatment described herein, Claims arising under each Debtor's guaranty of the Noteholder Claims shall be released, extinguished and discharged and holders of Noteholder Claims shall receive no additional distribution under the Plan on account of such Claims.</p> <p>Estimated Percentage Recovery: 38-47% (prior to enforcement of the subordination provisions of the indenture for the Convertible Subordinated Debentures)</p>
<p>Other Secured Claims:</p> <p>Classes 1E through 6E and 24E through 33E consist of all Secured Claims other than Secured Bank Claims, Secured Surety Claims, Noteholder Claims or Bonded Claims. Each Secured Claim shall constitute a separate sub-class (designated, for example, as Class 1E-1) for purposes of voting and distribution.</p>	<p>Unimpaired</p> <p>At the option of each U.S. Debtor or Reorganized U.S. Debtor, and in accordance with Section 1124 of the Bankruptcy Code, all Allowed Other Secured Claims against any U.S. Debtors in these Classes and each sub-class thereof will be treated pursuant to one of the following alternatives: (I) the Plan will leave unaltered the legal, equitable and contractual rights to which each such Allowed Other Secured Claim entitles the holder; (II) the respective Debtor shall cure any prepetition default; the maturity of such Allowed Other Secured Claim shall be reinstated as such maturity existed prior to any such default; the holder of such Allowed Other Secured Claim shall be compensated for any damages incurred as a result of any reasonable reliance by the holder on any right to accelerate its claim; and the legal, equitable and contractual rights of such holder will not otherwise be altered; (III) an Allowed Other Secured Claim shall receive such other treatment as the respective Debtor and the holder shall agree; or (IV) all of the collateral for such Allowed Other Secured Claim will be surrendered by the respective Debtor to the holder of such Claim on the Effective Date or as soon as practicable thereafter.</p> <p>With respect to Allowed Other Secured Claims against T&N Limited, the Plan will leave unaltered the legal, equitable and contractual rights to which such Allowed Claim entitles the holder.</p> <p>Estimated Percentage Recovery: 100%</p>

<p>Convertible Subordinated Debenture Claims:</p> <p>Class 1F consists of all Claims arising under, evidenced by, or based upon the Convertible Subordinated Debentures.</p>	<p>Impaired</p> <p>On the Distribution Date, the Disbursing Agent shall issue and deliver to the indenture trustee for the Convertible Subordinated Debentures a Pro Rata portion of the Reorganized Federal-Mogul Class A Common Stock; <u>provided, however</u>, to the extent necessary to comply with the contractual subordination provisions in the indentures for the Convertible Subordinated Debentures, the Disbursing Agent shall hold in trust and cause all distributions of Reorganized Federal-Mogul Class A Common Stock allocable to the Allowed Convertible Subordinated Debenture Claims to be paid directly to the applicable Indenture Trustees on behalf of the Allowed Noteholder Claims.</p> <p>In the event and to the extent that the holders of Claims in this Class convert their Convertible Subordinated Debentures into Federal-Mogul Corporation Common Stock prior to the Record Date or are deemed to have so converted these securities pursuant to Section 8.3.2 of the Plan, such Claims shall receive the treatment afforded to Class 1O Equity Interests under the Plan.</p> <p>Estimated Percentage Recovery: 0% (due to the subordination provisions of the indenture for the Convertible Subordinated Debentures)</p>
<p>On-Site Environmental Claims:</p> <p>Classes 1G through 5G, 11G, 12G, 17G, 31G and 33G consist of all On-Site Environmental Claims.</p>	<p>Unimpaired</p> <p>Each holder of an Allowed Claim in these Classes shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Claim entitles the holder.</p> <p>Estimated Percentage Recovery: 100%</p>
<p>Unsecured Claims Against U.S. Debtors and F-M UK Holding Limited:</p> <p>Classes 1H through 5H, 21H through 33H and 35H through 39H consist of all Unsecured Claims against the U.S. Debtors and Class 34H consists of all Unsecured Claims against F-M UK Holding Limited.</p>	<p>Impaired</p> <p>Subject to Section 8.17 of the Plan, each holder of an Allowed Unsecured Claim in these Classes shall receive a total Cash payment equal to 35% of such holder's Allowed Unsecured Claim, with such total amount to be paid in three (3) equal, annual installments, the first of which shall be paid on the Distribution Date and the second and third of which shall be paid on the first and second anniversaries of the Distribution Date, respectively.</p> <p>Estimated Percentage Recovery: 35%</p>

<p>Unsecured Claims Against U.K. Debtors other than F-M UK Holding Limited:</p> <p>Classes 6H through 20H and 40H through 157H consist of all Unsecured Claims against the U.K. Debtors, except F-M UK Holding Limited.</p>	<p>Impaired</p> <p>Each holder of an Allowed Unsecured Claim in these Classes shall receive a Cash payment on the Distribution Date in an amount equal to the greater of the Allowed amount of such holder's Claim multiplied by:</p> <ul style="list-style-type: none"> ➤ T&N Distribution Ratio 1 (if the Consensual Marketing Procedures are not performed with respect to the U.K. Debtor in question) or T&N Distribution Ratio 2 (if the Consensual Marketing Procedures are performed with respect to the U.K. Debtor in question); <u>or</u> ➤ the Company Specific Distribution Ratio for the U.K. Debtor in question; <u>or</u> ➤ the Small Company Specific Distribution Ratio for the U.K. Debtor in question, if the U.K. Debtor in question is a Small Company. <p>Estimated Percentage Recovery: Under T&N Distribution Ratio 1: 7.2%</p> <p style="text-align: center;">Under T&N Distribution Ratio 2: 3.8% - 6.0%</p> <p style="text-align: center;">Under the Company Specific Distribution Ratio (where applicable): See <u>Exhibit L</u> to Disclosure Statement</p> <p style="text-align: center;">Under the Small Company Specific Distribution Ratio (where applicable): See <u>Exhibit L</u> to Disclosure Statement</p>
<p>Non-Priority Employee Benefit Claims Against U.S. Debtors:</p> <p>Classes 1I though 5I consist of all Non-Priority Employee Benefit Claims against U.S. Debtors.</p>	<p>Unimpaired</p> <p>Each holder of an Allowed Non-Priority Employee Benefit Claim in these Classes shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Claim entitles such holder.</p> <p>Estimated Percentage Recovery: 100%</p>

Non-Priority T&N Pension Plan Employee Benefit Claims Against T&N Limited and Participating Employers in the T&N Limited Pension Plan:

Classes 6I, 8I through 19I, 41I, 42I, 43I, 55I, 59I, 60I, 109I, 131I, 135I, 149I and 152I consist of all Non-Priority Pension Plan Employee Benefit Claims against T&N Limited and those U.K. Debtors that are Participating Employers in the T&N Limited Pension Plan.

Impaired

Each holder of an Allowed Non-Priority T&N Pension Plan Employee Benefit Claim against a U.K. Debtor in these Classes shall receive either of the following treatments in satisfaction of their Claim, depending upon, among other things, the vote of the T&N Pension Plan Trustees:

If the T&N Pension Plan Trustees vote in favor of all of the Plans of the U.K. Debtors that have any obligations under or relating to the T&N Pension Plan and have given an irrevocable undertaking that they will vote to approve any relevant Voluntary Arrangement for such U.K. Debtors and if the Consensual Marketing Procedures are not performed with respect to T&N Limited, then, in full satisfaction of all Claims in these Classes:

- The T&N Pension Plan shall continue, as modified. Current active employees who are part of the T&N Pension Plan will be offered a choice with respect to pension benefits relating to services performed after the Effective Date.
- The T&N Pension Plan contribution rate from the Effective Date to April 30, 2012 shall be limited to the annual maintenance cost with respect to services rendered after the Effective Date by current active employees and participants of T&N Limited and any other U.K. Debtor with obligations under or relating to the T&N Pension Plan that choose to remain in the T&N Pension Plan (provided such amount is lower than the current annual funding which is applicable through spring 2005 pending upcoming valuation). No annual contributions will be made to the T&N Pension Plan to amortize the underfunding that relates to prior service by retired, deferred, current and active members.
- In the event of any redundancy actions after the Effective Date involving the elimination of more than twenty (20) jobs, T&N shall pay – over a period of not more than two (2) years after any redundancy action – an amount equal to the additional liability crystallized by such redundancy action.
- Reorganized T&N shall have the right to elect to terminate the T&N Pension Plan on and after April 30, 2012. If Reorganized T&N does so terminate the T&N Pension Plan, the T&N Pension Plan Trustees shall receive a Cash payment equal to the Allowed Amount of the Non-Priority T&N Pension Plan Employee Benefit Claims against all U.K. Debtors calculated as of the Petition Date multiplied by T&N Distribution Ratio 1 plus interest at market rate from the Effective Date through the date the T&N Pension Plan is terminated. Such payment shall be in full and complete satisfaction of all Non-Priority T&N Pension Plan Employee Benefit Claims against all U.K. Debtors having obligations under or relating to the T&N Pension Plan.
- The contingent obligation of Reorganized T&N to pay the dividend set forth above shall be embodied in either, at the option of the Plan Proponents, a contingent promissory note from Reorganized T&N or an amendment to the Trust Deed of the T&N Pension Plan. The note will be delivered to the T&N Pension Plan Trustees or, if applicable, the amendment to the Trust Deed shall take effect on the Effective Date.
- The T&N Pension Plan Trustees shall, to the extent permitted by applicable law, continue the current investment strategy in consultation with Reorganized T&N and will not change such investment strategy without approval from Reorganized T&N.

As an alternative to the foregoing, the holders of Allowed Non-Priority T&N Pension Plan Employee Benefit Claims may receive such other treatment as may be agreed to by the Plan Proponents and the T&N Pension Plan Trustees.

If the T&N Pension Plan Trustees do not vote in favor of all of the Plans and the other conditions set forth above are not met, then all Allowed Claims in each of these Classes shall be included with and treated as Claims in Class H of the respective U.K. Debtors in full satisfaction and discharge of such obligations.

Estimated Percentage Recovery: 7.2%

Non-Priority Pension Plan Employee Benefit Claims against Federal-Mogul Ignition (UK) Limited:

Class 7I consists of all Non-Priority Pension Plan Employee Benefit Claims against Federal-Mogul Ignition (UK) Limited

Impaired

Each holder of an Allowed Non-Priority Pension Plan Employee Benefit Claim against Federal-Mogul Ignition (UK) Limited shall receive either of the following treatments in satisfaction of their Claim, depending upon the vote of the FM Ignition Pension Plan Trustees:

If the FM Ignition Pension Plan Trustees vote in favor of the Plan for FM Ignition and have given as irrevocable undertaking that they will vote to approve any relevant Voluntary Arrangement for FM Ignition and if the Consensual Marketing Procedures are not performed with respect to FM Ignition, then with respect to Claims in this Class, the FM Ignition Pension Plan Trustees may elect either the "Let It Run" treatment or the "Alternate Payout" treatment described below. Under the "Let It Run" Treatment,

- The FM Ignition Pension Plan shall continue, as modified. Current active employees who are part of the FM Ignition Pension Plan will be offered a choice with respect to pension benefits relating to services performed after the Effective Date.
- The FM Ignition Pension Plan contribution rate from the Effective Date to April 30, 2012 shall be limited to the annual maintenance cost with respect to services rendered after the Effective Date by current active employee participants in the FM Ignition Pension Plan that choose to remain in the FM Ignition Pension Plan (provided such amount is lower than the current annual funding). No annual contributions will be made to the FM Ignition Pension Plan to amortize the underfunding that relates to prior service by retired, deferred, current and active members.
- Reorganized FM Ignition shall have the right to elect to terminate the FM Ignition Pension Plan on and after April 30, 2012. If Reorganized FM Ignition does so terminate the FM Ignition Pension Plan, then the FM Ignition Pension Plan Trustees shall receive a Cash payment equal to the Allowed amount of the Non-Priority FM Ignition Pension Plan Employee Benefit Claims calculated as of the Petition Date multiplied by the greater of T&N Distribution Ratio 1 and the Company Specific Distribution Ratio plus interest at market rate from the Effective Date through the date the FM Ignition Pension Plan is terminated. Such treatment shall be in full and complete satisfaction of all Non-Priority FM Ignition Pension Plan Employee Benefit Claims.
- The contingent obligation of Reorganized FM Ignition to pay the dividend set forth above will be embodied in either, at the option of the Plan Proponents, a contingent promissory note from Reorganized FM Ignition or an amendment to the Trust Deed for the FM Ignition Pension Plan. The note will be delivered to the FM Ignition Pension Plan Trustees or, if applicable, the amendment to the Trust Deed shall take effect on the Effective Date.
- The FM Ignition Pension Plan Trustees shall, to the extent permitted by applicable law, continue the current investment strategy in consultation with Reorganized FM Ignition and shall not change such investment strategy without approval from Reorganized FM Ignition.

Under the Alternate Payout treatment,

- On the Effective Date, the FM Ignition Pension Plan shall pay the FM Ignition Pension Plan Trustees an amount sufficient to purchase annuities to secure the benefits of all participants retired and currently receiving pension payments.
- Actuarially equivalent transfer values would be provided to non-pensioner participants (assuming no cost of living adjustments). Actuarial assumptions will be the same as used in that certain August 2003 Transfer Value change assumption calculation.
- Contributions to fund the Alternate Payout treatment shall be limited to no more than £9 million.

If the FM Ignition Pension Plan Trustees do not vote in favor of the Plan and the other conditions set forth above are not met, then all obligations with respect to the FM Ignition Pension Plan shall be compromised and discharged and all Claims in Class 7I shall be treated as Class 7H Claims.

Estimated Percentage Recovery: Variable (depending on treatment elected above)

Asbestos Personal Injury Claims:

Classes 1J, 5J, 6J, 11J, 15J 17J, 19J, 21J through 23J, 42J and 129J through 157J consist of all Asbestos Personal Injury Claims.

Impaired

Except for Asbestos Personal Injury Claims against the Reorganized Hercules-Protected Entities and the U.K. Debtors with rights of indemnity and/or insurance coverage under the EL Coverage, as of the Effective Date, sole and exclusive liability and responsibility for all Asbestos Personal Injury Claims shall be automatically transferred to the Trust, and shall be paid solely by the Trust in accordance with the Asbestos Personal Injury Trust Distribution Procedures, in consideration for which the Trust shall receive the Trust Assets. Additionally, if the Classes of Noteholder Claims and Asbestos Personal Injury Claims accept the Plan, and at least one of the Classes of holders of preferred stock, Subordinated Securities Claims, or common stock accepts the Plan, then holders of Allowed Asbestos Personal Injury Claims shall also receive 50% of the Warrants; provided, however, that holders of Allowed Asbestos Personal Injury Claims agree to distribute any such Warrants to the holders of preferred stock, Subordinated Securities Claims and/or common stock in accordance with the Plan provisions governing the treatment of such Claims and Interests, and subject to the requirements of Section 8.3.5 of the Plan pertaining to the issuance of Warrants.

With respect to Asbestos Personal Injury Claims against the Reorganized Hercules-Protected Entities and the U.K. Debtors with rights of indemnity and/or insurance coverage under the EL Coverage, liability for all such Asbestos Personal Injury Claims shall automatically and without further act, deed or Court order, be assumed by the Trust in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan and the provisions relating to the Hercules Policy and any EL Policy. Additionally, on the Effective Date, the liability of such Debtors for each such Asbestos Personal Injury Claim shall continue but recourse to the assets of the applicable Reorganized Debtors in respect of such liability shall, by operation of the Plan, the Scheme of Arrangement and/or the Voluntary Arrangement and the Confirmation Order, be limited in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan and the provisions relating to the Hercules Policy and any EL Policy. Upon the Hercules Policy Expiry Date, the applicable Reorganized Debtors shall be, without further order of Court, released and discharged from Asbestos Personal Injury Claims (other than Asbestos Personal Injury Claims covered by the indemnity provisions of the EL Coverage) in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan. From and after the EL Coverage Expiry Date, the applicable Reorganized Debtors shall be, without further order of the Court, released and discharged from Asbestos Personal Injury Claims in excess of both (i) the £690 million retention and the £500 million layer of coverage under the Hercules Policy and (ii) all other sums as are attributable to or otherwise represent the Hercules Insurance Recoveries to the extent such amounts exceed the £500 million layer of coverage.

Estimated Percentage Recovery: Variable

<p>Bonded Claims:</p> <p>Classes 1K through 5K consist of all Bonded Claims.</p>	<p>Unimpaired</p> <p>Each holder of an Allowed Bonded Claim in these Classes shall retain unaltered the legal, equitable and contractual rights to which such Allowed Bonded Claim entitles the holder.</p> <p>Estimated Percentage Recovery: 100%</p>
<p>Affiliate Claims Against U.S. Debtors and F-M UK Holding Limited:</p> <p>Classes 1L through 5L, 21L through 39L consist of all Affiliate Claims against the U.S. Debtors and F-M UK Holding Limited.</p>	<p>Impaired</p> <p>On the Effective Date, at the option of the Plan Proponents, all Allowed Affiliate Claims against these Debtors shall either be (a) reinstated, in full or in part, or (b) discharged and extinguished, in full 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 portion under the Plan; <u>provided, however</u>, that prior to such discharge and extinguishment such Affiliate Claims may be contributed to capital, transferred, setoff or subject to any other arrangement at the option of the Plan Proponents. If any such Claim is reinstated, in full or in part, such reinstated Claim may, at the option of the Plan Proponents, be subordinated in legal right and priority of payment to all non-Affiliate Claims against the applicable Debtor. The Affiliate Claims, or portions thereof, being reinstated and, to the extent, if any, that such Claims are being subordinated to non-Affiliate Claims, are set forth in Exhibit 3.1.12 to the Plan.</p> <p>Estimated Percentage Recovery: Variable</p>
<p>Affiliate Claims Against U.K. Debtors other than F-M UK Holding Limited:</p> <p>Classes 6L through 20L, 40L through 157L consist of all Affiliate Claims against the U.K. Debtors (other than F-M UK Holding Limited) which are subject to the Subordination Deed.</p>	<p>Unimpaired</p> <p>All Affiliate Claims in these Classes shall be subject to the Subordination Deed, which shall become effective on the Effective Date, but not as a result of the provisions of the Plan, the Confirmation Order, the Voluntary Arrangement and/or the Scheme of Arrangement or the order of the U.K. Court sanctioning the Scheme of Arrangement.</p> <p>Estimated Percentage Recovery: Variable</p>
<p>Federal-Mogul Corporation Preferred Stock:</p> <p>Class 1M consists of the existing preferred stock of Federal-Mogul Corporation.</p>	<p>Impaired</p> <p>All outstanding shares of Federal-Mogul Corporation preferred stock and all rights related to such stock shall be extinguished on the Effective Date. If the Classes of Noteholder Claims, Asbestos Personal Injury Claims and Federal-Mogul Corporation preferred stock interests all accept the Plan, then each holder of Federal-Mogul Corporation preferred stock shall receive Warrants in exchange for and in full satisfaction of its preferred stock interest, as calculated pursuant to Section 3.1.13 of the Plan. If the Class of Federal-Mogul Corporation preferred stock interests rejects the Plan, then no distributions shall be made on account of preferred stock interests in this Class.</p> <p>Each holder of Federal-Mogul Corporation preferred stock shall receive Warrants, as calculated pursuant to Section 3.1.13 of the Plan. The value of each Warrant is estimated to be between \$5.50 and \$7.97.</p>

<p>Subordinated Securities Claims:</p> <p>Classes 1N and 2N consist of all Subordinated Securities Claims against Federal-Mogul Corporation and FMPRI, respectively.</p>	<p>Impaired</p> <p>If the Classes of Noteholder Claims, Asbestos Personal Injury Claims and Subordinated Securities Claims all accept the Plan, each holder of a Class 1N Subordinated Securities Claim shall receive, in exchange for and in full satisfaction of its Allowed Class 1N Subordinated Securities Claim, its Pro Rata share of any applicable insurance and, with respect to any deficiency, the holder shall receive Warrants, as calculated pursuant to Section 3.1.14 of the Plan. If, however, the Class 1N Subordinated Securities Claims reject the Plan, then no distributions shall be made on account of such Subordinated Securities Claims in this Class.</p> <p>Each holder of Class 1N Subordinated Securities Claims shall receive Warrants, if any, as calculated pursuant to Section 3.1.14 of the Plan. The value of each Warrant is estimated to be between \$5.50 and \$7.97.</p> <p>No distribution shall be made on account of Class 2N Subordinated Securities Claims. All Subordinated Securities Claims against FMPRI shall be discharged and extinguished on the Effective Date.</p> <p>Estimated Percentage Recovery: 0%</p>
<p>Federal-Mogul Corporation Common Stock:</p> <p>Class 1O consists of the existing common stock of Federal-Mogul Corporation and any additional shares of Federal-Mogul Corporation Common Stock deemed issued pursuant to Section 8.3.2 of the Plan.</p>	<p>Impaired</p> <p>All outstanding shares of Federal-Mogul Corporation common stock and all rights related to such stock shall be extinguished on the Effective Date. If the Classes of Noteholder Claims, Asbestos Personal Injury Claims and Federal-Mogul Corporation common stock interests all accept the Plan, then each holder of Federal-Mogul Corporation common stock shall receive Warrants in exchange for and in full satisfaction of its common stock interest, as calculated pursuant to Section 3.1.15 of the Plan. If, however, the Class of Federal-Mogul Corporation common stock interests rejects the Plan, then no distribution shall be made on account of common stock interests in this Class.</p> <p>Each holder of Federal-Mogul Corporation common stock shall receive Warrants, as calculated pursuant to Section 3.1.15 of the Plan. The value of each Warrant is estimated to be between \$5.50 and \$7.97.</p>
<p>Equity Interests of FMPRI:</p> <p>Class 2P consists of Equity Interests in Federal-Mogul Piston Rings, Inc.</p>	<p>Impaired</p> <p>No Distribution shall be made on account of Equity Interests in FMPRI. All Equity Interests in FMPRI shall be cancelled on the Effective Date.</p> <p>Estimated Percentage Recovery: 0%</p>
<p>Equity Interests in Subsidiaries:</p> <p>Classes 3P through 157P consist of all Equity Interests in the remaining U.S. and U.K. Debtors.</p>	<p>Unimpaired</p> <p>Each holder of an Allowed Equity Interest in these Classes shall retain unaltered the legal, equitable and contractual rights to which such Allowed Equity Interest entitles the holder.</p> <p>Estimated Percentage Recovery: Not Applicable</p>

III.

GENERAL INFORMATION

A. The Debtors' Business and Properties.

Federal-Mogul, the ultimate corporate parent of the other Debtors and numerous non-debtor subsidiaries, is a publicly-traded corporation founded in 1899. Federal-Mogul and its subsidiaries and affiliates (collectively, the "Federal-Mogul Entities") operate their businesses from approximately 200 manufacturing centers, technical centers, and distribution, sales and administrative office facilities located around the globe. As of December 31, 2003, the Federal-Mogul Entities had approximately 44,900 full-time employees, of whom roughly 18,400 were employed in the United States, with the majority of the remainder employed throughout Europe.

The Federal-Mogul Entities are automotive and vehicle parts manufacturers providing innovative solutions and systems to global customers in the automotive, small engine, heavy-duty and industrial markets. Among the products manufactured by the Federal-Mogul Entities are engine bearings, pistons, piston pins, rings, cylinder liners, camshafts, sintered products, connecting rods, sealing systems, systems protection sleeving products, electrical connectors and sockets, fuel systems, wipers, lighting, ignition, brake, friction and chassis products. The Federal-Mogul Entities' products are marketed under a variety of brand names, including, among others, Federal-Mogul, Champion, ANCO, Moog, Sealed Power and Wagner. The Federal-Mogul Entities' principal customers include both (i) many of the world's leading original equipment manufacturers of vehicles and industrial products and (ii) so-called "aftermarket" customers, which include a variety of distributors, engine rebuilders and retail parts stores. Approximately fifty-three percent (53%) of the Federal-Mogul Entities' aggregate sales from continuing operations are to original equipment customers, with the remaining forty-seven percent (47%) of the Federal-Mogul Entities' sales from continuing operations going to aftermarket customers.

The Debtors are sole-source providers of one or more critical components for many of the automobiles produced in the United States. They also manufacture critical parts for up to eighty percent (80%) of the heavy-duty industrial vehicles produced by their customers, such as Caterpillar, John Deere, and Navistar, among others. The vast majority of the Debtors' heavy-duty products are specifically engineered for use by these customers and the Debtors have undergone rigorous engineering quality certification by their customers as a precondition to the supply of these products. Given both the breadth of the Debtors' customer base and the Debtors' status as the exclusive provider of many of their customers' products, any disruption in the Debtors' manufacturing operations would have catastrophic effects on the automotive and other vehicle-manufacturing industries throughout the world, with devastating consequences to the Debtors' prospects for a successful reorganization.

A significant portion of the Federal-Mogul Entities' business operations occurs outside the United States and is conducted by the non-Debtor Affiliates. Federal-Mogul is the direct or indirect corporate parent of approximately 200 non-Debtor Affiliates around the globe. These non-debtor entities are located in approximately fifty-three (53) different countries throughout North and South America, Asia, Africa, Europe and Australia/New Zealand. During 2003, approximately 51% of Federal-Mogul Entities' net sales from continuing operations occurred outside the United States, and approximately 43% occurred outside the United States and the United Kingdom, the geographic regions where the Debtors are located.

As of December 31, 2003, the Federal-Mogul Entities reported total assets having a book value of \$8.12 billion. For the year ending December 31, 2003, the Federal-Mogul Entities had net sales from continuing operations of approximately \$5.5 billion.

1. Customers.

The Federal-Mogul Entities market their products to many of the world's major original equipment manufacturers. The Federal-Mogul Entities also manufacture and supply their products and related parts to aftermarket customers for each category of equipment described above. Among the Federal-Mogul Entities' largest

customers are the Aftermarket Autoparts Alliance, Autozone, BMW, CarQuest, Caterpillar, Cummins, DaimlerChrysler, Fiat, Ford/Jaguar/Volvo, General Motors, NAPA, Ozark/O'Reilly's, Peugeot/PSA, Renault/Nissan and Volkswagen/Audi. In 2003, no individual customer accounted for more than 10% of the Federal-Mogul Entities' net sales.

2. Original Equipment.

The Federal-Mogul Entities supply original equipment manufacturers with a wide variety of precision engineered parts including engine bearings, large bearings, pistons, piston pins, rings, cylinder liners, connecting rods, camshafts, sintered products, sealing systems, systems protection sleeving products, electrical connectors and sockets, fuel systems, wipers, lighting, ignition, brake, friction and chassis products. The Federal-Mogul Entities manufacture essentially all of the products that they sell to original equipment customers. The Federal-Mogul Entities' original equipment customers consist primarily of automotive and heavy-duty vehicle manufacturers as well as industrial equipment manufacturers, agricultural, off-highway, marine, railroad, high performance and industrial applications manufacturers. The Federal-Mogul Entities have well-established relationships with substantially all major North American and European automotive original equipment manufacturers as well as relationships with many Japanese original equipment manufacturers.

3. Aftermarket.

The Federal-Mogul Entities' customers include independent warehouse distributors who redistribute products to local parts suppliers called jobbers, industrial bearing distributors, distributors of heavy-duty vehicular parts, engine rebuilders and retail parts stores. The breadth of the Federal-Mogul Entities' product lines together with the strength of their brand names and sales force, are central to the Federal-Mogul Entities' aftermarket operations.

4. Intellectual Property.

The Federal-Mogul Entities are committed to protecting their technology investments and market share through an active and growing international patent portfolio. The international patent portfolio is composed of approximately 3,800 foreign and U.S. patents and pending patent applications that relate to a wide variety of products and processes. In the aggregate, the Federal-Mogul Entities' international patent portfolio is of material importance to their business. However, the Federal-Mogul Entities do not consider any international patent or group of international patents relating to a particular product or process to be of material importance when judged from the standpoint of the business as a whole.

The Federal-Mogul Entities also maintain more than 4,500 active trademark registrations and applications worldwide. In excess of 90% of these trademark registrations and applications are in commercial use by the Federal-Mogul Entities or are licensed to third parties. All trademark registrations that are still in commercial use are routinely renewed by the Federal-Mogul Entities prior to their expiration.

5. Properties.

The Federal-Mogul Entities' world headquarters is located in Southfield, Michigan. The number and geographic locations of the Federal-Mogul Entities' principal manufacturing and other physical properties as of December 31, 2002, are listed below.

As of December 31, 2003, the Federal-Mogul Entities had 200 manufacturing/technical centers, distribution and sales and administration office facilities worldwide. Approximately 35% of the facilities are leased, the majority of which are distribution, sales and administration offices. The Federal-Mogul Entities own the remainder of the facilities in fee simple.

Federal-Mogul Worldwide Facilities at 12/31/02

Type of Facility	North America	Europe	Rest of World	Total
Manufacturing/Technical Centers	56	55	35	146
Distribution	12	8	8	28
Sales and Administration Offices	9	5	12	26
Total	77	68	55	200

The facilities range in size from approximately 1,700 square feet to 1,143,000 square feet. Management believes substantially all of the facilities are in good condition and that the Federal-Mogul Entities have sufficient capacity to meet their current and expected manufacturing and distribution needs. No material facility is significantly underutilized, except for those being sold or closed in the normal course of business.

B. Operational Structure of the Debtors.

Federal-Mogul currently has approximately 350 domestic and foreign subsidiaries. Federal-Mogul anticipates restructuring its foreign subsidiaries in order to create a more efficient financing and investment structure and to improve future net cash flow.

The integrated operations of the Federal-Mogul Entities are included in five (5) reporting segments generally corresponding to major product groups: Powertrain, Sealing Systems and Systems Protection, Friction, Aftermarket, and Other.

Powertrain products are used primarily in automotive, light truck, heavy-duty, industrial, marine, agricultural, power generation and small air-cooled engine applications. The primary products of this segment include engine bearings, pistons, piston pins, rings, cylinder liners, camshafts, valve train and transmission products, and connecting rods.

Sealing Systems and Systems Protection products include dynamic seals, gaskets and element resistant sleeving systems protection products.

Friction products are used in automotive and heavy-duty applications. The primary products of this segment include brake disc pads, brake shoes, and brake linings and blocks.

Aftermarket distributes products manufactured within the above segments, or purchased, to the independent automotive, heavy-duty and industrial aftermarkets. The segment also includes manufacturing operations for brake, chassis, ignition, lighting, fuel and wiper products.

Other is comprised of the Federal-Mogul Entities' Asia Pacific operations and corporate headquarters and other central support mechanisms, including information technology, human resources, finance, and other corporate activities.

C. Description of the Principal Operating Debtors

The Debtors' active business operations are largely, though not exclusively, conducted through five (5) of the U.S. Debtors and fifteen (15) of the U.K. Debtors. Each of those 20 Debtors is contemplated to have ongoing business operations after Confirmation of the Plan. Summaries of the business of each of those Debtors set forth in this section as follows.

1. Federal-Mogul Corporation (“Federal-Mogul”)

Federal-Mogul is the ultimate parent company of all the Federal-Mogul Entities. It was founded in 1899 and incorporated on May 1, 1924. It is an original equipment and aftermarket automotive parts manufacturer and distributor. Over the course of the twentieth century, Federal-Mogul grew from a one-product manufacturer to the diversified company it is today through a series of mergers and acquisitions. Federal-Mogul has 10 manufacturing and 8 distribution locations in the United States, and 1 distribution location in Kontich, Belgium. For the year ended December 31, 2003, Federal-Mogul had total third party sales of \$1,085,118,000.

2. Federal-Mogul Piston Rings, Inc. (“FMPRI”)

FMPRI was incorporated on March 30, 1978. FMPRI was formerly known as AE Goetze, Inc. and prior to that it was known as GCA. FMPRI was acquired by T&N Industries Inc. on January 1, 1994, and T&N Industries Inc. was subsequently acquired by Federal-Mogul on March 13, 1998. Some of the non-voting stock of FMPRI is owned by Nippon Piston Rings, Inc., a third party not affiliated with the Debtors. FMPRI manufactures original equipment piston rings and liners, and has 3 manufacturing locations in the United States. For the year ended December 31, 2003, FMPRI had total third party sales of \$91,855,000.

3. Federal-Mogul Powertrain, Inc. (“F-M Powertrain”)

F-M Powertrain was incorporated on November 25, 1986, and was formerly known as AE Clevite, Inc. F-M Powertrain was acquired by T&N Industries, Inc. on August 20, 1990, and T&N Industries, Inc. was acquired by Federal-Mogul on March 13, 1998. On December 18, 1998, F-M Powertrain sold its thin wall bearing business, including its wholly owned subsidiary, Glacier Vandervell, Inc., to Dana Corporation. F-M Powertrain manufactures and distributes original equipment and aftermarket products, and has 12 manufacturing locations and one distribution location in the United States. For the year ended December 31, 2003, F-M Powertrain had total third party sales of \$455,576,000.

4. Federal-Mogul Ignition Company (“FMIC”)

FMIC was incorporated on December 5, 1938, and was formerly known as Champion Spark Plug Company. Federal-Mogul acquired the stock of this entity from Cooper Industries, Inc. on October 9, 1998. FMIC manufactures and distributes original equipment and aftermarket products, and has 10 manufacturing and 2 distribution locations in the United States. For the year ended December 31, 2003, FMIC had total third party sales of \$470,072,000.

5. Federal-Mogul Products, Inc. (“F-M Products”)

F-M Products was incorporated on October 25, 1977, and was formerly known as Moog Automotive Products, Inc., and prior to that Moog Automotive, Inc. Federal-Mogul acquired the stock of this entity from Cooper Industries, Inc. on October 9, 1998. F-M Products manufactures and distributes original equipment and aftermarket products, and has 14 manufacturing and 4 distribution locations in the United States. For the year ended December 31, 2003, F-M Products had total third party sales of \$648,929,000.

The corporate history of F-M Products, together with the historical bases for the asbestos-related claims asserted against it, is discussed in detail in Section IV.E.1, below.

6. T&N Limited (“T&N”)

T&N acts as a principal for sixteen undisclosed agency companies. T&N and its agency companies (which include the companies listed in items 8-20, below) employ in excess of 3,500 people. Since the Petition Date, the agency companies have continued to trade as agents of T&N, except for certain of the agency companies that have ceased to do business entirely. T&N is by far the largest of the Debtors’ U.K. trading entities, with net sales of approximately \$402,400,000 for the year ending December 31, 2003.

7. **Federal-Mogul Ignition (U.K.) Limited ("FM Ignition")**

FM Ignition was incorporated on January 27, 1998. It has one plant located in Upton, England and employs approximately 450 people. FM Ignition manufactures and sells spark plugs and engineering products for the automotive industry. For the year ended December 31, 2003, FM Ignition had total third party sales of \$38,633,000.

8. **Federal-Mogul Systems Protection Group Limited ("FMSPG")**

FMSPG was incorporated on June 5, 1962. It has one plant located in Rochdale, England. FMSPG manufactures and sells mechanical, acoustic and thermal protective products for the automotive industry as agent for T&N. For the year ended December 31, 2003, FMSPG had total third party sales of \$3,080,000.

9. **Federal-Mogul Aftermarket UK Limited ("FMAUK")**

FMAUK was incorporated on February 17, 1927. It has one plant located in Bradford, England. FMAUK sells and distributes mainly Federal-Mogul produced branded products as agent for T&N. For the year ended December 31, 2003, FMAUK had total third party sales of \$62,210,000.

10. **Federal-Mogul Sintered Products Limited ("FMSP")**

FMSP was incorporated on July 22, 1911. It has one plant located in Coventry, England. FMSP manufactures and sells sintered components primarily for the automotive industry as agent for T&N. For the year ended December 31, 2003, FMSP had total third party sales of \$48,678,000.

11. **Federal-Mogul Sealing Systems (Slough) Limited ("FMSS-Slough")**

FMSS-Slough was incorporated on February 18, 1920. It has one plant located in Slough, England. FMSS-Slough manufactures and sells a range of gaskets for the automotive industry as agent for T&N. For the year ended December 31, 2003, FMSS-Slough had total third party sales of \$17,517,000.

12. **Federal-Mogul Friction Products Limited ("FMFP")**

FMFP was incorporated on January 10, 1948. It has one plant located in Chapel-en-le-Frith, England. FMFP manufactures and sells friction materials for the automotive and rail industries as agent for T&N. For the year ended December 31, 2003, FMFP had total third party sales of \$109,082,000.

13. **Federal-Mogul Sealing Systems (Rochdale) Limited ("FMSS-Rochdale")**

FMSS-Rochdale was incorporated on October 5, 1945. It has one plant located in Rochdale, England. FMSS-Rochdale manufactures and sells heatshields and composite materials as agent for T&N. For the year ended December 31, 2003, FMSS-Rochdale had total third party sales of \$12,855,000.

14. **Federal-Mogul Camshaft Castings Limited ("FMCC")**

FMCC was incorporated on February 22, 1934. It has one plant located in Lydney, England. FMCC manufactures and sells engineering components primarily for the motor vehicle industry as agent for T&N. For the year ended December 31, 2003, FMCC had total third party sales of \$27,910,000.

15. **Federal-Mogul Bradford Limited ("Bradford")**

Bradford was incorporated on January 5, 1910. It has one plant located in Bradford, England. Bradford manufactures and sells light vehicle petrol and diesel engine pistons and precision machined piston pins primarily

for the European OE automotive market as agent for T&N. For the year ended December 31, 2003, Bradford had total third party sales of \$65,540,000.

In December 2003, the Bankruptcy Court approved a transaction whereby the pistons-manufacturing assets of Bradford would be leased (and eventually sold through the Plan) to Federal-Mogul Gorzyce, S.A., a non-Debtor affiliate of the Debtors incorporated in Poland. Information concerning such transaction is set forth in detail in Section V.Q.3, below.

16. Federal-Mogul Camshafts Limited (“F-M Camshafts”)

FM Camshafts has one plant located in Lydney, England and manufactures and sells camshafts primarily for the motor vehicle industry as agent for T&N. For the year ended December 31, 2003, FM Camshafts had total third party sales of \$25,008,000.

17. Federal-Mogul Eurofriction Limited (“FMEL”)

FMEL manufactures and sells automotive friction material for the aftermarket. For the year ended December 31, 2003, FMEL had total third party sales of \$7,888,000.

18. Federal-Mogul Powertrain Systems International Limited (“Powertrain Systems”)

Powertrain employs a small group of engineers who provide powertrain services to various of the U.K. Debtors.

19. TBA Industrial Products Limited (“TBA-IP”)

TBA-IP is a real estate holding company located in Rochdale, England, which, as of the Petition Date, held and managed the real property that comprises of all of the Debtors’ Rochdale facilities. By order dated February 3, 2004, the Bankruptcy Court authorized the sale of the Rochdale property, which was subsequently effected by the Debtors and the Administrators. As a result of this sale, TBA-IP is now an inactive holding company.

20. Federal-Mogul Export Services Limited (“F-M Export”)

F-M Export is a foreign exchange vehicle for the Debtors that are involved in transactions involving British pounds sterling. Specifically, where an agency company (other than FMEL) contracts with its customers in certain territories, it normally does so as sales agent of F-M Export, in which case the agency company agrees to supply the product to F-M Export to allow F-M Export to fulfill the contract with the customer.

D. Management.

1. Directors.

The Board of Directors of Federal-Mogul currently consists of eight (8) directors: John J. Fannon (age 70), Paul S. Lewis (age 67), Frank E. Macher (age 63), Charles G. McClure (age 50), Robert S. Miller, Jr. (age 62), Shirley D. Peterson (age 62), John C. Pope (age 55) and Sir Geoffrey H. Whalen C.B.E. (age 68). The Board of Directors currently has four committees: an Audit Committee, Compensation Committee, Governance and Nominating Committee, and a Pension Committee, each described below.

The Audit Committee is responsible for reviewing the Debtors’ accounting and financial reporting practices and provides a channel of communication between the Board of Directors and the Debtors’ independent accountants. This Committee reviews the scope and content of the independent accountants’ audits, management letters and fees and the annual plans and work product of the internal auditing staff. All members of the Audit Committee are independent.

The Compensation Committee is charged with reviewing the Debtors' general compensation strategy, determining compensation for the Debtors' executive officers and making recommendations to the Board of Directors concerning compensation for the Chief Executive Officer. It also reviews and makes recommendations regarding the Debtors' incentive plans and certain other compensation plans, and it exercises the authority of the Board of Directors relating to the Debtors' employee benefit plans.

The Governance and Nominating Committee makes recommendations on the membership and compensation of the Board of Directors and its committees, and it assures that a regular evaluation is conducted of the performance, qualifications and integrity of both the Board of Directors and the executive officers of the Debtors.

The Pension Committee conducts meetings with and reviews the performance of investment managers, trustees, plan administrators and the Debtors' Retirement Programs Committee. It also recommends pension funding levels to the Board of Directors after consultation with the Debtors' Retirement Programs Committee, investment managers and other consultants retained by the Committee.

2. Executive Officers.

Set forth below are the senior executive officers of the Debtors elected by the Debtors' Board of Directors and each officer's position(s) within the Debtors:

Name	Position(s) with Federal-Mogul
Gerhard Böhm	Senior Vice President, Powertrain
David A. Bozynski	Vice President and Treasurer
Thomas B. Conaghan	Senior Vice President, Sealing Systems and Systems Protection
Rene L.F. Dalleur	Senior Vice President, Global Friction Products
Joseph P. Felicelli	Senior Vice President, Worldwide Aftermarket Operations
Michael P. Gaynor	Senior Vice President and Chief Information Officer
Charles B. Grant	Vice President, Corporate Development and Strategic Planning
Ramzi Y. Hermiz	Vice President, European Aftermarket
Rainer Jueckstock	Senior Vice President, Global Operations, Powertrain
G. Michael Lynch	Executive Vice President and Chief Financial Officer
Charles G. McClure	Chief Executive Officer and President
Dale R. Pilger	Senior Vice President, Global Original Equipment Sales, Application Engineering and Marketing and Asia Pacific Operations
William G. Quigley III	Vice President and Corporate Controller
Richard P. Randazzo	Senior Vice President, Human Resources
Brian L. Ruddy	Vice President and Managing Director, Asia
Wilhelm A. Schmelzer	Executive Vice President, Europe, South America and South Africa
David M. Sherbin	Senior Vice President, General Counsel and Secretary
John L. Tobiczky	Vice President, Manufacturing Support

Each officer was elected by the Board to hold office until the next annual election of officers and until his successor is elected and qualified or until his earlier resignation or removal.

E. Debt and Capital Structure of Federal-Mogul and its Affiliates.

1. Secured Credit Obligations.

a. Prepetition Bank Credit Agreement.

Federal-Mogul is party to that certain Fourth Amended and Restated Credit Agreement dated as of December 29, 2000 (as amended, supplemented or otherwise modified from time to time, the "Bank Credit Agreement") by and among Federal-Mogul, The Chase Manhattan Bank (now JPMorgan Chase Bank), as

Administrative Agent and a syndicate of lenders. Under the Bank Credit Agreement, Federal-Mogul received new term and revolving loan commitments aggregating \$350 million (the "New Commitments"), while refinancing approximately \$1.7 billion in term and revolving loans and commitments under preexisting secured credit facilities (the "Existing Loans").

As of the Petition Date, Federal-Mogul's obligations under the Bank Credit Agreement totaled approximately \$1.932 billion, plus certain amounts owing on account of letters of credit issued under the Bank Credit Agreement. These obligations are subdivided as follows: (i) approximately \$328.1 million (plus certain letter of credit obligations) under the New Commitments, (ii) approximately \$960.9 million (plus certain letter of credit obligations) under preexisting revolving loan facilities and (iii) approximately \$643.0 million under preexisting term loan facilities. These facilities were essentially fully drawn as of the Petition Date.

Federal-Mogul's obligations under the New Commitments are secured by first-priority liens on and security interests in (i) substantially all of the United States assets of the U.S. Debtors (except accounts receivable sold to the Debtors' prepetition securitization facility), (ii) 100% of the stock of the Debtors' U.S. subsidiaries and (iii) 65% of the stock of the first tier foreign subsidiaries of the U.S. Debtors. Federal-Mogul's obligations under the Existing Loans are secured by second-priority liens on the same collateral. In addition, Federal-Mogul's obligations under the Bank Credit Agreement are guaranteed by certain of the U.S. Debtors and F-M UK Holding Limited, a U.K. Debtor. As discussed below at subsection 2 ("Note Obligations"), the grant of certain liens securing Federal-Mogul's obligations under the Bank Credit Agreement triggered certain equal and ratable provisions of the Indentures pursuant to which certain limited security for the Note Debt was provided (as defined below).

b. Surety Bond Obligations.

Federal-Mogul has additional potential secured debt in the amount of \$225 million relating to certain surety bonds guaranteeing its obligations to the Center for Claims Resolution ("CCR") (the "CCR Surety Bonds"). In December of 2000, Federal-Mogul, on behalf of T&N Limited ("T&N"), Gasket Holdings Inc. ("GHI") and Ferodo America, Inc. ("Ferodo"), caused the Sureties to issue bonds in the aggregate amount of \$250 million in favor of CCR as obligee (the "Surety Bond Obligations"), reduced to \$225 million effective as of June 2001. To secure the contingent reimbursement obligations under the CCR Surety Bonds, the Debtors granted liens and security interests in favor of each Surety in (i) substantially all of the United States assets of the U.S. Debtors, (ii) the stock of the Debtors' United States subsidiaries, and (iii) up to 65% of the stock of certain of the U.S. Debtors' foreign subsidiaries. In the case of (i) and (iii) above, the liens and security interests securing the Surety Bond Obligations are on an equal and ratable basis with those securing Federal-Mogul's obligations under the Existing Loans pursuant to the Bank Credit Agreement. In the case of certain of the collateral described in (ii) above, the liens and security interests securing the Surety Bond Obligations are on an equal and ratable basis with those securing (a) Federal-Mogul's obligations under the Bank Credit Agreement and (b) the Note Debt. In addition to the above-described security for the Surety Bond Obligations, two of the Debtors (T&N and GHI) agreed contractually to indemnify the Sureties for any amounts that may become due thereunder.

As of the date of this Disclosure Statement, none of the surety bonds has been drawn. As noted elsewhere in this Disclosure Statement, the Debtors have obtained temporary injunctive relief preventing such a draw, and have commenced an adversary proceeding against CCR seeking a determination that CCR is not entitled to draw on the CCR Surety Bonds.

c. Debtor-in-Possession Financing Facility.

(1) Description of the Debtor-in-Possession Financing Facility.

On October 1, 2001, the Debtors sought Bankruptcy Court authorization for the U.S. Debtors to enter into a \$675 million debtor-in-possession financing facility (the "DIP Facility") with a syndicate of lenders led by The Chase Manhattan Bank (now JPMorgan Chase Bank) as administrative agent (in such capacity, the "DIP Agent"). The Bankruptcy Court granted the U.S. Debtors the authority to enter into such a facility on an interim basis at the Debtors' first-day hearing on October 4, 2001. Also on October 4, 2001, the Bankruptcy Court granted the Debtors interim authority to make up to \$150 million in loans (on terms otherwise consistent with the terms of the DIP

Facility) to their foreign affiliates in the event that the stand-alone financing facilities relied on by such affiliates were reduced or eliminated as a result of the Debtors' commencement of insolvency proceedings. On November 21, 2001, following the final hearing on the financing, the Bankruptcy Court entered an order authorizing the Debtors to enter into the DIP Facility on the terms set forth below. Additionally, the Bankruptcy Court granted final approval for the Debtors to lend funds to their foreign affiliates for the purposes described above, in the amount of \$220 million.

As stated by the Debtors in the motion seeking interim and final approval of the DIP Facility, the Debtors required this financing for four (4) discrete purposes: (i) \$265 million to retire loans extended by certain lenders under the Debtors' prepetition securitization facility, thereby permitting the Debtors to reacquire, through merger of the securitization subsidiary into Federal-Mogul, approximately \$550 million in accounts receivable, (ii) \$150 million to fund loans to the Debtors' foreign affiliates that did not file bankruptcy petitions in the event that the stand-alone financing facilities relied on by such affiliates were reduced or eliminated as a result of the Debtors' commencement of insolvency proceedings (of which amount \$25 million could be advanced to the English Debtors), (iii) \$70 million to be used to fund ordinary course working capital loans to the Debtors' foreign affiliates that did not file bankruptcy petitions and (iv) \$190 million to be used by the Debtors for general corporate purposes.

To secure the obligations under the DIP Facility, the agent and lenders under the DIP Facility were granted liens, security interests, and claims on account of amounts advanced under such facility as follows: (i) a perfected first priority, senior priming lien pursuant to Section 364(d)(1) of the Bankruptcy Code on all property of the U.S. Debtors subject to existing liens as of the Petition Date securing only the Debtors' obligations under the Bank Credit Agreement and to the Sureties, (ii) a perfected first priority security interest in and lien, pursuant to Section 364(c)(2) of the Bankruptcy Code, upon all property of the U.S. Debtors not subject to valid and perfected liens as of the Petition Date or perfected thereafter in accordance with Section 546(b) of the Bankruptcy Code, (iii) a perfected junior lien, pursuant to Section 364(c)(3) of the Bankruptcy Code, on all property of the U.S. Debtors subject to valid and perfected liens in existence as of the Petition Date and (iv) a claim pursuant to Section 364(c)(1) with priority over any and all administrative expenses of the kind specified in Sections 503(b) and 507(b) of the Bankruptcy Code. These security interests and liens may not be subordinated or made of equal rank with any other liens or security interests that may be granted by the Debtors under Sections 364(c) or (d) of the Bankruptcy Code.

As an additional part of the debtor-in-possession financing, the Debtors agreed to convert the New Commitments (which had been drawn in full by the Debtors) into a tranche of the DIP Facility (the "Tranche C Loans"). Accordingly, the Tranche C Loans have been afforded the status of a postpetition claim in the Debtors' Chapter 11 Cases. The Tranche C Loans are secured by liens in favor of the agent and lenders under the Bank Credit Agreement on all collateral securing the obligations under the DIP Facility. Such liens are immediately junior to those granted in connection with the DIP Facility. In addition, the Tranche C Loans are secured by a lien on all property of the U.S. Debtors securing the obligations under the Note Indentures (i.e., the stock of certain of Federal-Mogul's principal United States operating subsidiaries). This additional lien securing the Tranche C Loans is of equal rank with the lien securing the obligations under the Note Indentures.

(2) Adequate Protection Obligations under the DIP Facility.

In addition to the rights and claims granted to the lenders under the DIP Facility, the Debtors also agreed to grant adequate protection to the lenders under the Bank Credit Agreement in the form of (i) liens on the collateral securing the Debtors' obligations under the DIP Facility that are immediately junior to the Postpetition lenders' liens, (ii) superpriority claims pursuant to Section 507(a)(1) of the Bankruptcy Code that are immediately junior to the claims under Section 364(c)(1) of the Bankruptcy Code held by the Debtors' postpetition lenders under the DIP Facility, (iii) current monthly payments of interest and letter of credit fees on the outstanding balances under the Bank Credit Agreement and related documents, and (iv) the current payment of certain fees and expenses under the Bank Credit Agreement and related documents. The Debtors further agreed to make current payments of interest to the Sureties following any draw on the surety bonds issued thereby, as well as to pay the fees and premiums respecting such surety bonds on a current basis and pay the fees and expenses of one of the Sureties.

The Debtors further agreed as a condition of the DIP Facility to provide adequate protection for the benefit of the holders of the Note Debt (as defined below) in the form of payment in cash to the Collateral Trustee of one-

half of one percent (0.5%) of the outstanding principal amount of the Note Debt per year (the "Cash Guaranteed Component"). The Debtors also agreed to provide additional adequate protection to the holders of the Note Debt by (i) payment of an additional one-half of one percent (0.5%) of the outstanding principal amount of the notes per year in cash (the "Cash Optional Component") or (ii) alternatively, granting an administrative expense claim pursuant to Section 507(b) of the Bankruptcy Code to the Collateral Trustee, for the benefit of the holders of the Note Debt, in the amount of 200% of that portion of the Cash Optional Component that is not paid in cash. The Final Order approving the DIP Facility also provides that additional adequate protection payments may be required in the event that the Debtors' actual EBITDA for certain periods exceeds that projected in the Debtors' strategic plan dated as of August 2001 (the "EBITDA Payments"). Any EBITDA Payments made by the Debtors will reduce any 507(b) claims granted to the Collateral Trustee for the benefit of the holders of the Note Debt at a rate of \$2 for every \$1 in EBITDA Payments made.

In accordance with the adequate protection provisions in the Final Order approving the DIP Facility, the Debtors have made quarterly cash payments to the Collateral Trustee (commencing on January 15, 2002) in satisfaction of the Cash Guaranteed Component referenced above in the amount of \$2,649,331.25. The Debtors have additionally elected to grant each quarter since the commencement of the Reorganization Cases an administrative expense claim pursuant to Section 507(b) of the Bankruptcy Code in the amount of one percent per annum of the Debtors' outstanding note debt on account of the Cash Optional Component referenced above, consistent with the Debtors' ability to so elect under the Final Order approving the DIP Facility. The amount of such administrative expense claim each quarter is \$5,298,662.50, commencing as of January 15, 2002; the cumulative amount of such Section 507(b) claims as of April 15, 2004 thus equals \$52,986,625.00.

All adequate protection payments made to and administrative expense claims inured in favor of the Collateral Trustee for the benefit of the holders of the Note Debt are, pursuant to the terms of the Final Order approving the DIP Facility, provisional in nature in all respects. The Final Order approving the DIP Facility preserves the rights of all parties in interest to challenge such adequate protection payments.

Pursuant to the terms of the Plan, all adequate protection payments inured in favor of the Collateral Trustee for the benefit of the holders of the Note Debt will be treated as administrative expense claims and, accordingly, will, if not challenged in accordance with the preceding paragraph, be paid in full in Cash on the Distribution Date.

(3) Amendments to the DIP Facility.

On November 29, 2001, the Debtors and the debtor-in-possession lenders entered into a non-material amendment (the "First Amendment") to the debtor-in-possession financing facility. Pursuant to the First Amendment, JPMorgan Chase Bank assigned certain of its interests, rights and obligations under the DIP Agreement to a syndicate of additional lenders. In addition, the First Amendment (i) expanded the scope of investments to which the Debtors could become a party to include certain joint venture arrangements and (ii) effected certain other non-material modifications to the DIP Facility.

On June 26, 2002, the Debtors filed a motion with the Bankruptcy Court seeking approval of the second amendment to the DIP Facility (the "Second Amendment"). Pursuant to the Second Amendment, the DIP Facility was amended to expand the scope of the Debtors' permitted investments and permitted indebtedness, effect certain modifications respecting the counting of capital expenditures, allow for the adjustment of the EBITDA covenants in the DIP Facility to reflect the impact of divestitures by the Debtors, and effect certain additional technical modifications as well. The Court entered an order authorizing the Debtors to enter into the Second Amendment on July 18, 2002, and the Second Amendment was executed on or about July 10, 2002.

On January 17, 2003, the Debtors entered into a non-material Third Amendment to the DIP Facility. Such amendment modified the capital expenditures covenants contained in the DIP Facility to allow for greater spending by the Debtors on capital expenditures during the quarter ended March 31, 2003 and to reduce the permissible amount of capital expenditures spending by the Debtors during the ensuing three quarters.

(4) Amendment and Restatement of the DIP Facility.

On August 7, 2003, the Debtors entered into an amendment and restatement of the DIP Facility. The amendment and restatement largely continued the terms and conditions of the existing debtor-in-possession financing, save for (i) extending the term of the DIP Facility (which was to expire on October 1, 2003) through the earlier of the substantial consummation of the Plan or February 7, 2005, (ii) reducing the overall size of the DIP Facility to \$600 million from \$675 million and reanchoring the revolving and term loan facilities thereunder to \$350 million and \$250 million, respectively, (iii) reducing the interest margin applicable to borrowings under the DIP Facility by one-half of one percent and (iv) effecting a number of additional amendments necessary to accommodate changes in the Debtors' business since the Debtors first entered into the DIP Facility nearly two years previously. Such additional amendments included, among other things, provisions increasing the Debtors' ability to invest in joint ventures, expanding the U.S. Debtors' ability to make loans to non-Debtor foreign subsidiaries from \$220 million to \$300 million (less the amount of stand-alone credit facilities made available to such non-Debtor foreign subsidiaries), and permitting the conversion of certain intercompany loans to equity. The Bankruptcy Court entered an order authorizing the Debtors to enter into the amended and restatement of the DIP Facility on August 21, 2003. That order provided, in general, that the terms of the original final order approving the DIP Facility continued unchanged, including the grants of liens and security interests to secure the DIP Facility and adequate protection to the various parties described above.

2. Note Obligations.

As of the Petition Date, Federal-Mogul had outstanding five (5) tranches of Notes (the "Notes"), one (1) tranche of Senior Notes (the "Senior Notes"), and six (6) tranches of Medium-Term Notes (the "Medium-Term Notes") and, together with the Notes and Senior Notes, the "Note Debt"). The aggregate amount of Note Debt outstanding is \$2,159,404,575.13. This amount excludes accrued interest and unpaid interest as of the Petition Date of approximately \$40 million. The Notes were issued pursuant to Indentures dated as of June 29, 1998 and January 20, 1999 (as amended, supplemented, or otherwise modified from time to time, the "Note Indentures") between Federal-Mogul, certain guarantors, and the Bank of New York, as Indenture Trustee. The Senior Notes and the Medium-Term Notes were issued pursuant to an Indenture dated as of August 12, 1994 (the "1994 Indenture"), between Federal-Mogul and Continental Bank, as Trustee. The Bank of New York has been succeeded by Wells Fargo Bank Minnesota, N.A. as Indenture Trustee under the Note Indentures, while Continental Bank has been succeeded by U.S. Bank Trust National Association as Trustee under the 1994 Indenture.

The Note Indentures and the 1994 Indenture each provide that so long as any indebtedness under the Bank Credit Agreement is secured by shares of capital stock of any domestic subsidiary of Federal-Mogul that owns any principal manufacturing facilities, the Notes, Senior Notes, and Medium-Term Notes issued under such Indentures shall also be secured by such collateral. Accordingly, the Note Debt is secured by liens on and security interests in the stock of certain of Federal-Mogul's principal United States operating subsidiaries. The liens and security interests securing the Note Debt are on an equal and ratable basis with Federal-Mogul's obligations under the Bank Credit Agreement and the Surety Bond Obligations. The Note Debt is additionally guaranteed by certain of the U.S. Debtors and F-M UK Holding Limited, a U.K. Debtor.

3. Trade Debt as of the Petition Date.

As of the Petition Date, the U.S. Debtors' books and records show approximately 14,000 trade claims pending against the U.S. Debtors in an approximate aggregate amount of \$175.4 million. Substantially all of these trade claims are owed by Federal-Mogul, Federal-Mogul Ignition Company ("FMIC"), Federal-Mogul Piston Rings, Inc. ("FMPRI"), Federal-Mogul Powertrain, Inc. ("FMPI") and Federal-Mogul Products, Inc. ("F-M Products"). The remainder of the U.S. Debtors either have few or no trade claims pending against them.

In addition, as of the Petition Date, the U.K. Debtors' books and records show trade claims pending against them in the approximate aggregate amount of £23.7 million (approximately \$42.42 million). Since the Petition Date, the aggregate claim amount of £23.7 million has been reduced to £18.07 million (approximately \$32.35 million) due to payments made by the U.K. Debtors to certain critical trade creditors and the recharacterization of certain prepetition trade claims as Administration Claims. U.S. dollars are converted to BPS at the rate of one BPS to \$1.79. All of these trade claims are owed by 23 of the English Debtors. No trade claims are pending against the remaining U.K. Debtors.

4. Convertible Subordinated Debentures.

On December 1, 1997, Federal-Mogul issued \$575 million of 7% Convertible Junior Subordinated Debentures due 2027 (the "Convertible Subordinated Debentures") to the Federal-Mogul Financing Trust (the "Financing Trust"), which is wholly-owned by Federal-Mogul and for which the Bank of New York acts as trustee. The Financing Trust generated the revenue to purchase the Convertible Subordinated Debentures through the issuance of 11.5 million shares of 7% Trust Convertible Preferred Securities (the "TCP Securities") to various institutional lenders. The TCP Securities represent an undivided interest in the Financing Trust's assets, which are comprised solely of the Convertible Subordinated Debentures.

The Convertible Subordinated Debentures and the TCP Securities are convertible, at the option of the holder(s) thereof, into Federal-Mogul's common stock at an equivalent conversion price of approximately \$51.50 per share, subject to adjustment in certain events. Since December 6, 2000, both the TCP Securities and the Debentures have been redeemable at the option of Federal-Mogul.

The Convertible Subordinated Debentures are subordinated and junior in right of payment to all of Federal-Mogul's indebtedness under credit agreements (including the Bank Credit Agreement), the Note Debt, capital lease obligations, deferred purchase price obligations, letter of credit obligations, interest rate or swap obligations, guarantees, and certain other obligations. The Convertible Subordinated Debentures rank equally with Federal-Mogul's trade debt. Federal-Mogul has additionally guaranteed to the holders of the TCP Securities payment in full of (i) accrued and unpaid distributions or unpaid redemptions to the extent the Financing Trust has funds available for such purposes, and (ii) on a winding-up of the Financing Trust, the lesser of (a) the aggregate of the liquidation amount on the TCP Securities to the extent the Financing Trust has funds available for such purpose and (b) the amount of the assets of the Financing Trust remaining for distribution. This guarantee obligation ranks equally in right of payment with Federal-Mogul's preferred stock, is senior in right of payment to Federal-Mogul's common stock, and is subordinate in right of payment to all other obligations of Federal-Mogul.

Portions of the Convertible Subordinated Debentures were converted to shares of common stock of Federal-Mogul Corporation after the Petition Date. The Plan Proponents believe that, as of December 31, 2003, the aggregate outstanding principal amount of the Convertible Subordinated Debentures was \$211,042,367.00. The Indenture Trustee for the Convertible Subordinated Debentures asserts that the aggregate outstanding amount of the Convertible Subordinated Debentures was \$216,454,300.00 as of December 31, 2003.

In the event and to the extent that the holders of Claims in this Class convert their Convertible Subordinated Debentures into Federal-Mogul Corporation Common Stock prior to the Confirmation Date, such Claims will be deemed converted to Class 10 Equity Interests and shall receive the treatment afforded to Class 10 Equity Interests under the Plan.

5. Common and Preferred Stock.

Federal-Mogul's articles of incorporation authorize the issuance of 260,000,000 shares of common stock, of which 87,131,298 shares were outstanding as of November 3, 2003. Prior to the Petition Date, and for a brief period thereafter, Federal-Mogul's common stock was listed on the New York Stock Exchange ("NYSE"). On April 22, 2002, Federal-Mogul received notice from the NYSE that its common stock would be delisted from the NYSE effective April 24, 2002. Accordingly, on April 24, 2002, Federal-Mogul's common stock began trading on the NASD over-the-counter bulletin board market under the new ticker symbol "FDMLQ."

In addition to its common stock, Federal-Mogul had 439,937 shares of Series C ESOP preferred stock outstanding as of December 31, 2002, with an aggregate liquidation preference of approximately \$28 million, or \$63.75/share. The Series C ESOP Convertible Preferred Stock shares of stock were used to fund a portion of the Federal-Mogul's matching contributions within the company's Salaried Employees' Investment Program. The Series C ESOP preferred stock is convertible into shares of Federal-Mogul common stock at a rate of two shares of common stock for each share of preferred stock. The Series C ESOP preferred shares paid dividends at a rate of 7.5% until the Petition Date.

6. Pending Commercial Litigation Against the Debtors.

As a consequence of the Debtors' commencement of these Reorganization Cases, all pending claims and litigation against the Debtors in the United States have been automatically stayed pursuant to Section 362 of the Bankruptcy Code. In addition, as a consequence of the U.K. Debtors' commencement of administration proceedings under the U.K. Insolvency Act 1986, all pending claims and litigation against the U.K. Debtors in the U.K. have also been automatically stayed. The automatic stays of litigation both in the U.S. and the U.K. proceedings have generally remained in force except in connection with certain non-asbestos personal injury claims, as to which the Bankruptcy Court has granted relief from the automatic stay solely to permit the prosecution of such actions to judgment and recovery of any such judgment from the Debtors' available insurance.

In addition to the asbestos-related litigation described below in Article IV, the Debtors are also involved from time to time in a variety of litigation that is incidental to their businesses. Typically, these matters consist of warranty and product liability claims, contract actions, antitrust, insurance matters, environmental actions and employment litigation. Other than the personal injury claims that are currently being defended by the Debtors' insurance companies (and as to which the Court granted relief from the automatic stay for the litigation to proceed as described in the preceding paragraph), the material pending actions of which the Debtors are currently aware and which may result in further litigation following the Effective Date are set forth on the attached Exhibit F.

The Debtors anticipate that, to the extent any of the litigation set forth on Exhibit F is not resolved prior to the Effective Date of the Plan and/or removed by the Debtors to federal court consistent with their powers under the Bankruptcy Code, such litigation will continue after the Effective Date in the forum(s) in which it was initiated. Any adverse judgment in any of these actions would constitute a Claim that would be treated in accordance with the provisions of the Plan, so long as such Claim was otherwise allowable because it complied with the applicable requirements of these Reorganization Cases and the Bankruptcy Code.

IV.

DESCRIPTION OF ASBESTOS-RELATED LIABILITIES OF THE DEBTORS

A. General Background of the Debtors' Asbestos-Related Liabilities.

The Plan contemplates claims for compensatory damages that are primarily based upon six different historical "streams" of liability that Federal-Mogul and certain of its subsidiaries faced in asbestos-related litigation throughout the United States. Each of these streams arises from corporate acquisitions made by Federal-Mogul (one in 1965 and the remainder in 1998) and concerns a different entity that had its own unique relationship with asbestos and asbestos-containing products and role in the asbestos litigation. The six entities are T&N, GHI (formerly known as Flexitallic, Inc.), Ferodo, F-M Products (formerly known as Moog Automotive, Inc. ("Moog")), the successor-by-merger to Wagner Electric Corporation (generally, "Wagner"), Felt Products Mfg. Co., formerly known as Fel-Pro Inc. ("Fel-Pro"), and Federal Mogul's own former Vellumoid Division ("Vellumoid").

In addition, over 40 other Debtors and non-Debtor subsidiaries or affiliates of Federal-Mogul have, at one time or another, been named in asbestos personal injury or other asbestos-related actions in the U.S. or in other countries since the 1970s. The most significant of these non-U.S. claims – which primarily concern the products and actions of only one Debtor, T&N – both in terms of number of claims and potential overall liability, are those brought in the United Kingdom, where T&N is headquartered and which was the principal location of its core businesses. Other asbestos personal injury claims arising from the worldwide scope of the businesses of T&N and its subsidiaries have been brought in several other countries, including France, Italy and Australia. The Debtors believe that all of these non-U.S. and non-U.K. claims collectively account for a very small percentage of the total historical asbestos-related liabilities of Federal-Mogul and its subsidiaries.

A description of the calculation of certain of the Debtors' asbestos liabilities is set forth in Section VI.C.4.h.(2) of this Disclosure Statement.

B. T&N

1. History of T&N.

T&N is a wholly-owned subsidiary of Federal-Mogul that was acquired in March 1998 when Federal-Mogul purchased 100% of its stock. T&N was incorporated in February 1920 in England as Turner & Newall Ltd., and represents a significant source of the Debtors' collective U.S. asbestos personal injury liabilities. At the date of its incorporation, T&N was a holding company that constituted an amalgamation of four pre-existing U.K. companies involved in the manufacture of asbestos-containing materials that were earlier separately owned by the Turner and the Newall families, prominent industrialists in northwestern England.

Throughout its history, T&N conducted its various businesses on a daily basis through a number of wholly-owned U.K. "unit" companies. T&N's executives and directors typically sat simultaneously on the boards of directors of one or more of its unit companies. T&N accepted responsibility in the U.S. asbestos-related litigation for the products and actions of its various U.K. unit companies. By contrast, throughout its existence, T&N also invested in a number of non-U.K. subsidiary companies throughout the world, for which it took the position that it was not liable, since these companies operated as wholly independent subsidiaries.

The four original companies from which T&N was formed – Turner Brothers Asbestos Co., Washington Chemical Co., J.W. Roberts Ltd. ("Roberts"), and Newalls Insulation Co. ("Newalls") – manufactured asbestos-containing textiles, thermal insulation, industrial insulating mattresses or, in the case of Newalls, installed manufactured insulation materials. Asbestos was used in these applications because of its unique fire and heat-resistant properties and its light weight.

From the 1920s to the 1950s, the group expanded into the manufacture, distribution, sale and installation of virtually every type of asbestos-containing product in numerous countries throughout the world, including sprayed-on and pre-formed asbestos-containing insulation, asbestos cement pipe, asbestos-containing building materials, and numerous other products. It also grew vertically, ultimately controlling or owning outright (through independently-operated non-U.K. subsidiary companies) asbestos mines in Canada and southern Africa. T&N therefore later found itself as a defendant in asbestos cases in both the U.S. and in other countries.

However, unlike most other U.S. asbestos litigation defendants, T&N did not extensively market its products in this country, and most of its asbestos-containing products were never sold in the U.S. Moreover, to the extent that T&N did business in the U.S. as either a manufacturer of asbestos-containing products or a source of asbestos fiber, that business had mostly ended by the mid-1960s.

2. Bases for T&N's Asbestos Liability.

T&N was named in its first asbestos personal injury case in the U.S. in August 1977. By the Petition Date, approximately 114,000 such lawsuits were pending in the U.S. T&N's liability in these cases primarily arose out of three areas of its historical businesses, more or less in the following order of frequency: (a) its manufacture of Sprayed Limpet Asbestos ("Limpet"); (b) its ownership from 1934 to 1962 of Keasbey & Mattison Co. ("Keasbey"), and to a lesser extent, its ownership in other years of two Canadian subsidiaries; and (c) its brokerage of raw asbestos fiber. In addition, T&N was sometimes sued as an alleged conspirator for its role in various events relating to the health effects of asbestos. Finally, T&N was also sued in a limited number of property damage (or "asbestos in buildings") cases pursuant to one or more of the above theories of liability.

T&N was also a defendant in approximately 950 cases pending in the U.K. as of the Petition Date. Due to the significant legal differences implicated in litigating products liability lawsuits in the U.S. and U.K. courts, T&N has historically been named in far fewer cases in the U.K. (including cases originally commenced in South Africa that plaintiffs sought to litigate in the U.K.), and has historically spent far less in judgments, settlements and defense costs in such cases. T&N and its unit and subsidiary companies were similarly named as defendants in less than 200 cases pending in other countries, such as France, Italy and Australia, plus approximately 327 cases (as of June 30, 2003) originally commenced by plaintiffs in South Africa but sought by such claimants to be heard in the U.K.

Despite the fact that virtually every lawsuit brought against T&N in the U.S. tort system contained a claim for punitive damages, relying upon the same alleged misconduct, historically there has been only one award of punitive damages rendered against T&N in the 25 years in which it has been a defendant in asbestos-related litigation. In that case, Hoskins v. Business Men's Assurance Co., Case No. 00-CV-206172 (Cir. Ct., Jackson County, Mo.), a judgment was entered jointly and severally against T&N and Federal-Mogul (solely as T&N's alleged successor in interest) in March 2001 in the amount of \$7 million (exclusive of interest and costs), consisting entirely of punitive damages. (The \$3 million in compensatory damages awarded by the jury was subject to a 100% offset as a result of the settlement of a co-defendant.) While the Debtors pursued several appeals of this matter on a variety of grounds, the judgment in favor of the Hoskins plaintiffs was ultimately affirmed in material part subsequent to the Petition Date.

a. Limpet.

The Limpet process of spraying a mixture of asbestos and cement onto surfaces was invented in 1931 by a Roberts engineer who was looking for a way to insulate railroad steam locomotives and boiler equipment with asbestos in a less cumbersome method than the traditional one of strapping asbestos mattresses onto the machinery. Over the ensuing decades, manufacturing Limpet for the patented Limpet process of spraying asbestos onto surfaces for fireproofing, thermal insulation, acoustical insulation and correction, condensation control, and decorative finishes became Roberts' principal business.

Beginning in around 1934, Roberts appointed licensees throughout the world to sell and apply Limpet. Typically, the licensees purchased the dry Limpet mixture that Roberts had manufactured in England and also leased the machines for its application from Roberts. Keasbey was the head Limpet licensee in the U.S. from 1934 to August 1962. From August 1962 to February 1967, the head U.S. licensee was Armstrong Contracting and Supply Corp., now known as ACandS, Inc. (at one time a subsidiary of and later spun-off from what is now known as Armstrong World Industries, Inc.) ("ACandS"). ACandS filed for bankruptcy protection in September 2002.

From March 1967 to March 1973, the head U.S. Limpet licensee was Atlas Asbestos Corp. ("Atlas"), a Canadian sales and manufacturing subsidiary of T&N headquartered in Montreal from the mid 1920s to 1980, when it was sold to Société Nationale de l'Amiante, an entity of the government of Québec ("SNA"). (T&N did not provide any indemnity to SNA regarding liability for asbestos-related claims in connection with this transaction.) Roberts ceased the manufacture of Limpet for U.S. sale and distribution in March 1967. All Limpet sold in the U.S. from that date to March 1973 was manufactured in Canada by Atlas. The Debtors believe that Atlas remains a viable defendant that is regularly sued and appears in numerous asbestos personal injury cases throughout the U.S.

T&N's liability in Limpet cases arose from allegations that a plaintiff either was (a) a member of a "Limpet team" (in which, typically, one worker fed the dry Limpet mixture into the machine, a second actually sprayed the product from the machine onto the surface, and a third tamped down or troweled over the product immediately after its application), (b) a bystander to the spraying process (such as a painter or electrician) or (c) was exposed to the clothes of someone who was heavily exposed on a regular basis to the process (such as the immediate family of a sprayer). Since the late 1970s, T&N was named in relatively few cases each year by plaintiffs who fit into one of the above three categories.

Limpet was not a widely marketed or used product in the U.S. due to its significant expense, its relatively slow spraying process and the U.S. licensees' relative lack of success in promoting it. Keasbey made no sales of Limpet in 1934 and, from 1935 to 1940 (when Limpet was used primarily as an acoustical correction material), U.S. sales were extremely low and confined to the Northeast. At the time, T&N executives constantly expressed concern over Limpet's failure to catch on in the U.S. and almost every year threatened to discontinue U.S. sales.

Roberts would ship the dry Limpet mixture and the spray machines to Keasbey by boat from England to U.S. ports. Keasbey would then send bags of Limpet and machines to its sublicensees throughout the U.S., as needed, largely by rail. As a result, Keasbey's Limpet sales were negligible throughout World War II, in large part due to shipping and distribution problems caused by the war. Moreover, despite the post-war construction boom, Keasbey's Limpet sales remained small in the late 1940s and early to mid-1950s due to intense competition from U.S.-based suppliers of cheaper similar products, and they did not exceed \$100,000 annually until 1959. From 1957

to 1965, approximately half of all of the Limpet sold in the U.S. went to three high-profile projects: 1 Chase Manhattan Plaza in New York City, the Prudential Center in Boston and the Central Terminal Building at New York City's LaGuardia Airport.

While ACandS (which, unlike Keasbey, was also a Limpet applicator) was initially successful in increasing the number of thermal insulation applications at industrial sites after it became head licensee in August 1962, its sales of Limpet declined after 1964 due to the imposition of large customs duties and continued fierce competition from U.S.-based suppliers of other spray products. U.S. Limpet sales after March 1967 – for which Atlas, not T&N, was the manufacturer – were even less substantial. T&N was historically named in very few cases alleging exposure to Limpet that was sprayed after this date.

b. Keasbey and Other Vicarious Liability Claims.

Keasbey was a Pennsylvania company founded in 1873 and incorporated in 1892 by Henry Keasbey (a wealthy financier) and Richard Mattison (a chemist who was said to have invented, among other things, Milk of Magnesia as well as asbestos-containing insulation designed to insulate machinery and equipment, such as steam pipes and boilers, that generated high temperatures). By the early 1930s, Keasbey was a vertically-integrated manufacturer and seller of asbestos-containing products like T&N, albeit smaller, and by the 1950s, Keasbey had ten plants located in Pennsylvania, Missouri, California, Louisiana, and New Hampshire. Among Keasbey's assets was the Bell chrysotile asbestos mine in Thetford Mines, Québec, Canada.

T&N purchased first a majority of Keasbey's shares in 1934 and the balance by 1938. Keasbey manufactured and sold a wide variety of asbestos-containing materials, including Limpet (which it did not manufacture), textiles, insulation, and asbestos cement pipe throughout the U.S. between 1934 and 1962, when T&N sold Keasbey's assets to three unrelated U.S. companies that year and then discontinued Keasbey's business. (Keasbey formally dissolved as a corporate entity in 1967.) The assets of Keasbey's Industrial Products Division, where its pipe and boiler insulation products were manufactured, were sold to Nicolet Industries, Inc. ("Nicolet"). Nicolet was once an active defendant pursued for its continuation of Keasbey's insulation products business, but it filed for bankruptcy protection in January 1987.

In the early days of the asbestos litigation – and especially after Nicolet filed for bankruptcy – numerous plaintiffs claimed exposure to Keasbey products and, because Keasbey or Nicolet were not around to be sued, pursued T&N on the theory that it was the legal alter ego of Keasbey and therefore responsible for its products. Over the years, T&N established precedent in about 20 states on the issue of its liability for Keasbey, and nearly every court that examined the issue (with the exception of one New York state appellate court applying New York law) agreed that T&N was not Keasbey's alter ego or otherwise liable for its products as a matter of state law. Several of these courts went even further, holding that T&N's corporate relationship with Keasbey was not even sufficient enough to serve as a basis for asserting jurisdiction over T&N.

Despite this precedent, however, many plaintiffs nonetheless continued to pursue T&N for Keasbey products on a variety of other legal theories, including agency, conspiracy, concert of action, joint venture, and as the major supplier of the raw fiber that was incorporated into Keasbey's finished products. The sole appellate court to consider this issue, a California state court applying California law, acknowledged that T&N was not Keasbey's alter ego, but upheld a jury verdict based on the finding that T&N was nonetheless responsible for Keasbey's pipe and boiler insulation products as a bulk supplier of raw asbestos fiber to Keasbey for use in those products.

In 1936, T&N spun the Bell mining assets off of Keasbey and placed them in a separate Canadian subsidiary corporation, Bell Asbestos Mines, Ltd. ("Bell"). T&N continued to own Bell until 1980, when it sold Bell and Atlas to SNA. Debtors believe that, like Atlas (which Bell absorbed in 1963), Bell remains a viable defendant that is regularly sued and appears in numerous asbestos personal injury cases throughout the U.S. Bell supplied raw asbestos fiber to numerous U.S. companies from the 1920s to the 1980s. Largely out of a concern over being able to enforce judgments against defendants in the courts of Québec (where the law was often unfavorable to plaintiffs), T&N was occasionally pursued as the alter ego of Bell and Atlas. This issue was litigated twice in the U.S. asbestos litigation, and both decisions favored T&N.

c. Fiber Supply.

Starting in 1926, through several independently operated, non-U.K. subsidiaries, T&N began to acquire asbestos mines or mining interests in South Africa, Rhodesia (now Zimbabwe), Swaziland and, by virtue of its acquisition of Bell through the acquisition of Keasbey, Canada. Raw Asbestos Distributors Ltd., a U.K. unit company of T&N later known as Turners Asbestos Fibres Ltd. and TAF International Ltd. ("TAF"), brokered raw fiber from all of these mines except Bell (which sold its fiber directly) to various U.S. manufacturing companies from 1932 to around 1976, with the overwhelming majority of this fiber sold before 1965. However, the majority of the fiber brokered by TAF was purchased by T&N's other U.K. unit companies for use in manufacturing their respective asbestos products. Unlike other vendors of raw asbestos fiber, TAF did not package, prepare, carry, or transport the fiber that it brokered, nor did it ever take physical possession or custody of the fiber. The last of T&N's asbestos mining interests (which was located in Zimbabwe) was sold by March 1996.

T&N was named in asbestos personal injury cases by U.S. plaintiffs who claimed to have been exposed to TAF-brokered fiber either during the manufacturing process (such as plantworkers and employees of other asbestos products manufacturers) or during the transportation process (such as longshoremen who routinely unloaded ships carrying fiber from Africa). Compared to the total usage of raw asbestos fiber in the U.S. during the years in question, however, TAF brokered a minuscule amount of African fiber to U.S. companies, principally to Keasbey. By way of example, TAF's total brokerage to the U.S. over 45 years amounted to about 400,000 tons; from the 1950s to the early 1970s, nearly 1 million tons of raw fiber were used annually in this country. Thus, TAF brokered only a tiny fraction of all of the asbestos fiber that ever reached the U.S. Although TAF also brokered fiber to countries other than the U.S., T&N has historically been named in very few non-U.S. cases based upon allegations of exposure to TAF-brokered fiber.

CertainTeed Corp. (now a subsidiary of a French company, Saint-Gobain) was the purchaser of Keasbey's asbestos cement pipe assets in 1962. After that date, CertainTeed became the principal U.S. customer of TAF-brokered fiber. CertainTeed (in which T&N held a minority stock interest from 1962 to 1976) was, with the exception of 1,050 tons of fiber brokered to Huxley Development Corp. from 1967 to 1969, T&N's only U.S. customer after 1965. The only other major U.S. customers of TAF-brokered fiber were Johns-Manville Corp. ("J-M") (from 1953 to 1965) and Raybestos-Manhattan Corp., now known as Raymark Industries, Inc. ("R-M") (until 1958), both of which purchased very little of their overall fiber inventory from TAF. Like Nicolet, J-M and R-M also filed for bankruptcy protection in the 1980s.

In addition, in the few years before the Petition Date, T&N was also sued by end-users of finished asbestos products manufactured by defunct or bankrupt companies who were at one time "target" defendants, on the theory that the fiber in such products was supplied by T&N. As noted above, many plaintiffs who alleged exposure to Keasbey products proceeded on this theory of liability against T&N, rather than choosing to re-litigate the issue of whether T&N was Keasbey's alter ego in light of the precedent that T&N had established as to the viability of that legal theory.

d. Conspiracy and Concert of Action.

T&N was also pursued in a significant number of cases on civil conspiracy or concert of action theories of liability based on its historical involvement in research into the health effects of asbestos exposure over several decades. Despite the legal requirement that a plaintiff demonstrate actual exposure to a particular defendant's asbestos-containing products to make out a *prima facie* case, such cases typically involved no (or, at best, minimal) product identification against T&N. These cases, however, became an increasingly higher percentage of T&N's caseload by the late 1990s as the number of "traditional" asbestos defendants who sought bankruptcy protection increased and plaintiffs' primary or only asbestos exposure was to the products of bankrupt or judgment-proof defendants.

There were many variants of these theories against T&N – several of which are derivative of plaintiffs' alter ego claims regarding Keasbey's and Bell's actions – including T&N's past associations and business relationships with J-M (such as the creation of an alleged "cartel" to fix the price of asbestos fiber, control supplies, allocate geographic markets, and suppress health-related information), T&N's funding and alleged suppression of

unfavorable research (such as Keasbey's co-sponsorship of the so-called "Saranac studies" regarding asbestos exposure and the development of lung cancer) and T&N's involvement in various trade associations (such as the Asbestos Textile Institute, through Keasbey and only later on its own, and the Québec Asbestos Mining Association, solely through Bell). During T&N's last two years in the tort system, some plaintiffs claimed that T&N should pay for their exposures to J-M products solely on the general theory that T&N conspired with J-M over many decades to "hide" the hazards of asbestos.

e. Asbestos Property Damage Litigation.

T&N (including its U.K. unit companies, Roberts and TAF) was also named as a defendant in cases in which owners or operators of non-residential buildings (including commercial office buildings, government buildings, colleges and universities, hospitals, churches, and schools) sought to recover the costs associated with detecting, analyzing, repairing, and removing asbestos-containing products in their buildings. These claims primarily alleged property damage arising from the installation in the subject buildings of Limpet for fireproofing, thermal insulation or acoustical correction purposes, although a few such claims were based instead upon the Keasbey, fiber supply and conspiracy theories discussed above. The claims primarily took one of three forms: (a) class actions, (b) large state-wide, county-wide or city-wide cases seeking damages for all public buildings in a particular governmental unit or (c) cases brought by individual plaintiffs seeking a specified amount for one or more privately-owned buildings.

T&N was served with its first property damage case in October 1982, and a total of 146 such cases were brought against it in the United States. Of these cases, 106 were dismissed (without T&N paying anything to claimants), 36 were settled – some as consolidations or joint settlements -- (for a total of just over \$25 million, or about 0.2% of the amount paid by the Debtors in the personal injury litigation), two (involving the Chase Manhattan and Prudential buildings discussed above) were won at trial by T&N, and two were pending as of the Petition Date (one of which was filed in August 2001, shortly before the Debtors' Chapter 11 filing). T&N had also been named in eight property damage cases in British Columbia, Canada; all of these cases were filed between March 1990 and November 1991 and all were settled in 1995.

Roughly 95% of the property damage cases had been commenced by June 1991, and all but one by 1995. The property damage litigation against T&N had effectively run its course by the mid 1990s, largely because most building owners had already brought their lawsuits, and because statutes of limitations or repose in most jurisdictions bar most if not all claims for damages resulting from the presence of asbestos-containing products in buildings that have not yet been asserted. The Debtors have thus asserted that there are relatively few entities remaining with viable asbestos property damage claims against T&N.

As is true with personal injury cases based upon allegations of exposure to Limpet, T&N historically asserted product identification defenses in the property damage litigation based on the limited use of the product in the United States. In analyzing product identification issues in these cases, T&N made use of its own historical records, laboratory analyses of bulk samples of in-place products, and visual and tactile analyses of such products by a former employee of Roberts who was familiar with Limpet from his technical and development work at the company.

3. Number of Pending Cases Against T&N.

Set forth below is a chart showing the number of personal injury claims pending against T&N by disease as of the Petition Date.

<u>Disease</u>	<u>Number of Pending Claims as of 10/1/01</u>	
	<u>U.S.</u>	<u>U.K.</u>
Mesothelioma	1,978	164
Lung Cancer	2,670	14
Other Cancer	921	2

Asbestosis/Pleural Disease	77,206	383
Unknown	31,688	78
Total:	<u>114,443</u>	<u>641</u>

C. GHI

1. History of GHI.

GHI (f/k/a Flexitallic, Inc.) was formerly a wholly-owned indirect subsidiary of T&N and, as a result of Federal-Mogul's purchase of T&N, is now a wholly-owned indirect subsidiary of Federal-Mogul. After its assets were sold by T&N to certain subsidiaries of Dan=Loc Corporation and certain of its subsidiaries (now known as The Flexitallic Group, Inc.) ("Dan=Loc") in April 1997, GHI essentially became a shell that does not have any operations. In terms of sheer number of claims, GHI represents the largest portion of Debtors' collective asbestos-related liabilities due to the frequent identification of its product.

GHI began business in Camden, New Jersey in 1912. The company was founded by Henry and Elise Bohmer and run by the Bohmers until its sale in 1959 to a group led by its former accountant, Joseph Bradway. The Bradway group incorporated GHI in Connecticut as Flexitallic Gasket Co., Inc. in 1963, and sold 100% of GHI's stock to T&N in June 1970. (T&N re-incorporated GHI in Delaware as Flexitallic, Inc. in 1986.) GHI expanded its operations to Deer Park, Texas in 1971 through the purchase of Anderson Gasket & Washer Co. and to Harbor City, California in 1975 through the purchase of Gasketfab, Inc. GHI, however, sold the Harbor City plant and operations to a company unrelated to Dan=Loc in 1987. T&N sold GHI's assets to Dan=Loc in April 1997, which continued to use the Flexitallic trade name, trademarks and trade dress after the transaction. As discussed in detail below in Section IV.I.1, as part of the transaction, GHI agreed to indemnify Dan=Loc for asbestos-related claims arising from products it had sold before the purchase date. The Plan Proponents have reached a resolution of Dan=Loc's claims against the Debtors, as described in Section V.X.

2. Bases for GHI's Asbestos Liability.

The asbestos personal injury claims against GHI concern a single product, the spiral wound industrial gasket, which was invented by Mr. Bohmer in 1912. The gasket, which was manufactured exclusively by GHI until the 1940s, was used in the effective sealing of joints, and was made by spirally winding alternating strips of metal and asbestos paper tape to create an inner ring, which was placed inside an outer metal ring.

This design and construction allowed for a more effective seal in a variety of applications, such as extreme vacuum conditions, excessive pressures and very high and low temperatures. Asbestos was used as the filler material because it has excellent resistance to alkaline solutions and gases and a very high melting point. GHI was technologically unable to develop acceptable non-asbestos filler materials for use in the full range of applications of its gaskets until the early 1980s. (After 1971 GHI also fabricated and sold limited quantities of jacketed gaskets, which were constructed of a heat-resistant filler material that contained either an asbestos or non-asbestos component either partially or totally encapsulated in metal, and non-metallic gaskets, which were pre-cut from a rubberized sheet of asbestos or non-asbestos material.)

GHI's asbestos-containing gasket was primarily metal and was available in a wide range of sizes and a number of different shapes. The asbestos paper tape was latex-impregnated so that the asbestos was in an encapsulated form. The tape was almost always comprised of a mixture of Canadian chrysotile asbestos (90%) and a combination of rubber or latex-based binders (10%), and was always supplied by one of three outside suppliers with no corporate relationship to GHI or T&N. From 1945 until September 1976, gaskets with paper tape containing crocidolite asbestos (93%) and a rubber binder (7%) were made pursuant to special order only upon customer request; such gaskets were designed for use in pipe systems carrying mineral acids at temperatures of 1,000° F or higher.

GHI never used raw asbestos fiber in the manufacture of its gaskets. It discontinued the use of asbestos in gaskets manufactured in the U.S. for U.S. sale and distribution in April 1992. Although GHI's gaskets were always exempt from OSHA warning label requirements, GHI began placing warning labels on its gaskets upon customer request beginning around 1982 and affixed warning labels to all of its gaskets by January 1986.

The first asbestos personal injury lawsuit against GHI was filed in January 1976. As of the Petition Date, approximately 158,000 such lawsuits were pending in the U.S. The theory of liability in each case was consistent: plaintiffs alleged that they were exposed to asbestos when they or their co-workers removed old GHI gaskets from pipe flanges. This potential exposure allegedly arose from either the removal of the gasket itself from the flange or from the process of scraping the flange with a wire brush (or similar tool) to remove bits of the old gasket before the installation of a new one.

GHI's highly recognizable name in the industry largely contributed to its identification by almost all plaintiffs who worked with or around gaskets.

3. Number of Pending Cases Against GHI.

Set forth below is a chart showing the number of personal injury claims pending against GHI by disease as of the Petition Date.

<u>Disease</u>	<u>Number of Pending Claims as of 10/1/01</u>
Mesothelioma	2,933
Lung Cancer	4,219
Other Cancer	845
Asbestosis/Pleural Disease	64,055
Unknown	86,130
Total:	158,182

D. Ferodo

1. History of Ferodo.

Ferodo was a wholly-owned indirect subsidiary of T&N and is thus now a wholly-owned indirect subsidiary of Federal-Mogul. Ferodo was established as Nuturn Corp., a Delaware corporation, in June 1977 when T&N created it to acquire the friction materials and brake operations of Maremont Corp. (now a subsidiary of ArvinMeritor, Inc.) and the "Grizzly" and "Leland" trade names. (T&N owned 80% of Nuturn's stock until 1982, when it acquired the remaining 20%.) In 1979 Nuturn purchased the "Worldbestos" trademark from Lear Siegler, Inc. (now a subsidiary of Forstmann Little & Co.), under which it marketed brake blocks and linings. In January 1991, Nuturn changed its name to Ferodo America, Inc. Prior to its acquisition by Federal-Mogul, Ferodo was headquartered in Smithville, Tennessee. In October 2000, Ferodo sold all of its assets and liabilities (except for its asbestos-related liabilities and corresponding insurance assets) to F-M Products. After that transaction, Ferodo essentially became a shell that does not have any operations.

2. Bases for Ferodo's Asbestos Liability.

The asbestos personal injury claims against Ferodo concerned asbestos-containing disc pads, clutch facings, heavy-duty brake linings, and drum brake linings. Asbestos was used in these applications because of its unique fire and heat-resistant properties and its light weight. Ferodo's products were distributed by Sears, J.C. Penney, Target, Firestone, and Meineke under the Ferodo trade names "Grizzly," "Worldbestos" and "Leland," each of which was highly recognizable in the industry. Ferodo used chrysotile asbestos in the manufacture of disc pads, clutch facings, heavy-duty brake linings, and drum brake linings. Ferodo removed asbestos as a component of some of these product lines by the mid-1980s and of others by the late 1990s. (Ferodo never purchased amosite or

crocidolite asbestos.) All Ferodo asbestos-containing products were always marketed with an OSHA-prescribed warning label.

Pursuant to the agreements by which Ferodo acquired certain of the assets of Maremont and Lear Siegler, both of those companies agreed to indemnify Ferodo for, among other things, asbestos personal injury claims relating to products manufactured before the dates of the respective purchase agreements. Thus, as long as Maremont and Lear Siegler continue to honor their respective indemnity obligations, Ferodo will not have to pay claims associated with any asbestos-containing friction products manufactured before June 1977 and for Worldbestos products manufactured before 1979.

The first asbestos personal injury lawsuit against Ferodo was filed in November 1979. As of the Petition Date, approximately 41,000 such lawsuits were pending in the U.S. Almost every Ferodo case with demonstrated product identification involved former brake mechanics who claimed to have contracted asbestos-related diseases from exposure to Ferodo products during the installation and replacement of asbestos-containing brake systems.

3. Number of Pending Cases Against Ferodo.

Set forth below is a chart showing the number of personal injury claims pending against Ferodo by disease as of the Petition Date.

<u>Disease</u>	<u>Number of Pending Claims as of 10/1/01</u>
Mesothelioma	225
Lung Cancer	247
Other Cancer	41
Asbestosis/Pleural Disease	3,434
Unknown	37,150
Total:	41,097

E. F-M Products

1. History of F-M Products.

F-M Products is a Missouri corporation and a wholly-owned subsidiary of Federal-Mogul that traces its history to 1922 with the formation of Wagner Electric Corp. ("WE1"), a manufacturer of various items, including automotive and industrial friction products and hardware. In May 1967, the assets were acquired by Studebaker Corp. ("Studebaker") and transferred to a new subsidiary named Wagner Electric Corporation ("WE2"). In November 1967, Studebaker combined with Worthington Corporation to form Studebaker-Worthington, Inc.

In October 1979 McGraw Edison Co. ("McGraw") acquired all of the stock of WE1 and its subsidiaries, including WE2. In January 1981 McGraw completed a reorganization that left WE2 as a direct subsidiary of Edison International, Inc. ("Edison"). WE1 was liquidated by McGraw into Edison and the WE1 automotive brake assets and business were transferred from WE1 to Edison. Edison thus opened for business as the Wagner Division of McGraw. WE1's industrial brake assets and business were combined with other McGraw product lines (including electrical switches) and were collectively referred to as the Controls Division of McGraw.

In May 1985 Cooper Industries, Inc. ("Cooper") acquired 100% of McGraw's stock in a cash tender transaction. As part of the acquisition, the assets and liabilities of the Controls Division of McGraw, including the former Wagner industrial brake assets, were placed in a new subsidiary corporation, Cooper Controls, Inc., and the assets and liabilities of the Wagner Division of McGraw, including the former Wagner automotive brake line, were placed in WE2. In 1986 Cooper sold 100% of the stock of Cooper Controls, Inc. to MagneTek, Inc., which agreed to indemnify Cooper against all non-automotive Wagner brake claims. WE2, however, remained a subsidiary of Cooper.

In 1997 Cooper merged WE2 into Moog, another of its subsidiaries that manufactured and sold automotive suspension and brake hardware and components for both original equipment manufacturers and the aftermarket. Federal-Mogul purchased 100% of Moog's stock from Cooper in October 1998 and re-named the company F-M Products. (Potential contractual indemnification claims and disputes associated with this transaction are discussed below in Section IV.I.2.)

2. Bases for F-M Products's Asbestos Liability.

Like Ferodo, the asbestos personal injury claims against F-M Products concerned various asbestos-containing friction products. Almost all of these claims, however, with a single exception discussed below, concerned Wagner's role in the assembly (rather than the manufacture) of asbestos-containing brake products. Asbestos was used in these applications because of its unique fire and heat-resistant properties and its light weight.

Wagner sold brake assemblies (including backing plates and other connected apparatus) to over 75 original equipment manufacturers until 1982, including Volvo, NAPCO, Mack Truck, International Harvester, General Motors, Ford, Dodge, Clark Equipment, Chrysler Canada, American Motors Corporation, and Disneyland. Wagner friction products were distributed and sold nationwide under the brand names Comax, Wagner Comax, Wagner Lockheed, Wagner Lockheed Comax, Wagner, and Chatham. In addition, Wagner also sold brake block lining from approximately 1940 to 1968.

Wagner brake products sold as replacement or aftermarket equipment consisted of a brake lining attached to a shoe or disc pad. In that regard, the manufacturing process involved Wagner first stamping out metal parts and then welding them together to create the "core" of a drum brake shoe. Wagner then riveted or bonded brake lining manufactured and supplied by others to the brake shoe and ground the lining after attachment to make the middle of the material thicker than the ends. The final step in the process was for Wagner to place the shoe onto a backing plate, where other accessories were added before the complete brake assembly was shipped out for sale. The brake lining – which was the only component in the process to ever contain asbestos – came to Wagner from unrelated suppliers in preformed strips, segments or blocks.

Wagner purchased friction material containing, among other components, chrysotile asbestos modified by a bonding agent, coating or binder or other materials and assembled this material with other, non-asbestos-containing components into brake shoes, disc pad assemblies and clutch facings. It always obtained its friction materials from other manufacturers (including Ferodo), which manufactured the materials according to performance standards specified by Wagner. By 1976, Wagner commenced the placement of warning labels on its asbestos-containing brake products.

Wagner only manufactured asbestos-containing brake products during a 12-month period from February 1984 to January 1985, when it was owned by McGraw. These activities concerned the "Guardian" product line, which involved Wagner in the mixing and baking of asbestos brake linings. Since January 1985, the Guardian lining has been asbestos-free. The Debtors are unaware of any cases that arose from exposure to a Guardian brake manufactured by Wagner from February 1984 to January 1985.

The first asbestos personal injury lawsuit against Wagner was filed in 1979. As of the Petition Date, approximately 33,000 such lawsuits were pending in the U.S. These cases were typically brought by former automotive mechanics, garage and body shop employees who removed and replaced asbestos-containing automotive brake linings and systems. Like Ferodo, F-M Products's defenses in the underlying asbestos personal injury litigation were largely premised on the theory that its products did not cause or contribute to the development of asbestos-related diseases.

3. Number of Pending Cases Against F-M Products.

Set forth below is a chart showing the number of personal injury claims pending against F-M Products by disease as of the Petition Date.

<u>Disease</u>	<u>Number of Pending Claims as of 10/1/01</u>
Mesothelioma	293
Lung Cancer	1,003
Other Cancer	15
Asbestosis/Pleural Disease	3,143
Unknown	28,399
Total:	32,853

F. Fel-Pro

1. History of Fel-Pro.

Fel-Pro is a wholly-owned, indirect subsidiary of Federal-Mogul which was originally incorporated in Illinois in 1923 as Felt Products Manufacturing Company and which maintained its headquarters in Skokie, Illinois. In February 1998, Federal-Mogul acquired 100% of Fel-Pro's stock. At the time of its acquisition, Fel-Pro's primary product lines consisted of gaskets and diesel engine components. Afterwards, all of the assets and liabilities (except for asbestos-related liabilities) of Fel-Pro were transferred to Federal-Mogul, and Fel-Pro essentially became a shell that does not have any operations.

2. Bases for Fel-Pro's Asbestos Liability.

Fel-Pro manufactured and sold a full line of gaskets and gasket materials for use in conjunction with internal combustion engines (principally in automobiles, but also on ships) for 75 years. From the 1930s until the early 1990s, some, but not all, of these engine gaskets contained encapsulated asbestos, and were sold for distribution or re-distribution by other companies under their names. In general, the asbestos portion of these gaskets consisted of chrysotile asbestos bound together in a paper or sheet material and further encapsulated by Teflon, an epoxy-phenolic coating, rubber, metal, and/or some other material. Fel-Pro did not place warning labels on its engine gaskets, but did provide installation instructions to its customers.

The first asbestos personal injury lawsuit against Fel-Pro was filed in 1980. As of the Petition Date, approximately 34,000 such lawsuits were pending in the U.S., approximately 97% of which have concerned maritime exposures and were filed by a single plaintiffs' firm. The theory of liability in these few cases was consistent, as plaintiffs generally alleged that they were exposed to asbestos when removing gaskets from engines for engine repairs.

Fel-Pro also manufactured or distributed packing materials that were primarily used as sealants in hostile industrial environments (such as petrochemical refineries and steel mills) for pumps, valves, expansion joints, or process equipment handling steam, hot gases, acids, or other strong corrosives. The company manufactured and distributed very limited quantities of these products from approximately the 1930s or 1940s to approximately 1971. Some of the packing materials that Fel-Pro manufactured or distributed contained chrysotile or crocidolite asbestos, which was encapsulated by metal or other materials. Fel-Pro has been unable to ascertain the exact chemical composition of or percentage of asbestos contained in these products, and possesses no documents or other information from which it can determine whether any warnings accompanied their respective sales. The company was historically named in very few cases alleging exposure to asbestos-containing packing materials and such cases have never been particularly active. Moreover, because of the early dates of manufacture of these products, many, if not most, of the people who were exposed to them have already passed through the tort system.

3. Number of Pending Cases Against Fel-Pro.

Set forth below is a chart showing the number of personal injury claims pending against Fel-Pro by disease as of the Petition Date.

<u>Disease</u>	<u>Number of Pending Claims as of 10/1/01</u>
Mesothelioma	--
Lung Cancer	--
Other Cancer	--
Asbestosis/Pleural Disease	--
Unknown	33,625
Total:	33,625

G. Vellumoid

1. History of Federal-Mogul's Vellumoid Business.

In addition to the above liabilities associated with various corporate acquisitions undertaken by Federal-Mogul in 1998, Federal-Mogul has its own independent asbestos liabilities in a small category of cases based upon the products of a former division of the company known as the Vellumoid Division. The Vellumoid business began as the Vellumoid Paper Co. in Worcester, Massachusetts in 1900, and originally involved the manufacture and sale of Vellumoid, a cured parchment material that was impregnated with a solution of animal glue and formaldehyde, which was marketed as a wrapping for food and then as a shoe cover and sock lining. In time, the company began making gaskets and gasket materials from Vellumoid, particularly for use in automobile and aircraft engines.

Vellumoid was privately owned until December 1959, when it was purchased by Dewey & Almy Chemical Co., a subsidiary of W.R. Grace & Co. ("Grace"). Federal-Mogul bought the Vellumoid assets and business from Grace in September 1965 and operated the business as its Vellumoid Division. Pursuant to the asset purchase agreement, Federal-Mogul was to be liable for Vellumoid products manufactured after the transaction date, and Grace was to be liable for all products manufactured before that date. Federal-Mogul sold the Vellumoid assets and business to a group of private investors known as the Parseghian Group (who organized a new North Carolina corporation, Vellumoid, Inc.) in February 1981.

2. Bases for Federal-Mogul's Asbestos Liability.

From the 1920s or 1930s until 1988, Vellumoid manufactured a single asbestos-containing product, a pre-cut automotive gasket that was sold under the name "Velbestos." Velbestos gaskets were used to seal metal joints in automobiles to prevent leakage of oil, water, gasoline, and other fluids. The gaskets were cut from a rubber-encapsulated asbestos-containing sheet material consisting of approximately 60% to 80% chrysotile asbestos, 20% to 40% rubber and a small percentage of other filler materials. Asbestos was used as the filler material because it has excellent resistance to alkaline solutions and gases and a very high melting point. Vellumoid did not manufacture the sheet material, but purchased it from outside suppliers according to specifications provided by Vellumoid. (The Debtors do not believe that Vellumoid placed warning labels on its engine gaskets.) Until approximately 1972, Vellumoid also occasionally re-sold compressed asbestos sheet material that it purchased from its own suppliers to other gasket fabricators, including Fel-Pro.

The first record of an asbestos personal injury lawsuit involving Velbestos was in 1985. As of the Petition Date, approximately 61,500 such lawsuits were pending in the U.S. The theory of liability in these cases was consistent; namely, plaintiffs alleged that they were exposed to asbestos when removing gaskets from engines for engine repairs, as it was sometimes necessary to scrape or cut the gaskets off with a chisel or similar tool when they would stick.

3. Number of Pending Cases Against Federal-Mogul Involving Vellumoid.

Set forth below is a chart showing the number of personal injury claims pending against Federal-Mogul by disease as of the Petition Date.

<u>Disease</u>	<u>Number of Pending Claims as of 10/1/01</u>
Mesothelioma	--
Lung Cancer	--
Other Cancer	--
Asbestosis/Pleural Disease	--
Unknown	61,528
Total:	61,528

H. Historical Asbestos Liabilities of Other U.K. Debtors with Material Assets and Third-Party Liabilities

This section describes the historical asbestos liabilities of and asbestos-related business (if any) conducted by those U.K. Debtors other than T&N Limited that do not meet the definition of Small Company. Small Company means a U.K. Debtor with assets having a value, as set forth in Exhibit L to the Disclosure Statement, of less than £1,000,000 or liabilities to unaffiliated creditors (excluding holders of Asbestos Personal Injury Claims other than those that have been asserted in lawsuits filed in the United Kingdom on or before the date this Plan was filed with the Bankruptcy Court) having a value of less than £1,000,000.

1. Federal-Mogul Bradford Limited

Bradford was acquired by T&N in December 1986 as part of the AE Group. Bradford currently manufactures automotive piston products at its factory in Bradford, England, and has closed factories it previously operated in Sunderland, Birmingham and Wellworthy, England. Bradford has never, to the Debtors' knowledge, manufactured, sold or distributed asbestos or asbestos-containing products.

There have been a total of twelve (12) asbestos-related claims asserted against Bradford. Each is an employer's liability claim brought against Bradford between 1991 and 2003 relating to alleged exposure to asbestos at the Sunderland and Bradford factories resulting from work with the buildings' wall fabric, piping or furnaces. Several of the claims are covered in whole or in part by insurance and have been settled. The aggregate liability for such claims has been approximately £55,000.

2. Federal-Mogul Camshaft Castings Limited

FMCC was acquired by T&N in December 1986 as part of the AE Group, and is presently dormant. To date, FMCC has received only one (1) asbestos related claim, which is an employer's liability claim asserted in the United Kingdom. The claim, received in 2001, alleges exposure to asbestos resulting from work with the furnace at FMCC's factory. No medical evidence was ever provided and the claim has been referred to FMCC's insurance providers.

FMCC has never, to the Debtors' knowledge, manufactured, sold or distributed asbestos or asbestos-containing products.

3. Federal-Mogul Engineering Limited

Engineering was acquired by T&N in December 1986 as part of the AE Group. Engineering historically was involved in the manufacturing of bearings, oil conditioning systems, special bearings products and special friction products and had factories in a number of locations including Ilminster, Manchester, and Alperton, England as well as Glasgow and Kilmarnock, Scotland. The last of these businesses was shut down by the Debtors in December 2001, and Engineering is now a dormant company.

To the Debtors' knowledge, Engineering never manufactured asbestos-containing products, however, it is possible that some asbestos-containing materials were used in a discreet aspect of the manufacturing process with minimal employee exposure.

Engineering's asbestos claims history consists of four (4) asbestos-related claims received between 1993 and 2000. Each of these claims were asserted as employer's liability claims; however, none of these claims were pursued and have all been abandoned to the Debtors' knowledge.

4. Federal-Mogul Friction Products Limited

FMFP was incorporated by T&N on January 10, 1948. FMFP manufactured friction products at its factories at Chapel-en-le-Frith in Derbyshire, England and at Caernarfon, Wales for worldwide supply to the industrial and commercial sector. Asbestos was used as a constituent ingredient of the friction products manufactured by FMFP. Because of its worldwide distribution of products containing asbestos, it is possible that the asbestos liability of FMFP could be substantial. Asbestos was also processed in the forms of raw asbestos fiber at the factory at Chapel-en-le-Frith and asbestos-based jointing material at the factory at Caernarfon.

FMFP's asbestos claims history consists of seventy-nine (79) asbestos-related claims, each of which have been asserted as employer's liability claims. These claims have been asserted in a total amount of £1,257,315.

5. Federal-Mogul Sealing Systems (Rochdale) Limited

T&N indirectly acquired FMSS-Rochdale in 1961 through its acquisition of British Industrial Plastics Limited. FMSS-Rochdale manufactured sealing materials from a factory in Rochdale, England and supplied those products worldwide to the industrial sector. Because of its worldwide distribution of products containing asbestos, it is possible that the asbestos liability of FMSS-Rochdale could be substantial. Chrysotile asbestos was used as a constituent ingredient of the manufactured products. FMSS-Rochdale stopped using asbestos in 1995/1996.

FMSS-Rochdale's asbestos claims history consists of five (5) asbestos-related claims, each of which have been asserted as employer's liability claims. These claims have been asserted in a total amount of £97,000.

6. Federal-Mogul Sealing Systems (Slough) Limited

T&N acquired FMSS-Slough in 1966. FMSS-Slough manufactures automotive gaskets at its factory in Slough, for worldwide supply to the industrial sector. Because of its worldwide distribution of products containing asbestos, it is possible that the asbestos liability of FMSS-Slough could be substantial. Chrysotile asbestos, in the form of asbestos-based jointing material, was used as a constituent ingredient of the products manufactured by FMSS-Slough. FMSS-Slough stopped using asbestos in 1997.

There have been no known asbestos-related claims asserted against FMSS-Slough.

7. TBA Industrial Products Limited

TBA-IP was incorporated by T&N on April 19, 1920. Throughout its history, TBA-IP manufactured a diverse range of asbestos products at its factories near Wigan, England and in Rochdale, England for worldwide supply to the industrial sector. Because of its worldwide distribution of products containing asbestos, it is possible that the asbestos liability of TBA-IP could be substantial. Both amphiboles and chrysotile asbestos, in the form of raw asbestos fiber, were used as a constituent ingredient of the manufactured products at both of those factories. TBA-IP stopped using the amphiboles in 1971 and stopped using asbestos in general in 1997. TBA-IP sold its real property in Rochdale, England in early 2004 is now an inactive holding company.

The asbestos claims history of TBA-IP consists of the following asbestos-related claims: (a) 183 employer's liability claims in a total amount of £2,613,793; (b) 31 third-party personal injury claims (i.e., non-employee) in a total amount of £608,359; and (c) three (3) product liability claims in a total amount of £9,000.

I. Potential Indemnification and Other Indirect Claims and Disputes.

In addition to the direct asbestos-related liabilities and insurance coverage disputes involving T&N, GHI, Ferodo, F-M Products, Fel-Pro, and Vellumoid, and described above in Sections IV.B through IV.G, respectively, some of the Debtors are or may also be parties to disputes with other corporations involving alleged entitlement to indemnification for certain asbestos-related claims, liabilities or expenses. In that regard, three of Federal-Mogul's corporate acquisitions may give rise to potentially significant contractual indemnification claims or disputes. These claims are distinguished from the numerous tort-based, common law indemnity and contribution cross-claims and third-party claims that have been routinely filed against the Debtors in the underlying asbestos litigation since the 1970s.

Under the Plan, the indemnification obligations discussed in this section are classified as Indirect Asbestos Personal Injury Claims. Accordingly, such obligations shall be channeled to the Trust, and liquidated and Allowed in accordance with the Asbestos Personal Injury Trust Distribution Procedures.

1. Dan=Loc.

As noted above in Section IV.C.1, Dan=Loc's claims against the Debtors arise from its April 1997 purchase of substantially all of GHI's assets and business. One of the acquisition documents in the Dan=Loc transaction is an April 1997 Deed of Special Indemnity between T&N and GHI (and several of their subsidiary or affiliated entities) and Dan=Loc (and several of its subsidiary or affiliated entities) (the "SIA"). (T&N also guaranteed the performance of GHI's obligations under the SIA in a separate contemporaneous agreement.) The SIA concerns, *inter alia*, the post-April 1997 sale handling of asbestos personal injury claims brought against Dan=Loc arising from the pre-April 1997 sale products and actions of GHI. T&N and the other Debtors have not performed any indemnity obligations that might arise under the SIA and other related documents since the Petition Date. To the extent that the SIA and other related documents constitute executory contracts, the Debtors intend to include such contracts in the list of executory contracts being rejected pursuant to the Plan.

The SIA is deemed binding upon and enforceable against GHI's "successors or permitted direct or collateral assigns." GHI was permitted to assign its rights and liabilities under the SIA to any of its corporate "affiliates" without Dan=Loc's prior written consent as long as that entity agreed to assign the SIA back to GHI if that entity ever ceased to be affiliated with GHI. After Federal-Mogul's acquisition of T&N, Federal-Mogul decided to perform GHI's obligations under the SIA, although GHI never formally assigned its rights and obligations under the SIA to Federal-Mogul.

The SIA contains an express indemnity provision which requires GHI to indemnify and hold Dan=Loc harmless with respect to all actual liabilities, obligations, defense costs, and related costs and expenses arising from any asbestos-related claim relating to the use or sale of GHI's spiral wound gasket before April 11, 1997. The indemnity obligation expires on April 11, 2024.

As a practical matter, almost every (if not, in fact, every) tender of defense that Dan=Loc made to GHI, T&N or Federal-Mogul under the SIA was accepted because Dan=Loc did not manufacture asbestos-containing products at any time with the GHI assets that it purchased, and it was usually fairly obvious from the complaints that a plaintiff intended to pursue GHI rather than Dan=Loc. Federal-Mogul has no record of any specific formal claims disputes with Dan=Loc in this regard. Debtors believe that, after the Petition Date, Dan=Loc responded to complaints served on it by writing to each of the plaintiffs' firms advising them that GHI has no corporate relationship to it and does not maintain offices or conduct operations at the address where the complaints were served. The Debtors have been advised by Dan=Loc that, as of August 31, 2002, Dan=Loc has incurred approximately \$350,000 in defense and other costs in connection with such claims after the Petition Date. Dan=Loc filed three (3) proofs of claim in the Reorganization Cases in unliquidated amounts.

2. Cooper and Pneumo Abex.

As noted in Section IV(E)(1), in October 1998 Federal-Mogul purchased 100% of the stock of Moog, successor-by-merger to Wagner, from Moog's corporate parent, Cooper. Federal-Mogul renamed the company

Federal-Mogul Products, Inc. Four years before Federal-Mogul acquired Moog, in 1994, Wagner had acquired certain assets from Pneumo Abex Corp., the successor to Abex Corp., relating to the Abex land vehicle friction products business. In connection with the 1994 asset purchase transaction, Wagner agreed to indemnify Pneumo Abex on an after-insurance basis from certain asbestos-related claims against Pneumo Abex relating to the assets Wagner purchased from Abex. In 1996, Cooper, Wagner's parent, merged Wagner into Moog. F-M Products (as the successor to Moog) inherited this contractual indemnity obligation in favor of Pneumo Abex when Federal-Mogul purchased Moog from Cooper in 1998. During the period between Federal-Mogul's acquisition of Moog in 1998 and the Petition Date, F-M Products performed its indemnity obligations in favor of Pneumo Abex by defending Pneumo Abex against asbestos-related personal injury claims. As of the Petition Date, there were approximately 65,695 asbestos personal injury claims pending against Pneumo Abex. Following the Petition Date, F-M Products stopped performing its indemnity of Pneumo Abex. Accordingly, Pneumo Abex may assert claims against F-M Products in connection with F-M Products' after-insurance indemnity.

In connection with the 1994 transaction, Cooper, Wagner's corporate parent at the time, guaranteed Wagner's performance of its contractual indemnity obligation to Pneumo Abex. Since the Petition Date, the Debtors understand that Cooper has been materially performing its obligations to guarantee F-M Products' indemnity obligations by indemnifying Pneumo Abex on an after-insurance basis pursuant to the 1994 purchase agreements between Wagner and Pneumo Abex. Cooper claims that as part of Federal-Mogul's 1998 acquisition of F-M Products's stock, Federal-Mogul agreed to indemnify Cooper with respect to Cooper's guaranty of F-M Products's performance. Accordingly, Cooper may assert claims against the Debtors arising out of the 1994 and 1998 transaction agreements with respect to asbestos-related claims against Pneumo Abex. Cooper also contends that Federal-Mogul agreed to indemnify it against asbestos-related claims against Wagner and thus may assert claims against the Debtors with respect to those claims.

As noted above, Cooper contends that the October 1998 stock purchase agreement also imposed a contractual obligation on Federal-Mogul to indemnify Cooper for all asbestos personal injury actions involving Wagner automotive brake claims. Although all such claims against F-M Products remain subject to the automatic stay, Debtors believe that Cooper has been named as a defendant in a number of cases purporting to hold it liable as the legal successor in interest to Wagner. The Debtors are unaware of what costs or liabilities, if any, Cooper may have incurred in connection with such claims after the Petition Date. Cooper filed proofs of claim in the Reorganization Cases against each of the U.S. Debtors in an unliquidated amount.

3. Cooper and MagneTek.

As noted in Section IV(E)(1) above, in October 1998 Federal-Mogul purchased 100% of the stock of Moog, successor-by-merger to Wagner, from Moog's corporate parent, Cooper. Federal-Mogul renamed the company Federal-Mogul Products, Inc. In 1986, Cooper had sold all of the stock of one of its subsidiaries, Cooper Controls, to MagneTek, Inc. In 1996, a dispute arose over whether Cooper or MagneTek had agreed to indemnify each other for asbestos-related liabilities prior to the closing of the 1986 sale, and Cooper proceeded to file a lawsuit against MagneTek, Inc., MagneTek Controls, Inc. and MagneTek National Electrical Coil, Inc. (collectively, "MagneTek").

In 1999, Cooper, MagneTek and Federal-Mogul Products, Inc. appear to have resolved their dispute, and the parties accordingly dismissed the pending litigation on the grounds that they had reached a settlement. Nevertheless, it appears that no formal settlement agreement was ever executed between the parties, and MagneTek has subsequently refused to perform certain of its obligations under the terms of the settlement in principle.

Although the rights of the parties remain uncertain, it would appear that Federal-Mogul Products, Inc. may be responsible for indemnifying MagneTek for pending and future asbestos personal injury claims arising from exposure to Wagner industrial brakes, provided that these claims allege exposure in whole or in part prior to December 30, 1986. From October 1998 until the Petition Date, these claims were routinely paid by the insurers in accordance with the terms of the 1991 coverage agreement Cooper negotiated with the Wagner insurers described below in Section IV(I)((4)(d).

4. McCord.

The Debtors also face potential asbestos liabilities arising from the products of McCord Gasket Co. ("McCord"). McCord was a manufacturer of automotive gaskets and other gasket products, and used asbestos in certain of these products until approximately 1984. In 1986, McCord was acquired by Ex-Cell-O Corp., which later sold the McCord assets and business to JP Industries, Inc. ("JPI"). In connection with this transaction, Ex-Cell-O retained all liabilities for asbestos personal injury claims arising out of exposure to asbestos-containing gaskets formerly manufactured by McCord. T&N acquired JPI in 1990, which continued to manufacture (non-asbestos) gaskets through a subsidiary company, McCord-Payen, Inc. Afterwards, Ex-Cell-O was acquired by Textron, which agreed to assume Ex-Cell-O's asbestos-related indemnity obligations. Following Federal-Mogul's acquisition of T&N in March 1998, McCord-Payen's corporate name was changed to Federal-Mogul Sealing Systems, Inc. ("FMSS"), which was merged into Debtor FMPI in February 2001.

Federal-Mogul and FMSS were occasionally named as defendants in a small number of asbestos personal injury cases based upon plaintiffs' alleged exposure to McCord gaskets. Following Federal-Mogul's acquisition of T&N, the defense of such cases was routinely tendered to Textron, which has historically honored its indemnity obligations. Federal-Mogul and FMPI may, however, be asked to pay certain claims arising out of exposure to McCord gaskets to the extent that Textron does not do so in the future.

5. O-I.

In June 1999, O-I, a co-defendant in the U.S. asbestos litigation and a company unrelated to either Federal-Mogul or T&N, sued T&N in federal court in Texas for over \$1.6 billion in damages arising out of all of O-I's historical expenditures to defend and resolve asbestos cases since the 1970s. O-I alleged that T&N conspired over more than three decades with Cape Asbestos Co. Ltd., now known as Cape PLC (a U.K. asbestos company not affiliated with the Debtors) and J-M in the sale of asbestos fiber, and that to further the conspiracy, all three companies hid the hazards of asbestos to asbestos product end-users. O-I further alleged that if it knew what T&N knew of the hazards to end-users, it would never have gone into the asbestos insulation product business (which it started experimentally in 1943 and continued commercially from 1948 to 1958). T&N disputed O-I's allegations and asserted numerous defenses.

In May 2000, the complaint was amended to add Federal-Mogul as a defendant. The amended complaint alleged that various intra-company transactions immediately following Federal-Mogul's acquisition of T&N in March 1998 constituted a fraudulent conveyance of T&N's assets designed to defraud O-I and others by insulating T&N's assets against asbestos-related liabilities. Federal-Mogul disputed each of these allegations.

The parties settled O-I's claim in December 2000 for \$10 million. Pursuant to the settlement agreement, half of the settlement proceeds were due to be paid to O-I by October 2001 and the balance by October 2002. Neither settlement payment was made. O-I therefore asserts a claim against the Debtors for the unpaid settlement proceeds. According to the Debtors' records, O-I filed a total of forty-six (46) proofs of claim in the Reorganization Cases, one against each of the U.S. Debtors in an unliquidated amount and one against each of the U.S. Debtors in an amount of \$10 million. In addition, O-I has asserted claims against T&N and 13 of its U.K. subsidiaries in the U.K. administration proceedings in the amount of \$10 million, although the Administrators have previously advised the Debtors that they consider that such claims are not validly asserted against any of the U.K. Debtors other than T&N Limited. A determination as to the validity of the O-I claim against T&N Limited has not yet been reached.

6. Iron Trades/Chester Street Claims

There are claims amounting to approximately £4.5 million arising from a dispute with Iron Trades Insurance Company Limited ("Iron Trades") under a Shipyard Agreement entered into in November 1997 by T&N and certain of its subsidiaries with Iron Trades and two associated companies (the "Shipyard Agreement"). Pursuant to the Shipyard Agreement, T&N was to contribute to claims for contribution made by Iron Trades arising from certain asbestos-related personal injury claims made by former employees, their dependants or personal representatives against their employers. Disputes have arisen between T&N and Iron Trades as to Iron Trades' companies within the terms of the Shipyard Agreement. As a result, T&N has refused to pay certain claims made by

Iron Trades. In addition, one of Iron Trades' associated companies, Chester Street Insurance Holdings Limited, went into provisional liquidation in 2001, leading to certain additional disputes between the parties. T&N has received no claims from Iron Trades since the Petition Date.

7. Claims from Government Entities outside the United States

a. The Policyholders Protection Board and the Financial Services Compensation Scheme

In the U.K., two governmental entities, the Policyholders Protection Board ("PBB") and the Financial Services Compensation Scheme ("FSCS") may pay compensation to policyholders and others who had been or may be prejudiced in consequence of the inability of insurance companies carrying on business in the UK to meet their liabilities under policies issued, subject to certain criteria being satisfied. Both the PBB and the FSCS may, as a condition of the payment of compensation, require the policyholder (or any other person to whom the compensation is paid) to assign its rights to the insurance claim to the PBB or the FSCS respectively. Employees of the certain of the U.K. Debtors, together with certain non-Debtor employers and employees, may have assigned certain rights against insolvent employers liability insurers and contribution rights against certain U.K. Debtors to the PBB or the FSCS, which may therefore have a potential claim for contribution against one or more of such U.K. Debtors. No such claims had been made by the PBB or the FSCS as of July 2003, however.

b. The Compensation Recovery Unit ("CRU")

The CRU is a governmental entity in the U.K. When a compensation payment (such as a payment from an employer or insurance company, for example) is made to an individual who has previously received certain statutory benefits under U.K. law as a result of an accident, injury or disease suffered by the individual being compensated, the compensator is required to repay to the CRU those benefits which have been paid to the individual concerned during the relevant period (subject to certain rights of set-off). The liability of the compensator to make a payment to the CRU is separate from, and in addition to, the liability of the compensator to the individual concerned. The CRU requires payment in full of the recoverable benefits regardless of any settlement reached between the compensator and the individual who suffered the accident, injury or disease in question. As at September 30, 2001, T&N had made 366 payments to the CRU, totalling £2,262,465, since 1996. The CRU might assert claims against the U.K. Debtors and/or the Hercules Insurers.

J. Insurance Coverage.

1. T&N.

a. Comprehensive General Liability Coverage.

T&N purchased liability insurance to protect itself from liability to third parties injured by its activities, including, but not limited to the manufacture, sale, fabrication, removal, or handling of asbestos-containing products. Liability policies such as those purchased by T&N generally provide two types of limits of liability. The first type, the "per occurrence" limit, generally limits the amount the insurer will pay in connection with a single "occurrence" to which the limit applies, as the term "occurrence" is defined in the policy. The second type, the "aggregate" limit, generally limits the total amount the insurer will pay in connection with all occurrences covered by the policy for bodily injury to which the aggregate limit applies.

In the context of asbestos bodily injury, the policies purchased by T&N generally provide coverage for two fundamental types of claims. The first type consists of claims in which the alleged exposure to asbestos is within the "products hazard" or the "completed operations hazard" as those terms are defined in the policies. Such claims, referred to herein as "products" claims, include claims in which the alleged exposure to asbestos-containing products sold by T&N occurred after T&N relinquished control of the products. Coverage for products claims generally is subject to a specified annual aggregate limit of liability under policies such as those purchased by T&N.

The second type of claims involves exposure not within the scope of the policies' products hazard or completed operations hazard. Such claims, referred to herein as "non-products" claims, include claims involving alleged exposure to asbestos-containing products while such products were being installed, removed or otherwise handled by T&N. Coverage for non-products claims is not subject to aggregate limits of liability in most primary policies, including those purchased by T&N. With respect to the excess policies generally, in some cases coverage for non-products claims is not subject to an aggregate limit of liability; in other cases such coverage is subject to the same aggregate limit of liability as products claims, or a separate aggregate limit of liability. These policies were primarily written by Certain Underwriters at Lloyd's, London and Certain London Market Insurers. However, because of T&N's significant involvement in asbestos-related bodily injury litigation, the aggregate limits of the policies available to pay for asbestos related bodily injury claims either have been exhausted through billings and payments or were released by T&N as a result of settlements of disputes with its insurers. Moreover, the per occurrence limits of the policies available to pay for non-products asbestos related bodily injury claims also have been released as a result of the same settlements.

b. The Hercules Policy.

In 1996, T&N purchased an Asbestos Liability Policy known as the Hercules Policy. The Hercules Policy is underwritten by T&N's captive insurance company, Curzon Insurance, Ltd. ("Curzon"), and reinsured by three European reinsurance companies, Münchener Rückversicherungs-Gesellschaft AG ("Munich Re"), European International Reinsurance Co. Ltd., a subsidiary of Swiss Reinsurance Co. ("Swiss Re"), and Centre Reinsurance International Co., a subsidiary of the Zurich Financial Services Group ("Centre Re") (collectively, the "Reinsurers"). The Hercules Policy obligates the insurer to indemnify T&N for any and all Ultimate Net Loss in excess of the retained limit, without time limitation, for claims made or brought on or after July 1, 1996 that relate to exposure of asbestos, asbestos products, asbestos dust, or asbestos fibers that were mined, manufactured, sold, installed or distributed prior to July 1, 1996. The Policy covers T&N as well as the T&N subsidiaries and subsidiary undertakings existing on July 1, 1996. The Hercules Policy has an aggregate limit of £500 million (\$895 million) with a retained limit of £690 million (\$1.235 billion). U.S. dollars are converted to BPS at the rate of one BPS to \$1.79. The Debtors believe that, as of December 31, 2001, the Ultimate Net Loss was approximately £366,896,601, with £111,849,228 of this loss incurred in calendar year 2001. The Debtors also believe that Ultimate Net Loss is currently over £387,000,000. These amounts, however, are subject to challenge by the Reinsurers.

Swiss Re's liability as a Reinsurer of the Hercules Policy has been the subject of a settlement between, among others, Swiss Re and Curzon, as described in Section (c)(2) below.

c. Coverage Disputes Regarding the Hercules Policy.

(1) Centre Re/Munich Re Litigation

This litigation was commenced by Centre Re and Munich Re against T&N and Curzon on December 13, 2002 in the Chancery Division of the High Court of Justice in London, England. Centre Re and Munich Re are two of the three reinsurers of the Hercules Policy issued by Curzon to T&N, discussed in detail in Section IV.J.1.b, above.

Through this litigation, Centre Re and Munich Re seek certain declarations from the English court that (i) Curzon's rights under the Hercules Policy were transferred to Centre Re and Munich Re pursuant to a reinsurance agreement dated as of December 30, 1996 (the "Reinsurance Agreement"), (ii) an Insolvency Event (as defined in the Reinsurance Agreement) has occurred with respect to T&N Limited, (iii) an assignment of rights under the Hercules Policy to the Trust (discussed in Section VII.A, below) is invalid without the consent of the Reinsurers, and (iv) that Centre Re and Munich Re have full authority over the administration, defense and disposition (including settlement) of all asbestos claims under the Reinsurance Agreement. In addition, the Reinsurers sought to commence two sets of proceedings against T&N. They sought permission to join T&N to the proceedings against Curzon, and also sought permission to commence separate proceedings against T&N in order to seek certain directions in T&N's administration proceedings. The Reinsurers also applied to consolidate both sets of proceedings. All of these proceedings have been adjourned; however, T&N's Administrators subsequently issued their own applications for preliminary determinations of certain legal issues that arise under the Hercules Policy.

Curzon and T&N believe that the provision in the Hercules Policy that provides that the claims handling rights under the policy are transferred by T&N to Curzon (who has then transferred them by contract to Centre Re and Munich Re) on the occurrence of an Insolvency Event is not enforceable under the provisions of S1(3) of the Third Parties (Rights Against Insurers) Act 1930. That statute renders unenforceable contractual provisions that seek to affect adversely the rights of a policyholder or beneficiary to whom the rights under the policy are transferred in the event of an insured's insolvency. If the provision is unenforceable, and hence the claims handling rights have not been transferred to Curzon and Centre Re/Munich Re, T&N also seeks a determination whether the costs of claims handling should be paid on a current basis or afforded the status of a claim of administration in T&N's administration proceedings. If the provision is enforceable, T&N and Curzon seek as part of this litigation the English court's determination as to whether Centre Re and Munich Re must satisfy all claims handling costs following the transfer of the claims handling rights, even where the claims are within the retained limit applicable to the Hercules Policy of £690 million.

On February 12, 2004, the English Court rendered a judgment on these issues, among others. On the first issue, the English Court held that the claims handling rights had been transferred. On the second issue, the English Court held that the claims handling rights did not rank as an administration expense. On the third issue, the English Court held that the Reinsurers could be obliged, in the proper exercise of claims handling, to incur expenses, but only on the basis that they formed part of the ultimate net loss under the Hercules Policy.

On May 7, 2004, Curzon & T&N filed an appeal of the English Court's decision. Centre Re and Munich Re have until June 4, 2004 to file their own appeal.

(2) Swiss Re Litigation and Settlement Thereof

On November 22, 2001, Swiss Re commenced proceedings in the High Court of Justice in London against Curzon by which it sought, among other things, a declaration from the court that it was entitled to avoid its obligations under the Reinsurance Agreement. In essence, Swiss Re contended that either T&N Limited or Curzon failed to provide it with certain information prior to its reinsuring of the Hercules Policy, and that such information may have impacted its decision to reinsure a share of the policy. On December 3, 2002, Curzon commenced related litigation in the High Court of Justice against Sedgwick Limited, Sedgwick OS Limited, Sedgwick UK Risk Services Limited, and Marsh USA Inc. (collectively, "Sedgwick") alleging breaches of duties allegedly owed by those parties to Curzon under common law and contract. Sedgwick acted as the placing broker for the reinsurance of the Hercules Policy.

In the event Swiss Re were successful in its efforts to avoid its obligations under the Reinsurance Agreement, it could potentially have avoided its responsibility for one-third of the amount reinsured, or approximately £166.67 million. Munich Re and Centre Re, who were not parties to the litigation commenced by Swiss Re, would have remained liable for their respective one-third shares of the reinsurance obligations.

In January 2004, while the trial of this action was proceeding, the parties to this litigation reached a settlement of the claims asserted by Swiss Re against Curzon, on the one hand, and by Curzon against Sedgwick on the other hand. Pursuant to the agreements embodying such settlements, Swiss Re accepted liability for 65.5% of its one-third share of the aggregate limit of the Hercules Policy under the Reinsurance Agreement, or approximately £109.17 million. In addition, Sedgwick accepted liability for up to 17.25% of Swiss Re's one-third share of the aggregate limit of the Hercules Policy under the Reinsurance Agreement, or approximately £28.75 million. By a related agreement, T&N agreed to indemnify Curzon for sums paid under the Hercules Policy for which Curzon is liable to T&N, up to a total of £28.75 million, effectively reducing Curzon's liability under the Hercules Policy to the amount that it will be reimbursed by the Reinsurers.

The settlement agreements embodying the above-referenced terms are being held in escrow pending approval of the Bankruptcy Court and the Administrators of T&N Limited. On March 1, 2004, the Debtors filed a motion seeking approval of those portions of the settlement agreements that affect the Debtors. In addition, the settlement agreement between T&N, Curzon and Federal-Mogul is conditioned upon formal approval of the agreement being given by the creditors of T&N by way of the Scheme of Arrangement sanctioned by the U.K. Court

and/or by a Voluntary Arrangement. An informal objection to that motion has been submitted that is in the process of being addressed by the Debtors.

d. Property Damage Coverage.

T&N has \$21 million in available insurance coverage for future property damage claims (subject to the Debtors' obligation to pay approximately \$4.59 to \$5.09 million in liability before the \$21 million is triggered). This coverage consists entirely of the remaining proceeds from two 1989 settlement agreements arising from the resolution of an action between T&N and certain of its primary, umbrella and excess carriers captioned T&N plc v. Canadian Universal Ins. Co., No. 87 Civ. 1027 (TPG) (S.D.N.Y.) (the "Canadian Universal Litigation"). The Canadian Universal Litigation involved two primary policies issued by Canadian Universal Insurance Co. Ltd. ("Canadian Universal"), two primary and two umbrella policies issued by First State Insurance Co. ("First State"), an umbrella policy issued by New England Reinsurance Corp. ("New England"), and three excess policies issued by Lexington Insurance Co. ("Lexington"), covering an aggregate of \$79 million in indemnity (and, under the primary policies, defense costs paid in addition to the limits of liability). T&N brought the Canadian Universal Litigation in March 1986 in federal court in Washington, D.C., seeking reimbursement for the costs of settlement and defense of dozens of then-pending and resolved property damage cases, as well as a declaratory judgment that the above carriers were obligated to defend and indemnify it in the remainder of the property damage litigation. The Canadian Universal Litigation was transferred to federal court in New York City in January 1987 upon the carriers' motion.

T&N reached settlements of the Canadian Universal Litigation with Canadian Universal, First State and New England in the middle of trial in January 1989 and with Lexington in April 1989. The result of these settlements was a recovery of: (i) \$5 million in defense costs and approximately \$3 million in indemnity provided by Canadian Universal and First State; (ii) an additional \$13.5 million in defense and indemnity provided by First State and New England; and (iii) \$21 million in indemnity provided by Lexington, which Lexington is obligated to pay after T&N and/or the underlying insurers (i.e., Canadian Universal, First State, and New England) pay a combined total of \$30 million in indemnity. The settlements provide that upon payment of the aforesaid liability payments by the Debtors, the proceeds are available on a "pay to be paid" basis.

As of the Petition Date, Canadian Universal, First State and New England had satisfied their obligations, and T&N must make additional indemnity payments of approximately \$4.59 to \$5.09 million remaining before Lexington's obligations are triggered.

e. Employers Liability Insurance.

T&N also purchased employers liability insurance that may provide coverage for asbestos-related bodily injury claims asserted in the United Kingdom of certain employees or former employees of T&N and its subsidiaries. In May 2002, the Administrators of certain of the U.K. Debtors brought proceedings in the High Court of Justice in London on behalf of T&N Limited against two of T&N's Employers' Liability insurers, Royal & Sun Alliance and the Lloyd's Brian Smith Syndicate. In summary, the Administrators sought a judgment respecting the validity of T&N's Employers' Liability insurance. The insurers sought to avoid their obligations under the employers' liability insurance on the basis of alleged misrepresentations by T&N at the time the insurance was procured.

The Administrators sought to have the matter heard on an expedited basis, based on both the need to resolve the issues presented for the sake of asbestos victims and the importance to the U.K. Debtors' administration proceedings of whether T&N's Employers' Liability Insurance was valid. The High Court accepted the need to expedite the litigation and established a schedule whereby two trials would be held respecting this litigation: an initial trial focusing on issues of law, followed by a subsequent trial addressing issues of fact. The first trial, focusing on the legal issues, began in January 2003 and concluded on February 19, 2003. On May 9, 2003, a judgment was delivered in this first trial in favor of the Administrators on all issues decided. The matter is now proceeding to the second trial, which is scheduled for later in 2004.

The insurers were given permission to appeal the decisions made by the High Court on May 9, 2003. That appeal is scheduled to be heard in mid-May 2004. An earlier hearing date was adjourned to permit settlement negotiations between the parties, which are ongoing as of the date of this Disclosure Statement.

2. GHI.

a. The Hercules Policy.

As a T&N subsidiary as of the inception date of the Hercules Policy, GHI is covered under the Hercules Policy, discussed in above in Section IV.J.1.b.

b. GHI's Comprehensive General Liability Coverage.

GHI was covered under most of the general liability policies issued to T&N, but, as discussed above, the aggregate limits of those policies have been exhausted or settled. In addition, like T&N, GHI also purchased insurance coverage to protect itself from liability claims by third parties injured by activities. However, that insurance has been exhausted as a result of asbestos-related claims asserted against GHI.

3. Ferodo.

a. The Hercules Policy.

As a T&N subsidiary as of the inception date of the Hercules Policy, Ferodo is covered under the Hercules Policy, discussed above in Section IV.J.1.b.

b. Ferodo's Comprehensive General Liability Coverage.

With one significant exception discussed below, Ferodo's non-Hercules insurance coverage has either been completely exhausted or is unavailable.

Ferodo's own primary coverage consisted of the following:

- (1) a \$1 million policy issued by Canadian Universal;
- (2) a \$1 million policy issued by Central National Insurance Co. of Omaha ("Central National");
- (3) two \$1.1 million policies issued by National Union Fire Insurance Co. of Pittsburgh, Inc. ("National Union"), a subsidiary of AIG;
- (4) a \$1 million policy issued by Royal Globe Insurance Co. (now a subsidiary of Royal & Sun Alliance Insurance Group plc) ("Royal Globe"); and
- (5) a \$500,000 policy issued by Stonewall Surplus Lines Insurance Co., now known as American Dynasty Surplus Lines Insurance Co. ("Stonewall"), a subsidiary of Great American Insurance Co.

The Canadian Universal and Royal Globe policies have been exhausted and there are no excess policies overlying this coverage. The Central National, National Union and Stonewall policies have never been triggered, as each contains a \$100,000 per claim self-insured retention. No liability judgments had ever been entered against Ferodo in the underlying litigation, and none of its individual case settlements even approached \$100,000.

Ferodo is also an additional named insured on three \$5 million primary policies issued to Maremont by Continental Casualty Company, now a subsidiary of CNA Insurance Cos. ("CNA"). The scope and extent of this coverage was the subject of multiple lawsuits and ADR proceedings between or among Ferodo, Maremont and CNA

in the 1990s, and was resolved by three January 1999 settlement agreements between Ferodo and Maremont, Ferodo and CNA, and Maremont and CNA, respectively.

In brief, the settlements provide that Ferodo and Maremont share the \$15 million in aggregate CNA primary coverage on a "first-come, first-served" basis. To date, approximately \$7.2 million of the coverage has been exhausted (roughly \$3 million by Ferodo and roughly \$4.2 million by Maremont). Both Ferodo and Maremont have outstanding invoices to CNA of approximately \$2.1 million and \$3.3 million, respectively, but CNA has refused to make any further payments to either company until "after it has received joint instructions that have been approved by the bankruptcy court." Ferodo and Maremont are currently negotiating as to an acceptable allocation of the remaining CNA coverage.

Ferodo is also an additional named insured on two \$5 million excess policies purchased by Maremont from First State, which directly overlie two of the three shared CNA primary policies. The Debtors believe that the First State policies have not yet been triggered by either Ferodo or Maremont, as the relevant primary coverage has not yet been exhausted.

4. F-M Products.

a. Primary Coverage.

As described Section IV.E above, F-M Products, formerly known as Moog Automotive Products, Inc., is the successor-by-merger to Wagner. From January 1, 1944, to January 1, 1968, Wagner purchased general liability policies from American Mutual Liability Insurance Company, which is insolvent. Wagner's solvent primary coverage begins in 1968 and continues until 1986, from which point the primary policies contain broad asbestos exclusions. These policies are subject to aggregate limits for the products hazard ranging from \$100,000 to \$6 million. The majority of these policies pay defense costs in addition to the limits of liability. In addition, the policies are subject to per-occurrence deductibles ranging from \$250.00 to \$200,000. Primary coverage limits are approximately \$47.6 million, \$27 million of which are self-insured retention.

b. Umbrella and Excess Coverage.

Wagner's umbrella coverage begins in 1968 and continues until 1986, at which point all of the excess policies are subject to broad asbestos exclusions. These policies are subject to aggregate limits ranging from \$400,000 to \$20 million. Wagner's excess coverage begins in 1968 and continues until 1986, when its excess coverage is subject to asbestos exclusions. Wagner has approximately \$2 billion in excess coverage that is not subject to asbestos exclusions. Insolvent insurers provide approximately \$147.5 million of that coverage.

c. Insurance Coverage Disputes.

On December 7, 2001, Dresser Industries, Inc. ("Dresser"), filed an adversary proceeding against F-M Products and a number of insurers seeking a declaration of (i) the extent to which certain insurance policies issued to Studebaker-Worthington, Inc., and McGraw-Edison Co., constitute property of F-M Products's estate; (ii) the extent to which the insurance policies constitute the independent property of Dresser, and (iii) the corresponding rights of Dresser and F-M Products to coverage under the insurance policies for pending and future claims alleging bodily injury or death from alleged exposure to asbestos or asbestos-containing materials. Worthington Corporation, which was purchased by Dresser in 1985, and Wagner, which was purchased by Federal-Mogul in 1998, are former subsidiaries of Studebaker-Worthington, Inc., and McGraw-Edison, Co. F-M Products filed an answer, cross-claim, and counter-claim, seeking a declaration of (i) the nature and extent of the coverage provided under the insurance policies, including without limitation the limits of liability available under the insurance policies; and (ii) the nature and extent of the respective rights and obligations of F-M Products and Dresser in the Insurance Policies. The Dresser adversary proceeding, which has been divided into different phases by the Court, remains in a preliminary stage.

The first phase of discovery, which covers corporate successorship issues, was completed for summary judgment purposes at the end of April 2003. F-M Products filed a motion for partial summary judgment on May 12, 2003, asserting that F-M Products is the corporate successor to Wagner. The Dresser entities filed a similar motion. The insurers disputed those assertions and requested additional discovery to oppose the Dresser motions. The insurers filed their response and cross-motions for summary judgment on the same issues on December 22, 2003. F-M Products and Dresser filed reply briefs in support of their partial summary judgment motions and oppositions to the insurers' cross-motions on March 26, 2004. The insurers also filed separate summary judgment motions challenging whether Wagner or the Dresser entities were ever included as insureds under the shared policies. F-M Products and the Dresser entities filed a motion to strike those motions on February 23, 2004. The second phase of the matter will include substantive insurance coverage issues, such as how the policies are triggered and how liability under the policies should be allocated among the defendant-insurers. Phase two will also address which state's law should apply to the insurance coverage issues in dispute. The court has not yet established a briefing schedule for phase two summary judgment motions. Accordingly, these disputes remain unresolved.

In addition to the matters ongoing in the adversary proceeding between Dresser and F-M Products, Dresser commenced its own pre-packaged chapter 11 proceeding in the United States Bankruptcy Court for the Western District of Pennsylvania on December 16, 2003. In that bankruptcy proceeding, Dresser has acknowledged the ongoing dispute between itself and F-M Products concerning the parties' respective rights to access the insurance described above. The effect, if any, of Dresser's chapter 11 proceedings on F-M Products is uncertain.

d. Settlement Agreements.

In 1991 Cooper (on behalf of Wagner) entered into an "Agreement Concerning Asbestos-Related Bodily Injury Claims and Suits" (the "1991 Insurance Agreement") with certain of Studebaker's primary carriers – Continental Insurance Co. ("Continental") (now a subsidiary of CNA), Harbor Insurance Co. ("Harbor"), now a subsidiary of Greenwich Insurance Co. ("Greenwich"), AIG's National Union subsidiary ("National Union"), Lumbermens Mutual Casualty Co. (also known as The Kemper Insurance Cos.), and Certain London Underwriters. The 1991 Insurance Agreement relates to asbestos-related claims that contain allegations of exposure to Wagner products manufactured, sold or distributed before 1980.

Pursuant to the 1991 Insurance Agreement, each carrier pays a different percentage, depending upon whether a claim alleges exposure during the carrier's policy periods and the number of policy years within the exposure period. The individual percentages collectively add up to 55% of F-M Products's expenditures on both defense and indemnity costs. (The percentage shares also reflect the theoretical alternative possibility that the Missouri Insurance Guaranty Fund might pay American Mutual's "share" of a claim if the claimant's exposure period is limited to 1946-1968; practically speaking, however, this is unlikely.) The Harbor and National Union policies have since been exhausted, and F-M Products contends that the 1991 Insurance Agreement obligates the remaining carriers to pay 55% of Greenwich's and AIG's respective shares of the defense and indemnity costs, subject to F-M Products's good faith efforts to recover those funds from the relevant excess carriers.

There was also a subsequent agreement with Stonewall that recovers an additional 14% of F-M Products's indemnity expenses for pre-1975 exposures to Wagner products and 7% if the first exposure is during that year. Thus, F-M Products's total effective insurance recovery is up to 55% of defense costs and up to 69% (depending on year of first exposure) of indemnity payments.

5. Felt-Products Manufacturing Company.

a. Introduction.

Like the other entities, Felt-Products Manufacturing Company ("Fel-Pro"), also purchased insurance to protect itself from liability to third parties injured by its activities, including, but not limited to the manufacture, sale, fabrication, removal, or handling of asbestos-containing friction products, beginning in 1961. Like the policies issued to T&N, these policies also provide coverage for products claims that is subject to aggregate limits, and for non-products claims that generally is subject only to per occurrence limits. Such policies obligate the insurers to pay amounts that Fel-Pro becomes liable to pay in connection with, among other things, claims alleging bodily injury.

Generally, such policies also obligate the insurers to pay defense costs in connection with claims against Fel-Pro, either in addition to any otherwise applicable limits of liability of the policies, as in the case of primary and some excess policies, or subject to such limits of liability. Fel-Pro's activities related to asbestos involved only the sale of asbestos-containing products, and it is likely that only the limits under the products hazard of the policies are implicated by Fel-Pro's asbestos claims.

b. Primary Coverage.

Fel-Pro's primary coverage begins in 1961 and continues until January 31, 1991, when broad asbestos exclusions appear in all of the policies. Fel-Pro's primary policies from 1961 until 1965 contain exclusions for the products/completed operations hazard. The aggregate limits of these policies range between \$300,000 and \$1 million, and the policies pay defense costs in addition to the limits of liability until 1985, at which point they pay defense costs within the limits of liability. Beginning in 1985, these policies contain per occurrence deductibles, starting at \$5,000 and increasing to \$250,000. These per occurrence deductibles also contain stop-loss provisions, ranging from \$100,000 to \$1 million. The primary carriers provide a total of approximately \$17.5 million in products coverage that is not subject to products/completed operations or asbestos exclusions.

c. Umbrella and Excess Coverage.

Fel-Pro began acquiring excess coverage in 1970. Asbestos-related exclusions begin appearing in Fel-Pro's excess coverage in 1985, with one second-layer excess policy issued by Integrity. All of Fel-Pro's excess coverage contains broad asbestos-related exclusions beginning in 1986. Fel-Pro has approximately \$350 million in excess coverage that is not subject to asbestos-related exclusions.

d. Settlement Agreements.

On March 1, 1996, Fel-Pro entered into an agreement with its primary insurers entitled: "Interim Defense and Cost Sharing Agreement". This agreement is a coverage-in-place agreement under which the carriers agreed to pay 100% of Fel-Pro's defense and liability costs, based on the following percentages: Aetna 46.91%, Wausau 33.22%, Commercial Union 7.82%, and Continental 12.05%. This agreement covers all asbestos-related bodily injury claims, regardless of exposure date, as long as the product was manufactured, distributed, or sold prior to February 1991. The agreement has a three-year period from its March 1, 1996 effective date. It also is renewed automatically every year on the anniversary date for an additional one-year period. Any party may withdraw from the agreement upon 90 days written notice to all other parties. In the event the agreement is terminated each party has the same rights regarding asbestos-related bodily injury claims as the party had prior to the execution of the agreement. If any party withdraws from the agreement the remaining parties agree to discuss executing a new interim agreement. The agreement is still in effect.

6. Federal-Mogul.

a. Introduction.

Federal-Mogul began purchasing liability insurance to protect itself from liability to third parties injured by its activities, including, but not limited to the manufacture, sale, fabrication, removal, or handling of asbestos-containing products. However, because Federal-Mogul's activities did not involve the use of asbestos or asbestos-containing products until approximately 1963, none of Federal-Mogul's insurance prior to that time can be accessed to pay for asbestos-related claims asserted against Federal-Mogul because of Federal-Mogul's activities. Like the policies issued to T&N, these policies also provide coverage for products claims that is subject to aggregate limits, and for non-products claims that generally is subject only to per occurrence limits. Such policies obligate the insurers to pay amounts that Federal-Mogul becomes liable to pay in connection with, among other things, claims alleging bodily injury. Generally, such policies also obligate the insurers to pay defense costs in connection with claims against Federal-Mogul, either in addition to any otherwise applicable limits of liability of the policies, as in the case of primary and some excess policies, or subject to such limits of liability. This section refers only to policies issued to Federal-Mogul prior to 1986, at which point the Federal-Mogul insurance coverage contains broad exclusions for claims of bodily injury or property damage resulting from asbestos.

Because Federal-Mogul's activities related to asbestos likely involved only the sale of asbestos-containing products, it is likely that only the limits under the products hazard of the policies are implicated by Federal-Mogul's asbestos claims.

b. Primary Coverage.

Federal-Mogul's primary coverage begins in 1962, and continues until 1986, from which point the primary policies contain broad asbestos exclusions. These policies are subject to aggregate limits for the products hazard ranging from \$500,000 to \$2 million. These policies pay defense costs in addition to the limits of liability. In addition, beginning in 1980, these policies are subject to per-occurrence deductibles ranging from \$100,000 to \$150,000. These deductibles are each subject to a stop-loss provision in the amount of \$1 million per policy. The primary policies provide approximately \$27.5 million in products coverage to Federal-Mogul.

c. Umbrella and Excess Coverage.

Federal-Mogul's umbrella coverage begins in 1962 and continues until 1986, at which the point all of the excess policies are subject to broad asbestos exclusions. These policies are subject to aggregate limits ranging from \$1 million to \$40 million. Federal-Mogul has approximately \$394 million of coverage at the umbrella layer. Federal-Mogul's excess coverage begins in 1962, and continues until 1986, when its excess coverage is subject to asbestos exclusions. Federal-Mogul has approximately \$556 million in excess coverage that is not subject to asbestos exclusions. Approximately \$2 million of this coverage is provided by insolvent insurers in the London Market.

V.

EVENTS DURING THE CHAPTER 11 CASES

A. Joint Administration of the Debtors' Reorganization Cases.

On October 1, 2001, the Debtors filed a motion seeking procedural consolidation of the Reorganization Cases for ease of administration. The Bankruptcy Court approved the motion on October 5, 2001.

B. Approval of the Cross-Border Insolvency Protocol.

On October 1, 2001, the Debtors contemporaneously sought approval of the Cross-Border Insolvency Protocol (the "Protocol") by motions filed with the Bankruptcy Court and with the High Court of Justice in London, England. The Protocol sets forth the terms on which the Debtors' bankruptcy proceedings in the United States and the administration proceedings involving the English Debtors are coordinated. In brief, the Protocol provides that the Administrators overseeing the administration proceedings involving the English Debtors and the Debtors' management will cooperate to the fullest extent allowed by their respective countries' insolvency laws to develop a plan of reorganization for the Debtors' businesses and manage the Debtors' affairs during the pendency of the Debtors' insolvency proceedings.

The Protocol was approved by the High Court of Justice in London, England on October 1, 2001. Additionally, the Protocol was approved on an interim basis by the Bankruptcy Court on October 4, 2001 and on a final basis on January 14, 2002. In April 2002, the Court of Session in Edinburgh, Scotland approved a supplemental Protocol in connection with the commencement of administration proceedings in that court by T&N Investments Limited.

C. Other First-Day Relief.

On the Petition Date, the Debtors brought a number of motions seeking typical "first-day" relief in their Reorganization Cases. The purpose of such motions was to ensure that the Debtors were able to transition into the Chapter 11 process with as little disruption to their businesses as possible and enabling the Debtors' businesses to function smoothly while the Chapter 11 process was pending.

In particular, the Debtors brought "first day" motions seeking authority to, among other relief, (i) pay prepetition wages and other benefits to their employees, (ii) honor prepetition warranty claims and continue customer accommodation programs, (iii) pay certain prepetition shipping and customs obligations, (iv) make payments to certain prepetition creditors that were vital to the Debtors' uninterrupted operations, (v) continue use of their existing cash management system, bank accounts and business forms, (vi) make tax payments to federal, state and local taxing authorities on an uninterrupted basis and (vii) retain professionals to assist them in their Chapter 11 Cases. All of the Debtors' first-day motions were ultimately granted.

D. Approval of the Debtor-in-Possession Financing.

On October 1, 2001, the Debtors sought approval of the Bankruptcy Court for authority to enter into a \$675 million debtor-in-possession financing facility with a syndicate of lenders led by The Chase Manhattan Bank (now JPMorgan Chase Bank). In addition, the Debtors sought Court authority to use cash generated in the ordinary course of their business, which constituted collateral securing the Debtors' obligations under their prepetition secured credit facility as well as certain surety bond obligations, as well as authority to grant adequate protection to the lenders under their prepetition secured credit facilities. Such facility was approved by the Bankruptcy Court on an interim basis on October 4, 2001, and on a final basis over certain objections on November 21, 2001.

In addition, on October 4, 2001, the Bankruptcy Court granted the Debtors interim authority to make up to \$150 million in loans (on terms otherwise consistent with the terms of the DIP Facility) to their foreign affiliates for the purpose of replacing loans to the Debtors' foreign affiliates that did not file bankruptcy petitions in the event that the stand-alone financing facilities relied on by such affiliates were reduced or eliminated as a result of the Debtors' commencement of insolvency proceedings. On November 21, 2001, the Bankruptcy Court granted final approval for the Debtors to make such loans in an amount up to \$220 million, again on terms consistent with the terms of the DIP Facility.

On August 21, 2003, the Bankruptcy Court entered an order approving the amendment and restatement of the debtor-in-possession financing facility. The specifics of the debtor-in-possession financing, including the amendment and restatement thereof, are discussed in detail above in Section III(E)(1)(c).

E. Appointment of the Official Committee of Unsecured Creditors.

On October 24, 2001, the Office of the United States Trustee appointed an Official Committee of Unsecured Creditors. Those parties originally comprising the Unsecured Creditors Committee were (i) R² Investments, LLC, (ii) Aspen Advisors, LLC, (iii) Teachers Insurance and Annuity Association of America, (iv) U.S. Bank Trust National Association, as Indenture Trustee, (v) NTN Bearing Corporation of America, (vi) Cummins Inc. and (vii) Leggett & Platt Aluminum Group. On January 7, 2002, Gramercy Capital Advisors, LLC replaced R² Investments, LLC as a member of the Unsecured Creditors Committee. In 2003, moreover, Teachers Insurance and Annuity Association of America resigned from the Unsecured Creditors Committee. The Unsecured Creditors Committee has retained counsel, financial advisors and other advisors to assist it in carrying out its duties in these Reorganization Cases. The Unsecured Creditors Committee's lead counsel is Sonnenschein Nath & Rosenthal LLP and its Delaware counsel is The Bayard Firm.

F. Appointment of the Official Committee of Asbestos Claimants.

On October 24, 2001, the Office of the United States Trustee appointed an Official Committee of Asbestos Claimants. Those parties originally comprising the Asbestos Claimants Committee were (i) Joseph Arnold,

(ii) Clinton Dale Ferguson, (iii) Marie Del Mato, as the Executrix for the Estate for Vincent J. Del Mato, (iv) Dominick Bellissimo, (v) Richard Schupbach, (vi) Don & Marlene Henderson, (vii) Paul L. Overstreet, Jr. and (viii) Marcella Montagna, as personal representative of Joseph A. Montagna. On January 7, 2002, the Office of the United States Trustee appointed Colette Margaret Platt, Executrix of the Estate of Eric Edwin Davies, as a ninth member of the Asbestos Claimants Committee. The Asbestos Claimants Committee has retained counsel, financial advisors and other advisors to assist it in carrying out its duties in these Reorganization Cases. The Asbestos Claimants Committee's lead counsel is Caplin & Drysdale, Chartered and its Delaware counsel is Campbell & Levine, LLC.

G. Appointment of the Legal Representative for Future Claimants.

On December 20, 2001, the Debtors and the Asbestos Claimants Committee filed a joint motion seeking the appointment of a legal representative for future asbestos-related personal-injury claimants (the "Future Claimants Representative"), and recommending that Professor Eric D. Green serve in such capacity. On February 11, 2002, the Bankruptcy Court entered an order appointing Professor Green as the Future Claimants Representative, to act in such capacity as a representative in the Reorganization Cases for those persons that may not currently have an asbestos-related personal injury claim against the Debtors but might in the future have such a claim. The Future Claimants Representative has retained counsel, financial advisors and other advisors to assist him in carrying out his duties in these Reorganization Cases. The Future Claimants Representatives' counsel is Young Conaway Stargatt & Taylor LLP.

H. Appointment of the Official Committee of Equity Security Holders.

On June 12, 2002, the Office of the United States Trustee appointed an Official Committee of Equity Security Holders. The parties comprising the Equity Committee are (i) Dimensional Fund Advisors, (ii) Gabelli Asset Fund and (iii) John R. Russ. The Equity Committee has retained counsel and a financial advisor to assist it in carrying out its duties in these Reorganization Cases. The Equity Committee's lead counsel is Bell, Boyd & Lloyd LLC and its Delaware counsel is Bifferato, Bifferato & Gentilotti.

I. Appointment of the Official Committee of Asbestos Property Damage Claimants.

On December 21, 2001, certain holders of asbestos property damage claims filed a motion to appoint an official committee of asbestos property damage claimants. The Debtors and the Official Committee of Unsecured Creditors objected to the motion. Judge Newsome denied the motion without prejudice to the holders of asbestos property damage claims to seek the appointment of an official committee of asbestos property damage claimants after the expiration of the bar date for asbestos property damage claims. Thereafter, on October 28, 2003, the Office of the United States Trustee appointed an Official Committee of Asbestos Property Damage Claimants (the "Asbestos PD Committee"). The parties comprising the Asbestos PD Committee are (i) Anderson Memorial Hospital, (ii) Jacksonville College, (iii) Moxie Real Estate, (iv) Richard Blyth and (v) The Hill School. The Asbestos PD Committee has retained the law firms of Bilzin Sumberg Baena Price & Axelrod and Ferry, Joseph and Pearce, P.A. as lead counsel and Delaware counsel, respectively. The Asbestos PD Committee is not a Plan Proponent, and recommends that asbestos property damage claimants vote against the Plan.

J. Appointment of the Mediator.

On December 20, 2001, the Debtors and the Official Committee of Asbestos Claimants filed a joint motion seeking the appointment of Professor Francis McGovern as a mediator in these Reorganization Cases to facilitate the development of a consensual plan of reorganization. On January 7, 2002, the Official Committee of Unsecured Creditors filed a limited objection to the appointment of a mediator out of concern for the confidentiality of information provided to the mediator as part of the mediation process. In addition, on January 9, 2002, Anderson Memorial Hospital and City National Bank of Florida, as the purported holders of alleged asbestos-related property damage claims against the Debtors, objected to the appointment of Professor McGovern as mediator on the grounds of certain alleged conflicts. On February 13, 2002, the Bankruptcy Court entered an order approving Professor McGovern's appointment as mediator in the Reorganization Cases, subject to certain modifications resolving the issues raised by the objectors.

K. Administrative Matters in the Chapter 11 Cases.

1. Exclusive Periods for the Debtors to Propose and Solicit Plan Acceptance.

The Debtors sought and obtained several extensions of the periods in which they had the exclusive right to propose and solicit acceptances of a Chapter 11 plan beyond the initial 120-day and 180-day exclusive periods for plan proposal and solicitation set forth in Section 1121 of the Bankruptcy Code. By order dated February 6, 2003, Judge Wolin extended the exclusive period in which the Debtors could propose a plan of reorganization through March 6, 2003, the date on which the original Plan was filed. The Bankruptcy Court additionally extended the period in which the Debtors had the exclusive right to solicit acceptances of a plan of reorganization through October 13, 2003. By order dated October 1, 2003, however, the Bankruptcy Court terminated the exclusive solicitation period. As a result, while the Debtors retain the ability to propose or solicit acceptances of a plan of reorganization as of the date of this Disclosure Statement, such right is no longer exclusive to the Debtors.

2. Filing of Schedules of Assets and Liabilities and Statements of Financial Affairs.

On December 18, 19 and 20, 2001, each of the Debtors filed their schedules of assets and liabilities (as amended from time to time, the "Schedules") and statements of financial affairs with the Bankruptcy Court. The Schedules provide detailed summaries of the real and personal property assets held by each of the Debtors, as well as a listing of the secured, unsecured priority, and unsecured non-priority claims pending against each of the Debtors from the period prior to the Petition Date, based upon the Debtors' books and records. The statements of financial affairs provide additional information concerning the Debtors' financial affairs during the period prior to the Petition Date, including payments made by each of the Debtors during the ninety (90) days prior to the Petition Date, environmental liabilities of each of the Debtors, the identities of the Debtors' current and past directors and senior management, among other things.

3. Establishment of *De Minimis* Transaction Procedures.

On November 26, 2001, the Debtors filed a motion with the Bankruptcy Court seeking to establish certain procedures for the sale of de minimis assets. That motion sought authority for the Debtors to implement a procedure to effectuate sales of assets with a transaction value of less than \$5 million (\$10 million in the case of assets sold by a Debtor to another affiliate of the Debtors). The Debtors' purpose for seeking such authority was to minimize the cost and administrative burden to their estates of disposing of relatively low-value assets that no longer corresponded to the Debtors' overall business plan or were otherwise no longer necessary to the Debtors' business while ensuring that the principal parties-in-interest in the Reorganization Cases were apprised of such sales. The Debtors further wished to provide comfort to the other parties to any such sale transactions that the requisite Bankruptcy Court approval for such transactions had been obtained. Pursuant to the de minimis asset sale procedures, the Debtors agreed to provide notice of the sale of any de minimis assets in excess of \$500,000 to the major constituencies in these Reorganization Cases. On February 12, 2002, the Bankruptcy Court entered an order approving the motion and establishing the procedure for de minimis asset sales.

In addition, on March 1, 2002, the Debtors filed a motion to expand the scope or nature of the type of transactions covered by the order approving the de minimis sale procedures to include any "uses" of estate assets within the meaning of Section 363(b) of the Bankruptcy Code, so long as the dollar amount of such transactions complied with the dollar limits contained in the de minimis sale procedures. Such "uses" included, as examples, the entry into of long-term leases and the settlement of litigation where a Debtor was a plaintiff. The Court entered an order approving the expansion of the de minimis sale procedures on March 26, 2002.

As of the date of this Disclosure Statement, the Debtors have utilized the procedures specified in the de minimis asset sale motion, as modified, to effect more than 20 transactions.

4. Assumption/Rejection of Executory Contracts and Leases.

As of the date of this Disclosure Statement, the Debtors have filed a number of motions pursuant to Section 365(a) of the Bankruptcy Code seeking to reject certain executory contracts and/or unexpired leases of nonresidential real property, each of which has been approved by the Bankruptcy Court. Pursuant to these motions, the Debtors have obtained authority to reject approximately 135 executory contracts and unexpired leases.

In addition, on April 2, 2002, the Debtors filed with the Bankruptcy Court a motion seeking to enter into a new leasing arrangement with IBM respecting their personal computer equipment in North America and concurrently reject certain prepetition leasing agreements for similar computer equipment to which the Debtors were a party. One of the lessors whose lease was sought to be rejected, Computer Sales International ("CSI"), objected to the rejection of its lease on a number of grounds. By order entered May 29, 2002, the Bankruptcy Court approved the leasing arrangement between the Debtors and IBM and the rejection of the existing computer lease agreements, effectively overruling CSI's objection. CSI subsequently appealed the order on the grounds that the Bankruptcy Court applied an incorrect standard in approving the Debtors' rejection of its lease. On April 30, 2003, the District Court entered an order affirming the Bankruptcy Court's order in all respects. See In re Federal-Mogul Global Inc., 293 B.R. 124 (D. Del. 2003).

The Debtors have further sought and obtained Bankruptcy Court approval for several extensions of the initial 60-day period in which they had to assume or reject unexpired leases of nonresidential real property. As of the date of this Disclosure Statement, the Debtors have a motion pending with the Bankruptcy Court to extend this period to August 1, 2004.

5. Establishment of Bar Dates.

On May 7, 2002, the Debtors filed a motion with the Bankruptcy Court seeking the establishment of March 3, 2003 as the final date by which claimants could assert asbestos-related property damage claims against any of the Debtors relating to property located in the United States and Canada. In addition, the Debtors by such motion sought approval of a program of mailed and publication notice respecting such bar date and approval of a specialized proof of claim form to be used by any parties wishing to assert asbestos-related property damage claims. On June 13, 2002, after a hearing on the motion, the Bankruptcy Court entered an order establishing March 3, 2003 as the last date by which parties could assert asbestos-related property damage claims against any of the Debtors relating to property located in the United States and Canada.

The Debtors also filed a motion on August 7, 2002 seeking the establishment of March 3, 2003 as the last date by which claimants could assert any "General Claims" against the U.S. Debtors. General Claims are defined as any claims against the U.S. Debtors other than Asbestos Personal Injury Claims (save Indirect Asbestos Personal Injury Claims, which are included within the definition of General Claims) and Asbestos Property Damage Claims. The Debtors' motion also sought to set bar dates for any claims resulting from (i) any future amendments that may be made to the Debtors' schedules of assets and liabilities and/or (ii) any future rejections by the Debtors of executory contracts and unexpired leases. Finally, the Debtors sought approval of mailed and publication notice programs for the general bar date, as well as for a specialized proof of claim form on which parties could assert General Claims against the U.S. Debtors. On September 4, 2002, the Bankruptcy Court entered an order establishing March 3, 2003 as the final date by which General Claims could be timely asserted against the U.S. Debtors.

Detailed information concerning the claims filed against the U.S. Debtors may be found in Section V.R. below.

L. U.K. Administration Proceedings.

1. Appointment of the Administrators and Their Powers and Duties.

By Administration Orders dated October 1, 2001, the High Court of Justice in England appointed the Administrators to manage the affairs, business and property of the U.K. Debtors (other than T&N Investments Limited). The Administration Orders provide that the purposes of the administration are (i) the survival of the company and the whole or some part of its undertaking as a going concern (in the case of each U.K. Debtor that was not dormant as of the date of the Administration Order) and (ii) the approval of a voluntary arrangement with each U.K. Debtor's creditors under Part I of the British Insolvency Act 1986 and/or (iii) the sanctioning of a compromise or arrangement between the company and its creditors, as provided in Section 425 of the British Companies Act 1985. In the case of Federal-Mogul Ignition (UK) Limited, the Administration Order was also made for the purpose of a more advantageous realization of the company's assets than would be effected if the company were liquidated. On the date that the Administration Order was made in respect of each U.K. Debtor, the Court appointed partners in the U.K. firm of Kroll Buchler Phillips (now Kroll Limited) as Administrators of the U.K. Debtors. A listing of the Administrators of each of the U.K. Debtors is attached to this Disclosure Statement as Exhibit H. Each of the Administrators is a licensed insolvency practitioner under U.K. law.

An administrator of a company under U.K. law has wide executive powers to take all actions that may be necessary for the achievement of the purposes set forth in the Administration Order. In general, under UK law, while an Administration Order is in force, the powers of the Board of Directors to manage the company's affairs are suspended and those powers are generally assumed by the Administrators. However, the Administrators have consented under the Protocol to the Boards of Directors retaining day-to-day control of the U.K. Debtors' affairs. The Administrators additionally agreed under the Protocol to cooperate with the Debtors' management to the fullest extent allowed by British insolvency law in order to develop a plan of reorganization for the businesses of the U.K. Debtors and to manage their affairs during the administration proceedings.

2. T&N Investments Limited.

T&N Investments Limited is a Scottish rather than an English company. On April 6, 2002, an Administration Order was made by the Court of Session in Edinburgh, Scotland in respect of the company. The purposes of the administration are identical to those of the other U.K. Debtors, as described above. The names of the Administrators of T&N Investments Limited appear on Exhibit H to this Disclosure Statement.

3. Retention and Compensation of Professionals by the Administrators.

a. Retention of Legal Counsel and Other Professionals by the Administrators.

The Administrators have engaged professionals to assist in the administrations. In particular, the Administrators are utilizing personnel from the U.K. firm of Kroll Limited, in which each of the Administrators is a partner, and have instructed Denton Wilde Sapte as their English solicitors. Sidley Austin Brown & Wood may also accept instructions from the Administrators provided there is no disagreement between the Administrators and the Debtors with respect to the matter on which instructions may be given and accepted. In addition, various professionals have been retained by management of the U.K. Debtors to assist in the day-to-day business operations of the U.K. Debtors.

b. Compensation of Professionals.

Under the terms of the Protocol, the advisers and professionals retained by the Administrators (save Sidley Austin Brown & Wood LLP, in the event they should be instructed by the Administrators) are subject to the sole and exclusive jurisdiction of the High Court or, in the case of T&N Investments Limited, the Court of Session in Scotland, in relation to their appointment, remuneration and expenses. Insofar as such advisers and professionals are required to assist in the administrations, they are not required to seek approval of their appointment or remuneration

or expenses by the Bankruptcy Court, and, their remuneration and expenses, with respect to services provided to the U.K. Debtors in connection with such retention, are subject to review and approval by the Administrators and to the sole and exclusive jurisdiction of the High Court or, in the case of T&N Investments Limited, the Court of Session in Scotland, pursuant to the provisions of British insolvency law.

Notwithstanding the foregoing, the United States Trustee and Debtors have the right under the Protocol (i) upon request, to review the invoices for remuneration and expenses submitted by the Administrators' advisers and professionals in respect of services provided by them to the U.K. Debtors in the course of the Administrations and (ii) to be given notice of and, providing the High Court or, in the case of T&N Investments Limited, the Court of Session in Scotland, agrees, to be heard by that Court on any application for the approval for any such remuneration and expenses.

In addition, the Administrators have the right (i) upon request, to review the invoices for fees and expenses submitted by advisers and professionals retained by the U.K. Debtors in respect of cases under the Bankruptcy Code applicable to them; and (ii) to be given notice of, and providing the Bankruptcy Court agrees, to be heard by that Court on any application for the approval of fees and expenses in respect of cases under the Bankruptcy Code insofar as they relate to the U.K. Debtors.

4. Financing Facilities for the U.K. Debtors during the Administrations.

On or about the Petition Date, Federal-Mogul Corporation advanced the sum of \$15,000,000 to T&N Limited in order to fund the U.K. Debtors' administration proceedings. This loan was made by way of payment into the Administrators' client account. The cash flow generated by the businesses of the U.K. Debtors since the date of the Administration Order has made only limited further advances of financing with respect to the U.K. Debtors necessary.

5. Meetings of Creditors Under the British Insolvency Act.

The Administrators were required under Section 23 of the British Insolvency Act 1986 to hold meetings of all creditors of the U.K. Debtors within three months of commencement of the administration proceedings for purposes of considering their proposals for achieving the purposes specified in the Administration Orders. These meetings were held in December 2001 and January 2002 for all of the U.K. Debtors save T&N Investments Limited, in which case the meeting was held on October 11, 2002.

At the meetings, the creditors adopted the following proposals and resolutions:

- That the Administrators continue to manage the business, assets and affairs of the applicable Debtors as they consider appropriate and to work with management towards the development of a plan of reorganization.
- That the Administrators should continue to do such other things and generally exercise all of their powers under the British Insolvency Act 1986 as they considered desirable or expedient in order to achieve the purposes of the Administration Orders for the applicable Debtors to protect the assets thereof, and to maximize the realization of their assets, subject to the terms of the Protocol.
- That the creditors should establish creditors' committees in the administration proceedings (which are separate and distinct from those appointed in the U.S. in the Reorganization Cases) and that such committees should work with the Administrators to provide the creditors' viewpoints as to the progress of the administration proceedings, meet regularly with the Administrators to receive reports and developments in the administration proceedings and assist the Administrators as appropriate with the development of the plan of reorganization.
- That the Administrators should identify, in consultation with the creditors' committees, the most appropriate exit route from the administration, while giving due regard to the interests of any creditors

which would be preferential in any subsequent compulsory liquidation, for discussion at future meetings to be convened for the purpose of considering detailed reconstruction proposals.

- In the absence of creditors' committees being formed, the Administrators' fees should be authorized on a time cost basis, by reference to the time properly given by the Administrators and their staff in attending to matters arising in the administration, in accordance with the provisions of Statement of Insolvency Practice 9 in the U.K.

6. Creditors' Committees Appointed in the Administrations.

Creditors' committees have been established in the administrations of the U.K. Debtors listed on the attached Exhibit I. Also listed on Exhibit I are the names and company affiliations of each of the individual members of such committee. Creditors' committees have been formed only for those U.K. Debtors with creditors willing to serve on such a committee.

7. Claims Asserted Against the U.K. Debtors in the Administration Proceedings.

As of the Petition Date, the U.K. Debtors' books and records reflected trade claims ("U.K. Trade Claims") pending against them in the approximate aggregate amount of £23.7 million (approximately \$42.42 million). Since the Petition Date, payments totaling £3.66 million have been made by the U.K. Debtors to certain critical trade creditors, and one Trade Claim in the amount of £2.37 million was recharacterized as an Administration Claim. The Administrators have carefully reviewed and approved such critical trade payments and the recharacterization of any such claims. The aggregate amount of U.K. Trade Claims has therefore been reduced to approximately £18 million to £20 million, which amount is subject to further review and revision by the Debtors and the Administrators. All of the U.K. Trade Claims are owed by 23 of the U.K. Debtors. No U.K. Trade Claim is pending against the remaining U.K. Debtors.

In addition, there exist other non-asbestos related liabilities against the U.K. Debtors that do not constitute Trade Claims ("U.K. Non-Trade Claims"). The U.K. Debtors do not believe that any of the U.K. Non-Trade Claims (other than Pension Claims) will result in a material liability for the U.K. Debtors. The U.K. Non-Trade Claims include, but are not limited to, the following:

- **Commercial Litigation:** Prior to the Administration, the U.K. Debtors were defending a number of commercial litigation claims. In other instances, litigation claims have been threatened but no litigation has been commenced. As a result of the Administration Order, no litigation proceedings may be commenced or continued against the U.K. Debtors. The U.K. Debtors believe (and have been advised by the Administrators that they believe) that no single commercial litigation claim will result in a material liability or a settlement payment.
- **Non-Asbestos Personal Injury Claims:** Prior to the Administration, the U.K. Debtors were defending a number of non-asbestos personal injury claims. In other instances, such claims have been threatened but no litigation has been commenced. Most of these claims related to injuries suffered by employees while at work. All of these litigation claims were initially stayed as a result of the Administration Orders. The vast majority of these claims are being handled (or will be handled) by the insurers for the U.K. Debtors. Where (a) the insurers have failed to settle a claim, (b) there is insurance available to cover the claim, and (c) the claimant has undertaken to enforce any judgment only against the insurer, the Administrators have often given consent for the litigation to proceed. To the extent not otherwise covered by applicable insurance, the U.K. Debtors believe (and have been advised by the Administrators that they believe) that no single non-asbestos personal injury litigation claim will result in liability or a settlement payment by the U.K. Debtors in excess of £100,000.
- **Corporation Tax:** The Inland Revenue in the U.K. has asserted three (3) claims for corporation taxes purportedly owed by the U.K. Debtors, in the aggregate approximate amount of £2.1 million. The

U.K. Debtors and the Administrators are in the process of reviewing such claims, but presently believe that U.K. Debtors may only be liable for approximately £85,000 of such amount. However, the Inland Revenue may submit claims in respect of other companies for other tax years that have not been finalized. Accordingly, the U.K. Debtors' liability for corporation tax may be subject to increase.

- **Preferential Claims:** Preferential claims in the U.K. are equivalent to priority claims under Section 507 of the Bankruptcy Code. The U.K. Debtors have been advised by the Administrators that the Administrators believe the U.K. Debtors may be liable to pay £4.1 million as a preferential claim to HM Customs & Excise representing value added tax owed by the U.K. Debtors. In addition, the U.K. Debtors may be liable to pay approximately £621,000 to the Inland Revenue with respect to certain income tax payments and National Insurance contributions.
- **Surety Claims:** The Sureties hold Secured and Unsecured Claims against F-M UK Holding Limited and T&N Limited, respectively, arising under certain indemnity contracts and/or guarantees between such Debtors and the Sureties relating to the CCR Surety Bonds issued by the Sureties in favor of CCR. Further discussion of the CCR Surety Bonds can be found at Sections III.E and V.O of this Disclosure Statement.
- **Asbestos Property Damage Claims:** Asbestos Property Damage Claims have been asserted against certain of the U.K. Debtors including, without limitation, T&N Limited. A general description of these claims is provided at Section V.R of this Disclosure Statement.
- **Environmental Claims:** The Plan Proponents are not aware of any Environmental Claims that have been asserted against the U.K. Debtors. U.K. counsel for certain of the Plan Proponents and the Administrators, however, advise that such Claims may be asserted in the future against certain of the U.K. Debtors. The amount of any such Claims is unknown.

Certain of the U.K. Debtors have liabilities under or relating to one of two defined benefit plans for eligible employees maintained by such U.K. Debtors: the T&N Retirement Benefits Scheme (1989) and the Champion Pension Scheme. The treatment of pension claims against the U.K. Debtors is discussed in detail in Sections VI.C.4.i and VI.E.8.b of this Disclosure Statement. These liabilities are substantial.

Neither the Bankruptcy Court nor the Administrators have set a bar date for filing or asserting claims against the U.K. Debtors. Consequently, the U.K. Debtors do not know for certain and cannot estimate with precision the aggregate amount of claims that will ultimately be Allowed against the U.K. Debtors.

M. Assignment of the Chapter 11 Cases to the Honorable Alfred M. Wolin.

1. Order of Chief Judge Becker Assigning Cases to Judge Wolin.

On November 27, 2001, the Honorable Edward R. Becker, Chief Judge of the United States Court of Appeals for the Third Circuit, entered an order assigning the Debtors' bankruptcy cases, together with four (4) other asbestos-related bankruptcy proceedings pending in the United States Bankruptcy Court for the District of Delaware, to the Honorable Alfred M. Wolin of the United States District Court for the District of New Jersey. Judge Becker stated in the order that the purpose for transferring the Debtors' bankruptcy cases, as well as the other asbestos-related bankruptcy proceedings, was to further the development and implementation of a coordinated plan for managing those bankruptcy cases pending in Delaware that involved significant numbers of asbestos-related claims. Judge Becker's order further contemplated that certain of the matters in the Debtors' bankruptcy cases and those other cases assigned to Judge Wolin would then be reassigned to bankruptcy judges sitting in the District of Delaware for purposes of expedient administration.

On November 29, 2001, the Honorable Sue L. Robinson of the United States District Court for the District of Delaware entered a further order in the Debtors' Chapter 11 Cases formally assigning the cases to Judge Wolin.

2. Referral of the Debtors' Cases to the Honorable Randall J. Newsome and Allocation of Responsibilities between Judges Wolin and Newsome.

On December 10, 2001, Judge Wolin entered an order in all five (5) of the asbestos-related bankruptcy proceedings assigned to him, assigning each of those cases to one of two bankruptcy judges sitting by designation in the District of Delaware. As a result of Judge Wolin's order, the Debtors' Chapter 11 Cases were assigned to the Honorable Randall J. Newsome.

This order additionally stated that Judge Wolin retained the authority, on the Court's own motion or on the motion of a party, to withdraw the reference with respect to specific matters (such as issues common to each of the cases assigned to him), which would then be heard by Judge Wolin. Judge Wolin's order further provided that withdrawal of the reference was specifically contemplated with respect to asbestos-related claims and issues that arose during the course of the Debtors' bankruptcy cases and those other cases assigned to Judge Wolin. Judge Wolin has, in fact, withdrawn the reference with respect to certain matters in the Debtors' Chapter 11 Cases, most prominently the adversary proceeding between certain of the Debtors (and a number of other parties) and the Center for Claims Resolution, discussed in Section V.O, below.

3. Appointment of Court-Appointed Consultants and Special Masters.

On December 28, 2001, Judge Wolin entered an order in all five of the asbestos-related bankruptcy proceedings assigned to him appointing five Court Appointed Consultants to advise him with respect to the cases. Those Court Appointed Consultants were William A. Drier, David R. Gross, C. Judson Hamlin, John E. Keefe, and Francis E. McGovern. Judge Wolin's order contemplated that these consultants would undertake a variety of duties that might be assigned to them by Judge Wolin in the cases, including mediation of disputes, holding case management conferences and consultation with counsel. In addition, Judge Wolin's order provided that he might appoint any of the Court Appointed Consultants to act as a special master with respect to any disputed matter in the cases and make a report and recommendation to Judge Wolin as to the disposition of the matter.

4. Recusal Motions Involving Judge Wolin In Other Asbestos-Related Chapter 11 Cases.

On October 10, 2003, two creditors of Owens Corning, the principal debtor in one of the other four asbestos-related bankruptcy proceedings in Delaware presided over by Judge Wolin, filed a motion seeking his recusal from further participation in the Owens Corning chapter 11 cases. The basis for that motion was an alleged conflict of interest involving two of the persons designated by Judge Wolin as Court Appointed Consultants in the five asbestos-related bankruptcy proceedings over which he was presiding, as discussed above. On October 15, 2003, Judge Wolin withdrew the reference to the Bankruptcy Court with respect to the recusal motion, and on October 23, 2003 he issued a further order staying all deadlines with respect to the motion. Similar motions to recuse Judge Wolin were subsequently filed in two of the other asbestos-related bankruptcy proceedings over which he presides (In re USG Corp. and In re W.R. Grace) as well.

On October 30, 2003 and November 3, 2003, the United States Court of Appeals for the Third Circuit issued orders staying all proceedings in the Owens Corning cases presided over by Judge Wolin pending the outcome of a petition for a writ of mandamus respecting Judge Wolin's recusal. See In re Kensington Int'l Ltd., 351 F.3d 97 (3rd Cir. 2003). On November 5, 2003, Judge Wolin issued an order staying all proceedings before him in all five asbestos-related bankruptcy cases (including the Debtors' cases) pending further action with respect to the recusal motions in the three cases in which they had been filed.

Subsequent to those orders, the United States Court of Appeals for the Third Circuit ruled on the mandamus petition and remanded the case to Judge Wolin with instructions to issue a ruling on the recusal motion no later than January 31, 2004. In re Kensington Int'l Ltd., 353 F.3d 311 (3rd Cir. 2003). On February 2, 2004, Judge Wolin issued his ruling denying the relief requested in the recusal motion. The plaintiffs appealed that order to the United States Court of Appeals for the Third Circuit, which heard argument on the matter on April 19, 2004. No motion to recuse Judge Wolin was filed in the Debtors' Reorganization Cases.

On May 17, 2004, the United States Court of Appeals for the Third Circuit reversed Judge Wolin's denial of the relief requested in the recusal motion, and directed that Judge Wolin be disqualified from continuing to preside over the Chapter 11 cases of Owens Corning, W.R. Grace & Co. and USG Corp. Because none of the parties in these Reorganization Cases had sought Judge Wolin's recusal from the Federal-Mogul Chapter 11 Case, the appellate court expressly declined to disqualify Judge Wolin from presiding over these Reorganization Cases. Thus Judge Wolin continues to preside over these Reorganization Cases as of the date of this Disclosure Statement.

5. Assignment of the Debtors' Cases to the Honorable Raymond T. Lyons.

In late 2003, Judge Newsome advised that he would cease presiding over cases as a visiting judge in Delaware at the end of 2003. On December 18, 2003, the Chief Judge of the United States Bankruptcy Court for the District of Delaware entered an order reassigning the Debtors' cases to the Honorable Raymond T. Lyons of the United States Bankruptcy Court for the District of New Jersey, sitting by designation in Delaware.

N. Litigation Respecting the Transfer of Asbestos-Related Personal Injury Claims.

1. The Big Three Motion and Subsequent Pleadings Relating Thereto.

On November 20, 2001, DaimlerChrysler Corporation, Ford Motor Company, and General Motors Corporation (collectively, the "Big Three") filed a motion with the Bankruptcy Court seeking to transfer asbestos-related claims pending against the Big Three relating to automotive friction products to the United States District Court for the District of Delaware. The Big Three's motion was premised on the theory that such claims might give rise to certain common-law and, in some cases, contractual contribution and indemnification claims against the Debtors on the part of the Big Three that would, in turn, have an effect on the Debtors' estates. The Big Three's motion additionally argued that the Court should exercise its powers under 28 U.S.C. § 157(b)(5) to centralize the adjudication of the claims into a single forum. In the event the motion were granted, the Big Three stated in the motion that they would seek to adjudicate the claims through a series of "common issue" trials pursuant to Federal Rule of Civil Procedure 42, at which the Big Three alleged that they would present expert testimony and scientific evidence that would lead to rulings in their favor on most, if not all, of the transferred claims.

Following the filing of the Big Three's motion, a number of additional parties filed similar motions: (i) American Honda Motor Co., Inc., (ii) Carquest Corporation, Carquest Auto Parts of Jackson, MS, Inc., and Carquest Auto Parts of Prentiss, MS, Inc., (iii) Garlock, Inc., (iv) Harley Davidson Motor Company Group, Inc., (v) Honeywell Industries, Inc., (vi) International Truck and Engine Corporation, Freightliner, LLC, and Mack Truck, Inc., (vii) Isuzu Motors America, Inc., (viii) MG Rover Group, Inc., (ix) Volkswagen of America, Inc., Volkswagen AG, Mercedes Benz USA, LLC, BMW North America, Inc., Volvo Cars North America, Inc., Rolls Royce Bentley Motor Cars, Inc., and Nissan North America, Inc. (collectively, the "International Automakers"), (x) Hennessey Industries, Inc., (xi) British Motor Car Distributors, Inc., (xii) FWD Corporation, (xiii) Mitsubishi Motor Sales of America, Inc., (xiv) Chase Chevrolet, Inc., (xv) Toyota Motor Sales USA, Inc. and (xvi) Salvo Auto Parts, Inc., Holman Enterprises, Inc. and B.F. Goodrich, Inc. These motions asserted a wide variety of bases upon which the claimants alleged the Court should find jurisdiction over the claims in question, including the incorporation of certain of the Debtors' products into the claimants' products, common-law and equitable indemnification rights, and alleged contractual indemnification rights.

Numerous responsive pleadings to the Big Three's motion were filed by various parties-in-interest in the Debtors' Chapter 11 Cases as well. These pleadings included objections to the motion from the Official Committee of Asbestos Claimants as well as numerous other asbestos personal injury plaintiffs, either organized as members of unofficial committees of tort claimants or, in some cases, as individuals. The Official Committee of Unsecured Creditors and Cooper Industries, Inc. filed responses supporting the Big Three's motion.

By order dated December 10, 2001, the District Court (i) withdrew the reference to the Bankruptcy Court respecting the Big Three transfer motion and (ii) provisionally transferred the friction products claims against the Big Three that were the subject of the transfer motion into the District Court pending a hearing to determine whether the Big Three's motion should be granted. Prior to such hearing, the Court provisionally transferred certain

additional friction products claims and also directed that the motions of Honeywell and the International Automakers were to be briefed and heard together with the Big Three's transfer motion.

2. District Court Hearing on February 8, 2002 and Opinion.

On February 8, 2002, following a hearing on the transfer motions brought by the Big Three, Honeywell, and the International Automakers, Judge Wolin issued an order denying the motions and remanding those cases that had been provisionally transferred pursuant to the December 10 order back to the state courts from which they had originally been removed. In re Federal-Mogul Global Inc., T&N Limited, et al., 282 B.R. 301 (D. Del. 2002). The Court also denied oral motions for rehearing and for a stay pending appeal to the United States Court of Appeals for the Third Circuit at the February 8, 2002 hearing.

As bases for its decision, the Court found that it lacked subject matter jurisdiction over the claims sought to be transferred pursuant to Section 1334(b) of the Bankruptcy Code and, alternatively, that even if it possessed such jurisdiction, it would abstain from transferring the claims on general equitable grounds. With respect to the first basis for its decision, the Court concluded that a common-law indemnity or contribution claim could not, without more, be sufficient to support a finding of "related to" jurisdiction under the Third Circuit's ruling in Pacor, Inc. v. Higgins, 743 F.2d 984 (3rd Cir. 1984). With respect to the second basis for the decision, the Court ruled that the alleged benefits to the Debtors' estates from centralizing adjudication all of the claims sought to be transferred in one forum could not, as a practical matter, be realized due to the possibility that there would be insufficient common issues to allow for common trials on such claims pursuant to Rule 42 of the Federal Rules of Civil Procedure and, further, that the transfer order could not possibly encompass all of the actions in which the movants might have a contribution or indemnity claim against the Debtors. The Court found that such considerations, taken together with the predominance of state law issues that could better be litigated in state courts and the potential for disruption to state court actions, warranted abstention on general equitable grounds. As a result of its decision, the Court remanded the claims sought to be transferred directly to the courts from which they had originally been removed.

3. Transfer Litigation before the Third Circuit.

On February 11, 2002, the Big Three filed a notice of appeal respecting Judge Wolin's February 8, 2002 order denying the transfer motion and remanding the claims that had been provisionally transferred to the state courts from which they were originally removed. A number of additional parties that had brought motions seeking to transfer friction products claims subsequently filed notices of appeal as well, including Honeywell and the International Automakers. On February 12, 2002, the Third Circuit issued an order staying Judge Wolin's order of February 8, 2002 until the matter could be ruled upon by a three-judge panel of the Third Circuit.

The Third Circuit held a hearing on the matter on June 17, 2002, and issued an opinion on the matter on July 17, 2002. In re Federal-Mogul Global Inc., 300 F.3d 368 (3rd Cir. 2002). In that opinion, the Third Circuit did not reach the merits of Judge Wolin's order, but instead held that the appellants did not meet the standard for granting of a writ of mandamus compelling the District Court to hear the matter, nor did the Third Circuit have the ability, under existing case law, to hear an appeal from an order remanding cases to state court on the grounds of a lack of subject matter jurisdiction. Accordingly, the Third Circuit held that it lacked jurisdiction to hear the appeal. In addition, the Third Circuit affirmed that aspect of the February 8, 2002 order remanding the cases to the state courts from which they were originally removed, citing prior Third Circuit case law approving the practice.

4. Subsequent Events.

On August 1, 2002, the United States Court of Appeals for the Third Circuit denied an emergency motion by the Big Three to stay implementation of the District Court's opinion pending the filing of a petition for certiorari with the Supreme Court. On August 7, 2002, the Supreme Court denied a similar application by the Big Three for a stay pending the filing and adjudication of a petition for certiorari. In re Federal-Mogul Global Inc., 536 U.S. 978 (2002). On January 13, 2003, the United States Supreme Court denied the Big Three's petition for certiorari. See DaimlerChrysler Corp. et al. v. Official Committee of Asbestos Claimants, et al., 537 U.S. 1148 (2003).

O. Adversary Proceeding Against the Center for Claims Resolution.

On November 23, 2001, certain of the Debtors (Federal-Mogul, T&N, GHI and Ferodo) commenced an adversary proceeding against the Center for Claims Resolution ("CCR") and certain surety companies (Traveler's Casualty & Surety Company, Safeco Insurance Company of America, National Fire Insurance Company of Hartford and Continental Casualty Company) (collectively, the "Sureties").

CCR is an entity formed in 1988 by a number of member companies (including T&N, GHI and Ferodo) for the purpose of establishing an agent to administer, negotiate and settle all asbestos-related personal injury and wrongful death claims brought against CCR members. In May of 1999, CCR required its members to provide adequate assurance of their ability to pay any amounts estimated by CCR to be due from any given member as a result of that member's participation in settlements entered into by CCR on such member's behalf. Accordingly, in December of 2000, Federal-Mogul, on behalf of T&N, GHI and Ferodo, caused the Sureties to issue bonds in the aggregate amount of \$250 million in favor of CCR as obligee, which amount was stepped down to \$225 million in June 2001. Such obligations are secured and/or guaranteed by certain of the Debtors, as discussed in above in Section III.E.1.b.

In January 2000, GHI and Ferodo terminated their membership in CCR. On October 2, 2001, Federal-Mogul, on behalf of T&N, terminated T&N's membership in CCR as well. Notwithstanding these terminations, and the filing of the Debtors' Chapter 11 petitions on October 1, 2001, CCR asserted a right to draw on the surety bonds. Accordingly, those Debtors identified above commenced an adversary proceeding on November 23, 2001 to prevent such a draw. The complaint filed by the Debtors sought a determination from the Bankruptcy Court that any draw on the surety bonds by CCR and/or any payment on account of the surety bonds to CCR by the sureties would violate the automatic stay contained in Section 362(a) of the Bankruptcy Code, in that any draw on the bonds would effectively convert unsecured asbestos claims into secured claims of the sureties against the Debtors, under the Debtors' indemnification obligations triggered in the event of such a draw. The complaint additionally sought an injunction from the Bankruptcy Court preventing such a draw and/or payment.

Simultaneously with filing the adversary complaint, the Debtors also moved the Bankruptcy Court for entry of a temporary restraining order ("TRO") preventing CCR from making any draw on the surety bonds pending a ruling on the Debtors' complaint by the Bankruptcy Court. That TRO was granted by the Bankruptcy Court on November 29, 2001 and has been continued by agreement of the parties to the action through the date of this Disclosure Statement.

By case management order dated February 27, 2002, the Debtors' adversary proceeding against CCR was consolidated with similar proceedings commenced by Armstrong World Industries, Inc. and USG Corporation, each of whom has an asbestos-related bankruptcy proceeding pending in the District of Delaware before Judge Wolin. Judge Wolin appointed John E. Keefe, Sr. as a special master to oversee discovery issues in the CCR adversary proceeding, for which certain deadlines were established. A second case management order, entered on June 12, 2002, defined as "Phase One" issues the questions of whether CCR had a right to draw on the surety bonds and whether the Bankruptcy Code or related equitable doctrines prevented the exercise of that right. "Phase Two" issues concerning the specific amounts that CCR would be entitled to draw if it prevailed in Phase One were deferred by the Court. The second case management order also provided that the Debtors, CCR, the sureties and any other parties that intervened in the CCR adversary proceeding (including the Official Committees of Unsecured Creditors in the bankruptcy proceedings of Federal-Mogul and USG Corporation, the Legal Representative for Future Asbestos-Related Claimants in the Federal-Mogul bankruptcy and Wells Fargo Bank, N.A., as indenture trustee for certain of Federal-Mogul's publicly-issued bonds) must file motions for summary judgment on the Phase One issues. Accordingly, motions for summary judgment on such issues, together with responsive pleadings thereto, were filed in August and September 2002.

On March 28, 2003, Judge Wolin issued an Opinion and Order on the Phase One cross-motions for summary judgment filed by the Debtors and the other non-CCR parties on the one hand, and CCR on the other hand. Partial summary judgment was granted to CCR on the issue that the surety bonds ultimately could be drawn for whatever "obligations" of the Debtors, under the terms of the bonds and related agreements, existed as of the

Petition Date. However, CCR was denied summary judgment on their claim to an immediate draw on the bonds, which action the Court deferred until the conclusion of Phase Two—the damages phase of the case.

In its ruling on the Phase One issues, the Court made two significant decisions that have the effect of limiting the Debtors' potential liability to CCR to what the Debtors believe will be no more than \$30 million, and perhaps significantly less, as compared to CCR's original demand for \$183 million that precipitated the filing of the adversary proceeding. First, the Court held that any purported settlement with an asbestos claimant that was incomplete as of the Petition Date because the claimant had not submitted medical/exposure documentation and an executed release prepetition was not an obligation for which the bonds could be drawn, and that the filing of the petition cut off the claimant's right to accept any prepetition settlement offer made by the Debtors through CCR. Second, the Court ruled that CCR's attempted acceleration of so-called future obligations violated the automatic stay, and therefore was void.

CCR moved the Court to vacate that portion of its Opinion and Order dealing with incomplete settlements, which motion was opposed by the Debtors and the other non-CCR parties. On May 16, 2003, Judge Wolin largely denied CCR's motion, reaffirming his previous ruling that asbestos settlements that were not complete under applicable state law as of the Petition Date were not obligations of the bankruptcy estates of Federal-Mogul, GHI, T&N and/or Ferodo. However, the Court did grant CCR's request to submit additional briefing on what constitutes a valid obligation under the bonds during Phase Two of the litigation.

CCR contends (but the Debtors and Unsecured Creditors Committee dispute) that in the May 16, 2003 Order on CCR's motion to vacate, District Judge Wolin did not reaffirm his prior ruling concerning settlement obligations that are covered by the bonds. Although Judge Wolin did not vacate his prior ruling on the issue, the Court left the issue open for further briefing in connection with Phase Two of the litigation. CCR, therefore, disagrees with the Debtors' conclusion set forth above that the Court has made a significant decision that will reduce the Debtors' potential liability to no more than \$30 million. CCR further disagrees with the Debtors' conclusion set forth above regarding the effect of the Court's ruling on the acceleration issue as it relates to CCR's ultimate ability to draw upon the bonds on account of such future obligations. CCR, therefore, contends that the potential liability as against the bonds themselves, if not the Debtors, remains in the range of \$183 million.

Based on information learned during the first phase of discovery, and following the granting of its motion for leave to file an amended complaint in this adversary proceeding, Federal-Mogul, GHI, T&N and Ferodo, together with certain of the other non-CCR parties to this litigation, filed an Amended Complaint against CCR, which included additional claims for (i) a declaration that CCR's demands violated the contract terms, (ii) fraud, (iii) negligent misrepresentation, (iv) turnover, (v) conversion, and (vi) constructive trust.

As discussed in Section V.M above, on November 5, 2003, Judge Wolin stayed all proceedings pending before him in each of the five (5) asbestos-related bankruptcy proceedings over which he is presiding, including the CCR adversary proceeding. This order of stay relates to the pending motions to recuse him filed in the Owens Corning, W.R. Grace, and USG chapter 11 proceedings. Although Judge Wolin denied that motion by order dated February 2, 2004, his prior order staying all proceedings in the asbestos-related bankruptcy cases over which he is presiding has not been vacated as of the date of this Disclosure Statement. The Debtors have confirmed, however, that the stay does not prevent them from serving discovery on CCR, and, therefore, interrogatories and requests for production of documents were served on CCR in Phase 2 of the adversary proceeding on November 7, 2003. CCR has not yet responded to those discovery requests.

P. Employee Retention Litigation and Severance and Bonus Arrangements.

During the first several months of these Reorganization Cases, the Debtors have filed four (4) motions relating to employee compensation and benefits programs. All of these motions have been approved by the Bankruptcy Court, subject to certain consensual modifications.

By motion dated October 1, 2001, the Debtors sought authority to continue most of their prepetition retiree benefit and bonus programs as part of their "first day" motion seeking authority to pay a variety of employee-related wage, salary, and employee benefit-related amounts. Also by motion dated October 1, 2001, the Debtors sought an

order of the Bankruptcy Court authorizing them to enter into and approving the implementation of a key employee retention plan (the "KERP"), the assumption of senior management employment contracts, the assumption of certain change of control employment agreements, and the assumption of prepetition severance agreements. Pursuant to the terms of the KERP, the Debtors intended to pay retention bonuses to key senior personnel in order to encourage those individuals to remain with the Debtors during the reorganization process.

A third motion, filed on November 23, 2001, requested authority to continue certain non-qualified pension programs. Pursuant to this motion, the Debtors sought authority to make payments to approximately 900 current and retired employees under a number of non-qualified pension programs established prior to the Petition Date.

In January 2002, the Official Committee of Unsecured Creditors, the Prepetition Lenders and the Official Committee of Asbestos Claimants filed objections to the Debtors' motions regarding the employee compensation and benefits programs. The objections raised several issues with regard to the employee programs, most of which alleged the programs were excessive or unsuited to meet the Debtors' targeted goals. After hearings before the Bankruptcy Court on January 25, 2002 and February 26, 2002 relating to the employee programs, the Bankruptcy Court approved the three above-described motions with certain modifications necessitated as a result of negotiations between the parties. In particular, Federal-Mogul was authorized (i) to implement the KERP with certain modifications, (ii) to assume the prepetition employment contracts of Frank Macher, Charles McClure, and Joseph Felicelli with certain modifications, (iii) enter into certain change of control and severance agreements, (iv) honor and perform their 2001 bonus plans, and (v) make payments on account of the non-qualified pension plans up to \$3,500 per month, covering almost all of the individuals to receive payments under such plans.

On April 3, 2002, the Debtors moved for an order authorizing them to enter into (or, in the alternative, assume as an executory contract) a modified Supplemental Key Executive Pension Plan (the "SKEPP") for three key officers—James J. Zamoyski (who was then serving as General Counsel and Senior Vice President of Federal-Mogul), Wilhelm Schmelzer and Richard Randazzo. Under the terms of the modified SKEPP, the above individuals, each of whom is a currently-employed senior officer of the Debtors, are entitled to receive certain pension benefits upon retirement in excess of the \$3,500 per month cap approved by the Bankruptcy Court respecting the non-qualified pension plans discussed above. Although the SKEPP was negotiated prepetition, it was consensually modified to provide that Messrs. Zamoyski, Schmelzer and Randazzo would be required to remain in Federal-Mogul's employ through the earlier of (i) January 11, 2004, (ii) the confirmation of a Chapter 11 plan, or (iii) termination without cause in order to receive benefits thereunder. Over objection of the Official Committee of Unsecured Creditors, the Bankruptcy Court entered an order approving the Debtors' assumption of the SKEPP on August 6, 2002.

Q. Restructuring and Operational Productivity Efforts of the Debtors.

During the pendency of these Reorganization Cases, the Debtors have developed and begun the implementation of a strategic plan to effect a comprehensive restructuring of their businesses. The Debtors' strategic plan focuses on lowering the Debtors' manufacturing costs and other operating expenses by (i) divesting unprofitable non-core businesses, (ii) reducing operating expenses by consolidating certain of the Debtors' manufacturing and R&D facilities and (iii) reducing manufacturing costs by relocating certain of the Debtors' manufacturing facilities to lower-cost geographic regions and improving the Debtors' advanced manufacturing technology. The Debtors estimate that these actions will enable them to reduce manufacturing costs by a total of \$646 million between 2003 and 2007. The Debtors further estimate that they have received proceeds from divestitures of approximately \$360 million from the inception of the restructuring efforts through April 2003.

1. Divestitures.

With Bankruptcy Court approval, the Debtors have divested themselves of certain assets and lines of business during these Reorganization Cases. In particular, the Debtors have effected four (4) major sales of assets during the pendency of their Reorganization Cases and effected a number of smaller sales of assets through their de minimis asset sales procedure, as discussed above.

The major asset sales approved by the Bankruptcy Court are (i) the sale of the assets of the Debtors' Signal-Stat automotive lighting business to Truck-Lite Co., Inc. for approximate consideration of \$23 million, which sale was approved by the Bankruptcy Court on February 26, 2002; (ii) the dilution of the Debtors' interest in Federal-Mogul TP Liners, Inc. ("TP Liners"), a joint venture formed by the Debtors and Teikoku Piston Ring Co., Ltd. ("Teikoku"), from 60% to 46% ownership through a capital contribution by Teikoku of \$3 million in TP Liners, which was approved by the Bankruptcy Court on May 29, 2002; (iii) the sale of the operations of Federal-Mogul's North American camshafts business (located in Orland, Indiana and Grand Haven, Michigan) to Asimco Camshafts Specialties, Inc., for approximate consideration of \$28 million, which sale was approved by the Bankruptcy Court through an order entered March 24, 2003; and (iv) the sale of the operations of FMIC's original equipment automotive lighting business (located in Hampton, Virginia, Toledo, Ohio, Brownsville, Texas and Matamoros, Mexico) for approximate consideration of \$19 million which sale was approved by the Bankruptcy Court at the hearing held on April 2, 2003.

In addition to the asset sales specified above, the Debtors have additionally consummated several sales of relatively low-value assets pursuant to the de minimis asset sale procedures approved by the Bankruptcy Court on February 12, 2002, as amended on March 26, 2002 (collectively, the "De Minimis Sale Procedures Order").

2. Consolidation and Rationalization of Facilities.

The Debtors have adopted an aggressive business plan that seeks to reduce manufacturing and other operating costs by consolidating certain of their facilities and relocating certain other facilities to regions in which labor and other costs are lower than in the facilities' present locations. In particular, the Debtors intend to relocate certain of their North American manufacturing and other operations to Mexico, while additionally relocating certain of their facilities in western Europe to eastern Europe and Turkey. In addition, the Debtors are increasing production at wholly-owned and joint venture subsidiaries in the Far East. Certain of the Debtors' facilities in the United States would also be consolidated and/or relocated within the United States in order to reduce the Debtors' manufacturing and operating expenses. The Debtors' management believes that the consolidation and relocation of certain of the Debtors' facilities is necessary to enable the Debtors to enhance profitability and maximize the return to all stakeholders in these Chapter 11 Cases.

3. Transfers of Pistons Global Products Group Assets from the United Kingdom to non-Debtor Affiliates in Europe

In furtherance of the consolidation and rationalization activities described above, the Debtors have begun the process of transferring certain of the pistons-manufacturing assets of two of the English Debtors, Federal-Mogul Bridgwater Limited ("Bridgwater") and Federal-Mogul Bradford Limited ("Bradford"), to non-Debtor affiliates in continental Europe. With respect to Federal-Mogul Bridgwater Limited, the Debtors in December 2002 gave notice under the De Minimis Sales Procedure Order that they intended to sell certain plant & machinery, inventory, tooling, know-how and sales information to Federal-Mogul Nürnberg GmbH, a German affiliate of the Debtors, for an aggregate purchase price of £4.2 million. In addition to the sale of Bridgwater's assets, the transaction also provided for (i) the subordination, upon the Debtors' reorganization, of £76,159 in intercompany indebtedness owed by Bridgwater to various non-Debtor affiliates of Federal-Mogul Corporation, (ii) the grant of a trading indemnity by Federal-Mogul Nürnberg GmbH to Bridgwater for any operating losses through the shutdown of Bridgwater in excess of £1.2 million, (iii) the payment by Bridgwater (and, above a certain amount, by Federal-Mogul Nürnberg GmbH) of certain severance payments relating to the shutdown of operations at Bridgwater and (iv) the grant of an indemnity by Federal-Mogul Nürnberg GmbH in favor of all non-affiliated creditors of Bridgwater (other than asbestos-related creditors) to the extent the payment of contractual severance obligations relating to the Bridgwater shutdown resulted in a reduced dividend to such creditors. None of the parties to whom notice was provided in accordance with the De Minimis Sale Procedures Order objected to the sale of Bridgwater's assets. Bridgwater never manufactured any asbestos products and has no history of asbestos-related claims asserted against it.

With respect to Bradford, the Debtors sought and obtained Bankruptcy Court approval to transfer Bradford's pistons-manufacturing assets to Federal-Mogul Gorzyce, S.A. ("Gorzyce"), a non-Debtor affiliate located and incorporated in Poland, in December 2003. As part of this transaction, Bradford leased the plant, machinery and tooling used in its pistons-manufacturing business to Gorzyce, together with a license to use certain

know-how relating to the business. In addition, the transaction documents provided that Gorzyce would purchase the inventory used in the pistons business from Bradford. Gorzyce was also granted an option to purchase the leased chattels and licensed know-how from Bradford through the Plan, pursuant to Section 524(g)(3)(A)(ii) of the Bankruptcy Code, which purchase option must be exercised by Gorzyce following confirmation of the Plan. The agreements relating to the Bradford transaction also provide that (i) Bradford will make aggregate severance payments relating to the cessation of the Bradford pistons business in the approximate amount of £9.1 million, (ii) Gorzyce will indemnify Bradford and its administrators, in an amount up to £10.0 million, against operating losses at the Bradford facility after January 1, 2004, (iii) Gorzyce will indemnify Bradford against any shortfall between (a) the claims of non-subordinated creditors of Bradford (other than any claims relating to pensions and Asbestos Personal Injury Claims (save those Asbestos Personal Injury Claims that had been reduced to a final judgment prior to the date of the Bradford purchase agreement) and (b) trading receipts held by Bradford and amounts remaining to be paid under the Bradford purchase agreement and related documents, and (iv) approximately £25.9 million in intercompany claims owed by Bradford to other, largely dormant affiliates of Federal-Mogul Corporation will be subordinated.

The Debtors intend to effect Gorzyce's purchase of the Bradford piston-manufacturing assets through the Plan pursuant to Section 524(g)(3)(A)(ii) in order to address certain limited asbestos-related personal injury liabilities of Bradford. Prior to the Petition Date, the Debtors were aware of fewer than 12 asbestos-related personal injury claims that had been brought against Bradford in the U.K., and none in the U.S.

Consistent with the statements in subsection (2), above, the Debtors believe that the relocation of the pistons-manufacturing assets of Bridgwater and Bradford to lower-cost countries will enable those assets to be employed more profitably within the Federal-Mogul group in general.

4. Transfer of Portion of Sealing System Group to Non-Debtor Affiliate in Europe

In furtherance of the consolidation and rationalization activities described in subsection (2) above, the Debtors began the process of transferring the sealing system assets of Federal-Mogul Sealing Systems (Cardiff) Limited ("Cardiff") to a non-Debtor affiliate in Europe in 2002. In September 2002, the Debtors gave notice under the De Minimis Sales Procedure Order that they intended to sell the plant, machinery, inventory, tooling, know-how, patents, sales information and trademarks of Cardiff to Federal-Mogul Operations Italy Srl ("FMOI") for an aggregate purchase price of £1.56 million. In addition to the sale of Cardiff's assets, the transaction also provided for (i) the subordination of approximately £9.3 million in intercompany indebtedness owed by Cardiff to various affiliates to the payment of Cardiff's non-affiliated creditors, (ii) an agreement by T&N to limit its recovery on account of its intercompany claim against Cardiff to not more than £1.9 million (relating to a claim in the face amount of £9.5 million), (iii) the grant of a trading indemnity by FMOI to Cardiff for any operating losses through the shutdown of Cardiff in excess of £700,000, (iv) the assumption by FMOI of certain pension obligations owed by Cardiff in the estimated amount of approximately £1 million, (v) the payment by FMOI of certain severance payments relating to the shutdown of operations at Cardiff, and (vi) the grant of an indemnity by FMOI in favor of all unsubordinated creditors of Cardiff (other than asbestos-related creditors) to the extent that the rationalization of Cardiff does not result in Cardiff being able to pay their Allowed Claims in full. Cardiff had been trading at a loss for several years prior to this sale.

As part of the overall restructuring of their business, the Debtors may effect the sale of additional of the U.K. Debtors' businesses prior to their emergence from the Reorganization Cases and administration proceedings.

R. Claims Asserted Against the Debtors in the Reorganization Cases

1. Summary of Scheduled and Filed Unsecured Claims Against the Debtors

On or about December 18, 2001, the Debtors filed their schedules of assets and liabilities (the "Schedules"). Excluding Asbestos Personal Injury Claims, the Debtors listed an aggregate of approximately 14,000 noncontingent, undisputed, liquidated claims and approximately 1300 contingent, disputed, unliquidated Claims on their Schedules. The Bankruptcy Court set March 3, 2003 at 4:00 p.m. Eastern time (the "Bar Date") as the deadline

for filing virtually all types of claims against the U.S. Debtors, except for direct Asbestos Personal Injury Claims. No bar date has been established for Asbestos Personal Injury Claims other than Indirect Asbestos Personal Injury Claims, which were governed by the Bar Date. For information on the establishment of the Bar Date, *see* Section V.K.5., entitled "Events During the Chapter 11 Cases – Administrative Matters in the Chapter 11 Case – Establishment of Bar Dates."

As a result of the establishment of the Bar Date, approximately 10,600 proofs of claim (including Asbestos Property Damage Claims) totaling approximately \$158.5 billion were filed against the Debtors and received and processed by the Debtors' claims agent. The filed Claims consist of the following:

- Approximately 2,100 Claims, totaling approximately \$141.5 billion, which the Debtors believe should be disallowed primarily because these Claims appear to be duplicative or unsubstantiated.
- Approximately 400 Claims, totaling approximately \$8.4 billion, consisting of asbestos-related contribution, indemnity, or reimbursement claims. Based upon their preliminary review, the Debtors believe the Bankruptcy Court should disallow a large number of these claims as contingent contribution or reimbursement claims pursuant to Section 502(e)(1) of the Bankruptcy Code.
- Approximately 3,800 claims, totaling approximately \$200 million, asserting Asbestos Property Damage Claims. Based on their preliminary review, the Debtors believe that a significant number of these Claims are duplicative or unsubstantiated and should be disallowed. For more information on Asbestos Property Damage Claims, *see* Section IV.B(2)(e), entitled "Description of Asbestos-Related Liabilities of the Debtors – Bases of T&N Asbestos Liability – Property Damage Litigation"
- Approximately 2,000 Claims, totaling approximately \$40 million, which the Debtors have reviewed and believe to be consistent with their books and records. Based on their preliminary review, the Debtors do not intend to object to, or otherwise seek to disallow, these Claims.
- Approximately 100 Claims, totaling approximately \$7.1 billion, consisting of Bank Claims and Noteholder Claims. The Debtors reflect approximately \$4.3 billion on their books and records as the aggregate liability for the Bank Claims and Noteholder Claims. The Debtors anticipate that any proofs of claims asserting Bank Claims or Noteholder Claims for amounts in excess of \$4.3 billion are duplicative and will be resolved in the Plan.

The Debtors have not completed their evaluation of the approximately 2,200 remaining Claims, which total approximately \$1.3 billion. Such Claims assert rights to payment for financing liabilities, environmental liabilities, trade accounts payable and other types of liability.

Since the Bar Date, the Debtors, together with their professionals, have engaged in an extensive process of reviewing and reconciling the proofs of claim asserted against the Debtors in these Reorganization Cases. The Debtors continue to investigate these proofs of claim, and intend to object to any Claims that are inconsistent with the Debtors' books and records and which are otherwise unsubstantiated. To date, the Debtors have filed eleven (11) omnibus objections to approximately 5,400 Claims and three (3) omnibus motions to approve stipulations or withdrawals with respect to approximately 1,000 Claims. Pursuant to these claim objections and stipulations, the Debtors have obtained Bankruptcy Court approval to, among other things, (i) disallow and expunge certain Claims, (ii) reduce and allow certain Claims in an amount that is consistent with the Debtors' books or records and/or (iii) otherwise modify the Claims in a manner consistent with the Debtors' books and records and any supporting documentation submitted with the Claims. In addition, approximately 500 of the 15,300 Scheduled Claims that were listed as contingent, disputed and/or unliquidated, were not superceded by a subsequent timely-filed proof of claim, or are not otherwise Allowed under the Plan, and, therefore, are now deemed null and void.

The Debtors continue to review and analyze their Schedules and the proofs of claim filed to date. To this end, the Debtors continue to file objections and seek stipulations with respect to certain Claims. Moreover, additional Claims may be filed after the Bar Date that could be Allowed by the Bankruptcy Court. Accordingly, the

Debtors do not presently know and cannot reasonably determine the actual number and aggregate amount of the Claims that will ultimately be Allowed against the Debtors.

Basic information regarding the claims process and the Bar Date can be accessed using the following website: <http://www.fmoclaims.com>. The commercial claims and other non-asbestos liabilities against the U.K. Debtors are also discussed above in Section V.L., entitled "Events During the Chapter 11 Cases—U.K. Administration Proceedings."

2. Asbestos Property Damage Claims Made Against the Debtors.

As discussed above, the Bankruptcy Court established March 3, 2003 as the bar date (the "PD Bar Date") for filing Asbestos Property Damage Claims in these Chapter 11 Cases. As a result of the establishment of the PD Bar Date, approximately 3,700 Asbestos Property Damage Claims ("PD Claims") were filed against the Debtors. These Claims seek damages related to approximately 1,300 building sites. Certain Claims related to approximately 220 of these sites have since been withdrawn, and approximately 188 Asbestos Property Damage Claims have been disallowed and expunged. To date, the Debtors have filed four (4) objections to approximately 3,200 Asbestos Property Damage Claims based upon, among other things, the failure of the claimants to provide (i) evidence of product identification, (ii) liquidated claim amounts, or (iii) the amount of square footage of Limpet that is or was present in the buildings at issue. The Bankruptcy Court has not yet ruled on all of these objections. The status of the four (4) objections is summarized below:

Objection	Date Filed	Date of Hearing	Basis for Objection	Disposition of Objection
Objection to 2,732 PD Claims Filed By the Law Firm of Speights & Runyan	6/30/03	N/A	Failure to comply with PD Bar Date Order; failure to provide evidence of product I.D.	Most of these claims were filed in quadruplicate. Therefore, these claims represent only approximately 660 sites. Moreover, Speights and Runyan effectively withdrew its claims related to approximately 220 such sites by its responses to these objections. Speights & Runyan subsequently provided documents allegedly supporting product identification, and therefore, the Debtors withdrew these procedural objections with respect to those claims that were not effectively withdrawn.
Objection to 183 PD Claims Filed By the Law Firm of Speights & Runyan	7/24/03	N/A		
Objection to 189 PD Claims Filed By: Weyerhaeuser Company; State of Tennessee; State of Kansas; Diocese of Camden, New Jersey; Federated Department Stores	9/29/03	10/29/03	same	All of these claims were disallowed except for the single claim filed by the State of Tennessee, which matter was continued and remains pending.
Objection to 97 PD Claims Filed By Various Claimants	11/17/03	N/A	same	This objection remains pending.

The Debtors continue to review and analyze the Asbestos Property Damage Claims filed to date. To this end, the Debtors continue to file objections and may seek stipulations with respect to certain Claims. Moreover, additional Claims may be filed after the PD Bar Date that could be Allowed by the Bankruptcy Court. Accordingly, the Debtors do not presently know and cannot reasonably determine the ultimate number and aggregate Allowed Amount of the Asbestos Property Damage Claims.

3. Reclamation Claims Made Against the U.S. Debtors.

In the period immediately following the Petition Date, the U.S. Debtors received a number of written demands from parties that had delivered goods to the U.S. Debtors' facilities within the ten (10) days preceding the Petition Date seeking to reclaim such goods pursuant to Section 2-702(2) of the Uniform Commercial Code (each a

“Reclamation Demand”). The Debtors ultimately received roughly 652 discrete Reclamation Demands from approximately 228 entities. The Reclamation Demands sought the return of approximately \$24.9 million in goods.

On November 9, 2001, the Bankruptcy Court entered an order establishing procedures to be used by the Debtors in reconciling the Reclamation Demands. That order provided, among other things, that the Debtors would not return goods to the parties asserting Reclamation Demands, but instead would grant those parties administrative expense claims on account of the goods covered by their Reclamation Demands to the extent that the Reclamation Demands complied with the requirements of Section 546(c) of the Bankruptcy Code and Section 2-702(2) of the Uniform Commercial Code and applicable case law. The Court’s order further provided that the Debtors were to file a statement as to which of the Reclamation Demands they believed were correctly asserted according to applicable law within ninety (90) business days after entry of the order. The Debtors filed such a statement on March 21, 2002, which provided that any parties wishing to challenge the determinations therein should file a Statement of Dispute within twenty (20) days of the date of the filing of the statement.

Approximately 75 claimants filed Statements of Dispute challenging the Debtors’ evaluations of all or part their Reclamation Demands. Since such time, the Debtors have addressed and resolved most of the issues contained in the Statements of Dispute, and believe that the Reclamation Demands of not more than 12 claimants remain unresolved. As of the date of this Disclosure Statement, the value of the Reclamation Demands conceded by the Debtors to have been correctly asserted against them in these cases is approximately \$6.7 million. This number is subject to revision as the result of further determinations to be made concerning unresolved Reclamation Demands. The Plan provides that, in accordance with the Bankruptcy Court’s order on the subject, correctly-asserted Reclamation Demands will be entitled to payment as Administrative Claims in the Reorganization Cases.

4. Continuation of Litigation Concerning Certain Prepetition Claims.

During the Chapter 11 Cases, a number of parties who had asserted claims against the Debtors prepetition that were the subject of litigation sought relief from the automatic stay contained in Section 362 of the Bankruptcy Code in order to continue such litigation. In those cases where the Debtors have been able to verify that (i) there was insurance coverage covering such claim (including defense costs) and (ii) the underlying claim was in no way connected to the Debtors’ asbestos-related liabilities, the Debtors have generally stipulated to relief from the automatic stay to allow such claims to proceed.

The Debtors have also agreed to lift the automatic stay in two cases in which the claimant in question had a judgment that was secured prior to the Petition Date by a letter of credit and/or appeals bond. The first of these cases was Hoskins v. Business Men’s Assurance Co., Case No. 00-CV-206172 (Cir. Ct., Jackson County, Mo.), in which – prior to the Petition Date – the Debtors appealed an adverse judgment in the amount of \$7 million, which required the posting of an appeal bond in the amount of \$8,916,391.99 to secure the judgment. This appeal bond was, in turn, secured by a letter of credit under the Debtors’ prepetition secured credit facility. Subsequent to the Petition Date, the plaintiffs in the Hoskins matter sought leave from the Bankruptcy Court to continue prosecuting the matter before the Missouri Supreme Court. The Debtors stipulated to such relief and, on July 23, 2002, the Missouri Supreme Court resolved the sole issue which provided it with jurisdiction over the matter and remanded the case to the Missouri Court of Appeals for further proceedings. Hoskins v. Business Men’s Assurance Co., 79 S.W.3d 901 (Mo. 2002). The Debtors agreed to lift the automatic stay to allow such proceedings to continue, and on June 30, 2003, the Missouri Court of Appeals affirmed the original judgment in favor of the plaintiffs in material part. Hoskins v. Business Men’s Assurance Co., 116 S.W.3d 557 (Mo. App. W.D. 2003). The Debtors subsequently exhausted their rights to appeal the judgment in the Missouri state courts and elected not to seek a writ of certiorari from the United States Supreme Court. Accordingly, in order to minimize the ongoing accrual of post-judgment interest on the appeal bond, the Debtors agreed in December 2003 to allow the Hoskins plaintiffs to draw on the appeal bond, which agreement was approved by the Bankruptcy Court. The Hoskins plaintiffs have subsequently drawn on the appeal bond, and the surety that issued the bond has in turn drawn on the letter of credit posted by the Debtors to secure the bond.

The Debtors also agreed to a limited lifting of the stay in order to allow the plaintiffs in another case to proceed with their asbestos-related state court action and recover from a prepetition letter of credit posted to secure an appeal. In that case, styled Calvin R. Lane and Alicia Lane v. Owens Corning, et al., which was pending in

California state court as of the Petition Date, the plaintiffs were awarded a jury verdict of approximately \$4.2 million in June 2001. The Debtors appealed such verdict, and posted a letter of credit in the approximate amount of \$6.1 million in late August 2001 to secure the judgment while the appeal was pending. Such letter of credit was issued by Chase Manhattan Bank, N.A. (now JPMorgan Chase Bank) as part of the Debtors' prepetition secured credit facility.

In April 2002, the Lane plaintiffs sought to lift the automatic stay in order to proceed with the Debtors' appeal of their case, to which the Debtors ultimately consented in part. In September 2002, the Bankruptcy Court approved a limited lifting of the automatic stay to allow the Lanes' case to proceed on appeal, and in the event the appeal resulted in a final non-appealable judgment the Lanes were permitted to seek satisfaction of the judgment from the letter of credit. However, the Bankruptcy Court's order provided that the Debtors' were not prevented from seeking to enjoin any draw on the letter of credit pending a determination as whether the issuance of the letter of credit or provision of security for the letter of credit constituted an avoidable transaction under applicable bankruptcy or non-bankruptcy law. The judgment of the California Superior Court in the Lanes' state court action was upheld on appeal in July 2003. While the Debtors filed a notice of appeal to the California Supreme Court in August 2003, that court denied review of the case on or about October 1, 2003. That denial effectively exhausted the Debtors' options for appellate review of the Lanes' judgment.

In September 2003, the Unsecured Creditors Committee commenced an adversary proceeding (No. 03-56240) in the Bankruptcy Court against the Lanes, contending that the grant of the lien securing the letter of credit posted to secure their judgment constituted a preferential transfer avoidable under Section 547 of the Bankruptcy Code and recoverable from the Lanes on behalf of the Debtors' estates under Section 550 of the Bankruptcy Code. Subsequent to the commencement of that action, in December 2003, the Lanes drew on the letter of credit securing their judgment. The adversary proceeding against the Lanes remains pending.

As a result of the draws on the Hoskins and Lane letters of credit, the outstanding amount of the Tranche C Loans (discussed above in Section III.E.1.c) has increased from \$312.1 million as of the Petition Date to approximately \$328 million as of the date of this Disclosure Statement.

S. Environmental Obligations and Liabilities of the U.S. Debtors.

As industrial manufacturers in the United States, the U.S. Debtors have substantial environmental obligations governing their respective operations under a myriad of federal and state environmental statutes and regulations. Under these same environmental laws, the Debtors may have actual and potential liabilities as well.

The U.S. Debtors are defendants in lawsuits filed, or the recipients of administrative orders issued, in various jurisdictions pursuant to the federal Comprehensive Environmental Response Compensation and Liability Act of 1980 ("CERCLA") and/or other similar federal or state environmental laws. These laws require responsible parties to pay for remediating contamination resulting from hazardous substances that were discharged into the environment by them, or by others to whom they sent such substances for treatment or other disposition. In addition, the Debtors have been notified by the United States Environmental Protection Agency and various state agencies that they may be potentially responsible parties ("PRP") for the cost of remediating hazardous substances under CERCLA and other federal and state environmental laws. PRP designation may result in the Debtors participating in funding of site investigations and remediation.

The U.S. Debtors believe that they have limited liability arising from current or former commercial offsite waste disposal facilities where the Debtors are alleged to have disposed of wastes, and, to which numerous other companies also sent waste. Despite the Debtors' potential joint and several liability under CERCLA and other applicable laws, the Debtors' share of the total waste sent to each site has generally been small relative to other companies. Where liability has been established by administrative or judicial order, the governmental agencies and the courts typically have imposed liability in some reasonable relationship to each party's contribution of waste. The Debtors have also identified certain properties which the Debtors currently or previously owned or operated, for which they may be contractually responsible, or potentially liable as a matter of law, to remediate certain environmental contamination occurring during or prior to their ownership or operation. The Debtors are actively seeking to resolve these matters.

Pursuant to the Plan, the Debtors' potential environmental liabilities fall into three categories. The Plan divides the Debtors' prepetition Environmental Claims into the following two categories: (x) Claims arising from or related to property either never owned or occupied, or formerly but not longer owned or occupied by the Debtors ("Off-Site Environmental Claims"), and (y) Claims arising from or related to property currently owned or occupied, and that will continue to be owned or occupied by the Debtors after Confirmation of the Plan, excluding, however, any Claims arising from or relating to waste or other materials which were shipped or were arranged to be shipped for disposal to a site that was never owned or occupied or was formerly owned or occupied but no longer is owned or occupied by the Debtors ("On-Site Environmental Claims"). The third category of potential environmental liabilities relates to any Administrative Claims arising from postpetition actions taken by the Debtors involving sites that will not be owned or occupied by the Debtors after Confirmation of the Plan, such as claims arising from postpetition arrangements for disposal at property not owned by the Debtors or claims arising from postpetition releases of material on property sold or vacated by the Debtors prior to Confirmation of the Plan. Pursuant to the Plan, Off-Site Environmental Claims are classified and treated as Unsecured Claims, On-Site Environmental Claims remain unaltered and unimpaired and will continue to be capable of being asserted against the Reorganized Debtors, and Administrative Claims receive Administrative Expense priority treatment.

To date, approximately 100 Environmental Claims in the aggregate amount of approximately \$252 million have been filed against the Debtors in the Reorganization Cases. The Debtors believe that approximately \$6 million of the approximately \$252 million in total Environmental Claims filed are On-Site Environmental Claims. In addition to the filed On-Site Environmental Claims, the Debtors also have other environmental liabilities relating to their currently-owned U.S. facilities which were not the subject of Claims filed in the Reorganization Cases. The Debtors' current best estimate of known probable and estimable environmental liabilities relating to their currently-owned U.S. sites, including those site which are the subject of the above-mentioned \$6 million of On-Site Environmental Claims, is approximately \$22 million. A list of the current U.S. sites where the Debtors are aware of probable and estimable environmental liabilities is contained in Exhibit M to this Disclosure Statement.

The remainder (and vast majority) of the Environmental Claims filed in the Reorganization Cases are Off-Site Environmental Claims, arising from alleged contamination at sites the Debtors formerly owned or sites owned by third parties at which the Debtors arranged for the disposal of waste materials. Exhibit M also contains a list of the Debtors' former sites or offsite disposal locations where the Debtors currently believe they may have potential environmental liabilities.

The Debtors believe that the number and Allowed Amount of Environmental Claims asserted against them in the Reorganization Cases will ultimately be significantly less than the asserted number and amount of such Claims for several reasons. First, approximately \$172 million in face amount of Environmental Claims appear to be duplicative or unsubstantiated, or have been withdrawn, amended or superceded by other Claims. The Debtors expect that such Environmental Claims will be disallowed or resolved by stipulation or order, to the extent not otherwise withdrawn by the claimants. In addition, the Debtors have reached tentative agreements with parties asserting approximately \$20 million in face amount of Environmental Claims to reduce the Allowed Amount of those claims to approximately \$260,000 in the aggregate.

Accordingly, the Debtors believe that \$192 million in face amount of Environmental Claims will be disallowed by objection or agreement in the Chapter 11 Cases. Of the remainder, the Debtors believe that \$6 million are On-Site Environmental Claims that will be unimpaired under the Plan and hence will continue to be capable of assertion against the Reorganized Debtors. In addition, the Debtors' preliminary analyses indicate that approximately \$9 million in Off-Site Environmental Claims are properly asserted against various U.S. Debtors and should be Allowed. The Debtors are continuing to review and attempt to resolve the remaining \$45 million in Environmental Claims.

Various environmental claimants have asserted that certain environmental claims which "arise" following the effective date of a confirmed plan of reorganization should not be subject to discharge even if the claim is based upon the debtor's pre-petition conduct, according to certain interpretations of judicial decisions in the Third Circuit. Since there is some debate and uncertainty regarding when potential liabilities or obligations under certain Environmental Laws become a Claim according to Third Circuit case law, there is the possibility that some

Environmental Claims, other than On-Site Environmental Claims, might be asserted against the Reorganized U.S. Debtors.

In addition, the Debtors have tentatively resolved potential Environmental Claims not included in the approximately \$252 million in filed Environmental Claims referenced above held by the United States on behalf of the U.S. Environmental Protection Agency ("EPA") for a negotiated value of \$1.6 million. This tentative agreement is being reviewed by the respective senior management of the Debtors and the EPA, who are also discussing whether the EPA can appropriately seek to assert some or all of its claim as a setoff against certain refunds that the IRS owes to various U.S. Debtors. The Debtors hope to reach formal agreement on this settlement and file a motion seeking Bankruptcy Court approval of the settlement agreement in the near future following a public comment period of 30 days from the agreement's publication in the *Federal Register*. During the negotiations on this agreement, the Bankruptcy Court has granted several extensions of the Bar Date for the EPA to file Environmental Claims in these Reorganization Cases.

T. Material Postpetition Litigation Involving the U.S. Debtors

Subsequent to the Petition Date, the Debtors have been involved in certain significant postpetition litigation commenced by third parties and not discussed elsewhere in this Disclosure Statement. In particular, two significant proceedings have been commenced that involve the Debtors, one by Nippon Piston Rings, Inc. and a second by Joseph Scott Sherrill and Keith A. Siverly. Each is discussed in turn below.

1. Nippon Piston Ring Co., Ltd. v. Federal-Mogul Corporation et al., Adversary Proceeding No. 03-60184 (RTL).

On December 23, 2003, Nippon Piston Ring Co., Ltd. ("NPR"), a Japanese corporation, filed an adversary complaint in the Bankruptcy Court against Debtors Federal-Mogul, F-M Powertrain, and FMPRI. The gravamen of the multiple-count complaint is a claim for approximately \$20 million in damages based on the alleged loss of value of NPR's minority common stock interest in a former Federal-Mogul affiliate that had also been known as Federal-Mogul Piston Rings, Inc. ("Old Piston Rings"). The complaint also alleges claims of lesser magnitude for breach of contract and injunctive relief. This action remains pending before the Bankruptcy Court as of the date of this Disclosure Statement.

The dispute centers around two written agreements, a Second Stockholders Agreement dated December 15, 1993, and a License Agreement, as restated, replaced and amended, dated April 22, 1998. Pursuant to the Second Stockholders Agreement, NPR held 862 shares of non-voting, non-convertible Class B common stock of Old Piston Rings, and certain related rights to nominate (but not appoint) one of the five members of Old Piston Rings' Board of Directors. As part of an effort to simplify Federal-Mogul's corporate structure prior to the Petition Date, Old Piston Rings was merged into Powertrain, with Powertrain becoming the surviving entity. Upon conclusion of the merger, Old Piston Rings ceased to exist. The subject Merger Agreement failed to address expressly NPR's minority stock position in Old Piston Rings. Shortly after the conclusion of the merger, and in recognition of NPR's minority stock ownership in Old Piston Rings, Federal-Mogul formed a new entity which is the current Debtor FMPRI, and assigned to FMPRI substantially all of the assets that had previously been owned by Old Piston Rings. Thereupon, Federal-Mogul and Powertrain tendered to NPR an amount of common stock of FMPRI equivalent to NPR's former stock ownership in Old Piston Rings. To date, however, NPR has declined to accept the tender of stock in FMPRI. The Second Stockholders Agreement also contains reciprocal non-competition covenants which each party claims the other party has breached. Pursuant to the License Agreement, NPR and Federal-Mogul cross-licensed certain technology to one another, and agreed to provide technical support and know-how to the other party in support of the licensed technology. Each party also contends that the other is in default of its obligations under the License Agreement. In addition to the foregoing, NPR claims that the action by Federal-Mogul and Powertrain permitting Old Piston Rings to participate in Federal-Mogul's former accounts receivable securitization facility, and permitting Old Piston Rings' assets to be used as collateral for the Senior Bank Claims and Surety Claims, constitute breaches of fiduciary duty owed to NPR as a minority shareholder. NPR's damage claim is based on the total amount it has allegedly invested in the subject business enterprise since its inception.

The Debtors have answered NPR's Complaint denying its material allegations and asserting a number of affirmative defenses. NPR's Complaint mirrors five separate proofs of claim which NPR filed with the Debtors' Claims Agent prior to the March 3, 2003 bar date. Therefore, in addition to defenses as to the merits of the claims alleged by NPR, the Debtors contend that NPR's Complaint is superseded by its previously filed proofs of claim, and that the Adversary Proceeding should either be dismissed, or alternatively should be stayed pending the filing of objections to NPR's proofs of claim under Section 502 of the Bankruptcy Code. In addition, the Debtors have asserted two counterclaims against NPR. The first counterclaim seeks subordination of all of NPR's claims under Section 510(b) of the Bankruptcy Code. The second counterclaim seeks damages for NPR's breach of the non-competition provisions of the Second Stockholders Agreement, and breach of NPR's obligations to provide technical assistance and know-how to Federal-Mogul and Powertrain under the License Agreement. The Debtors have announced their intention to file a motion to stay all proceedings in this adversary proceeding pending the filing of formal objections to NPR's proofs of claim or estimation proceedings under Section 502(c).

2. Litigation Concerning Salaried Employees' Investment Program.

The following description was prepared by the Debtors and represents their views and interpretations of the matters. Representatives of Joseph Scott Sherrill ("Sherrill"), the claimant, dispute portions of the following description.

Factual Background. This series of related proceedings, including the class proof of claim filed by Sherrill in the face amount of \$97,968,790.00 (the "Class Claim"), arises out of the Federal-Mogul Corporation Salaried Employees' Investment Program ("SEIP") which the Company established on or about September 1, 1960 and maintained through the Petition Date. The SEIP is a participant-directed, ERISA-qualified employee benefit plan pursuant to which eligible employees of certain Debtors could voluntarily elect to participate by making pre-tax or after-tax contributions to a tax-qualified trust. Contributions to the trust were, in turn, invested through separate investment funds maintained and administered according to the terms and provisions of the SEIP. During the pertinent time period, SEIP participants could select from as many as eight separate investment options, one of which was the Federal-Mogul Common Stock Fund ("Common Stock Fund"), a unitized stock fund that invested only in Federal-Mogul common stock. Contributions to a participant's SEIP account were funded through payroll deductions, and also by matching contributions made by Federal-Mogul in the form of Federal-Mogul common stock, Federal-Mogul Series C ESOP Convertible Preferred Stock (funded through an employee stock ownership plan and hereinafter referred to as the "Preferred Stock Fund"), or cash (individually or collectively, "matching contributions"). Matching contributions equaled 50% of the SEIP participant's annual direct contributions, but were capped at 4% of the participant's eligible compensation. Contributions, and any gains or losses, were allocated to each participant's individual account or accounts within the SEIP.

SEIP participants were at all times entitled to transfer their own contributions between and among the various investment options. Prior to December 2000, however, each participant was restricted in his or her ability to transfer money out of the Common Stock Fund (to the extent funded with matching contributions) or the Preferred Stock Fund. In December 2000, the SEIP was amended to permit the participants to freely transfer the matching contributions out of the Common Stock Fund and into alternative investment options. In addition, on or about September 28, 2001, Federal-Mogul established a Supplemental Pension Account within its system of qualified pension plans that enabled SEIP participants to recoup their basis in their SEIP matching contribution accounts as a result of the above-described transfer restrictions. All SEIP participants who were then employees or retirees became eligible to receive a benefit equal to the amount of all matching contributions previously made on each participant's behalf as of December 21, 2000, reduced by the market value of the participant's common stock matching contribution account as of that date. In July 2001, Federal-Mogul discontinued the practice of making matching contributions to the SEIP in the form of Federal-Mogul common stock, and had previously discontinued making matching contributions in the form of Federal-Mogul preferred stock.

Claimant Sherrill is a former Federal-Mogul employee and was a participant in the SEIP. According to the Debtors' records, Sherrill began participating in the SEIP in 1999 and withdrew from the Plan in December 2000. At that time Sherrill had sustained a loss of approximately \$461.12 in the Common Stock Fund, and had realized a net gain of \$56.16 in the Preferred Stock Fund. Sherrill terminated his employment on October 31, 2001. Shortly after terminating his employment, Sherrill received a complete distribution of his SEIP account balances.

The Class Proof of Claim. On March 3, 2003, Sherrill filed Proof of Claim No. 7314 on his own behalf and on behalf of a purported "class of persons similarly situated" consisting of "[a]ll participants (and their beneficiaries) in the [SEIP], for whose accounts the . . . Plan made or maintained investments in the Federal Mogul common stock and preferred stock . . . at any time from June 30, 1999 to October 1, 2001." The Class Claim is based on alleged breaches of fiduciary obligations by Federal-Mogul under the Employee Retirement Income Security Act ("ERISA"), 29 U.S.C. §§ 1001, et seq. The Class Claim was filed in the face amount of \$97,968,790 calculated on the basis of the alleged loss of the total "value of common and preferred stock acquired by the [SEIP] in the years 1999, 2000 and 2001." The Debtors dispute any and all liability under the Class Claim. To that end, on December 4, 2003, the Debtors filed an objection to allowance of the Class Claim in whole or in part, and additionally have asserted a counterclaim to subordinate the full amount of the Class Claim in accordance with the provisions of 11 U.S.C. § 510(b). On or about February 2, 2004, Sherrill filed his response to the Debtors' objection and answer to the counterclaim. The objection and counterclaim are now at issue and remain pending at this time.

Sherrill's Motion for Relief from the Automatic Stay. In addition to Proof of Claim No. 7314 described above, Sherrill together with another former Federal-Mogul employee, Keith A. Siverly ("Siverly"), commenced a class action in the United States District Court, Southern District of Illinois, styled Sherrill et al. v. Federal-Mogul Corporation Retirement Programs Committee, et al., No. 03-4165-SLF ("Illinois Action") on or about September 22, 2003. The Illinois Action names as defendants certain of the Debtors' present and former officers, directors and employees, as well as State Street Bank & Trust (as investment manager and trustee) and Comerica Bank (as trustee). The claims asserted in the Illinois Action are predicated on the same operative facts as set forth in Sherrill's Proof of Claim No. 7314. However, the operation and effect of the automatic stay of 11 U.S.C. § 362(a) in the Debtors' chapter 11 cases prevented Sherrill from naming the Debtors as defendants in the Illinois Action. Accordingly, on or about October 27, 2003, Sherrill filed a motion for relief from the automatic stay before the Bankruptcy Court in the Debtors' Reorganization Cases. The Debtors opposed Sherrill's relief from stay motion in writing and at oral argument at the November 20, 2003 hearing before then-presiding Bankruptcy Judge Randall Newsome. At the hearing on November 20 and through an order entered on December 22, 2003, Judge Newsome ordered that a ruling on Sherrill's relief from stay motion would be deferred until after a decision was reached on the Debtors' action to subordinate the Class Claim pursuant to Section 510(b). Judge Newsome further ordered that if the Court subordinated the Class Claim, the relief from stay motion would be denied, but that if the Court determined that the Class Claim should not be subordinated, the relief from stay motion would be granted and Sherrill would be permitted to bring an action against Federal-Mogul in the Illinois Action.

The officers, directors and employees of the Debtors who are named defendants in the Illinois Action, as well as Federal-Mogul Corporation, are insured under various insurance policies with substantial aggregate limits. The Debtors believe that the potential of recovery under these insurance policies is the primary motivation for Sherrill's pursuit of this litigation, as well as the assertion of the Class Claim. The Debtors believe that the insurance is likely to provide the defendant officers, directors and employees, as well as Federal-Mogul Corporation, with adequate coverage in the Illinois Action. The Debtors have been advised that, absent settlement, Sherrill intends to check the applicable box on the ballot so as not to grant the releases in favor of the defendant officers, directors and employees that would otherwise occur pursuant to Section 9.2.2 of the Plan, thereby also excluding said defendants from the protection of the Supplemental Injunction regarding the Illinois Action that would otherwise occur pursuant to Section 9.3.1 of the Plan.

Sherrill's Request for Class Certification. In October 2003, Sherrill also moved the Bankruptcy Court for an order certifying the purported class of SEIP participants on whose behalf the Class Claim was filed, as a class under Federal Rule of Civil Procedure 23 and Fed. R. Bankr. P. 7023. The motion also sought to designate Sherrill and Siverly as the class representatives. On November 10, 2003, the Debtors filed their written objection to the motion for class certification and requested that the Court defer taking any action with respect to Sherrill's request for class certification unless and until the Debtors had an opportunity to conduct discovery, and/or the Court determined the Debtors' objection to allowance of the Class Claim, including the issue of subordination. On November 20, 2003, Judge Newsome conducted a hearing on the motion for class certification and the Debtors' objections to the motion. At the hearing and through an order entered on December 22, 2003, Judge Newsome ordered that a ruling on the issue of class certification would be deferred until after a decision was reached on the Debtors' action to subordinate the Class Claim pursuant to Section 510(b). Judge Newsome observed at the hearing that if the Court subordinated the Class Claim it would be a waste of time and money to litigate over class

certification. On the other hand, Judge Newsome observed that if the Court did not subordinate the Class Claim, it would be more efficient to litigate the class certification issues in the Illinois Action. Accordingly, Judge Newsome ordered that if the Court determined that the Class Claim should not be subordinated, Sherrill would be permitted to litigate the class certification issues in the Illinois Action.

If the Class Claim is subordinated pursuant to Section 510(b), the Class Claim would be classified and treated as a Subordinated Securities Claim in Class 1N under the Plan. If the Class Claim is not subordinated pursuant to Section 510(b), the Class Claim, if allowed on the merits, would be classified and treated as an Unsecured Claim in Class 1H under the Plan. The amount of any Allowed Class Claim, whether classified as a Class 1N or Class 1H Claim, would be equal to the liquidated amount, as determined by final court order or by agreement, after subtracting any recovery on behalf of the Class Claim from the applicable insurance policies.

U. Compromise and Agreement Among the Noteholders and Asbestos Personal Injury Claimants.

The Plan is based primarily upon a compromise and agreement among the Unsecured Creditors Committee and the Asbestos Claimants Committee. At its core, the agreement provides that the holders of Noteholder Claims and Asbestos Personal Injury Claims and Demands will receive nothing on account of their respective Claims and Demands from the Debtors except 100% of the common stock of Reorganized Federal-Mogul. Specifically, (i) 49.9% of the Reorganized Federal-Mogul Common Stock will be distributed to the Noteholders and the holder of Convertible Subordinated Debenture Claims and (b) 50.1% of the Reorganized Federal-Mogul Common Stock will be distributed to a trust established pursuant to Section 524(g) of the Bankruptcy Code for the benefit of the holders of Asbestos Personal Injury Claims and Demands. The holders of Asbestos Personal Injury Claims and Demands will also receive the benefit of any Asbestos Insurance Policies and any Asbestos Insurance Action Recoveries. Most other unsecured creditors (such as the holders of trade claims and other unsecured claims) will receive cash distributions in amounts that take into account the value of the common stock distributions to the Noteholders (taking into account a discount for the cash distributions to such unsecured claims and the absence of any collateral in respect of such non-Noteholder Claims). Holders of Unsecured Claims against the U.K. Debtors will receive one of the treatments described in Section VI.C.4.h.(2), below.

The Unsecured Creditors Committee and the Asbestos Claimants Committee believe that the foregoing settlement is a fair and reasonable allocation of the value of these Estates among the unsecured creditor constituencies of the Debtors. Both the Noteholders and the holders of Asbestos Personal Injury Claims assert substantial claims against most of the principal Debtors in these Reorganization Cases. Both the Unsecured Creditors Committee and the Asbestos Claimants Committee recognize, however, that any contested valuation proceedings regarding the asbestos liabilities of the Debtors would be costly and time consuming. Any such valuation, moreover, would be complicated by the fact that the alleged asbestos liabilities arise from six different "streams" of liability, each relating to specific products, and each of which in turn arises from corporate acquisitions made by Federal-Mogul during the period from 1965 through 1998. The parties, in essence, would have to value six distinct and different streams of asbestos liabilities and then determine the value, if any, available for distribution to each group of Asbestos Personal Injury Claims and Demands. These valuations would be further complicated by the fact that each Debtor with alleged asbestos liabilities has varying insurance coverage and varying amounts of secured and unsecured commercial debt. The parties would also have to unwind hundreds of millions of dollars of complicated intercompany transfers. In sum, the process of analyzing and liquidating the amount and value of the asbestos liabilities of the Debtors would have been extremely costly and time-consuming and would have easily added years to the completion of these Reorganization Cases.

For all of the foregoing reasons, the Unsecured Creditors Committee and the Asbestos Claimants Committee agreed to settle the allocation of the value of these Estates among the principal unsecured creditor constituencies of the Debtors. Both the Unsecured Creditors Committee and the Asbestos Claimants Committee agree that the settlement fairly allocates the value of these Estates among the approximate amounts of commercial and asbestos liabilities of the Debtors and avoids the delays, costs and risks associated with trying to fix precise values for the asbestos liabilities of the Debtors through contested valuation and plan proceedings. The settlement also enables each group of creditors to obtain significant financial recoveries at an earlier date than would be

available in any contested proceedings and allows the Debtors to emerge from bankruptcy more quickly and refocus all of their efforts on operating their businesses, as reorganized, without the costs and burdens of Chapter 11.

V. Compromise and Agreement with the Holders of Bank Claims.

Following its appointment in these Reorganization Cases, the Unsecured Creditors Committee undertook an investigation of, among other things, the validity and priority of the liens securing the Bank Claims. As of the Petition Date, the Bank Claims totaled nearly \$2.0 billion and were secured by first-priority liens on substantially all of the United States assets of the U.S. Debtors and 65% of the stock of certain foreign subsidiaries of the U.S. Debtors. The Unsecured Creditors Committee concluded as a result of its investigation that it had a good faith basis upon which to challenge and seek to set aside a significant portion of the liens securing the Bank Claims. Among other things, the Unsecured Creditors Committee alleged that certain of the liens securing the Bank Claims were avoidable as fraudulent transfers under applicable state and federal law. The holders of Bank Claims vigorously disputed any and all such allegations and maintained that their security interests were valid and enforceable.

In order to avoid costly and time-consuming litigation over the validity and extent of the liens securing the Bank Claims, the Unsecured Creditors Committee and the holders of the Bank Claims entered into negotiations regarding the possible consensual restructuring of the Bank Claims. As a result of those negotiations, the holders of Bank Claims have agreed to restructure their approximately \$2.0 billion of prepetition secured claims. In summary terms, approximately \$1.3 billion of the Bank Claims will be refinanced in a new secured credit facility. Additionally, \$300 million of the Bank Claims will be converted into Junior Secured Pay-In-Kind Notes. The remaining amount of approximately \$328 million of Bank Claims will either be refinanced, in whole or in part, as part of the Exit Facilities or will be converted into an additional senior tranche of the new \$1.3 billion secured credit facility. The holders of the Bank Claims have also agreed that the liens to be granted in connection with the Exit Facilities and the refinanced portion, if any, of the Tranche C portion of the DIP Facility will be senior to the liens securing the restructured Bank Claims.

The Plan Proponents believe that the terms of the foregoing settlement are favorable for the Debtors and their Estates. The restructuring of the Bank Claims as outlined above will have immediate and material economic benefits for the Debtors and will help provide the Debtors with a viable capital structure on and after the Effective Date. The settlement also enables the Debtors to obtain the Exit Facilities and to emerge more quickly from these Reorganization Cases.

W. Compromise and Agreement with the Equity Committee.

The Plan also embodies a settlement with the Equity Committee with respect to the treatment of Equity Interests in Federal-Mogul under the Plan. Federal-Mogul and its official creditor constituencies all believe that, because of Federal-Mogul's significant liabilities, particularly with respect to the Bank Claims, Noteholder Claims and Asbestos Personal Injury Claims and Demands, there is no value attributable to the currently outstanding preferred and common stock of Federal-Mogul. The Equity Committee disagrees and contends that there is value available to Equity Interests in Federal-Mogul after the allowance and payment of valid Claims and Demands against Federal-Mogul.

In order to determine conclusively whether such Equity Interests are entitled to any distributions, the Plan Proponents would have to engage in contested valuation proceedings which, for the reasons discussed above in Article V.V, would be costly and time consuming. The Bankruptcy Court ordered in April 2003 that the parties, including the Equity Committee, on behalf of the holders of equity interests in Federal-Mogul Corporation, and the Unsecured Creditors Committee and Asbestos Claimants Committee on behalf of their constituencies, should begin discovery relating to and preparation for such valuation proceedings. These proceedings were to have culminated in a two-day trial before the Bankruptcy Court in July 2003.

During the process of preparing for such trial, and in order to avoid much of the expense, delay and risk associated with the proposed valuation proceedings, the Plan Proponents agreed to a compromise. Pursuant to the terms of that compromise, the holders of Equity Interests in Federal-Mogul, as well as holders of Subordinated Securities Claims related to such Equity Interests, will receive certain warrants for the purchase of Reorganized

Federal-Mogul Common Stock if such holders vote in favor of the Plan. In particular, the Plan provides that the holders of Equity Interests (or Subordinated Securities Claims attributable to such Equity Interests) in those Classes which vote to accept the Plan will be entitled to receive their ratable distribution of the Warrants. If any Class of such Equity Interests and/or Subordinated Securities Claims rejects the Plan, then such Class will not receive or retain anything on account of its respective Equity Interests and/or Claims, as applicable.

X. Compromise and Agreement with Dan=Loc.

The Plan also embodies a settlement with Dan=Loc with respect to actual and potential contractual indemnification claims and other claims against the Debtors and their non-Debtor Affiliates. Pursuant to the Dan=Loc Deed of Special Indemnity and the Dan=Loc Deed of Guarantee entered into on or about April 11, 1997 in conjunction with the acquisition by Dan=Loc of substantially all of the assets of GHI, Dan=Loc alleges that it has indemnification claims against the Debtors. To the extent that these indemnification claims arise from asbestos personal injury claims asserted against Dan=Loc, such Claims are classified as Indirect Asbestos Personal Injury Claims under the Plan. To the extent these indemnification claims include environmental and property damages claims against the Debtors, such Claims are classified as Unsecured Claims under the Plan.

Dan=Loc has objected to the classification of its contractual indemnification claims, and contends that all such claims should either be Unsecured Claims against the Debtors, or placed in an entirely separate class of claims. In addition to those indemnification claims against the Debtors that arise from asbestos personal injury claims asserted against Dan=Loc, Dan=Loc has also asserted liquidated non-contingent Environmental Claims against the Debtors in the approximate amount of \$2,500,000 and indemnification claims against certain non-Debtor Affiliates. Moreover, Dan=Loc has objected to the Asbestos Injury Trust Distribution Procedures established for the Trust to resolve allowance issues with respect to Indirect Asbestos Personal Injury Claims.

This compromise is the product of negotiations engaged in between the Asbestos Claimants Committee and Dan=Loc. As discussed in Section IV.I.1 above, Dan=Loc has various defenses to the underlying Asbestos Personal Injury Claims in which it has been named because the basis for almost every (if not, in fact, every) Asbestos Personal Injury Claim brought against Dan=Loc are actions taken by the Debtors prior to the purchase by Dan=Loc of substantially all of GHI's assets and business in April 1997. Moreover, Dan=Loc has limited assets and no asbestos personal injury insurance by which to improve the asset pool of the Trust. In addition, as part of the compromise, Dan=Loc has agreed to a broad waiver and release of Claims against the Debtors (including, but not limited to, Environmental Claims) and their non-Debtor Affiliates. For all of these reasons, the Asbestos Claimants Committee and the other Plan Proponents have agreed to this compromise, the terms of which are set forth below:

- "Dan=Loc/GHI Indemnified Asbestos Personal Injury Claims and Demands" means any Asbestos Personal Injury Claim or Demand that is both: (A) (i) based upon exposure, occurring at any time, to an asbestos-containing product manufactured, distributed, or sold prior to April 11, 1997 by GHI or any other Debtor that has been, is or could be asserted against Dan=Loc or its subsidiaries or affiliates or their respective successors, including but not limited to The Flexitallic Group, Inc. and its subsidiaries and affiliates (collectively referred to herein as the "Dan=Loc Group") or (ii) based upon exposure, prior to April 11, 1997, to asbestos present in the internal or external fabric of any building owned or leased by GHI or any other Debtor and which was acquired or leased by the Dan=Loc Group from GHI or any other Debtor under the terms of the 1997 Flexitallic Asset Purchase Agreement, that has been, is or could be asserted against the Dan=Loc Group; and (B) is an "Asbestos Related Claim" (as such term is defined in the Dan=Loc Deed of Special Indemnity) subject to indemnification by GHI under Section 2.2 of the Dan=Loc Deed of Special Indemnity and Section 2.2 of the Dan=Loc Deed of Guarantee (copies of which are attached to the Plan collectively as Exhibit 1.1.55). Dan=Loc/GHI Indemnified Asbestos Personal Injury Claims and Demands shall also mean any Asbestos Personal Injury Claims and Demands falling within the sharing provisions of Section 2.5 of the Deed of Special Indemnity to the extent of the percentage allocable to GHI or any other Debtor thereunder, if such Claims or Demands allocable to GHI meet the requirements of the preceding sentence;³ provided, however, that in no event shall Dan=Loc Indemnified Indirect

³ The sharing provisions of Section 2.5 of the Dan=Loc Deed of Special Indemnity pertain to Asbestos Personal

Asbestos Personal Injury Claims and Demands include any Claims or Demands made against the Dan=Loc Group at any time after April 11, 2024.

- Dan=Loc/GHI Indemnified Asbestos Personal Injury Claims and Demands will be included in the definitions of Asbestos Personal Injury Claim, Asbestos Personal Injury Demand and Indirect Asbestos Personal Injury Claims under Sections 1.1.20, 1.1.21 and 1.1.94 of the Plan, respectively. All Dan=Loc/GHI Indemnified Asbestos Personal Injury Claims and Demands will be channeled to the Trust pursuant to Section 524(g), and the Dan=Loc Group shall be designated as a Protected Party of the Section 524(g) channeling injunctions with respect to the Dan=Loc/GHI Indemnified Asbestos Personal Injury Claims and Demands. No other claims or demands against, or liabilities or obligations of, the Dan=Loc Group shall be channeled to the Trust.
- On the Effective Date, each of the Dan=Loc Deed of Special Indemnity and the Dan=Loc Deed of Guarantee shall be deemed terminated by agreement and the Dan=Loc Group shall release any and all Claims, obligations and liabilities (including, but not limited to, Environmental Claims) whatsoever against any and all of the Debtors, their non-Debtor Affiliates, and the Released Parties (i) under the Deed of Special Indemnity, (ii) under the Deed of Guarantee, (iii) or otherwise, except that Asbestos Property Damage Claims against the Debtors that the Dan=Loc Group had under the Dan=Loc Deed of Special Indemnity and Dan=Loc Deed of Guarantee as of the Petition Date shall, to the extent that any such Claims are Allowed, be treated as Unsecured Claims under the Plan.

Y. Potential Compromise and Settlement With Pneumo Abex Parties.

Below (including definitions) are draft potential provisions (the "Draft PA Transaction Proposal") that (i) describe a proposal by the so-called Pneumo Abex Parties for a potential agreement between the Pneumo Abex Parties and all of the Plan Proponents (the "Pneumo Abex Transaction") pursuant to which the Pneumo Abex Parties will receive the benefits of an injunction pursuant to Section 524(g) and 105 of the Bankruptcy Code channeling Pneumo Abex Asbestos Claims to a newly created Pneumo Abex Subfund that would be contained within the FMP Fund, which FMP Fund is part of the Asbestos Personal Injury Trust Distribution Procedures, and (ii) address certain inaccuracies and deficiencies that Cooper Industries, Inc. ("Cooper") contends exist in the descriptions otherwise set forth in the Disclosure Statement (as set forth below in Section 3 of the Draft PA Transaction Proposal).

The Pneumo Abex Parties are negotiating the terms of the potential Pneumo Abex Transaction with the Plan Proponents, and are hopeful that an agreement will be reached in the near future. Solicitation of votes by holders of Pneumo Abex Asbestos Claims in favor of the Pneumo Abex Transaction may accompany the solicitation of votes on the Plan or may occur subsequently thereto depending in part upon when (or if) agreement on the Pneumo Abex Transaction is reached. If a solicitation of votes in favor of the Pneumo Abex Transaction occurs and the Pneumo Abex Transaction is approved by the requisite majority of holders of Pneumo Abex Asbestos Claims, the Confirmation Hearing on the Plan will include a request that the Court approve the Pneumo Abex Transaction.

The Draft PA Transaction Proposal contains facts, characterizations and legal conclusions asserted by certain Pneumo Abex Parties relating to the Debtors' obligations with respect to the Pneumo Abex Asbestos Claims with which the Plan Proponents may not agree, and inclusion of this Section V.Y in the Disclosure Statement, including the Draft PA Transaction Proposal below, shall in no way constitute agreement or admissions with respect to any such facts, characterizations and legal conclusions. The proposed Pneumo Abex Transaction has not been accepted by the Plan Proponents and there are aspects of the Draft PA Transaction Proposal with which the Plan Proponents do not agree.

Injury Claims and Demands asserted in connection with any asbestos containing product manufactured, distributed or sold by GHI or any other Debtor prior to April 11, 1997, which Asbestos Personal Injury Claim also alleges exposure to any asbestos containing product manufactured, distributed or sold by the Dan=Loc Group on or after April 11, 1997, and which Asbestos Personal Injury Claim is based upon exposure to asbestos from such product during a period of time both prior to and after April 11, 1997.

In connection with the withdrawal by Cooper of its objection to the Disclosure Statement and the Plan, and the waiver of any objections to confirmation of the Plan by Cooper (including by Cooper as subrogee to the rights of the Pneumo Abex Parties), the Plan Proponents have agreed to insert the Draft PA Transaction Proposal in the Disclosure Statement and Plan. The Plan Proponents understood and understand such confirmation objection waiver to have been made by Cooper on behalf of not just Cooper but all of the Pneumo Abex Parties in all respects; Cooper and the Pneumo Abex Parties dispute this understanding and contention and believe the confirmation objection waiver was solely on behalf of Cooper (including on behalf of Cooper as subrogee to the rights of the Pneumo Abex Parties). In the event agreement on the Pneumo Abex Transaction between all of the Plan Proponents and the Pneumo Abex Parties is not reached at least [30] days before the Voting Deadline, or such agreement on the Pneumo Abex Transaction is reached but approval thereof by the requisite holders of Pneumo Abex Claims is not obtained by the Voting Deadline, and notwithstanding any other provision of the Disclosure Statement or Plan, then: (i) none of the provisions of Article XII of the Plan shall be effective and such provisions shall be deemed removed from the Plan on the Confirmation Date; and (ii) none of the provisions of this Section V.Y. (except Section 3 of the Draft PA Transaction Proposal (which is qualified hereby in all respects as the contentions of certain Pneumo Abex Parties) and this paragraph and the preceding paragraph) shall be effective, and such provisions shall be deemed removed from the Disclosure Statement on the Confirmation Date.

Court approval of the Pneumo Abex Transaction is not a condition to confirmation of the Plan or the occurrence of the Effective Date. Except as set forth in the preceding paragraph, changes or revisions to the Plan or Disclosure Statement relating to the provisions of the Draft PA Transaction Proposal and/or the Pneumo Abex Transaction must be approved in writing by all of the Plan Proponents.

THE DRAFT PA TRANSACTION PROPOSAL

PROPOSED DISCLOSURE STATEMENT INSERTS

1. Insert Concerning Section 524(g) Injunction

- Insert a new Section I.A, titled "Notice of Special Plan Injunction" (and renumber remaining sections):

ARTICLE IX OF THE PLAN PROVIDES FOR THE ISSUANCE OF A CHANNELING INJUNCTION UNDER SECTIONS 105(a) AND 524(g) OF THE BANKRUPTCY CODE THAT PERMANENTLY ENJOINS ALL PERSONS HOLDING ASBESTOS PERSONAL INJURY CLAIMS FROM PURSUING A REMEDY AGAINST THE PROTECTED PARTIES AND CHANNELS THEM TO THE TRUST FOR RESOLUTION AND PAYMENT. SEE SECTION VI.F.3. BELOW FOR A DESCRIPTION OF SUCH INJUNCTION. THE PROTECTED PARTIES SHALL INCLUDE THE PNEUMO ABEX PARTIES IN RESPECT OF THE PNEUMO ABEX ASBESTOS CLAIMS, INCLUDING WITHOUT LIMITATION COOPER INDUSTRIES, INC., COOPER INDUSTRIES, LTD., PNEUMO ABEX CORPORATION, AND CERTAIN OTHER ENTITIES THAT MAY BE NAMED WITH THE CONSENT OF THE PLAN PROponents AS PART OF THE AGREEMENT BY THE PLAN PROponents TO THE PNEUMO ABEX TRANSACTION, ONLY IF THE PROPOSED SETTLEMENT GENERALLY DESCRIBED BELOW IN SECTION V.Y. IS CONSUMMATED.

2. Inserts Describing Possibility of Settlement

- Insert at the end of Section II.A:

In addition, subject to the outcome of ongoing negotiations, the approval of each Plan Proponent and execution of definitive settlement documentation on or before [30] days before the Voting Deadline, the Plan will implement a settlement with Cooper Industries, Inc. and Cooper Industries, Ltd. (collectively, "Cooper"), Pneumo Abex Corporation ("Pneumo Abex"), and certain other entities that may be named with the consent of each of the Plan Proponents as part of the agreement by the Plan Proponents to the Pneumo Abex Transaction (collectively, and together with any of their respective past, present or future affiliates, predecessors, successors or assigns, or the past, present or future officers, directors, employees, agents, affiliates, shareholders, lenders, attorneys, accountants, financial advisors, consultants or representatives of any of the foregoing, the "Pneumo Abex Parties") pursuant to which the Pneumo Abex Parties would pay to a subtrust of the FMP Fund (the "Pneumo Abex Subfund") to be established to pay Pneumo Abex Asbestos Claims (as defined in Section IV.I.2 below) an agreed amount, consisting of a combination of insurance rights and proceeds, cash, stock, guarantees and other forms of financial assurances, rights and proceeds calculated to be sufficient to pay in full all Pneumo Abex Asbestos Claims (based on claims projections made by the claims experts for the Future Claimants' Representative and the Asbestos Claimants' Committee and claims criteria and values similar to those set forth in the Asbestos Personal Injury Trust Distribution Procedures relative to the FMP (Wagner) Claims). In exchange for such payments, the Pneumo Abex Parties would receive the benefit of the Third Party Injunction (as well as injunctive relief under section 105 of the Bankruptcy Code) protecting such parties from Pneumo Abex Asbestos Claims.

- Insert after next to last paragraph of Section IV.I.2:

As described below in section V.Y., the Debtors, the Asbestos Claimants' Committee and the Future Claimants' Representative have been negotiating and, at the time of approval of this Disclosure Statement, continue to negotiate with Cooper Industries, Inc., Cooper Industries, Ltd., Pneumo Abex Corporation, and certain other entities to settle all disputes among the parties concerning F-M Products' alleged liability for Pneumo Abex Asbestos Claims and any Debtor's asserted obligation to indemnify certain of these parties for such Pneumo Abex Asbestos Claims. Subject to reaching an agreement and final documentation and the approval of each Plan Proponent, the Pneumo Abex Parties will pay to the Pneumo Abex Subfund an agreed amount, consisting of a combination of insurance rights and proceeds, cash, stock, guarantees and other forms of financial assurances, calculated to be sufficient to pay in full all Pneumo Abex Asbestos Claims (based on claims projections made by the claims experts for the Future Claimants' Representative and the Asbestos Claimants' Committee and claims criteria and values similar to those set forth in the Asbestos Personal Injury Trust Distribution Procedures relative to the FMP (Wagner) Claims). **In exchange for such payments, the Pneumo Abex Parties would receive, among other things, the benefit of the Third Party Injunction (as well as injunctive relief under section 105 of the Bankruptcy Code) protecting such parties from Pneumo Abex Asbestos Claims.**

Pneumo Abex Asbestos Claim means any and all asbestos-related personal injury claims and demands (as those terms are defined in the Bankruptcy Code), including contribution and indemnity claims, whenever or however asserted, against Pneumo Abex or any other Pneumo Abex Party, whether asserted by agents or employees of any of the Pneumo Abex Parties or any other person or entity, whether in the nature of or sounding in tort, contract, warranty, conspiracy or any other theory of law, equity or admiralty, whatsoever, for, attributable to or arising under the laws of any jurisdiction, by reason of, directly or indirectly, physical, emotional or other personal injuries (including death resulting therefrom) caused, or allegedly caused, in whole or in part, directly or indirectly, by Pneumo Abex, any of its predecessors, or any of the Pneumo Abex Parties on behalf of Pneumo Abex or any of its predecessors, and due to the presence of or exposure to asbestos or asbestos-containing products manufactured, sold, supplied, produced, specified, selected, distributed or in any way marketed by Pneumo Abex or any of its predecessors, or by any actions, omissions or activities, direct or indirect, of Pneumo Abex or any of its predecessors, including all claims or demands, debts, obligations or liabilities for compensatory damages (such as, without limitation, loss of consortium or support, medical monitoring, personal or bodily injury, wrongful death, survivorship, proximate, consequential, general and special damages) and punitive damages. A holder of a Pneumo Abex Asbestos Claim shall be referred to as a "Pneumo Abex Asbestos Claimant."

- Insert after the last sentence of the last paragraph of Section IV.I.3:

Subject to the outcome of ongoing negotiations, the approval of each Plan Proponent and execution of definitive settlement documentation on or before [30] days before the Voting Deadline, this dispute may be settled. See section V.Y. below for a more complete discussion of the potential settlement.

- Insert a new section IV.J.4.e.: "Pneumo Abex Insurance."

As noted above, the Plan Proponents have been negotiating and, at the time of approval of this Disclosure Statement, continue to negotiate with Cooper Industries, Inc., Cooper Industries, Ltd., Pneumo Abex Corporation, and certain other entities to settle all disputes among the parties concerning F-M Products' alleged liability for Pneumo Abex Asbestos Claims and any Debtor's asserted obligations to indemnify certain of these parties for such Pneumo Abex Asbestos Claims. In connection with any such settlement, the Pneumo Abex Parties, in addition to providing certain other consideration, may make available to the Pneumo Abex Subfund certain insurance, rights and proceeds.⁴ Rights with respect to proceeds payable from insurance or other insurance rights may be made available through a transfer of the stock of Pneumo Abex, waiver or other adjustment of rights to proceeds payable from insurance or other insurance rights, or such other adjustment or transfer of rights as the Court may approve.

- Insert a new section V.Y.:

Y. Potential Compromise and Settlement With Pneumo Abex Parties.

The Plan Proponents have been negotiating and, at the time of approval of this Disclosure Statement, continue to negotiate with Cooper Industries, Inc., Cooper Industries, Ltd., Pneumo Abex Corporation, and certain other parties to settle all disputes among the parties concerning F-M Products' alleged liability for Pneumo Abex Asbestos Claims and any Debtor's asserted obligations to indemnify certain of these parties for such Pneumo Abex Asbestos Claims. These liabilities and obligations are alleged to arise as a result of Wagner's 1994 purchase of certain assets and assumption of certain liabilities of Pneumo Abex's friction products division and the corresponding indemnity of Pneumo Abex by Wagner for certain asbestos liabilities relating to the assets and business purchased, and the 1998 transaction in which Cooper sold F-M Products to Federal-Mogul Corporation pursuant to the 1998 Stock Purchase Agreement. Cooper additionally contends that these liabilities result from F-M Products' direct liability for such asbestos claims arising out of the 1994 Asset Purchase Agreement, which the Debtors dispute. These negotiations follow many months of due diligence and analysis conducted by the Future Claimants' Representative and the Asbestos Claimants' Committee, through their respective legal, financial and claims advisors. While the negotiations have not been concluded at the time of approval of the Disclosure Statement, and while any agreement is subject to the execution of definitive settlement documents and the approval of each Plan Proponent, the parties intend to incorporate into (or attach to) the Plan any agreement on or prior to [30] days before the Voting Deadline.

Any such agreement will likely include, at a minimum, (a) creation of a Pneumo Abex Subfund and assumption by the Pneumo Abex Subfund of the obligation to resolve and pay the Pneumo Abex Asbestos Claims, (b) funding by the Pneumo Abex Parties of the Pneumo Abex Subfund, through a combination of insurance rights and proceeds, cash, stock, guarantees and other forms of financial assurances, in a significant agreed amount calculated to be sufficient to pay in full all Pneumo Abex Asbestos Claims (based on claims projections made by the claims experts for the Future Claimants' Representative and the Asbestos Claimants' Committee and claims criteria and values similar to those set forth in the Asbestos Personal Injury Trust Distribution Procedures relative to the FMP (Wagner) Claims), (c) establishment of trust distribution procedures similar to those employed in connection with the FMP (Wagner) Claims to resolve and pay the Pneumo Abex Asbestos Claims, (d) release and resolution of all claims by the Pneumo Abex Parties against the Debtors for indemnity and guaranty related to the Pneumo Abex Asbestos Claims, (e) release of all indemnity obligations of the Pneumo Abex Parties to Pneumo Abex, (f) extension of the Third Party Injunction to cover the Pneumo Abex Parties, (g) pursuit of an appropriate stay pursuant to

⁴ The parties transferring the insurance to Pneumo Abex shall retain the right to claim against the insurance for covered defense costs and indemnity damages incurred before the settlement effective date related to Pneumo Abex Asbestos Claims and for covered defense costs and indemnity damages incurred both before and after the settlement effective date not related to Pneumo Abex Asbestos Claims.

section 105 of the Bankruptcy Code temporarily enjoining the commencement or continuation of litigation or any other action against the Pneumo Abex Parties related to the Pneumo Abex Asbestos Claims from the date a signed term sheet is reached with the Plan Proponents through the date the Third Party Injunction is effective and (h) a requirement to incorporate such agreement into (or attach it to) the Plan and its related documents, including modification of the Third Party Injunction, to implement the settlement.

While the final structure and terms of any transaction with the Pneumo Abex Parties are subject to further negotiations and the approval of each Plan Proponent, the structures and terms presently under consideration by the Pneumo Abex Parties and the Plan Proponents include some or all of the following elements:

1. The Pneumo Abex Parties will make a Qualified Settlement Fund payment, consisting of a combination of insurance rights and proceeds, cash, stock, guarantees and other forms of financial assurances, to the Pneumo Abex Subfund, in a significant agreed amount calculated to be sufficient to resolve and pay in full all Pneumo Abex Asbestos Claims (based on claims projections made by the claims experts for the Future Claimants' Representative and the Asbestos Claimants' Committee and claims criteria and values similar to those set forth in the Asbestos Personal Injury Trust Distribution Procedures relative to the FMP (Wagner) Claims).

2. The Pneumo Abex Parties will transfer to Pneumo Abex certain rights that they have in and to certain insurance. This insurance has a face value of over \$1.1 billion. Certain of the Pneumo Abex Parties may, after consolidation of such insurance in Pneumo Abex and the transfer of operating assets (other than insurance) out of Pneumo Abex, cause the transfer of all the outstanding ownership interests in Pneumo Abex or any successor by merger to the Pneumo Abex Subfund. The Pneumo Abex Subfund may enter into litigation control, reimbursement or similar agreements related to the insurance with some or all of the Pneumo Abex Parties to reimburse them for some or all of the Qualified Settlement Fund payments.

3. On the Effective Date and pursuant to the Plan, the Pneumo Abex Subfund shall assume responsibility for the resolution and payment of all Pneumo Abex Asbestos Claims in accordance with the Plan and the Asbestos Personal Injury Trust Distribution Procedures, as revised to incorporate the settlement that is reached.

4. Immediately upon execution of a signed term sheet and approval by each Plan Proponent, the Debtors, the Future Claimants' Representative, the Asbestos Claimants' Committee and the Pneumo Abex Parties shall jointly request the Bankruptcy Court (or the District Court) to issue an appropriate stay pursuant to section 105 of the Bankruptcy Code temporarily enjoining the commencement or continuation of litigation or any other action against the Pneumo Abex Parties related to the Pneumo Abex Asbestos Claims through the date that the Third Party Injunction in favor of the Pneumo Abex Parties is effective.

5. Subject to the approval of each Plan Proponent, the definitive settlement documents shall permanently settle and resolve any and all current and potential claims (present or future) against the Pneumo Abex Parties relating to, associated with, arising from or on account of any Pneumo Abex Asbestos Claim.

6. The Pneumo Abex Parties shall become Protected Parties under the Third Party Injunction entered by the United States District Court for the District of Delaware, which injunction shall permanently enjoin any and all past, present and future holders of Pneumo Abex Asbestos Claims or their representatives from ever pursuing a remedy relating to, associated with, arising from or on account of any and all claims against or from the Pneumo Abex Parties.

7. If approved by each Plan Proponent, at the closing of the proposed settlement, the Pneumo Abex Parties, the Asbestos Claimants' Committee, the Unsecured Creditors' Committee, the FMP Fund and its trustees, the Pneumo Abex Subfund and its trustees, the Future Claimants' Representative, and the Debtors shall each execute and exchange releases implementing the settlement. Those releases shall release each party (and each party's past, present or future affiliates, predecessors, successors and assigns, and the past, present or future agents, directors, officers, employees, shareholders, representatives, consultants, attorneys, accountants, financial advisors, lenders and affiliates of any of the foregoing), from any and all claims related to Pneumo Abex Asbestos Claims, the Pneumo Abex indemnities, and the transactions that gave rise to the settlement agreement.

8. Pneumo Abex and the Pneumo Abex Subfund will jointly and severally defend, indemnify and hold harmless the Pneumo Abex Parties and Reorganized Federal-Mogul Corporation and its affiliates (as well as their respective past, present or future affiliates, predecessors, successors or assigns, or past, present or future officers, directors, employees, agents, affiliates, shareholders, lenders, attorneys, accountants, financial advisors, consultants or representatives of any of the foregoing) from any and all claims, including without limitation, attorneys' fees, associated with, arising from, on account of or relating to any Pneumo Abex Asbestos Claim.

9. The Plan, and its incorporated Third Party Injunction, will be modified to incorporate and implement the terms of the settlement.

10. The Asbestos Personal Injury Trust Distribution Procedures will be amended to create a matrix and claims resolution process for Pneumo Abex Asbestos Claims similar to the matrix and claims resolution process applicable to the FMP (Wagner) Claims described in the Asbestos Personal Injury Trust Distribution Procedures. Pneumo Abex Asbestos Claims shall become "TDP Valued Claims" under the Asbestos Personal Injury Trust Distribution Procedures and claimants will be able to submit their claims for resolution via an administrative process and will not be required to liquidate the claims in the tort system (as would be the case in the absence of the implementation of the proposed settlement). The claims criteria and values for the Pneumo Abex Asbestos Claims will be similar to the claims criteria and values set forth in the Asbestos Personal Injury Trust Distribution Procedures relative to the FMP (Wagner) Claims described therein.

The Debtors, Future Claimants' Representative and the Asbestos Claimants' Committee have expended significant time and effort evaluating the merits of, and negotiating, a potential settlement with the Pneumo Abex Parties. While there can be no assurance that an acceptable settlement will be negotiated and documented, the Future Claimants' Representative and the Asbestos Claimants' Committee believe that, if an acceptable final agreement can be reached, it would provide significant advantages and value to the holders of Pneumo Abex Asbestos Claims. First, and foremost, a settlement will allow the payment in full of all Pneumo Abex Asbestos Claims. In this regard, the Pneumo Abex Parties would be paying an agreed amount calculated to pay in full all Pneumo Abex Asbestos Claims (based on claims projections made by the claims experts for the Future Claimants' Representative and the Asbestos Claimants' Committee and claims criteria and values similar to those set forth in the Asbestos Personal Injury Trust Distribution Procedures relative to the FMP (Wagner) Claims). This payment, in the form of cash, stock, insurance rights and proceeds, guarantees and other forms of financial assurances, is anticipated to have a significant present value. Second, a settlement would provide the Pneumo Abex Subfund with immediate liquidity enabling the prompt payment of Pneumo Abex Asbestos Claims. Third, the proposed settlement provides claimants asserting Pneumo Abex Asbestos Claims against the Pneumo Abex Subfund with a simple, fully funded trust mechanism—the Pneumo Abex Subfund—to obtain payment of their claims through the Asbestos Personal Injury Trust Distribution Procedures, instead of forcing those claimants to pursue the more uncertain, expensive, time-consuming and burdensome litigation route. Fourth, the proposed settlement avoids time-consuming and expensive litigation over the claims of the Pneumo Abex Parties against the various Debtors related to the Pneumo Abex Asbestos Claims.

Subject to the approval of each Plan Proponent, the terms of any agreement reached with the Plan Proponents related to the Pneumo Abex Asbestos Claims will be filed with the Bankruptcy Court and posted on the Debtors' case website no later than [30] days before the Voting Deadline.

IN THE EVENT THE PNEUMO ABEX TRANSACTION IS APPROVED AND THE PLAN IS CONFIRMED, THE PNEUMO ABEX PARTIES WILL BE BENEFICIARIES OF THE THIRD PARTY INJUNCTION AND THE SUPPLEMENTAL INJUNCTION CONTAINED IN THE PLAN.

- **Insert the following after the first sentence of section IV.E.26:**

Indeed, the Plan Proponents intend to incorporate in or attach to the Plan any settlement they reach if the negotiations with the Pneumo Abex Parties, described above in Section V.Y., result in a definitive agreement that is approved by each Plan Proponent.

- Insert this new paragraph immediately after the first paragraph of section VI.F.3.b.:

Subject to the outcome of ongoing negotiations and execution of definitive settlement documents with respect to the settlement generally described in section V.Y. hereof and to approval by all Plan Proponents, the Protected Parties for purposes of the Third Party Injunction shall include the Pneumo Abex Parties, and the Third Party Injunction shall permanently enjoin all Pneumo Abex Asbestos Claims against such parties.

- Insert the words "and the Protected Parties" after the words "the Released Parties" in the first sentence of section VII.A.3., and add this new sentence immediately after the first sentence of section VII.A.3.:

Subject to the execution of definitive settlement documents with respect to the proposed settlement generally described in section V.Y. hereof and approval of each of the Plan Proponents, the Protected Parties shall include the Pneumo Abex Parties.

- Insert the following new paragraph after the first paragraph of section VII.A.10.:

Subject to the execution of definitive settlement documentation with respect to the proposed settlement generally described in section V.Y. hereof and approval of each Plan Proponent, Pneumo Abex and the Pneumo Abex Subfund will jointly and severally defend, indemnify and hold harmless the Pneumo Abex Parties and Reorganized Federal-Mogul Corporation and its affiliates from any and all claims, including without limitation, attorneys' fees arising from or on account of any Pneumo Abex Asbestos Claim, any other claim released in the definitive settlement documents and any claim or demand covered by the Third Party Injunction.

- Insert the following new sentence immediately after the third sentence of section VII.B.2.

Subject to the outcome of ongoing negotiations, the approval of each Plan Proponent, and the execution of definitive settlement documentation with respect to the proposed settlement generally described in section V.Y. hereof, the assets of the Pneumo Abex Subfund shall consist of the settlement consideration, in the form of stock, cash, insurance rights and proceeds, guarantees and other forms of financial assurances, provided by the Pneumo Abex Parties.

- Insert the following new sentence at the end of the second paragraph of section VII.B.2:

Indeed, the Future Claimants' Representative and the Asbestos Claimants' Committee specifically intend to establish Disease Levels, Medical/Exposure Criteria and Scheduled, Average and/or Maximum Values for Pneumo Abex Asbestos Claims payable from the Pneumo Abex Subfund in the event the proposed settlement between the Plan Proponents and the Pneumo Abex Parties described in section V.Y. hereof is implemented. Thus, in that event, such claims will be treated as "TDP Valued Claims" rather than "Insured PI Trust Claims." Claims criteria and values are anticipated to be similar to the criteria and values established for the FMP (Wagner) Claims.

3. Inserts Relative to Transaction History and Background of Relationships

- Insert after the first sentence of section III.C.5:

Wagner Electric Corporation ("Wagner") was merged into Moog Automotive Products, Inc. in January 1997. Thus, F-M Products became liable, as a matter of law, for the liabilities of Wagner. Among its other liabilities, Wagner assumed certain liabilities of Pneumo Abex and agreed to indemnify Pneumo Abex net of insurance for certain asbestos claims arising out of Pneumo Abex friction products. Cooper contends that Wagner also assumed these liabilities from Pneumo Abex and that Wagner thus is directly liable to the underlying asbestos claimants. The Debtors dispute those contentions.

- Insert in place of the first four paragraphs of Section IV.E.1:

F-M Products is a Missouri corporation and a wholly-owned subsidiary of Federal-Mogul that traces its history to 1922 with the formation of Wagner Electric Corporation ("WE1"), a manufacturer of various items, including automotive and industrial friction products and hardware. In May 1967 the assets of WE1 were acquired by Studebaker Corporation and transferred to a new subsidiary named Wagner Electric Corporation. In November 1967, Studebaker Corporation combined with Worthington Corporation to form Studebaker-Worthington, Inc. ("SWI").

In October 1979 McGraw-Edison Company ("McGraw") acquired 100% of the stock of SWI and its subsidiary companies including Wagner. In 1981 McGraw completed a reorganization that left Wagner as a direct subsidiary of Edison International, Inc. ("Edison").

In May 1985, Cooper Industries, Inc. ("Cooper") acquired 100% of the stock of McGraw in a cash tender offer transaction. McGraw and its subsidiaries, including Edison and Wagner, became indirect subsidiaries of Cooper. In 1987 Edison transferred any assets it owned related to the Wagner friction brake products and related liabilities to Wagner and transferred its non-friction products and Wagner Lighting business to Cooper. The legal entity Edison was then dissolved. The Wagner friction products assets and liabilities, specifically all liabilities for asbestos-containing products, continued to remain in Wagner. Cooper assumed liabilities for the Wagner non-friction products and Wagner Lighting products. In 1990, Cooper transferred all of the assets and liabilities of the Wagner non-friction products business to Wagner.

Wagner entered into an Asset Purchase Agreement dated November 21, 1994 (the "1994 Asset Purchase Agreement") with Pneumo Abex Corporation ("Pneumo Abex"), whereby Wagner purchased certain assets and assumed certain liabilities of Pneumo Abex's friction products division. Wagner also agreed to indemnify Pneumo Abex for, among other things, certain asbestos liabilities related to the assets and business purchased. Cooper entered into a Mutual Guaranty Agreement pursuant to which it guaranteed to Pneumo Abex's parent, Abex Inc. (now Mafco, Inc.), Wagner's performance of its obligations under the 1994 Asset Purchase Agreement.

After purchasing the Pneumo Abex friction products business, Wagner merged with Moog Automotive Products, Inc. ("Moog"), another of Cooper's subsidiaries, with Moog emerging as the surviving entity.

In 1998, certain Federal-Mogul entities,⁵ as purchasers (the "F-M Buyers"), entered into a stock purchase agreement (the "1998 Stock Purchase Agreement") with Cooper. Under the 1998 Stock Purchase Agreement, the F-M Buyers purchased from Cooper the stock of the "Champion Companies," including Moog. After the 1998 Stock Purchase Agreement was consummated, Moog was renamed Federal-Mogul Products, Inc.

Under the 1998 Stock Purchase Agreement, the F-M Buyers and their affiliates agreed that they shall assume certain pending litigation cases, including asbestos personal injury cases that had been filed against Wagner, as well as asbestos personal injury cases against Pneumo Abex for which Wagner had agreed to indemnify Pneumo Abex in connection with Wagner's acquisition of the Pneumo Abex assets.

Cooper contends that pursuant to the 1998 Stock Purchase Agreement, the F-M Buyers assumed all liability related to, among other things, Cooper's obligations under the Mutual Guaranty Agreement. In addition, the F-M Buyers agreed to indemnify Cooper and certain others for claims arising out of such assumed liabilities. (Potential contractual indemnification claims and disputes associated with this transaction are discussed below in Section IV.H.2.)

- Insert after the last paragraph of Section IV.E.2:

Cooper contends that, in addition to having direct asbestos liability for Wagner's role in the assembly of asbestos-containing brake products, F-M Products also assumed direct liability to those Pneumo Abex asbestos

⁵ The following Federal Mogul entities are collectively the "Buyer" under the 1998 Stock Purchase Agreement, as amended: Federal-Mogul Corporation; Federal-Mogul Comercio Internacional, S.A.; Federal-Mogul Pty Ltd.; Federal-Mogul Global Growth Ltd.; F-M U.K. Holding Limited and F-M International Group, Inc.

claimants for which it assumed responsibility in connection with purchasing the assets of the Pneumo Abex friction products division. In the past, these claims have been brought directly against Pneumo Abex, and F-M Products arranged for their defense and payment. Even so, Cooper contends that, under successor liability principles, these claims can also be asserted directly against F-M Products by the underlying Pneumo Abex asbestos tort claimants. The Debtors dispute Cooper's contentions.

- Insert after the chart that currently appears in Section IV.E.3 on page 40 of the Disclosure Statement:

Set forth below is a chart showing the approximate number of Pneumo Abex Asbestos Claims, by disease, that were pending as of March 31, 2004 for which Cooper contends that F-M Products has direct liability and for which the F-M Buyers' have contractual indemnification obligations:

Disease	Approximate Number of Claims as of March 31, 2004
Mesothelioma	1,217
Lung/Other Cancer	1,129
Asbestosis/Unknowns	67,724
Total:	70,070

- Replace the fourth sentence of the first paragraph of Section IV.I.2 with the following sentence:

In connection with the 1994 Asset Purchase Agreement, Cooper contends that Wagner assumed certain asbestos-related claims relating to the purchased assets, and also agreed to indemnify Pneumo Abex net of insurance for such claims. Cooper additionally contends that, as a result of the 1994 Asset Purchase Agreement, F-M Products, which is the combined entities Wagner and Moog, has direct liability for these asbestos claims, as well as the contractual indemnity obligation to Pneumo Abex. The Debtors dispute these contentions.

Z. Employment of Charles G. McClure as Chief Executive Officer.

In January 2001, Federal-Mogul entered into a contract to employ Charles G. McClure as its President and Chief Operating Officer. On May 1, 2002, the Bankruptcy Court entered an Order authorizing and approving the Debtors' assumption of Mr. McClure's employment pursuant to 11 U.S.C. § 365, provided that the contract was modified as set forth in the amendments attached to the Order. Such modifications provided, among other things, that Mr. McClure would assume the role of Chief Executive Officer of Federal-Mogul Corporation on July 11, 2003. Mr. McClure was in fact elected to and assumed the role of Chief Executive Officer on that date.

In November 2003, given the pending expiration of Mr. McClure's employment contract on January 11, 2004, the Debtors filed a motion with the Bankruptcy Court seeking authorization to amend Mr. McClure's employment agreement. That motion was filed following negotiations between the Debtors and the principal constituencies in the Chapter 11 Cases concerning the terms of an amendment to Mr. McClure's employment contract, and the amendment was consented to by all of those constituencies. The amendment to Mr. McClure's employment contract (i) extended the contract term by two (2) years, through January 2006, (ii) increased Mr.

McClure's annual base salary and target bonus, (iii) modified certain severance, termination and non-competition provisions in the contract, and (iv) provided for specified transition services to be performed by Mr. McClure under certain circumstances. The Bankruptcy Court authorized and approved the amendment of Mr. McClure's employment contract on such terms on December 9, 2003.

VI.

THE PLAN OF REORGANIZATION

A. General.

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under Chapter 11 of the Bankruptcy Code, a debtor is authorized to reorganize its business for the benefit of itself and its creditors and stockholders. In addition to permitting rehabilitation of the debtor, another goal of Chapter 11 is to promote equality of treatment of creditors and equity security holders, respectively, who hold substantially similar claims or interests with respect to the distribution of the value of a debtor's assets. In furtherance of these two goals, upon the filing of a petition for relief under Chapter 11, Section 362 of the Bankruptcy Code generally provides for an automatic stay of substantially all acts and proceedings against the debtor and its property, including all attempts to collect claims or enforce liens that arose prior to the commencement of the debtor's Chapter 11 case.

The consummation of a plan of reorganization is the principal objective of a Chapter 11 case. A plan of reorganization sets forth the means for satisfying claims against and interests in a 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 or entity acquiring property under the plan and any creditor of or equity security holder in the debtor, whether or not such creditor or equity security holder (i) is impaired under or has accepted the plan or (ii) receives or retains any property under the plan. Subject to certain limited exceptions and other than as provided in the plan itself or the confirmation order, the confirmation order discharges the 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, and terminates all rights and interests of prepetition equity security holders.

Unless the Plan Proponents seek the substantive consolidation of certain of the Debtors as set forth below, the confirmation requirements of Section 1129(a) of the Bankruptcy Code must be satisfied separately with respect to each Debtor. Therefore, notwithstanding the combination of the separate plans of reorganization of all U.S. Debtors and U.K. Debtors in this Plan for purposes of, among other things, economy and efficiency, the Plan shall be deemed a separate Chapter 11 plan for each such Debtor.

THE FOLLOWING SUMMARY HIGHLIGHTS CERTAIN OF THE SUBSTANTIVE PROVISIONS OF THE PLAN, AND IS NOT, NOR IS IT INTENDED TO BE, A COMPLETE DESCRIPTION OR A SUBSTITUTE FOR A FULL AND COMPLETE REVIEW OF THE PLAN. THE PLAN PROPONENTS URGE ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS TO READ AND STUDY CAREFULLY THE PLAN, A COPY OF WHICH IS ATTACHED AS EXHIBIT A TO THIS DISCLOSURE STATEMENT.

B. Classification and Allowance of Claims & Equity Interests Generally.

1. Classification and Allowance.

Section 1123 of the Bankruptcy Code provides that, except for Administrative 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 Equity Interests. These Classes take into account the differing nature and priority of Claims against and Equity Interests in the Debtors. Administrative Claims,

Administration 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 Equity Interests. Only holders of Allowed Claims are entitled to vote on and receive distributions under the Plan. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE PLAN OR THIS DISCLOSURE STATEMENT, NO RATIO WHICH IS TO BE CALCULATED AS PROVIDED HEREIN FOR THE PURPOSES OF DETERMINING DISTRIBUTIONS TO HOLDERS OF CLAIMS OR EQUITY INTERESTS SHALL BE GREATER THAN 1.0 TO 1.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE PLAN OR THIS DISCLOSURE STATEMENT, ALL DISTRIBUTIONS ON ACCOUNT OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE U.K. DEBTORS SHALL BE SUBJECT TO SECTION 8.16 OF THE PLAN, INCLUDING, WITHOUT LIMITATION, SUBSECTIONS 8.16.3, 8.16.4, AND 8.16.5 OF THE PLAN.

For purposes of the Plan, an Allowed Claim is generally any Claim (a) which is specifically designated as Allowed under the Plan, (b) that is or has been, or hereafter is, listed in the Schedules as liquidated in amount and not disputed or contingent or (c) proof of which was timely filed in a liquidated non-contingent amount with the Bankruptcy Court or its duly appointed claims agent, or, in compliance with any order of the Bankruptcy Court regarding the filing of a proof of claim and with respect to which either (i) no objection to the allowance thereof has been filed within the applicable period of limitation fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules or the Bankruptcy Court or (ii) the Claim has been allowed by a Final Order (but only to the extent so allowed). Notwithstanding anything to the contrary, the foregoing shall not apply to any Asbestos Personal Injury Claim, Bonded Claim, Administrative Claim, Other U.K. Claim, or Administration Claim.

The Allowed Amount of an Asbestos Personal Injury Claim (other than a Bonded Claim) shall be determined pursuant to the procedures set forth in the Asbestos Personal Injury Trust Distribution Procedures or, if applicable, pursuant to a Final Order of the Bankruptcy Court or the U.K. Court. An Asbestos Personal Injury Claim that is Allowed in accordance with the foregoing, shall be, and be deemed to be, a judgment determining the legal liability against the Trust with respect to such Claim.

The Allowed Amount of a Bonded Claim shall be that which the Bankruptcy Court or other court of competent jurisdiction determines by Final Order, or the applicable Debtor or Reorganized Debtor and the holder of such Claim agree, that such holder is entitled to some or all of the proceeds of the applicable supersedeas bond or other payment assurance (but only to the extent so ordered or agreed). A Bonded Claim that is "Allowed" shall constitute a final, non-appealable judgment determining the legal liability of the Debtors or their Estates, as applicable.

The Allowed Amount of an Administrative Claim shall be that portion of the Claim (a) which represents an actual and necessary expense of preserving the estate or operating the business of the Debtors, to the extent such Claim is determined by the Plan Proponents to constitute an Administrative Expense, (b) other than with respect to a Claim of a professional person employed under Sections 327, 328 or 1103 of the Bankruptcy Code that is required to apply to the Bankruptcy Court for the allowance of compensation and reimbursement of expenses pursuant to Section 330 of the Bankruptcy Code, that the Plan Proponents do not believe constitutes an Administrative Expense, and such Claim is allowed in whole or in part by a Final Order of the Bankruptcy Court and only to the extent that such allowed portion is determined pursuant to a Final Order to constitute a cost or expense of administration under Sections 503(b) and 507(a)(1) of the Bankruptcy Code, or (c) that represents a Claim of a professional person employed under Sections 327, 328 or 1103 of the Bankruptcy Code that is required to apply to the Bankruptcy Court for the allowance of compensation or reimbursement of expenses pursuant to Section 330 of the Bankruptcy Code, to the extent such Claim is allowed by a Final Order of the Bankruptcy Court.

An Allowed Administration Claim shall be that portion of such Claim that is non-contingent and is (i) properly and reasonably accepted as an Administration Claim by the Administrators or (ii) to the extent that it is determined to be such by a Final Order of the U.K. Court having competent jurisdiction over the matter.

The procedures for the allowance of Other U.K. Claims differ from the allowance procedures for Unsecured Claims against U.S. Debtors. Pursuant to the Plan, Other U.K. Claims include Asbestos Property Damage Claims, if any, and any other Claims asserted against a U.K. Debtor other than an Administrative Claim, Administration Claim, Asbestos Personal Injury Claim, Bank Claim, Noteholder Claim, and Secured Surety Claim (provided that the definition of Other U.K. Claim shall include the unsecured portion of any Claim asserted against the U.K. Debtors by the Sureties). To be Allowed, an Other U.K. Claim must meet the following requirements: (i) it must be that portion of such Claim that is non-contingent and (ii) is accepted by the Administrators or Voluntary Arrangement Supervisors, as applicable, of the relevant U.K. Debtor as owing by that U.K. Debtor, is accepted by the relevant Reorganized U.K. Debtor as owing by that U.K. Debtor or is determined to be such by Final Order of the U.K. Court pursuant to the terms of the Scheme of Arrangement and/or Voluntary Arrangement, as applicable, for such U.K. Debtor.

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

2. Treatment of Administrative Claims, Administration Claims, Tranche C Portion of DIP Facility and Priority Tax Claims.

a. Administrative Claims and Administration Claims (Unclassified).

Administrative Claims are any claims for the payment of an Administrative Expense, which is defined in the Plan as (a) any cost or expense of administration of the Reorganization Cases under Section 503(b) of the Bankruptcy Code including, but not limited to (1) any actual and necessary postpetition cost or expense of preserving the Estates or operating the businesses of the Debtors, (2) any payment to be made under the Plan to cure a default on an assumed executory contract or unexpired lease, (3) any postpetition cost, indebtedness or contractual obligation duly and validly incurred or assumed by the Debtors in the ordinary course of business, (4) any valid and Allowed reclamation claims in accordance with Section 546(c) of the Bankruptcy Code, (5) compensation or reimbursement of expenses of professionals to the extent allowed by the Bankruptcy Court under Sections 328, 330(a) or 331 of the Bankruptcy Code; (6) the Indenture Trustee fees and expenses under the terms of the respective Indentures and pursuant to Article VIII of the Plan; (7) all Claims arising under the DIP Facility and (8) all Claims for adequate protection payments authorized and entitled to administrative expense status pursuant to the DIP Facility; and (b) any fee or charge assessed against the Estates under 28 U.S.C. § 1930.

Administration Claims are, in relation to a U.K. Debtor, any Claim that ranks in the administration of that U.K. Debtor under the laws of the relevant part of the United Kingdom as an administration expense, including, without limitation, (a) the remuneration and expenses of the Administrators properly incurred by them as administrators of that U.K. Debtor as referred to in subsection 19(4) of the IA 1986; (b) any sums payable in respect of debts or liabilities incurred, while they were Administrators, under contracts entered into by them in carrying out their functions as Administrators of that U.K. Debtor as referred to in subsection 19(5) of the IA 1986; and (c) any sums payable in respect of liabilities incurred, while they were Administrators, under contracts of employment adopted by the Administrators of that U.K. Debtor in carrying out their functions as administrators, to the extent that the liabilities are qualifying liabilities, for the purposes of subsection 19(6) of the IA 1986.

The Bankruptcy Code does not require administrative expense claims to 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, each holder of an Allowed Administrative Claim or an Allowed Administration Claim against any of the Debtors that is not contingent as of the Distribution Date will receive the full amount of its Allowed Claim in Cash on the Distribution Date in full satisfaction, settlement, release, extinguishment and discharge of such Claim; provided, however, that an Allowed Administrative Claim or Allowed Administration Claim may be satisfied on such other terms as may be agreed to by the holder of such Claim and the applicable Debtor. The Distribution Date, when used with respect to an Allowed Claim (other than an Asbestos Personal Injury Claim that is not a Bonded Asbestos Personal Injury Claim), means the date which is as soon as reasonably

practicable after the later of (a) the Effective Date and (b) the first Business Day of the next calendar quarter after the date upon which the Claim becomes Allowed unless the Claim becomes Allowed within fifteen Business Days before the first Business Day of the next calendar quarter, in which case the Distribution Date shall be the first Business Day of the next succeeding calendar quarter.

Notwithstanding anything to the contrary, Allowed Administrative Claims or Allowed Administration Claims representing the Debtors' postpetition liabilities incurred in the ordinary course of business will continue to be paid by the Debtors during the Reorganization Cases in accordance with the terms and conditions of the particular transactions and any agreement or Court order relating thereto. Additionally, Allowed Administrative Claims and Administration Claims representing postpetition contractual liabilities arising under loans or advances to the Debtors, including but not limited to the DIP Facility (subject to the provisions of Section 2.2 of the Plan as to the Tranche C Portion of the DIP Facility discussed below), whether or not incurred in the ordinary course of business, shall be paid by Reorganized Federal-Mogul or the applicable Reorganized Debtor, in accordance with the terms and conditions of the particular transactions relating to such liabilities and any agreement or Court order relating thereto.

Each Allowed Administrative Claim or Allowed Administration Claim shall 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. Any deficiency in payment of such Claim may be satisfied from funds advanced to the relevant Debtor by the Estate of Federal-Mogul Corporation. To the extent that an Administrative Claim or Administration Claim is Allowed against the Estate of more than one Debtor, there shall be only a single recovery on account of such Allowed Claim.

Notwithstanding the foregoing (and in accordance with Section 8.16.4 of the Plan), in the event that Federal-Mogul Corporation bids and purchases some or all of the assets or businesses of the U.K. Debtors as provided in Section 8.16.3 of the Plan, then Federal-Mogul Corporation will pay to the relevant U.K. Debtors only that portion of the bid that is to be distributed to holders of Claims against the U.K. Debtors other than holders of Asbestos Personal Injury Claims against the U.K. Debtors. In such event, the holders of Allowed Administration Claims against the U.K. Debtors shall receive no distributions under the Plan, but instead shall receive any and all distributions on account of their Allowed Administration Claims pursuant to the U.K. administration proceedings in accordance with U.K. insolvency laws.

b. Treatment of Tranche C Portion of DIP Facility.

Prior to the Petition Date, and as described in more detail in Section III(D)(1)(a) above, the Debtors received new revolving and term loan commitments aggregating approximately \$350 million pursuant to the New Commitments. In connection with the Bankruptcy Court's approval of the DIP Facility, the amounts actually drawn by the Debtors on the New Commitments as of the Petition Date were converted into a tranche of the DIP Facility described as the Tranche C Loans.

Pursuant to the terms of the compromise agreement with the holders of Bank Claims, on the Effective Date, the Tranche C Loans portion of the DIP Facility (excluding the amount of undrawn letters of credit as of the Effective Date) in the approximate amount of \$328.1 million plus the amount of any draws prior to the Effective Date on letters of credit outstanding under the Tranche C portion of the DIP Facility shall either be refinanced, in whole or in part, as part of the Exit Facilities or, for any non-refinanced portion, if any, converted to a separate senior tranche of the Reorganized Federal-Mogul Secured Term Loan Agreement on market terms. Any undrawn letters of credit as of the Effective Date will be replaced in connection with the Exit Facilities. Notwithstanding the above, the Debtors have agreed to use their reasonable best efforts to refinance the Tranche C Loans portion of the DIP Facility as part of the Exit Facilities.

c. Priority Tax Claims (Unclassified).

Priority Tax Claims are Allowed Claims of Governmental Units for taxes owed by the Debtors that are entitled to priority in payment pursuant to Section 507(a)(8) of the Bankruptcy Code. Priority Tax Claims do not include any claims for taxes owed to any Governmental Unit in the United Kingdom.

The taxes entitled to priority are (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)(3), 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 priority tax claims to 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.

On October 4, 2001, the Bankruptcy Court authorized the Debtors to pay most of the types of tax claims that constitute Priority Tax Claims (with the exception of income taxes). As a result, most of the Priority Tax Claims have been paid and resolved during the Reorganization Cases. The Debtors estimate that the amount of remaining Priority Tax Claims that may become Allowed is \$4,000,000. This estimate includes the claims filed by the State of Michigan. The State of Michigan has filed proofs of claim totaling in excess of \$4,000,000 related to audits of sales and use taxes. The Debtors have provided additional information to the State of Michigan that it is currently reviewing, and the Debtors expect that such claims will be reduced to approximately \$500,000. In addition, the United States Internal Revenue Service (the "IRS") has filed proofs of claim for income taxes that the Debtors believe will be offset in their entirety by prepetition amounts owed to the Debtors. Although some additional Claims have been filed in these Reorganization Cases asserting an entitlement to treatment as Priority Tax Claims pursuant to Section 507(a) of the Bankruptcy Code, the Debtors believe that most of these Claims do not represent valid Priority Tax Claims against the Debtors' estates, either (i) because the Debtors are in the process of disputing or settling the asserted tax liability and believe that such Claims will be disallowed or resolved, or (ii) because such claims were erroneously filed as Priority Tax Claims and are not properly entitled to priority pursuant to Section 507(a) of the Bankruptcy Code.

Unless a holder of a Priority Tax Claim agrees to different treatment, the Plan provides that each holder of an Allowed Priority Tax Claim will receive the amount of its Allowed Priority Tax Claim in deferred cash payments, over a period not exceeding six years after the date of assessment of each such Claim. Each Allowed Priority Tax Claim shall be paid from, and to the extent of available assets of, the respective Debtor's Estate against which such Claim is asserted. Any deficiency in payment of such Claim may be satisfied from funds advanced to the relevant Debtor by the Estate of Federal-Mogul Corporation; provided, however, the Estate of Federal-Mogul Corporation shall not be obligated to advance funds for the payment of Allowed Priority Tax Claims, if any, of any of the Inactive Debtor Subsidiaries.

The Debtors estimate that approximately \$3.5 million in Priority Tax Claims may be Allowed under the Plan.

C. Treatment of Claims and Equity Interests Under the Plan.

1. The Debtors

There are a total of 157 Debtors, of which 23 are U.S. Debtors and 134 are U.K. Debtors. For the purposes of classifying and treating Claims against and Equity Interests in each Debtor, and for balloting purposes, each Debtor has been assigned its own number, as set forth in the chart below. The Claims against and Equity Interests in each Debtor, in turn, have been assigned to separate lettered Classes with respect to each Debtor, based on the type of Claim involved (e.g., Priority Claims and/or Preferential Claims, Secured Bank Claims, etc.) Accordingly, the classification of any particular Claim against or Equity Interest in any of the Debtors depends on the particular Debtor against whom such Claim is asserted (or in whom such Interest is held) and the type of Claim or Equity Interest in question. The numbers applicable to the various Debtors in these Reorganization Cases are as follows:

Class No.	Debtor	U.S or U.K.
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1	Federal-Mogul Corporation	U.S.
2	Federal-Mogul Piston Rings, Inc.	U.S.
3	Federal-Mogul Powertrain, Inc	U.S.
4	Federal-Mogul Ignition Company	U.S.
5	Federal-Mogul Products, Inc.	U.S.
6	T&N Limited	U.K.
7	Federal-Mogul Ignition	U.K.
8	Federal-Mogul Systems Protection Group Limited	U.K.
9	Federal-Mogul Aftermarket UK Limited	U.K.
10	Federal-Mogul Sintered Products Limited	U.K.
11	Federal-Mogul Sealing Systems (Slough) Limited	U.K.
12	Federal-Mogul Friction Products Limited	U.K.
13	Federal-Mogul Sealing Systems (Rochdale) Limited	U.K.
14	Federal-Mogul Camshaft Castings Limited	U.K.
15	Federal-Mogul Bradford Limited	U.K.
16	Federal-Mogul Camshafts Limited	U.K.
17	Federal-Mogul Eurofriction Limited	U.K.
18	Federal-Mogul Powertrain Systems International Limited	U.K.
19	TBA Industrial Products Limited	U.K.
20	Federal-Mogul Export Services Limited	U.K.
21	Perodo America, Inc.	U.S.
22	Felt Products Manufacturing Co.	U.S.
23	Gasket Holdings Inc.	U.S.
24	Carter Automotive Company, Inc.	U.S.
25	Federal-Mogul Dutch Holdings Inc.	U.S.
26	Federal-Mogul Global Inc.	U.S.
27	Federal-Mogul Global Properties, Inc.	U.S.
28	Federal-Mogul Mystic, Inc	U.S.
29	Federal-Mogul U.K. Holdings, Inc.	U.S.
30	Federal-Mogul Venture Corporation	U.S.
31	Federal-Mogul World Wide, Inc.	U.S.
32	McCord Sealing, Inc.	U.S.
33	T&N Industries Inc.	U.S.
34	F-M UK Holding Limited	U.K.
35	Federal-Mogul FX, Inc.	U.S.
36	Federal-Mogul Puerto Rico, Inc.	U.S.
37	Federal-Mogul Machine Tool, Inc.	U.S.
38	FM International LLC	U.S.
39	J.W.J. Holdings, Inc..	U.S.
40	Federal-Mogul Sealing Systems (Cardiff) Limited	U.K.
41	Federal-Mogul Bridgwater Limited	U.K.
42	Federal-Mogul Engineering Limited	U.K.
43	Federal-Mogul Technology Limited	U.K.
44	AE Dayton Services Limited	U.K.
45	AE Group Machines Limited	U.K.
46	AE Holdings Limited	U.K.
47	AE International Limited	U.K.
48	AE Limited	U.K.
49	AE Piston Products Limited	U.K.
50	AE Sales (Africa) Limited	U.K.
51	Amber Supervision Limited	U.K.
52	Associated Engineering Group Limited	U.K.
53	Awncast Limited	U.K.
54	Bearings (North-Western) Limited	U.K.
55	Colvan Rubber Co. Limited	U.K.
56	Contact 100 Limited	U.K.
57	Cosmid Limited	U.K.
58	Cranhold Limited	U.K.
59	Dealings Limited	U.K.
60	Dumplington Services Limited	U.K.
61	E W Engineering Limited	U.K.
62	Edmunds, Walker & Co. Limited	U.K.
63	Engineering Components Limited	U.K.

64	Federal-Mogul Acquisition Company Limited	U.K.
65	Federal-Mogul Brake Systems Limited [Agency]	U.K.
66	Federal-Mogul Shoreham Limited	U.K.
67	Federal-Mogul U.K. Limited	U.K.
68	FHE Technology Limited	U.K.
69	FP Diesel Limited	U.K.
70	G.B. Tools & Components Exports Limited	U.K.
71	Genthope Limited	U.K.
72	Greet Limited	U.K.
73	Hepworth & Grandage Limited	U.K.
74	High Precision Equipment Limited	U.K.
75	Inblot Limited	U.K.
76	Instantwonder Limited	U.K.
77	Kings Park Housing Limited	U.K.
78	Lalton Limited	U.K.
79	Lanoth Precision Equipment Limited	U.K.
80	Leeds Piston Ring & Engineering Co. Limited	U.K.
81	M.T.A. (Kettering) Limited	U.K.
82	Mantra Engineering Co. Limited	U.K.
83	Mobile Distributing (Spares) Limited	U.K.
84	Moores Plastic Units Limited	U.K.
85	Ontall Limited	U.K.
86	Payen (Europe) Limited	U.K.
87	Pecal Limited	U.K.
88	Presswork-Components Limited	U.K.
89	Sintration Limited	U.K.
90	Sourcelook Limited	U.K.
91	Specialloid, Limited	U.K.
92	STS (1996) Limited	U.K.
93	T&N Investments Limited	U.K.
94	T&N Piston Products Group Limited	U.K.
95	T&N Properties Limited	U.K.
96	T&N Shelf Eight Limited	U.K.
97	T&N Shelf Eighteen Limited	U.K.
98	T&N Shelf Fifteen Limited	U.K.
99	T&N Shelf Five Limited	U.K.
100	T&N Shelf Four Limited	U.K.
101	T&N Shelf Fourteen Limited	U.K.
102	T&N Shelf Nine Limited	U.K.
103	T&N Shelf Nineteen Limited	U.K.
104	T&N Shelf Six Limited	U.K.
105	T&N Shelf Sixteen Limited	U.K.
106	T&N Shelf Ten Limited	U.K.
107	T&N Shelf Thirteen Limited	U.K.
108	T&N Shelf Thirty Limited	U.K.
109	T&N Shelf Thirty-One Limited	U.K.
110	T&N Shelf Thirty-Three Limited	U.K.
111	T&N Shelf Three Limited	U.K.
112	T&N Shelf Twenty-Eight Limited	U.K.
113	T&N Shelf Twenty-Five Limited	U.K.
114	T&N Shelf Twenty-Four Limited	U.K.
115	T&N Shelf Twenty-Nine Limited	U.K.
116	T&N Shelf Twenty-Two Limited	U.K.
117	T&N Shelf Two Limited	U.K.
118	T&N Trade Marks Limited	U.K.
119	T&N Welfare Trust Limited	U.K.
120	TBA Belting (Residual) Limited	U.K.
121	Telford Rubber Processors Limited	U.K.
122	The British Piston Ring Company Limited	U.K.
123	Tinblo Limited	U.K.
124	Touchdown Adhesive Products Limited	U.K.
125	Tynoda Limited	U.K.
126	Vanwall Cars Limited	U.K.
127	Wellworthy Property Developments Limited	U.K.
128	William C. Jones (Polymers) Limited	U.K.

129	Aeroplane & Motor Aluminium Castings Limited	U.K.
130	Ashburton Road Services Limited	U.K.
131	Brake Linings Limited	U.K.
132	Duron Limited	U.K.
133	Federal-Mogul Global Growth Limited	U.K.
134	Federal-Mogul Sealing Systems Limited	U.K.
135	Ferodo Caernarfon Limited	U.K.
136	Ferodo Limited	U.K.
137	Fleetside Investments Limited	U.K.
138	Friction Materials Limited	U.K.
139	Halls Gaskets Limited	U.K.
140	J.W. Roberts Limited	U.K.
141	Lanoth Limited	U.K.
142	Newalls Insulation Company Limited	U.K.
143	T&N Holdings Limited	U.K.
144	T&N International Limited	U.K.
145	T&N Materials Research Limited	U.K.
146	T&N Shelf One Limited	U.K.
147	T&N Shelf Seven Limited	U.K.
148	T&N Shelf Twenty Limited	U.K.
149	T&N Shelf Twenty-One Limited	U.K.
150	T&N Shelf Twenty-Six Limited	U.K.
151	TAF International Limited	U.K.
152	TBA Belting Limited	U.K.
153	Telford Technology Supplies Limited	U.K.
154	The Washington Chemical Company Limited	U.K.
155	Turner & Newall Limited	U.K.
156	Turner Brothers Asbestos Company Limited	U.K.
157	Wellworthy Limited	U.K.

2. Classification of Claims Against and Equity Interests in the Debtors

Claims against and Equity Interests in each of these Debtors are further divided into lettered Classes. Not all of these Classes apply to every Debtor, and consequently not all of these lettered Classes appears in the case of each Debtor. However, whenever such a Class of Claims or Equity Interests is relevant to a particular Debtor, that class of Claims or Equity Interests will be grouped under the appropriate lettered Class from the following list:

Class A – Priority Claims and/or Preferential Claims

Class B – Secured Bank Claims

Class C – Secured Surety Claims

Class D – Noteholder Claims

Class E – Other Secured Claims

Class F – Convertible Subordinated Debenture Claims

Class G – On-Site Environmental Claims

Class H – Unsecured Claims

Class I – Non-Priority Employee Benefit Claims against the U.S. Debtors and Non-Priority Pension Plan Employee Benefit Claims against the U.K. Debtors

Class J – Asbestos Personal Injury Claims

Class K – Bonded Claims

Class L – Affiliate Claims

Class M – Federal-Mogul Preferred Stock Interests

Class N – Subordinated Securities Claims

Class O – Federal-Mogul Common Stock Interests

Class P – Equity Interests in Affiliates

3. Possible Substantive Consolidation of Certain of the Debtors.

a. Effect if Substantive Consolidation Occurs.

The Plan Proponents reserve the right to seek prior to or in connection with the Confirmation Hearing to have the Estates of certain of the Debtors substantively consolidated for plan classification, treatment, voting and confirmation purposes only. Specifically, the Plan Proponents reserve the right to seek the substantive consolidation of all of the Debtors obligated on the Surety Claims (except T&N Limited). These Debtors include (a) all of the U.S. Debtors (except for the Debtor holding companies classified as Debtors 35 to 39) and (b) F-M UK Holding Limited. The Plan Proponents believe that the substantive consolidation of these Estates, if sought and approved, would not negatively impact the holders of most Claims against these Debtors. This is because the treatment provisions for most of the Classes of Claims for each of these Debtors is identical. The Plan Proponents believe that only holders of Claims with respect to which multiple Debtors are liable on account of guarantees or otherwise ("Multiple Debtor Claims") would be impacted by the possible substantive consolidation of these Debtors. If the substantive consolidation at issue is sought and approved, the holders of such Multiple Debtor Claims would not be entitled to assert the full amount of their Claims against each of the Debtors, but would instead be entitled to a single recovery on account of their Claims against the substantively consolidated Estates of these Debtors. The largest holders of such Multiple Debtor Claims are the holders of Bank Claims and Noteholder Claims. The treatment provisions relating to such Claims, however, already reflect the impact of any such substantive consolidation and hence the possible substantive consolidation of these Debtors will not affect the holders of Bank Claims and Noteholder Claims. It is anticipated, moreover, that the holders of Bank Claims and Noteholder Claims will vote in favor of the Plan (indeed, the Administrative Agent for the holders of Bank Claims and the Unsecured Creditors Committee are Plan Proponents). The other major holders of Multiple Debtor Claims are the Sureties. If the substantive consolidation at issue is sought and approved, the Sureties would be entitled to single recovery on account of its Secured Claim and any Unsecured deficiency Claim. It is uncertain whether the Sureties will accept or reject the Plan.

b. Effect If Substantive Consolidation Does Not Occur

If the Plan Proponents do not seek to have the estates of the Debtors obligated on the Surety Claims substantively consolidated as described above, then none of the Debtors' Estates shall be substantively consolidated for Plan purposes or otherwise.

To the extent that the Estates of any Debtors are not substantively consolidated pursuant to the Plan, Allowed Claims held against one Debtor will be satisfied solely from the Cash and assets of such Debtor and its Estate, provided that, to the extent of any insufficiency, funds may be advanced to the relevant Debtors by the Estate of Federal-Mogul Corporation. Except as specifically set forth herein, nothing in the Plan 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 ALLOWED IN EACH DEBTOR'S CASE, WILL BE TREATED AS A SEPARATE CLAIM AGAINST EACH DEBTOR'S ESTATE FOR ALL PURPOSES (INCLUDING, BUT NOT LIMITED TO, VOTING AND DISTRIBUTION, PROVIDED, HOWEVER, THAT THERE SHALL BE ONLY A SINGLE RECOVERY ON ACCOUNT OF SUCH CLAIMS AND ANY DISTRIBUTION FROM A DEBTOR ON ACCOUNT OF SUCH CLAIMS SHALL TAKE INTO ACCOUNT THE DISTRIBUTIONS TO BE MADE BY**

OTHER DEBTORS, IF ANY, ON ACCOUNT OF SUCH CLAIMS PURSUANT TO THE PLAN), AND SUCH CLAIMS WILL BE ADMINISTERED AND TREATED IN THE MANNER PROVIDED IN THE PLAN.

4. Treatment of Claims and Equity Interests under the Plan

The classification and treatment of Claims against and Equity Interests in the various Debtors are set forth in detail in the Plan. A summary of that treatment is provided below.

a. Class A – Priority Claims and/or Preferential Claims

Class A for each of the 23 U.S. Debtors consists of Priority Claims, which are non-tax Claims that are entitled to priority under Section 507(a) of the Bankruptcy Code. Class A for each of the 134 U.K. Debtors consists of Preferential Claims, which are, with respect to each U.K. Debtor, all Claims and liabilities that would have been preferential under Section 386 of and schedule 6 to the IA 1986, had an order for the compulsory winding-up of the Debtor been made on the Petition Date. To the extent that a Priority Tax Claim against a U.K. Debtor also qualifies as a Preferential Claim in whole or part, such Priority Tax Claim or portion thereof shall be treated as a Preferential Claim.

For all U.S. Debtors, holders of Allowed Claims in this Class will receive, on the Distribution Date, either Cash equal to the Allowed Amount of the Claim or such other treatment as may be agreed upon in writing by such holder and the respective Reorganized Debtor. Such Claims are impaired under the Plan, and the holders of such Claims are entitled to vote on the Plan.

For all U.K. Debtors, holders of Allowed Claims in this Class shall retain unaltered the legal, equitable and contractual rights to which such Claim entitles the Holder. Such Claims are unimpaired under the Plan, and the holders of such Claims are not entitled to vote on the Plan. Notwithstanding the foregoing (and in accordance with Section 8.16.4 of the Plan), in the event that Federal-Mogul Corporation bids and purchases some or all of the assets or businesses of the U.K. Debtors as provided in Section 8.16.3 of the Plan, then Federal-Mogul Corporation will pay to the relevant U.K. Debtors only that portion of the bid that is to be distributed to holders of Claims against the U.K. Debtors other than holders of Asbestos Personal Injury Claims against the U.K. Debtors. In such event, the holders of Allowed Preferential Claims against the U.K. Debtors shall receive no distributions under the Plan, but instead shall receive any and all distributions on account of their Allowed Preferential Claims pursuant to the U.K. administration proceedings in accordance with U.K. insolvency laws.

The Debtors do not believe that there will ultimately be material Priority Claims that are Allowed against the U.S. Debtors.

b. Class B – Secured Bank Claims

Class B consists of Allowed Secured Bank Claims arising under the Bank Credit Agreement. The Administrative Agent filed a Proof of Claim on March 3, 2003 in the amount of \$1,988,386,802.56 (inclusive of the Tranche C portion of the DIP Facility) on behalf of the holders of Bank Claims.

On the Effective Date, the holders of Allowed Class B Claims shall receive the following treatment in full and complete satisfaction of such Claims (including, without limitation, any subordination or turnover rights relating to the Convertible Subordinated Debentures):

(a) Claims arising under the Bank Credit Agreement shall be deemed fully Secured and Allowed in the amount of \$1,646,681,464.00 (including certain letter of credit obligations and as adjusted as of the Effective Date to convert any foreign currencies to U.S. dollars and to take account of certain hedge obligations);

(b) Reorganized Federal-Mogul shall (y) enter into, execute and deliver the Reorganized Federal-Mogul Secured Term Loan Agreement which shall provide for, among other things, the issuance to

the holders of Allowed Bank Claims, in accordance with each such holder's rights under the Bank Credit Agreement, of term loans in the aggregate principal amount of (A) \$1,303,897,118.00 (as adjusted as of the Effective Date to convert any foreign currencies to U.S. dollars and to take account of certain hedge obligations) plus the amount of any draws prior to the Effective Date on letters of credit outstanding under the Bank Credit Agreement and (B) the amount, if any, of the Tranche C portion of the DIP Facility restructured pursuant to Section 2.2 of the Plan and (z) replace with the Exit Facilities any letters of credit not drawn as of the Effective Date;

(c) Reorganized Federal-Mogul shall issue and deliver to the PIK Notes Trustee, for ultimate distribution to the holders of Allowed Bank Claims in accordance with each such holder's rights under the Bank Credit Agreement, the Reorganized Federal-Mogul Junior Secured PIK Notes in the amount of \$300,000,000.00;

(d) the Debtors obligated on the Bank Claims other than Federal-Mogul Corporation shall guarantee on a secured basis Reorganized Federal-Mogul's obligations under (y) the Reorganized Federal-Mogul Secured Term Loan Agreement and (z) the Reorganized Federal-Mogul Junior Secured PIK Notes; and

(e) All adequate protection payments to the holders of Bank Claims authorized under the Final Order approving the DIP Facility shall continue until and cease on the Effective Date and all accrued and unpaid adequate protection payments as of the Effective Date will be paid in Cash on the Effective Date. The holders of Bank Claims shall retain all adequate protection payments made during these Reorganization Cases without any diminution of the treatment set forth above.

As set forth above, all Claims arising under the Bank Credit Agreement are deemed fully Secured. As a result, there are no unsecured Bank Claims and the holders of Bank Claims do not have or hold any Class H Unsecured Claims against the Debtors.

Secured Bank Claims are impaired under the Plan, and, as a result, the holders of Bank Claims are entitled to vote on the Plan.

c. Class C – Secured Surety Claims

Class C consists of Secured Surety Claims arising in connection with any indemnity contract or guarantee between any of the Debtors signatory thereto and the Sureties relating to the CCR Surety Bonds. Unsecured Claims of the Sureties against T&N Limited and Gasket Holdings Inc. are not included in this Class. The CCR's claims are not included in this Class. Each of the Sureties filed proofs of claim in the Reorganization Cases in unliquidated amounts.

Pursuant to the Plan, all Secured Surety Claims and all Liens on any property of any of the Debtors in favor of the Sureties shall be released, extinguished and discharged on the Effective Date. To the extent that the Secured Surety Claims are deemed to constitute Allowed Secured Claims (as a result of the CCR Litigation, the Avoidance Litigation and/or the Valuation Proceedings), the holders of such Claims shall receive from Reorganized Federal-Mogul the Secured Surety Notes and Junior Secured Surety PIK Notes that (x) shall have principal amounts, collectively, equal to the Allowed Amount of the Allowed Secured Surety Claims, (y) are secured by Liens on the same property that secured the Allowed Secured Surety Claims prior to the Petition Date (subject to the Liens securing the Exit Facilities) and (z) provide deferred cash payments, collectively, of a present value equal to the Allowed Amount of the Allowed Secured Surety Claims. Additionally, the Debtors obligated on the Secured Surety Claims other than Federal-Mogul Corporation, T&N Limited and Gasket Holdings Inc. shall guarantee on a secured basis Reorganized Federal-Mogul's obligations, if any, under the Secured Surety Notes and Junior Secured Surety PIK Notes. With respect to the portion of the Surety Claims that is determined, as a result of the CCR Litigation, the Avoidance Litigation and/or the Valuation Proceedings, not to constitute Allowed Secured Surety Claims, the holders of Surety Claims shall hold an Allowed Unsecured Claim against Federal-Mogul Corporation and the other Debtors, if any, obligated on the Allowed Surety Claims. Alternatively, the holders of Allowed Surety Claims may

receive such other treatment as agreed to by the Sureties and the Plan Proponents or as otherwise required to obtain confirmation of the Plan over the objection of the Sureties.

In addition, all adequate protection payments to the Sureties authorized under the Final Order approving the DIP Facility shall cease on the Effective Date. If the amount of the Allowed Surety Claims exceeds the value, as of the Confirmation Date, of all non-avoidable collateral securing such Claims, then the amount of the adequate protection payments paid to the Sureties during the Reorganization Cases shall be offset against and reduce the amounts to be distributed to the Sureties under the Plan on account of the Allowed Surety Claims. If, however, the amount of the Allowed Surety Claims is less than the value, as of the Confirmation Date, of all non-avoidable collateral securing such Claims, then (i) the Sureties shall retain the adequate protection payments, if any, up to the amount by which the value of the non-avoidable collateral exceeds the amount of the Allowed Surety Claims without any diminution of the treatment set forth above and (ii) the amount of any additional adequate protection payments beyond those described in clause (i) shall be offset against and reduce the amounts to be distributed to the Sureties under the Plan.

Secured Surety Claims are impaired, and, as a result, the holders of such Claims are entitled to vote on the Plan.

d. Class D – Noteholder Claims

Class D consists of all Claims of the Noteholders arising under or evidenced by the Notes or the Indentures for the Notes and related documents. Notwithstanding anything to the contrary, Noteholder Claims shall not include any Convertible Subordinated Debenture Claims or Subordinated Securities Claims. Pursuant to Section 3.1.4 of the Plan, the Class D Noteholder Claims shall be deemed Allowed in the aggregate amount of \$2,159,404,575.13.

On the Distribution Date, the Disbursing Agent shall issue and deliver to the indenture trustees for the Notes the Reorganized Federal-Mogul Class A Common Stock, for ultimate Pro Rata distribution by the indenture trustees to or for the account of each Person holding an Allowed Noteholder Claim. In addition, as set forth in (f) below, holders of Allowed Noteholder Claims shall also be entitled to receive on the Distribution Date the shares of Reorganized Federal-Mogul Class A Common Stock allocated to the holders of Allowed Convertible Subordinated Debenture Claims to the extent necessary to satisfy the subordination provisions in the indentures for the Convertible Subordinated Debentures. Finally, if the Classes of holders of Noteholder Claims and Asbestos Personal Injury Claims accept the Plan, and at least one of the Classes of holders of preferred stock, Subordinated Securities Claims or common stock accepts the Plan, then holders of Allowed Noteholder Claims shall also receive 50% of the Warrants to be issued and distributed under the Plan, provided, however, that holders of Allowed Noteholder Claims have agreed to distribute any and all such Warrants to the holders of preferred stock, Subordinated Securities Claims and/or common stock in accordance with Sections 3.1.13, 3.1.14 and 3.1.15 of the Plan, and subject to the requirements of Section 8.3.5 of the Plan.

All adequate protection payments to the holders of Noteholder Claims authorized under the Final Order approving the DIP Facility shall continue until and cease on the Effective Date, and all unpaid adequate protection payments as of the Effective Date will be paid in cash on the Effective Date. In accordance with Section 3.1.4(c) of the Plan, the holders of Noteholder Claims shall retain all adequate protection payments made and/or authorized in connection with the DIP Facility, as described in Section III.E.(c).(2) hereof.

Allowed Noteholder Claims shall also receive, on the Effective Date, 100% of the equity of Reorganized Federal-Mogul Piston Rings, Inc. ("FMPRI"); provided, however, the holders of such Noteholder Claims have agreed to distribute 100% of the equity of Reorganized FMPRI to Reorganized Federal-Mogul Powertrain, Inc. as of the Effective Date.

In addition, in consideration of the distributions to holders of Allowed Noteholder Claims as described herein, Claims arising under any guaranty of the Noteholder Claims by any of the other Debtors shall be released, extinguished and discharged, and holders of Allowed Noteholder Claims shall receive no additional distribution beyond that described above on account of any such Claims against any of the Debtors.

Recoveries on Noteholder Claims may be calculated by dividing (A) the value of the Reorganized Federal-Mogul Class A Common Stock to be distributed on account of Allowed Noteholder Claims and Allowed Convertible Subordinated Debenture Claims by (B) the total estimated Allowed Amounts of Noteholder Claims and Convertible Subordinated Debenture Claims. Using the range of enterprise values set forth in Section XI.B below of approximately \$4.0 billion to \$4.4 billion and deducting the estimated pro forma debts of the Reorganized Debtors as set forth in Exhibit G to the Disclosure Statement and as stated elsewhere in the Plan and Disclosure Statement, the Reorganized Federal-Mogul equity value is calculated at approximately \$1.8 billion to \$2.3 billion. After adjustments for the range of estimated values of approximately \$38 million to \$55 million for the Warrants to be distributed pursuant to the Plan, the value of the Reorganized Federal-Mogul Class A Common Stock is approximately \$0.9 billion to \$1.1 billion. Thus, assuming the Allowed Amounts of the Noteholder Claims and Convertible Subordinated Debenture Claims is approximately \$2.4 billion, the estimated percentage recovery for the holders of Noteholder Claims is 38% to 47%. These recoveries, however, do not reflect the impact of the enforcement of the subordination provisions of the Convertible Subordinated Debentures. Assuming the enforcement of these subordination provisions, the estimated percentage recovery for the holders of Noteholder Claims is 42% to 51%.

Noteholder Claims are impaired, and, as a result, holders of such Claims are entitled to vote on the Plan.

e. Class E – Other Secured Claims

Class E consists of all Secured Claims other than Secured Bank Claims, Secured Surety Claims, Noteholder Claims or Bonded Claims. A Secured Claim is a Claim that is (a) secured in whole or in part as of the Petition Date, by a Lien which is valid, perfected and enforceable under applicable law and is not subject to avoidance under the Bankruptcy Code, the IA 1986 or other applicable law or (b) subject to setoff under Section 553 of the Bankruptcy Code or other applicable law, but, in each case, only to the extent of the value of the holder of such Claim's interest in the particular Estate's interest in the property securing any such Claim or the amount subject to setoff, as the case may be.

At the option of each U.S. Debtor or Reorganized U.S. Debtor, and in accordance with Section 1124 of the Bankruptcy Code, all Allowed Other Secured Claims (including each sub-class thereof) against any U.S. Debtor will be treated pursuant to one of the following alternatives: (I) the Plan will leave unaltered the legal, equitable and contractual rights to which such Other Secured Claim entitles the holder; (II) the respective Debtor shall cure any default that occurred before or after the Petition Date; the maturity of such Other Secured Claim shall be reinstated as such maturity existed prior to any such default; the holder of such Other Secured Claim shall be compensated for any damages incurred as a result of any reasonable reliance by the holder on any right to accelerate its claim; and the legal, equitable and contractual rights of such holder will not otherwise be altered; (III) an Allowed Other Secured Claim shall receive such other treatment as the respective Debtor and the holder shall agree; or (IV) all of the collateral for such Other Secured Claim will be surrendered by the respective Debtor to the holder of such Claim on the Effective Date or as soon as practicable thereafter.

With respect to Allowed Class E Other Secured Claims against any U.K. Debtors, the Plan will leave unaltered the legal, equitable and contractual rights to which such Allowed Claim entitles the holder.

Claims in these Classes are unimpaired and, as a result, holders of such Claims are not entitled to vote on the Plan.

f. Class F – Convertible Subordinated Debenture Claims

Class F consists of Claims arising out of or related to the 7% Convertible Subordinated Debentures due 2027 issued by Federal-Mogul Corporation. Pursuant to the Plan, the Claim of the Bank of New York, as Indenture Trustee for the Convertible Subordinated Debentures, shall be deemed Allowed in the amount of \$211,042,367.00.

On the Distribution Date, the Disbursing Agent shall issue and deliver to the indenture trustee for the Convertible Subordinated Debentures, a Pro Rata portion of the Reorganized Federal-Mogul Class A Common Stock, which portion shall be determined by multiplying the total number of shares representing such Class A

Common Stock times a fraction, the numerator of which equals the Allowed Amount of all Convertible Subordinated Debenture Claims, and the denominator of which equals the Allowed Amount of all Noteholder Claims and Convertible Subordinated Debenture Claims; provided, however, to the extent necessary to comply with the contractual subordination provisions in the indentures for the Convertible Subordinated Debentures, the Disbursing Agent shall hold in trust and cause all distributions allocable to the holders of Allowed Convertible Subordinated Debenture Claims to be paid directly to the applicable indenture trustees on behalf of and for further distribution to the holders of Allowed Noteholder Claims, in accordance with the formula set forth in Section 3.1.4(b) of the Plan.

On the Effective Date, all holders of Convertible Subordinated Debentures, except those who have affirmatively elected not to do so in connection with their vote on the Plan, will be deemed to have exercised their rights to convert their Convertible Subordinated Debentures into Federal-Mogul common stock on the terms provided for in the indenture governing those debentures. For purposes of the classification and treatment of Claims and Equity Interests under the Plan, such conversion shall be deemed to have occurred on the Record Date, and the resulting common stock interests arising from such conversion shall be included in and treated as Equity Interests under Class 10.

For holders of Convertible Subordinated Debenture Claims who elect not to convert their Convertible Subordinated Debentures into Federal-Mogul common stock, the estimated percentage recovery is 0% due to the subordination provisions of the Convertible Subordinated Debentures. Holders of Convertible Subordinated Debenture Claims who do elect to convert their Convertible Subordinated Debentures to Federal-Mogul common stock will be treated as holders of Class 10 Equity Interests and shall receive Warrants in accordance with and to the extent set forth in the Plan treatment provisions concerning Class 10 Equity Interests.

Solely for purposes of the Declaration of Trust of Federal-Mogul Financing Trust regarding the Convertible Subordinated Debentures, the bankruptcy of Federal-Mogul Corporation shall be deemed to have occurred on the Effective Date, and the Federal-Mogul Financing Trust shall thereupon be deemed dissolved as provided in such Declaration of Trust.

Claims in this Class are impaired, and, as a result, the holders of such Claims are entitled to vote on the Plan.

g. Class G – On-Site Environmental Claims

Class G consists of On-Site Environmental Claims arising from or related to property currently owned and that will continue to be owned by the Debtors after Confirmation of the Plan. A schedule of all known On-Site Environmental Claims is set forth on Exhibit 1.1.72 to the Plan.

Holders of Allowed On-Site Environmental Claims shall retain unaltered the legal, equitable and contractual rights to which such Allowed Claim entitles the holder.

Claims in these Classes are unimpaired, and, as a result, the holders of such Claims are not entitled to vote on the Plan.

h. Class H – Unsecured Claims

Unsecured Claims are any Claims (regardless of whether such Claims are covered by insurance) not specifically included in a separately identified Class of Claims or Equity Interests and to the extent that such Claims are neither secured nor entitled to priority under applicable law. Unsecured Claims shall expressly include, without limitation, (a) any claim arising from the rejection of an executory contract or unexpired lease under Section 365 of the Bankruptcy Code, (b) any portion of a Claim to the extent the value of the holder's interest in the applicable Estate's interest in the property securing such Claim is less than the amount of the Claim, or to the extent that the amount of the Claim subject to setoff is less than the amount of the Claim, as determined pursuant to Section 506(a) of the Bankruptcy Code, (c) Surety Claims against T&N Limited and/or Gasket Holdings Inc., (d) Other U.K.

Claims (including, specifically, Off-Site Environmental Claims and Asbestos Property Damage Claims against any U.K. Debtors to the extent that the Allowed Amounts of such Claims are not otherwise satisfied by any applicable insurance coverage), (e) any unsecured deficiency claims held by the holders of Bonded Non-Asbestos Claims and/or Surety Claims, (f) Asbestos Property Damage Claims against any U.S. Debtors to the extent that the Allowed Amounts of such Claims are not otherwise satisfied by any applicable insurance coverage, and to the extent that such Claims are not Bonded Claims; (g) Excluded Non-Qualified Pension Claims, (h) Off-Site Environmental Claims, (i) Claims arising from the provision of goods or services to the Debtors prior to the Petition Date, including the Claims of commercial trade creditors and (j) Affiliate Claims against the U.K. Debtors which are not subject to the Subordination Deed. Additionally, as set forth further below in subsection i, Non-Priority T&N Pension Plan Employee Benefit Claims and Non-Priority FM Ignition Pension Plan Claims may also be classified and treated as Class H Unsecured Claims in the event certain conditions are not met. Unless otherwise specifically provided in an applicable provision of the Plan, Unsecured Claims shall not include (i) Administrative Claims, (ii) Administration Claims, (iii) Priority Claims, (iv) Preferential Claims, (v) Secured Bank Claims, (vi) Secured Surety Claims, (vii) Noteholder Claims, (viii) Other Secured Claims, (ix) On-Site Environmental Claims, (x) Non-Priority Employee Benefit Claims, (xi) Asbestos Personal Injury Claims, (xii) Bonded Claims, (xiii) Affiliate Claims against the U.S. Debtors and F-M UK Holding Limited, (xiv) Affiliate Claims against the U.K. Debtors which are subject to the Subordination Deed, and (xv) Equity Interests.

**(1) Treatment of Unsecured Claims Against the U.S. Debtors
and F-M UK Holding Limited**

Holders of Allowed Unsecured Claims against all of the U.S. Debtors and F-M UK Holding Limited shall receive a total Cash payment equal to 35% of such holder's Allowed Unsecured Claim, with such total amount to be paid in three (3) equal, annual installments, the first of which shall be paid on the Distribution Date and the second and third of which shall be paid on the first and second anniversaries of the Distribution Date, respectively. This treatment is subject to the terms of Section 8.17 of the Plan, which provides that in the event that the total amount of Allowed Unsecured Claims against the U.S. Debtors and F-M UK Holding Limited is determined to be in excess of \$258 million, then the amount of the Cash distributions to holders of Allowed Unsecured Claims against those Debtors will be adjusted such that each such holder will receive, on account of its Allowed Unsecured Claim, total Cash payments equal to such holder's Pro Rata share of \$90.3 million. The Plan Proponents believe that the total Allowed Amount of Class H Unsecured Claims against the U.S. Debtors and F-M UK Holding Limited will not exceed \$258 million. This belief is based upon (a) the Claims processing performed to date with respect to these Claims and (b) various assumptions concerning the completion of the processing and reconciliation of such Claims including, without limitation, assumptions regarding the successful prosecution of objections to certain Claims and the reclassification, reduction and/or disallowance of certain Claims. The Plan Proponents believe that all of the assumptions made in connection herewith are reasonable, but cannot guarantee that these assumption will turn out to be true or that the total Allowed Amount of Class H Unsecured Claims against the U.S. Debtors and F-M UK Holding Limited will not exceed \$258 million.

Class H Unsecured Claims against the U.S. Debtors and against F-M UK Holding Limited are impaired, and, as a result, the holders of such Claims are entitled to vote on the Plan.

**(2) Treatment of Unsecured Claims Against U.K. Debtors other
than F-M UK Holding Limited**

Each holder of an Allowed Unsecured Claim against the U.K. Debtors other than F-M UK Holding Limited will receive a Cash payment on the Distribution Date in an amount equal to the Allowed Amount of such holder's Claim multiplied by the greater of any of the following three (3) treatments (except holders of such Claims against T&N Limited, which shall receive one of the two T&N Distribution Ratios described below):

- T&N Distribution Ratio 1, the numerator of which shall equal the value of 79% of the Reorganized Federal-Mogul Class B Common Stock as determined at the Confirmation Hearing and the denominator of which shall be the tort system value (as reflected in the Asbestos Personal Injury Trust Distribution Procedures) of all Asbestos Personal Injury Claims against T&N Limited, or, in the event the Consensual Marketing Procedures are performed, T&N Distribution Ratio 2, the numerator of

which is equal to the value of the assets of T&N Limited as determined at the Confirmation Hearing either in accordance with the Consensual Marketing Procedures or as otherwise determined by the Bankruptcy Court and the denominator of which shall be the sum of (i) the tort system value (as reflected in the Asbestos Personal Injury Trust Distribution Procedures) of all Asbestos Personal Injury Claims against T&N Limited and (ii) the Allowed amount of all other Claims against T&N Limited (including, without limitation, Affiliate Claims against T&N Limited); or

- the Company Specific Distribution Ratio for the U.K. Debtor in question, the numerator of which shall be equal to (i) the value of the referenced U.K. Debtor's assets as set forth in Exhibit L to the Disclosure Statement if the Consensual Marketing Procedures are not performed for the referenced U.K. Debtor, or (ii) in the event the Consensual Marketing Procedures are performed for such U.K. Debtor, the Market Value of such U.K. Debtor's assets, and the denominator of which shall be the tort system value (as reflected in the Asbestos Personal Injury Trust Distribution Procedures) of all Asbestos Personal Injury Claims against the U.K. Debtor in question plus the Allowed amount of all other Claims against such U.K. Debtor; or
- the Small Company Specific Distribution Ratio for the U.K. Debtor in question, which is applicable to all U.K. Debtors with less than £1 million in assets (as set forth on Exhibit L to this Disclosure Statement) or less than £1 million in liabilities to unaffiliated creditors (excluding holders of Asbestos Personal Injury Claims other than those that have been asserted in lawsuits filed in the United Kingdom on or before April 22, 2004) (the "Small Companies"), the numerator of which is equal to the value of such Small Company's assets as set forth on Exhibit L to this Disclosure Statement (or, if the Consensual Marketing Procedures are performed, the Market Value of such Small Company's assets) and the denominator of which is the Allowed Claims against that U.K. Debtor (excluding Asbestos Personal Injury Claims other than those that were the subject of lawsuits filed against such U.K. Debtor in the United Kingdom on or before April 22, 2004).

Because no bar date has been set either by the Bankruptcy Court or by the Administrators or the U.K. Court for the filing of Claims against the U.K. Debtors, and further because conclusive assessments have not been made of the asset values of all of the U.K. Debtors, it is not possible to determine definitively which of the U.K. Debtors will be treated as Small Companies. However, based on the values of assets and the liabilities reflected on Exhibit L to this Disclosure Statement, **it is anticipated that all U.K. Debtors are Small Companies except the following 18 U.K. Debtors:**

T&N Limited	Federal-Mogul Powertrain Systems International Limited
Federal-Mogul Aftermarket UK Limited	Federal-Mogul Sealing Systems (Cardiff) Limited
Federal-Mogul Bradford Limited	Federal-Mogul Sealing Systems (Rochdale) Limited
Federal-Mogul Bridgwater Limited	Federal-Mogul Sealing Systems (Slough) Limited
Federal-Mogul Camshaft Castings Limited	Federal-Mogul Sintered Products Limited
Federal-Mogul Camshafts Limited	Federal-Mogul Technology Limited
Federal-Mogul Engineering Limited	T&N Investments Limited
Federal-Mogul Export Services Limited	TBA Industrial Products Limited
Federal-Mogul Friction Products Limited	
Federal-Mogul Ignition (U.K.) Limited	

Of the U.K. Debtors that are anticipated to be Small Companies, only four (4) are considered by the Plan Proponents to have Class H Unsecured Claims against them. Those four (4) U.K. Debtors are Federal-Mogul Eurofriction Limited, Federal-Mogul Sealing Systems Limited, Federal-Mogul Shoreham Limited, and Federal-Mogul Systems Protection Group Limited. Holders of Class H Unsecured Claims against each of those U.K. Debtors are anticipated to receive a distribution based upon the application of the Small Company Specific Distribution Ratio.

The preliminary views expressed above as to which U.K. Debtors are likely to be Small Companies and which U.K. Debtors have creditors that are likely to receive distributions based upon application of the Small Company Specific Distribution Ratio are based on a number of assumptions, including the assumption that the T&N Pension Trustees will either accept the "Let it Run" treatment described in subsection i. below or, in the alternative, that the liability of those of the U.K. Debtors that are Participating Employers under the T&N Pension Plan (other than T&N Limited) is limited to a Section 75 Claim in the aggregate amount of £ 19 million.

Holders of Unsecured Claims against Small Companies will receive distributions on account of such Unsecured Claims based upon application of the Small Company Specific Distribution Ratio. An estimate of that dividend payment specific to each of the four (4) U.K. Debtors that the Plan Proponents anticipate Small Companies and have Class H Unsecured Claims against them is set forth on Exhibit L to the Disclosure Statement.

Of the remaining 18 U.K. Debtors, 13 of them did not, to the Plan Proponents' knowledge, manufacture, distribute or sell asbestos-containing products. As a result, the Plan Proponents do not anticipate that those 13 U.K. Debtors have substantial unknown current and/or future liabilities for Asbestos Personal Injury Claims sufficient to materially affect recoveries to the holders of Unsecured Claims against such U.K. Debtors. Accordingly, it is anticipated that creditors of these 13 U.K. Debtors will receive a distribution based upon the application of the Company Specific Distribution Ratio to their Unsecured Claims. **The 13 U.K. Debtors anticipated to receive distributions based upon application of the Company Specific Distribution Ratio are:**

Federal-Mogul Aftermarket UK Limited	Federal-Mogul Ignition (U.K.) Limited
Federal-Mogul Bradford Limited	Federal-Mogul Powertrain Systems International Limited
Federal-Mogul Bridgwater Limited	Federal-Mogul Sealing Systems (Cardiff) Limited
Federal-Mogul Camshaft Castings Limited	Federal-Mogul Sintered Products Limited
Federal-Mogul Camshafts Limited	Federal-Mogul Technology Limited
Federal-Mogul Engineering Limited	T&N Investments Limited
Federal-Mogul Export Services Limited	

An estimate of the percentage recovery for each of these 13 U.K. Debtors is set forth on Exhibit L to the Disclosure Statement. As in the case of the Small Companies described above, the estimated recoveries contained in this Disclosure Statement are based upon estimates of the assets and liabilities of each such U.K. Debtor including the assumption that the T&N Pension Trustees will either accept the "Let it Run" treatment described in subsection i. below or, in the alternative, that the liability of those U.K. Debtors that are Participating Employers under the T&N Pension Plan (other than T&N Limited) is limited to a Section 75 Claim in the aggregate amount of £ 19 million.

The Plan Proponents anticipate that creditors of the remaining five (5) U.K. Debtors – T&N Limited, Federal-Mogul Friction Products Limited, Federal-Mogul Sealing Systems (Rochdale) Limited, Federal-Mogul Sealing Systems (Slough) Limited, and TBA Industrial Products Limited – will each receive a distribution based upon the application of T&N Distribution Ratio 1 or T&N Distribution Ratio 2, depending upon whether the

Consensual Marketing Procedures are performed. Each of these five U.K. Debtors manufactured and/or distributed products containing asbestos and hence, in the view of the Plan Proponents, have material asbestos-related liabilities. With the exception of T&N Limited, however, these U.K. Debtors were named in very few lawsuits prior to the Petition Date (and the automatic stay has precluded the commencement of any such actions since the Petition Date). To date, according to the Debtors' records, TBA Industrial Products Limited has been named in 217 actions (including third-party personal injury claims and products liability claims), Federal-Mogul Friction Products Limited has been named in 79 actions, Federal-Mogul Sealing Systems (Rochdale) Limited has been named in no actions, and Federal-Mogul Sealing Systems (Slough) Limited has been named in five (5) actions. Notwithstanding the foregoing, the Plan Proponents believe that each of these four U.K. Debtors have material asbestos liabilities given that each of them, as in the case of T&N Limited, manufactured and/or distributed products containing asbestos. Although these amounts have not been quantified as of the date of this Disclosure Statement, the Plan Proponents believe that the likely amount of these liabilities will be such that the T&N Distribution Ratios will provide a greater distribution than the Company Specific Distribution Ratio.

The Plan Proponents estimate that the percentage recovery that would result from application of T&N Distribution Ratio 1 is 7.2%. Such distribution is based upon the valuation of Reorganized Federal-Mogul at \$4.0 to \$4.4 billion, as described in Section XI.B, below. For purposes of the analysis contained in this section, the Plan Proponents assume that the value of Reorganized Federal-Mogul will be \$4.2 billion (the midpoint of the range). Other values described below also represent midpoints of ranges described elsewhere in this Disclosure Statement.

The value of Reorganized Federal-Mogul, after deducting the estimated \$2.2 billion in total debt that will be assumed or entered into by Reorganized Federal-Mogul and further deducting an estimated \$47 million to account for the value of the Warrants to be distributed under the Plan, is allocated under the Plan between the holders of Asbestos Personal Injury Claims and Noteholder Claims on a 50.1% - 49.9% basis. Accordingly, the Plan Proponents estimate that the aggregate distributions under the Plan to the holders of Asbestos Personal Injury Claims (*i.e.*, the value of the Reorganized Federal-Mogul Class B Common Stock) will total approximately \$1.0 billion (plus insurance recoveries), while the aggregate distributions to the holders of Noteholder Claims (*i.e.*, the value of the Reorganized Federal-Mogul Class A Common Stock) will total approximately \$1.0 billion. The Asbestos Personal Injury Trust Distribution Procedures presently provide that all of the Reorganized Federal-Mogul Class B Common Stock will initially be allocated to the T&N Worldwide Fund (as described in the Asbestos Personal Injury Trust Distribution Procedures) which will address Asbestos Personal Injury Claims against T&N Limited, Gasket Holdings Inc. and Ferodo America, Inc.

Under the Plan, 79% of the Reorganized Federal-Mogul Class B Common Stock to be allocated to the T&N Worldwide Fund within the Trust will likely be allocated for the payment of Asbestos Personal Injury Claims against T&N Limited. This allocation is based upon the relative size of the historic asbestos liabilities of the Debtors (T&N Limited, Gasket Holdings Inc., and Ferodo America, Inc.) whose asbestos liabilities are not likely to be fully insured. The value of 79% of the Reorganized Federal-Mogul Class B Common Stock is estimated to be \$790 million. This amount is the numerator in T&N Distribution Ratio 1. The denominator of T&N Distribution Ratio 1 will be the predicted value (according to Dr. Peterson, who has performed actuarial analyses of the asbestos liabilities of T&N Limited on behalf of the Asbestos Claimants Committee) of the Asbestos Personal Injury Claims and Demands against T&N Limited based upon the Asbestos Personal Injury Trust Distribution Procedures, which is estimated by Dr. Peterson to be approximately \$11.0 billion. Accordingly, T&N Distribution Ratio 1 is likely to yield a percentage recovery to those whose dividend is predicated thereon of 7.2%.

The numerator of T&N Distribution Ratio 2 (which is an estimate of the value of T&N Limited's assets if the Consensual Marketing Procedures is performed) is likely to be in the range of approximately \$0.5 billion to \$0.8 billion. The denominator of T&N Distribution Ratio 2 includes Asbestos Personal Injury Claims and Demands against T&N Limited in the approximate amount of \$11.0 billion as described above, claims arising under or relating to the T&N Pension Plan (which are asserted by the T&N Pension Plan Trustee to be as much as \$1.5 billion), and certain Affiliate Claims and Unsecured Claims against T&N Limited. The total of all claims against T&N Limited comprising the denominator of T&N Distribution Ratio 2 is expected to be approximately \$13.3 billion. Accordingly, T&N Distribution Ratio 2 is likely to yield a percentage recovery to those whose dividend is predicated thereon of 3.8% to 6.0%. The Plan Proponents therefore believe that performance of the Consensual

Marketing Procedures will lead to a lower recovery to the holders of Unsecured Claims against T&N Limited than will the application of T&N Distribution Ratio 1 to such Claims.

The estimate of T&N Limited's asbestos liabilities (i.e., \$11.0 billion) developed by Dr. Peterson varies from the figure reported by Federal-Mogul Corporation in its securities filings prior to the Petition Date. In early 2001, National Economic Research Associates ("NERA"), an econometric firm retained by Federal-Mogul Corporation, issued a report on the estimated asbestos-related liabilities of the Federal-Mogul entities. With respect to T&N Limited, Gasket Holdings Inc. (Flexitallic) and Ferodo America, Inc., the estimated liabilities totaled \$1.6 billion, and, with respect to all Federal-Mogul entities, \$1.8 billion. This figure was reported in Federal-Mogul Corporation's Form 10-K for the year ending December 31, 2000 (the last Form 10-K filed by Federal-Mogul Corporation prior to the Petition Date). That Form 10-K explicitly stated that the ultimate liability was "highly uncertain due to the difficulty of forecasting the numerous variables that can affect the liability."

There are numerous critical differences between the data and assumptions relied upon by NERA in reaching its estimates and the data and assumptions relied upon by Dr. Peterson in preparing his forecasts. First, NERA's study formed the basis for the Federal-Mogul entities' estimate of asbestos liabilities prior to the Petition Date for claims currently pending at the time of the forecast prior to the Petition Date and those which were reasonably estimated to be asserted and paid through 2012. Dr. Peterson's forecast, by contrast, attempts to account for all claims pending on the Petition Date and that might ever be asserted against T&N Limited over a future period of 40 years or more. Second, NERA's study relied upon actual 1999 settlement values and budgeted CCR 2000 settlement values, while Dr. Peterson's forecast was based upon actual settlement data for 2000 and 2001 for T&N Limited. This data showed that there had been substantial increases in case values over 1999 and budgeted 2000. Third, NERA assumed that there would be an ongoing "outside CCR discount" based upon the short-term settlement experience of T&N Limited outside the CCR. Dr. Peterson, reviewing actual 2001 settlement and verdict experiences of companies that had left the CCR, including T&N Limited and others, forecast that settlement values would increase dramatically in the post-CCR period. Fourth, Dr. Peterson assumed that the post-CCR increase would be greater for T&N Limited than for other CCR members because its CCR membership had protected T&N Limited from high settlement demands based on the company's unique history and dealings regarding asbestos-containing products. NERA did not make this assumption. Fifth, Dr. Peterson took into account in his forecast the fact that the plaintiffs would have looked to T&N Limited in the future for increasingly higher payments as bankruptcy proceedings removed other major defendants from the tort system. NERA did not take this factor into account. Sixth, Dr. Peterson assumed for his forecast that the number of claims against T&N Limited would have increased in future years because an increasing percentage of persons with asbestos injuries would have sued T&N Limited in future years after bankruptcy proceedings had removed other defendants from tort litigation. The increased visibility and scrutiny that would have been directed to T&N Limited after it left CCR would have further increased the number of future claims. NERA did not make any of these assumptions in producing its forecasts.

Class H Unsecured Claims against the U.K. Debtors other than F-M UK Holding Limited are impaired and the holders of such Claims are entitled to vote on the Plan.

i. Class I – Non-Priority Employee Benefit Claims against the U.S. Debtors and Non-Priority Pension Plan Employee Benefit Claims against the U.K. Debtors.

Class I consists of any Claims arising from or relating to an Employee Benefit Plan, including but not limited to retiree benefit claims described in Section 1114 of the Bankruptcy Code, but excluding Excluded Non-Qualified Pension Claims and any Claims against Federal-Mogul Corporation arising from the claims and litigation involving the Salaried Employees' Investment Program that are described more fully above in Section V.T.2, that are neither secured nor entitled to priority under the Bankruptcy Code or a Final Order of the Bankruptcy Court. Class I includes any claims of (i) the T&N Pension Plan Trustees against T&N Limited and/or any of the U.K. Debtors that are Participating Employers under the T&N Pension Plan and (ii) the FM Ignition Pension Plan Trustees against Federal-Mogul Ignition (U.K.) Limited.

With respect to the U.S. Debtors, on the Effective Date, each Employee Benefit Plan maintained by any of the U.S. Debtors shall be continued, automatically and without further act, deed or Court order, by the respective

Reorganized Debtor and each holder of an Allowed Non-Priority Employee Benefit Claim against a U.S. Debtor shall thus retain unaltered the legal, equitable and contractual rights to which such Allowed Claim entitles the holder. Such Claims against the U.S. Debtors are unimpaired and, as a result, the holders of such Claims are not entitled to vote on the Plan.

With respect to T&N Limited and those of the U.K. Debtors that have obligations under or relating to the T&N Pension Plan, if the T&N Pension Plan Trustees vote to accept the Plans of all U.K. Debtors that have any obligations under or relating to the T&N Pension Plan and have given an irrevocable undertaking at least 14 business days before the Confirmation Hearing that they will vote in favor of approving any relevant Voluntary Arrangement for such U.K. Debtor, and if the Consensual Marketing Procedures are not performed with respect to T&N Limited, then in full satisfaction of all Claims against all Debtors with obligations under or relating to the T&N Pension Plan:

- The T&N Pension Plan shall continue, as modified. Current active employees who are part of the T&N Pension Plan will be offered a choice with respect to pension benefits relating to services performed after the Effective Date.
- The T&N Pension Plan contribution rate from the Effective Date to April 30, 2012 shall be limited to the annual maintenance cost with respect to services rendered after the Effective Date by current active employees and participants of T&N Limited and any other U.K. Debtors with obligations under or relating to the T&N Pension Plan that choose to remain in the T&N Pension Plan (provided such amount is lower than the current annual funding which is applicable through spring 2005 pending upcoming valuation). No annual contributions will be made to the T&N Pension Plan to amortize the underfunding that relates to prior service by retired, deferred, current and active members.
- To moderate the impact of post-Effective Date redundancies on the T&N Pension Plan, in the event of any redundancy actions involving the elimination of more than twenty (20) jobs, T&N shall pay an amount – over a period of not more than two (2) years after any redundancy action – equal to the additional liability crystallized by such redundancy action.
- Reorganized T&N shall have the right to elect to terminate the T&N Pension Plan on and after April 30, 2012. If Reorganized T&N elects to so terminate the T&N Pension Plan, then the T&N Pension Plan Trustees shall receive a Cash payment equal to the Allowed Amount of the Non-Priority T&N Pension Plan Employee Benefit Claims against all U.K. Debtors calculated as of the Petition Date multiplied by T&N Distribution Ratio 1 plus interest at market rate from the Effective Date through the date the T&N Pension Plan is terminated. Such treatment shall be in full and complete satisfaction of all Non-Priority T&N Pension Plan Employee Benefit Claims against all U.K. Debtors having obligations under or relating to the T&N Pension Plan.
- The contingent obligation of Reorganized T&N to pay the dividend set forth above shall be embodied in either, at the option of the Plan Proponents, a contingent promissory note from Reorganized T&N or an amendment to the Trust Deed of the T&N Pension Plan. The note will be delivered to the T&N Pension Plan Trustees or, if applicable, the amendment to the Trust Deed shall take effect, on the Effective Date.
- The T&N Pension Plan Trustees shall, to the extent permitted by applicable law, continue the current investment strategy in consultation with Reorganized T&N and will not change such investment strategy without approval from Reorganized T&N.

As an alternative to the foregoing, the holders of Allowed Non-Priority T&N Pension Plan Employee Benefit Claims may receive such other treatment as may be agreed to by the Plan Proponents and the T&N Pension Plan Trustees.

If the T&N Pension Plan Trustees do not vote in favor of all of the Plans of the U.K. Debtors that have obligations under or relating to the T&N Pension Plan or have not given an irrevocable undertaking at least 14

business days before the Confirmation Hearing that they will vote in favor of approving any relevant Voluntary Arrangements for such U.K. Debtor and/or if the Consensual Marketing Procedures are performed with respect to T&N, then all obligations with respect to the T&N Pension Plan shall be compromised and discharged and all Claims under or relating to the T&N Pension Plan shall be included in Class H of such U.K. Debtors in full satisfaction and discharge of such obligations.

If the FM Ignition Pension Plan Trustees accept the Plan and have given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote to approve any Voluntary Arrangements for FM Ignition, and if the Consensual Marketing Procedures have not been performed for FM Ignition, then with respect to Claims in Class 7I (Federal-Mogul Ignition (U.K.) Limited Non-Priority Pension Plan Employee Benefit Claims), the FM Ignition Pension Plan Trustees may elect either of the "Let It Run" treatment or the "Alternate Payout" treatments described in this section. Under the "Let It Run" Treatment,

- The FM Ignition Pension Plan shall continue, as modified. Current active employees who are part of the FM Ignition Pension Plan will be offered a choice with respect to pension benefits relating to services performed after the Effective Date.
- The FM Ignition Pension Plan contribution rate from the Effective Date to April 30, 2012 shall be limited to the annual maintenance cost with respect to services rendered after the Effective Date by current active employee participants in the FM Ignition Pension Plan that choose to remain in the FM Ignition Pension Plan (provided such amount is lower than the current annual funding). No annual contributions will be made to the FM Ignition Pension Plan to amortize the underfunding that relates to prior service by retired, current and active employees.
- Reorganized FM Ignition shall have the right to elect to terminate the FM Ignition Pension Plan on and after April 30, 2012. If Reorganized FM Ignition does so terminate the FM Ignition Pension Plan, then the FM Ignition Pension Plan Trustees shall receive a Cash payment equal to the Allowed Amount of the Non-Priority FM Ignition Pension Plan Employee Benefit Claims calculated as of the Effective Date multiplied by the greater of T&N Distribution Ratio 1 and the Company Specific Distribution Ratio plus interest from the Effective Date through the date the FM Ignition Pension Plan is terminated. Such treatment shall be in full and complete satisfaction of all Non-Priority FM Ignition Pension Plan Employee Benefit Claims.
- The contingent obligation of Reorganized FM Ignition to pay the dividend set forth above will be embodied in either, at the option of the Plan Proponents, a contingent promissory note from Reorganized FM Ignition or an amendment to the Trust Deed for the FM Ignition Pension Plan. The note will be delivered to the FM Ignition Pension Trustees or, if applicable, the amendment to the Trust Deed shall take effect, on the Effective Date.
- The FM Ignition Pension Plan Trustees shall, to the extent permitted by applicable law, continue the current investment strategy in consultation with Reorganized FM Ignition and shall not change such investment strategy without approval from Reorganized FM Ignition.

Under the Alternate Payout treatment,

- On the Effective Date, the FM Ignition Pension Plan shall pay the FM Ignition Pension Plan Trustees an amount sufficient to purchase annuities to secure the benefits of all participants retired and currently receiving pension payments.
- Actuarially equivalent transfer values would be provided to non-pensioner participants (assuming no cost of living adjustments). Actuarial assumptions will be the same as used in that certain August 2003 Transfer Value change assumption calculation.
- Contributions to fund the Alternate Payout treatment shall be limited to no more than £9 million.

If the FM Ignition Pension Plan Trustees do not vote in favor of all of the Plan for FM Ignition, or have not given an irrevocable undertaking at least 14 business days before the Confirmation Hearing that they will vote in favor of approving any relevant Voluntary Arrangement for FM Ignition and/or if the Consensual Marketing Procedures are performed with respect to FM Ignition, then all obligations with respect to the FM Ignition Pension Plan shall be compromised and discharged and all Claims under or relating to the FM Ignition Pension Plan shall be included in Class H of such U.K. Debtors in full satisfaction and discharge of such obligations.

Class I Non-Priority Pension Plan Employee Benefit Claims against the U.S. Debtors are unimpaired under the Plan, and the holders of such Claims are not entitled to vote on the Plan. Class I Non-Priority Pension Plan Employee Benefit Claims against the U.K. Debtors are impaired under the Plan and, as a result, the holders of such Claims are entitled to vote on the Plan.

j. Class J – Asbestos Personal Injury Claims

Class J consists of Claims that are liquidated or unliquidated Claims against one or more of the Debtors or their non-Debtor Affiliates, or their present or former officers, directors or employees of any of them, whether asserted by agents or employees of the Debtors or their non-Debtor Affiliates or any other Person or Entity, whether in the nature of or sounding in tort, contract, warranty, employer liability or any other theory of law, equity or admiralty, whatsoever, for, attributable to or arising under the laws of any jurisdiction, by reason of, directly or indirectly, physical, emotional or other personal injuries or other damages caused, or allegedly caused, in whole or in part, directly or indirectly, by the presence of, or exposure to, asbestos – including but not limited to, asbestos-containing products, automotive or industrial parts and components, equipment, manufacturing processes, improvements to real property or materials manufactured, sold, supplied, produced, specified, selected, distributed or in any way marketed by one or more of the Debtors or their non-Debtor Affiliates or the predecessors of any of them – and arising or allegedly arising, directly or indirectly, from acts or omissions of one or more of the Debtors, their non-Debtor Affiliates or the predecessors of any of them, including, but not limited to, all claims, debts, obligations or liabilities for compensatory damages (such as, without limitation, loss of consortium, medical monitoring, personal or bodily injury, wrongful death, survivorship, proximate, consequential, general and special damages) and punitive damages. Asbestos Personal Injury Claims shall include, without limitation, (i) Indirect Asbestos Personal Injury Claims, (ii) Asbestos Personal Injury Demands, (iii) any Claim or Demand based upon, arising under or attributable to an asbestos personal injury settlement agreement or protocol entered into by CCR on behalf of one or more of the Debtors, (iv) any Claims asserted by CCR against the Debtors or their non-Debtor Affiliates excluding any Claim asserted by the CCR for postpetition fees and expenses incurred in the Reorganization Cases and (v) any Claim or Demand by an EL Insurer or Hercules Insurer or any of their reinsurers for premium, indemnity, reimbursement, contribution, fees, expenses or otherwise in connection with their respective policies or Asbestos Personal Injury Claims.

Except with respect to the Reorganized Hercules-Protected Entities and the U.K. Debtors with rights of indemnity and/or insurance coverage under the EL Coverage, as of the Effective Date, liability for all Asbestos Personal Injury Claims against the Debtors shall be automatically and without further act, deed or Court order, transferred to, vested in and assumed by the Trust. Thereafter, each Asbestos Personal Injury Claim shall be addressed (*i.e.*, Allowed or disallowed, and if Allowed, then paid) solely by the Trust pursuant to and in accordance with the Asbestos Personal Injury Trust Distribution Procedures. The Asbestos Personal Injury Trust Distribution Procedures, which are an exhibit to the Asbestos Personal Injury Trust Agreement attached as Exhibit 1.1.154 to the Plan, set forth, among other things, the procedures which the Trust will use to clinically evaluate, value and, where appropriate, to pay holders of Allowed Asbestos Personal Injury Claims on account of their Claims.

As discussed further below in Section VII(A)(4) and in accordance with Article IV of the Plan, with respect to Asbestos Personal Injury Claims against the Reorganized Hercules-Protected Entities and the U.K. Debtors with rights of indemnity and/or insurance coverage under the EL Coverage, liability for all such Asbestos Personal Injury Claims shall automatically and without further act, deed or Court order, be assumed by the Trust in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan and the provisions relating to the Hercules Policy and any EL Policy. Additionally, on the Effective Date, the liability of such Debtors for each such Asbestos Personal Injury Claim shall continue but recourse to the assets of the applicable Reorganized Debtors in respect of such liability shall, by operation of the Plan, the Scheme of

Arrangement and/or the Voluntary Arrangement and the Confirmation Order, be limited in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan and the provisions relating to the Hercules Policy and any EL Policy. From and after the Hercules Policy Expiry Date, the applicable Reorganized Debtors shall be, without further order of Court, released and discharged from Asbestos Personal Injury Claims (other than Asbestos Personal Injury Claims covered by the indemnity provisions of the EL Coverage) in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan. From and after the EL Coverage Expiry Date, the applicable Reorganized Debtors shall be, without further order of the Court, released and discharged from Asbestos Personal Injury Claims in excess of (i) the £690 million retention and the £500 million layer of coverage under the Hercules Policy and (ii) all other sums as are attributable to or otherwise represent the Hercules Insurance Recoveries to the extent that such amounts exceed the £500 million layer of coverage.

Additionally, if the Classes of holders of Noteholder Claims and Asbestos Personal Injury Claims accept the Plan, and at least one of the Classes of holders of preferred stock, Subordinated Securities Claims or common stock accepts the Plan, then holders of Allowed Asbestos Personal Injury Claims shall also receive 50% of the Warrants to be issued and distributed under the Plan; provided, however, that holders of Allowed Asbestos Personal Injury Claims have agreed to distribute any and all such Warrants to the holders of preferred stock, Subordinated Securities Claims and/or common stock in accordance with Sections 3.1.13, 3.1.14 and 3.1.15 of the Plan, and subject to the requirements of Section 8.3.5 of the Plan.

In the event that holders of Asbestos Personal Injury Claims against U.K. Debtors would be entitled to a greater recovery on their Claims (as Allowed pursuant to the Asbestos Personal Injury Trust Distribution Procedures) by application of the Company Specific Distribution Ratio or the Small Company Specific Distribution Ratio than such holder would otherwise receive from the Trust, the difference shall also be paid by the Trust.

Claims in these Classes are impaired, and, as a result, the holders of such Claims are entitled to vote on the Plan.

k. Class K – Bonded Claims

Class K consists of the Secured portion, if any, of Bonded Asbestos Personal Injury Claims, Bonded Non-Asbestos Claims and the CCR Bond Claim. The unsecured deficiency portion, if any, of such Claims is not included in this Class.

Each holder of an Allowed Bonded Claim against any of the Debtors shall retain unaltered the legal, equitable and contractual rights to which such Allowed Bonded Claim entitles the holder. Claims in these Classes are unimpaired, and, as a result, the holders of such Claims are not entitled to vote on the Plan.

l. Class L – Affiliate Claims

Class L consists of all prepetition Claims against any of the Debtors held by a Debtor or a non-Debtor Affiliate, or any interest held by such entities in any property of the Debtors, but excluding Equity Interests and the Convertible Subordinated Debentures.

On the Effective Date, at the option of the Plan Proponents, all Allowed Affiliate Claims against the U.S. Debtors and F-M UK Holding Limited shall either be (a) reinstated, in full or in part, or (b) discharged and extinguished, in full 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 portion under the Plan; provided, however, that prior to such discharge and extinguishment such Affiliate Claims may be contributed to capital, transferred, setoff or subject to any other arrangement at the option of the Plan Proponents. If any such Affiliate Claim is reinstated, in full or in part, such reinstated Claim may, at the option of the Plan Proponents, be subordinated in legal right and priority of payment to all non-Affiliate Claims against the applicable Debtor. The Affiliate Claims, or portions thereof, which are being reinstated and the extent, if any, to which such Claims are being subordinated to non-Affiliate Claims, are set forth in Exhibit 3.1.12 to the Plan.

Affiliate Claims against the U.S. Debtors and F-M UK Holding Limited are impaired, and, as a result, the holders of such Claims are entitled to vote on the Plan.

On the terms set forth in this paragraph, Affiliate Claims against the U.K. Debtors other than F-M UK Holding Limited shall be treated as Unsecured Claims unless subject to the Subordination Deed, which shall be filed no later than 30 days prior to the deadline for voting on the Plan and which shall become effective on the Effective Date, but not as a result of the provisions of the Plan, the Confirmation Order, any of the Voluntary Arrangements and/or the Schemes of Arrangement or any order of the U.K. Court sanctioning the Schemes of Arrangement. With respect to Affiliate Claims against U.K. Debtors other than F-M UK Holding Limited, the Plan Proponents are aware that certain commercial and tax disadvantages may arise if Affiliate Claims against the U.K. Debtors are classified with and compromised in the same manner as Class H Unsecured Claims pursuant to the Plan. Additionally, if any such Affiliate Claims were to be included in Class H Unsecured Claims, then this may reduce the distributions to be paid to holders of Class H Unsecured Claims. As of the date of this Disclosure Statement, the Plan Proponents are conducting further investigations as to the possible commercial and tax advantages of dealing with these Affiliate Claims separate and apart from the Class H Unsecured Claims. As a result of these commercial and tax issues, however, certain of the Affiliate Claims against the U.K. Debtors may be dealt with under the Subordination Deed. This would result in any such Affiliate Claims not being treated under, or impaired by, the Plan (i.e., they would not be compromised by the Plan and would remain payable in full). However, the effect of the subordination deed would be either (a) to subordinate the relevant affiliate claim to unsecured claims (so that the relevant U.K. Debtor would agree not, without the consent of all the Holders of Unsecured Claims against it, to repay or pay the whole or any part of the Affiliate Claim) until the Unsecured Claims that are non-contingent have been paid in full, or (b) to release the relevant Affiliate Claim (so that the U.K. Debtor would have no further obligation to repay or pay the Affiliate Claim. The Plan Proponents, however, only intend to classify separately these Affiliate Claims if doing so does not result in any unfair prejudice to the holders of Unsecured Claims against any such U.K. Debtors.

Affiliate Claims against the U.K. Debtors other than F-M UK Holding Limited are unimpaired, and, as a result, the holders of such Claims are not entitled to vote on the Plan.

m. Class M – Federal-Mogul Corporation Preferred Stock

Class M consists of all Equity Interests represented by or arising from the Series C ESOP Convertible Preferred Stock issued by Federal-Mogul Corporation, of which there are 439,937 shares outstanding.

All outstanding shares of Federal-Mogul Corporation preferred stock and all rights related to such stock shall be cancelled, annulled and extinguished on the Effective Date. If the Classes of Noteholder Claims, Asbestos Personal Injury Claims and Federal-Mogul Corporation preferred stock interests all accept the Plan, then each holder of Federal-Mogul Corporation preferred stock shall receive, in exchange for and in full satisfaction of its preferred stock interest, Warrants calculated as follows: for each share of existing Federal-Mogul Corporation preferred stock held as of the Record Date, the holder shall receive Warrants in an amount equal to (A)(i) two, divided by (ii) the sum of (a) two times the total number of shares of existing Federal-Mogul Corporation preferred stock plus (b) the total number of shares of existing Federal-Mogul Corporation common stock deemed held by holders of allowed Subordinated Securities Claims (but only if the Class of Subordinated Securities Claims accepts the Plan) plus (c) the total number of shares of existing Federal-Mogul Corporation common stock (but only if the Class of common stock interests accepts the Plan), times (B) the total number of Warrants. If the Class of Federal-Mogul Corporation preferred stock interests rejects the Plan, then no distributions shall be made on account of those preferred stock interests.

Notwithstanding the foregoing or anything to the contrary in the Plan, if the Bankruptcy Court and/or District Court, as applicable, holds, determines or rules that the Plan is not confirmable due to the gifting, issuance or distribution of the Warrants, then (a) no Warrants shall be issued or distributed pursuant to the Plan and (b) Equity Interests in Class 1M shall receive no distributions under the Plan.

Equity Interests in this Class are impaired, and, as a result, the holders of such Equity Interests are entitled to vote on the Plan.

n. Class N – Subordinated Securities Claims

Class N consists of any Claims that arise from the rescission of a purchase or sale of a security of any of the Debtors (including, without limitation, the Notes and the existing Federal-Mogul Corporation common stock and/or preferred stock), or for damages arising from the purchase or sale of such a security, or for reimbursement, indemnification, or contribution allowed under Section 502 of the Bankruptcy Code on account of such Claim, which Claims are subject to subordination under Section 510(b) of the Bankruptcy Code.

If the Classes of Noteholder Claims, Asbestos Personal Injury Claims and Class 1N Subordinated Securities Claims all accept the Plan, each holder of a Class 1N Subordinated Securities Claim shall receive, in exchange for and in full satisfaction of its Allowed Subordinated Securities Claim, its Pro Rata share of any applicable insurance and, with respect to any deficiency, the holder shall receive Warrants calculated as follows: for each share of Federal-Mogul Corporation common stock deemed held, the holder shall receive Warrants in an amount equal to (A)(i) one, divided by (ii) the sum of (a) two times the total number of shares of existing Federal-Mogul Corporation preferred stock (but only if the Class of preferred stock interests accepts the Plan) plus (b) the total number of shares of Federal-Mogul Corporation common stock deemed held by holders of Allowed Subordinated Securities Claims plus (c) the total number of shares of existing Federal-Mogul Corporation common stock (but only if the Class of common stock interests accepts the Plan), times (B) the total number of Warrants. For purposes of calculating such distributions of Warrants, the holder of a Subordinated Securities Claim shall be deemed to hold one share of Federal-Mogul Corporation common stock for each \$28.00 of (i) its Subordinated Securities Claim minus (ii) any insurance proceeds actually received in respect of such Subordinated Securities Claim. If, however, the Class of Class 1N Subordinated Securities Claims rejects the Plan, then no distributions of Warrants shall be made on account of such Subordinated Securities Claims.

Notwithstanding the foregoing or anything to the contrary in this Plan, if the Bankruptcy Court and/or District Court, as applicable, holds, determines or rules that the Plan is not confirmable due to the gifting, issuance or distribution of the Warrants, then (a) no Warrants shall be issued or distributed pursuant to the Plan and (b) Claims in Class 1N shall receive no distributions under the Plan.

Claims in Class 1N are impaired, and, as a result, the holders of such Claims are entitled to vote on the Plan.

Class 2N consists of Subordinated Securities Claims against FMPRI. No distributions shall be made on account of such Claims, and all such Claims shall be discharged and extinguished on the Effective Date. Claims in Class 2N are impaired and do not receive or retain any property under the Plan. Accordingly, holders of such Claims are conclusively presumed to reject the Plan and are not entitled to vote.

o. Class O – Federal-Mogul Corporation Common Stock Interests

Class O consists of all Equity Interests represented by the common stock of Federal-Mogul Corporation, of which there were 87,141,007 shares outstanding as of March 8, 2004.

All outstanding shares of Federal-Mogul Corporation common stock and all rights related to such stock shall be cancelled, annulled and extinguished on the Effective Date. If the Classes of Noteholder Claims, Asbestos Personal Injury Claims and Federal-Mogul Corporation common stock interests all accept the Plan, then each holder of Federal-Mogul Corporation common stock shall receive, in exchange for and in full satisfaction of its Equity Interest, Warrants in an amount equal to (A)(i) one, divided by (ii) the sum of (a) two times the total number of shares of existing Federal-Mogul Corporation preferred stock (but only if the Class of preferred stock Interests accepts the Plan) plus (b) the total number of shares of Federal-Mogul Corporation common stock deemed held by holders of Allowed Subordinated Securities Claims (but only if the Class of Subordinated Securities Claims accepts the Plan) plus (c) the total number of shares of existing Federal-Mogul Corporation common stock, times (B) the total number of Warrants. If the Class of Federal-Mogul Corporation common stock Interests rejects the Plan, then no distribution shall be made on account of such common stock interests.

Notwithstanding the foregoing or anything to the contrary in this Plan, if the Bankruptcy Court and/or District Court, as applicable, holds, determines or rules that the Plan is not confirmable due to the gifting, issuance or distribution of the Warrants, then (a) no Warrants shall be issued or distributed pursuant to the Plan and (b) Equity Interests in Class 10 shall receive no distributions under the Plan.

Equity Interests in this Class are Impaired, and, as a result, the holders of such Equity Interests are entitled to vote on the Plan.

p. Class P – Equity Interests in Affiliates

Class P consists of the Equity Interests in all of the Debtors except Federal-Mogul Corporation, which are represented by the shares of capital stock in such Debtors, whether or not issued.

With the exception of holders of Allowed Equity Interests in FMPRI, all holders of Allowed Equity Interests in Class P will retain unaltered the legal, equitable and contractual rights to which such Allowed Equity Interests entitle the holder. All Equity Interests in FMPRI shall be cancelled, annulled and extinguished as of the Effective Date and holders of Allowed Equity Interests in FMPRI will not receive or retain any property under the Plan.

With the exception of Equity Interests in FMPRI, the Equity Interests in these Classes are Unimpaired, and, as a result, the holders of such Equity Interests are not entitled to vote on the Plan.

Equity Interests in FMPRI are impaired, and since holders of such Equity Interests do not receive or retain any property under the Plan on account of their Equity Interests in FMPRI, such holders are conclusively deemed to have rejected the Plan.

D. Executory Contracts and Unexpired Leases.

Under Section 365 of the Bankruptcy Code, the Debtors have the right, subject to Bankruptcy Court approval, to assume or reject any executory contracts or unexpired leases. If the Debtors reject an executory contract or unexpired lease that is entered into before the Petition Date, it will be treated as if the Debtors breached the contract or lease on the date immediately preceding the Petition Date, and the other party to the agreement may assert an Unsecured Claim for damages incurred as a result of the rejection. In the case of the rejection of employment agreements and real property leases, damages are subject to certain limitations imposed by Sections 365 and 502 of the Bankruptcy Code.

The Plan provides that the Debtors shall assume all of their respective unexpired leases and executory contracts pursuant to Section 365 of the Bankruptcy Code except for (a) any and all unexpired leases and executory contracts that have been expressly rejected by the Debtors with approval of the Bankruptcy Court on or prior to the Effective Date, (b) any and all unexpired leases and executory contracts that are set forth on that certain List of Rejected Contracts attached as Exhibit 5.1.2 to the Plan (as such list may be amended or supplemented up to and including the Confirmation Date), (c) all product warranties, indemnity agreements, and similar agreements of the U.S. Debtors (including any obligation of the Debtors to pay any costs or expenses related to such product warranties) which relate to asbestos or asbestos-related products that were made, mined, manufactured, produced, distributed, sold, marketed or supplied by the U.S. Debtors, whether or not the liabilities or obligations resulting thereunder constitute or will be treated as Asbestos Personal Injury Claims pursuant to the Plan, (d) all product warranties of the Debtors (including any obligation to pay any costs or expenses related to such warranties), which relate to products no longer made, manufactured, produced, distributed, sold, marketed or supplied by the Debtors, and (e) the Dan=Loc Deed of Special Indemnity and the Dan=Loc Guarantee except as set forth in Section 8.20 of the Plan. The Plan further provides that the Reorganized Debtors may elect to honor any product warranty as to non-asbestos products rejected pursuant to the Plan if honoring such product warranty would, in the judgment of the Reorganized Debtors, confer a reasonably comparable benefit upon the Reorganized Debtors.

Prepetition indemnity contracts entered into by the Debtors are not executory contracts as a matter of law. Out of an abundance of caution, however, to the extent that any prepetition indemnity contract might be deemed

executory, the Plan provides that all prepetition indemnification obligations of the Debtors (save those obligations of Federal-Mogul and its Affiliated Debtors to indemnify and reimburse Persons who are or were directors, officers or employees of the Debtors described in Section VI(H), below) shall be deemed rejected as of the Effective Date of the Plan.

The Bankruptcy Court shall determine the dollar amount, if any, of the Claim of any non-Debtor party for damages resulting from the rejection of any executory contract or unexpired lease; provided, however, that any such Entity that holds or asserts such a Claim against a Debtor or its Estate must file a Proof of Claim with the Bankruptcy Court within thirty (30) calendar days following the Confirmation Date, or as otherwise ordered by the Bankruptcy Court. To the extent any such Claim is Allowed by the Bankruptcy Court by Final Order, such Claim shall become, and shall be treated for all purposes under the Plan as an Unsecured Claim, or an Asbestos Personal Injury Claim, as applicable, in the Reorganization Case of the particular Debtor which is a party to such contract or lease. The Plan, moreover, shall constitute notice to Entities which may assert a Claim for damages from the rejection of an executory contract or unexpired lease of the bar date for filing a Proof of Claim in connection therewith.

The Bankruptcy Code provides for the calculation of "cure amounts" which may in some instances be payable by the Debtors to the non-Debtor party in connection with executory contracts or unexpired leases that are assumed by the Debtors. Not later than ninety (90) days prior to the scheduled date for the Confirmation Hearing, the Debtors will file a Cure Exhibit with the Bankruptcy Court setting forth those unexpired leases and executory contracts which are being assumed by the Debtors and as to which the Debtors believe that cure amounts are owing, together with the respective cure amounts due for each such assumed lease or executory contract (the "Cure Exhibit"). With respect to any unexpired leases or executory contracts which are being assumed by the Debtors but as to which the Debtors contend that no cure amounts are due, such unexpired leases and executory contracts will not be included on the Cure Exhibit. The Debtors may modify, supplement or amend the Cure Exhibit up to and including the Confirmation Date. Not later than the earlier of (i) sixty (60) days prior to the scheduled Confirmation Hearing, or (ii) if the proposed cure amount for any particular unexpired lease or executory contract is amended by the Debtor following the filing of the initial Cure Exhibit, thirty (30) days after such amendment is filed by the Debtors with the Bankruptcy Court, the non-Debtor party to any such unexpired lease or executory contract which the Debtors propose to assume may dispute the cure amount, if any, set forth by the Debtors with respect to the assumption of such unexpired lease or executory contract by filing an appropriate objection with the Bankruptcy Court.

Additionally, the Plan provides that (a) the respective obligations of Federal-Mogul and its Affiliated Debtors to indemnify and reimburse Persons who are or were directors, officers or employees of the Debtors on the Petition Date or at any time thereafter, against and for any obligations pursuant to the articles of incorporation, codes of regulation, bylaws, applicable state or non-bankruptcy law, or specific agreement, or any combination of the foregoing, shall survive confirmation of the Plan, remain unaffected thereby, and not be discharged under Section 1141 of the Code, irrespective of whether indemnification or reimbursement is owed in connection with any event occurring before, on or after the Petition Date, (b) the Reorganized Debtors shall maintain certain insurance for the benefit of each and all of the above-indemnified directors, officers and employees, at levels no less favorable than those existing as of the date of entry of the Confirmation Order, and for a period of no less than three years following the Effective Date, and (c) the Reorganized Debtors shall indemnify and hold harmless their respective present and former officers and directors who were serving as officers and/or directors on or after the Petition Date on account of and with respect to any claim, cause of action, liability, judgment, settlement, cost or expense (including attorney's fees) on account of claims or causes of action threatened or asserted by any third party against such officers and directors that seek contribution, indemnity, equitable indemnity, or any similar claim, based upon or as the result of the assertion of primary claims against such third party by any representative of the Debtors' Estates; provided, however, the Reorganized Debtors shall not be obligated to indemnify and hold harmless any Person or Entity for any claim, cause of action, liability, judgment, settlement, cost or expense that results primarily from such Person or Entity's bad faith, gross negligence or willful misconduct.

E. Implementation of the Plan.

1. Schemes of Arrangement and Company Voluntary Arrangements Involving U.K. Debtors

The U.K. Debtors have each commenced Chapter 11 cases in the United States and, in addition, administration proceedings in the United Kingdom. Accordingly, the U.K. Debtors are subject to simultaneous corresponding insolvency proceedings in each country.

The U.K. Debtors intend to emerge from their Chapter 11 cases by means of the Plan, subject to the provisions of Sections 6.6 and 8.1 of the Plan. Attached to this Disclosure Statement as Exhibits D and E, respectively, are forms of Schemes of Arrangement ("Schemes of Arrangement") and Company Voluntary Arrangements ("Voluntary Arrangements") for certain of the U.K. Debtors that parallel the provisions of the Plan to the fullest extent possible under English and Scottish insolvency law. Lists of those of the U.K. Debtors who are covered by the attached forms of Schemes of Arrangement and Voluntary Arrangements are attached to the Plan as Exhibits 1.1.133 and 1.1.168, respectively.

Under English and Scottish law, however, the Administrators are the only persons with authority to recommend and submit Schemes of Arrangement and/or Voluntary Arrangements. The Administrators have not agreed to recommend the Schemes of Arrangement and Voluntary Arrangements that parallel the Plan. The Plan Proponents are working toward an agreement with the Administrators to recommend parallel Schemes of Arrangement and Voluntary Arrangements. In the event the Administrators propose the Schemes of Arrangement and Voluntary Arrangements, the Administrators and the Plan Proponents will seek approval of such Schemes of Arrangement in accordance with English and/or Scottish insolvency laws.

Alternatively, if an agreement cannot be achieved with the Administrators to recommend and submit the Schemes of Arrangement and Voluntary Arrangements, then the Plan Proponents will work toward an agreement with the Administrators to retain the businesses of those U.K. Debtors that are valuable to Federal-Mogul and its customers and to jointly market those U.K. businesses that are not valuable to Federal-Mogul and its customers. This process is similar to what Federal-Mogul has been doing for several years now as it integrates the acquisitions that it has accomplished over the last several years.

In case negotiations with the Administrators to reach an agreement as described above do not result in a consensual resolution, the Plan Proponents are, contemporaneously with soliciting votes on the Plan and conducting such negotiations with the Administrators, implementing the procedures described in Sections 6.6 and 8.1.1 of the Plan to direct the Administrators to recommend the parallel Schemes of Arrangement and Voluntary Arrangements or discharge the U.K. administration proceedings.

In the event neither agreement with the Administrators can be reached and, further, that the Administrators are not directed to recommend the parallel Schemes of Arrangement and Voluntary Arrangements as discussed above, then Federal-Mogul shall bid for those businesses of the U.K. Debtors that are valuable to Federal-Mogul Corporation and its customers. Additionally, Federal-Mogul Corporation and any actual or deemed transfer of businesses and/or assets to Federal-Mogul Corporation in connection therewith shall be entitled to the benefits of and protections of the Injunctions and other provisions of the Plan, including, without limitation, the injunction pursuant to Section 524(g) of the Bankruptcy Code, and any and all Claims and Demands against Federal-Mogul Corporation and its Affiliates relating to such businesses and assets shall be channeled to the Trust to the extent set forth in Article IV of the Plan. Any remaining assets shall be liquidated. If Federal-Mogul is not the successful bidder, the Injunctions and other protective provisions of the Plan shall not apply to the transfer of any assets to any entity other than Federal-Mogul or its designee, because no such injunctions and protective provisions apply without the requisite approval of the constituents of the Asbestos Claimants Committee and the Asbestos Claimants Committee will not support the Plan on any other terms. The Plan Proponents believe that Federal-Mogul Corporation will be the successful bidder for those assets that are valuable to the Debtors and their customers. The Plan Proponents additionally believe, however, that a non-consensual marketing process for the businesses of the U.K. Debtors is not in the best interests of creditors (including pension creditors) of the U.K. Debtors.

While Confirmation of the Plan is not conditioned upon the sanctioning of each Scheme of Arrangement by the U.K. Court and/or approval of each Voluntary Arrangement, the Effective Date of the Plan shall not occur unless and until the U.K. Court has sanctioned the applicable Schemes and the conditions set out in Section VII of the Plan in relation to the applicable Voluntary Arrangements have been fulfilled, subject to the right of the Plan Proponents to waive this requirement as set forth in Section 6.7.3(b) of the Plan. Conversely, Confirmation of the Plan is a condition precedent to the Effective Date occurring in respect of the Schemes of Arrangement and/or Voluntary Arrangements; subject, however, to the right of the Plan Proponents to waive this condition. In the event the Plan of a U.K. Debtor is confirmed over the objection of a class of such U.K. Debtor's creditors pursuant to Section 11129(b) of the Bankruptcy Code, but the Scheme of Arrangement and/or Voluntary Arrangement for such U.K. Debtor is not approved, nothing herein shall prejudice the right of such U.K. Debtor and/or any of the Plan Proponents to seek the dismissal of the U.K. administration proceedings for any U.K. Debtor or to have the Confirmation Order recognized by the U.K. Court as a matter of comity.

2. Federal-Mogul Corporation Securities and Corporate Governance

a. Cancellation Of Existing Federal-Mogul Corporation Stock.

On the Effective Date, all outstanding Federal-Mogul Corporation common stock, preferred stock, unexercised rights, warrants, options and other rights to purchase such stock, and any other rights attached to the ownership of any equity securities of Federal-Mogul Corporation, shall be deemed cancelled and of no further force and effect. The holders of such cancelled instruments, securities and other documentation shall have no rights arising from or relating to such instruments, securities or other documentation or the cancellation thereof, except the rights provided pursuant to the Plan.

b. Cancellation of Notes, Other Debt Securities and Indentures.

On the Effective Date, (i) the Notes, the Convertible Subordinated Debentures and any other debt securities issued by the Debtors shall be deemed cancelled and of no further force and effect and (ii) the obligations of the Debtors under any agreements governing such Notes, Convertible Subordinated Debentures or other debt securities, including, without limitation, the Indentures, shall be cancelled and discharged; provided, however, that each Indenture and Note shall continue in effect solely for the purposes of (a) allowing the Indenture Trustees to make distributions on account of Noteholder Claims or as otherwise required pursuant to the Plan and (b) permitting the Indenture Trustees to maintain any rights or Liens they may have for fees, costs and expenses under such Indentures. Notwithstanding the preceding sentence, clauses (a) and (b) of this section shall not represent exceptions to the discharge of the Debtors' liabilities under the Bankruptcy Code and the Confirmation Order. Additionally, upon payment in full of the fees and expenses of the Indenture Trustees pursuant to Section 8.15.6 of the Plan, any such rights or Liens of the Indenture Trustees shall terminate. Except as provided in this Section and the Plan, the holders of any such cancelled instruments, debt securities and related documentation shall have no rights arising from or relating to such instruments, securities or other documentation or the cancellation thereof, except for the rights provided in the Plan.

c. Issuance Of Reorganized Federal-Mogul Common Stock.

On the Effective Date, Reorganized Federal-Mogul shall issue 49,900,000 shares of Reorganized Federal-Mogul Class A Common Stock and 50,100,000 shares of Reorganized Federal-Mogul Class B Common Stock. Concurrently with such issuance, Reorganized Federal-Mogul shall distribute (i) all of the shares of the Class B Common Stock (less the shares of Class B Common Stock issued pursuant to Section 4.5 of the Plan) to the Trustees of the Trust as part of the consideration to be paid for the Trust's assumption of all Asbestos Personal Injury Claims (which shall then be allocated to the sub-Trusts created under the Trust Documents as provided therein), (ii) the Class B Common Stock issued under Section 4.5 of the Plan to the Trustees of the Trust, and (iii) all of the shares of Class A Common Stock to the Disbursing Agent for further distribution Pro Rata to the holders of Allowed Noteholder Claims and Allowed Convertible Subordinated Debenture Claims. For the purpose of distributions to the holders of Allowed Noteholder Claims, the Indenture Trustee under each series of Notes shall be deemed to be the sole holder of the Allowed Noteholder Claim for all Allowed Noteholder Claims for such series of Notes. Accordingly, all distributions of Reorganized Federal-Mogul Class A Common Stock on account of Allowed

Noteholder Claims shall be distributed to the Indenture Trustees for further distribution to the Noteholders pursuant to the terms of the respective Indentures. Distribution of such Reorganized Federal-Mogul Class A Common Stock shall be deemed complete upon delivery of one or more share certificates representing such shares to the Indenture Trustees, on behalf of the Noteholders. The Disbursing Agent shall not be entitled to vote any shares of Reorganized Federal-Mogul Class A Common Stock.

d. Issuance of Reorganized Federal-Mogul Warrants.

On the Effective Date, if the Classes of Noteholder Claims and Asbestos Personal Injury Claims have both accepted the Plan, and if at least one of the Classes of preferred stock interests, Subordinated Securities Claims, or common stock interests has also voted to accept the Plan, Reorganized Federal-Mogul shall issue 6,951,871 Warrants, representing, in the aggregate, the right to purchase 6,951,871 shares of Reorganized Federal-Mogul Class A Common Stock to such Classes in amounts calculated in accordance with Sections 3.1.13, 3.1.14, and 3.1.15 of the Plan, as applicable. Concurrently with such issuance, Reorganized Federal-Mogul shall distribute such warrants to the Disbursing Agent for further distribution consistent with the terms and provisions of the Plan. The Disbursing Agent shall not be entitled to exercise any of the Warrants. Notwithstanding the foregoing, however, if the Bankruptcy Court and/or District Court, as applicable, holds, determines or rules that the Plan is not confirmable due to the gifting, issuance or distribution of the Warrants, then no Warrants shall be issued or distributed pursuant to the Plan and the Classes of preferred stock interests, Subordinated Securities Claims and common stock interests shall receive no distributions under the Plan.

e. Surrender of Securities or Instruments.

On or before the Effective Date, or as soon as practicable thereafter, each holder of an instrument (a "Certificate") evidencing the Notes, the Convertible Subordinated Debentures or any other debt securities (but excluding securities representing Bank Claims) shall surrender such Certificate to the Disbursing Agent, or, with respect to indebtedness that is governed by an Indenture, to the Indenture Trustee. The surrender of any global certificate held by an Indenture Trustee shall constitute surrender of the Notes or other debt securities pertaining to such global certificate for purposes of this provision. No distribution of property hereunder shall be made to or on behalf of any such holder unless and until such Certificate is received by the Disbursing Agent or the respective Indenture Trustee, or the unavailability of such Certificate is established to the reasonable satisfaction of the Disbursing Agent or the respective Indenture Trustee, or evidence of the loss, theft, mutilation or destruction of such Certificate is established to the reasonable satisfaction of the Disbursing Agent or the respective Indenture Trustee. Any such holder who fails to surrender or cause to be surrendered such Certificate, or fails to execute and deliver an affidavit of loss, theft, mutilation or destruction and indemnity to the reasonable satisfaction of the Disbursing Agent or the respective Indenture Trustee prior to the second anniversary of the Effective Date, shall be deemed to have forfeited all rights and Claims or interests in respect of such Certificate, shall not participate in any distribution hereunder, and all property in respect of such forfeited distribution, including interest accrued thereon, shall be distributed Pro Rata to and among the holders of the same securities, and in accordance with legal rights and priorities of, those holders who properly surrendered such Certificates pursuant to the Plan.

f. Resale of Securities -- Exemption from Registration

In connection with the consummation of the Plan, Reorganized Federal-Mogul will rely on Section 1145 of the Bankruptcy Code, to the extent it is applicable, to exempt the issuance of (i) the Reorganized Federal-Mogul Class A common stock, (ii) the Reorganized Federal-Mogul Class B common stock, (iii) the Reorganized Federal-Mogul Junior Secured PIK Notes, (iv) the Warrants and (v) the Surety Notes from the registration requirements of the Securities Act and of any state securities or "blue sky" laws. Section 1145 of the Bankruptcy Code exempts from registration the sale of a debtor's securities under a Chapter 11 plan if such securities are offered or sold in exchange, or primarily 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 Reorganized Federal-Mogul Class A common stock, the Reorganized Federal-Mogul Class B common stock, the Reorganized Federal-Mogul Junior Secured PIK Notes, the Warrants and the Surety Notes generally should be exempt from the registration requirements of the Securities Act.

Accordingly, recipients will be able to resell the Reorganized Federal-Mogul Class A common stock, the Reorganized Federal-Mogul Class B common stock, the Reorganized Federal-Mogul Junior Secured PIK Notes, the Surety Notes, and the Warrants without registration under the Securities Act and state securities or "blue sky" 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 or interest with a view to distribution of any security to be received in exchange for the claim or interest, (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. Based upon the amount of voting securities of Reorganized Federal-Mogul that they will receive under the Plan, the Trust will be, and certain Noteholders may be, deemed to be "underwriters" within the meaning of Section 1145(b) of the Bankruptcy Code.

Notwithstanding the foregoing, statutory underwriters may be able to sell securities without registration pursuant to the resale limitations of Rule 144 under the Securities Act which, in effect, permits the resale of securities received by statutory underwriters pursuant to a Chapter 11 plan, subject to applicable volume limitations, notice and manner of sale requirements, and certain other conditions. Holders that believe they may be statutory underwriters as defined in Section 1145 of the Bankruptcy Code are advised to consult with their own counsel as to the availability of the exemption provided by Rule 144 under the Securities Act.

BECAUSE OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A PARTICULAR HOLDER MAY BE AN UNDERWRITER, NONE OF THE DEBTORS OR THE REORGANIZED DEBTORS MAKE ANY REPRESENTATION CONCERNING THE ABILITY OF ANY PERSON TO DISPOSE OF THESE SECURITIES TO BE DISTRIBUTED UNDER THE PLAN OR THE RIGHTS OFFERING OR UPON ANY SUBSEQUENT EXERCISE THEREOF.

g. Registration Rights Agreements

On the Effective Date, Reorganized Federal-Mogul shall execute and deliver registration rights agreements substantially in the forms set forth in Exhibit 8.3.7 to the Plan obligating Reorganized Federal-Mogul to register for resale, to the extent required by federal and state securities laws, the Reorganized Federal-Mogul Common Stock, the Reorganized Federal-Mogul Junior Secured PIK Notes and the Warrants under the Securities Act of 1933 in accordance with the terms set forth in such registration rights agreements. The holders of such securities who may enter into such registration rights agreements are those that (i) are issued 10% or more of the Reorganized Federal-Mogul Common Stock, (ii) would otherwise qualify as an "underwriter" as defined in Section 1145(b) of the Bankruptcy Code, or (iii) reasonably request to do so. In accordance with the registration rights agreements, Reorganized Federal-Mogul will, as promptly as practicable after the Confirmation Date, (i) file a registration statement under the Securities Act for resale of shares of Reorganized Federal-Mogul Common Stock, Reorganized Federal-Mogul Junior Secured PIK Notes and Warrants, (ii) keep such registration statement effective for a three-year period and (iii) supplement or make amendments to such registration statement, if required under the Securities Act or by the rules and regulations promulgated thereunder, or in accordance with the terms of the registration rights agreements, and have such amendments declared effective as soon as practicable after filing with the SEC.

h. Listing on Securities Exchange or Quotation System

Reorganized Federal-Mogul will use its best efforts to list, as promptly as practicable after the Effective Date, the Reorganized Federal-Mogul Class A common stock on a national securities exchange or for quotation on a national automated interdealer quotation system but will have no liability if it is unable to do so. Persons receiving distributions of Reorganized Federal-Mogul Class A common stock, by accepting such distributions, will have agreed to cooperate with Reorganized Federal-Mogul's reasonable requests to assist Reorganized Federal-Mogul in its efforts to list the Reorganized Federal-Mogul Class A common stock on a national securities exchange or quotation system.

In addition, Reorganized Federal-Mogul will use reasonable efforts to permit the Reorganized Federal-Mogul Junior Secured PIK Notes to be eligible for clearance and settlement through the Depository Trust Company on a T + 3 basis. Persons receiving distributions of Reorganized Federal-Mogul Junior Secured PIK Notes, by

accepting such distributions, will have agreed to cooperate with Reorganized Federal-Mogul's reasonable requests to assist Reorganized Federal-Mogul in its efforts to cause the Reorganized Federal-Mogul Junior Secured PIK Notes to be so eligible.

i. Lockup Agreement.

On the Effective Date, Reorganized Federal-Mogul, the Trust and certain Noteholders shall enter into a Lockup Agreement substantially in the form set forth in Exhibit 8.3.8 to the Plan. The Trust and such Noteholders shall be bound by certain restrictions on transfer of their shares of Reorganized Federal-Mogul Common Stock as set forth in such Lockup Agreement.

j. Certificate Of Incorporation and Bylaws.

The Certificate of Incorporation of Reorganized Federal-Mogul shall, as of the Effective Date, be amended in its entirety substantially in the form set forth in Exhibit 8.3.9(1) to the Plan, and the Bylaws of Reorganized Federal-Mogul shall be amended in their entirety substantially in the form set forth in Exhibit 8.3.9(2) to the Plan. Consistent with Section 1123(a)(6) of the Bankruptcy Code, the amended Certificate of Incorporation of Reorganized Federal-Mogul shall, among other things, prohibit the issuance of non-voting equity securities. The amended Certificate of Incorporation of Reorganized Federal-Mogul shall provide that the board of directors of Reorganized Federal-Mogul shall consist of seven members, that the holders of Reorganized Federal-Mogul Class A common stock shall initially be entitled to nominate 4 directors and the holders of Reorganized Federal-Mogul Class B common stock shall initially be entitled to nominate 3 directors. Additionally, the amended Certificate of Incorporation shall provide that certain major transactions by Reorganized Federal-Mogul shall require the approval of a majority of both the directors elected by the holders of Reorganized Federal-Mogul Class A common stock and the directors elected by the holders of Reorganized Federal-Mogul Class B common stock.

k. Initial Board of Directors of Reorganized Federal-Mogul.

On and after the Effective Date, the business and affairs of Reorganized Federal-Mogul shall become the general responsibility of its board of directors, subject to, and in accordance with, the Certificate of Incorporation and the Bylaws of Reorganized Federal-Mogul. The initial board of directors shall consist of the seven individuals identified in Exhibit 8.3.10 to the Plan.

l. New Employment Agreements.

The New Employment Agreements shall be implemented by Reorganized Federal-Mogul on the Effective Date and shall become binding, effective and operative as of the Effective Date.

3. Ownership and Management of Affiliated Debtors

Except with respect to FMPRI, from and after the Effective Date, each Debtor shall retain its Equity Interest in any other Debtor. The boards of directors of the Affiliated Debtors shall be established by Reorganized Federal-Mogul. The initial boards of directors for the Affiliated Debtors are set forth in Exhibit 8.4.1 to the Plan.

All outstanding common stock in FMPRI and any other equity securities in, claims of entitlement to, or rights attached to the ownership of any equity securities of FMPRI shall be deemed cancelled and of no further force and effect as of the Effective Date. The holders of such cancelled securities or claims shall not receive or retain under the Plan any property on account thereof or on account of the cancellation thereof. On the Effective Date, Reorganized FMPRI shall issue 1,000 shares of Reorganized FMPRI common stock and shall distribute such shares to Reorganized Federal-Mogul Powertrain, Inc. on account of the Noteholder Claims and as the deemed transferee of the holders of Allowed Class 2D Noteholder Claims, as provided in Section 3.2.12 of the Plan.

4. Dissolution Of Inactive Debtor Subsidiaries

On or subsequent to the Effective Date, in the discretion of its new board of directors, Reorganized Federal-Mogul, or the applicable parent company, may take such actions as may be necessary or appropriate to effect the liquidation, dissolution, winding up, striking off, or other disposition, if any, of some or all of the Inactive Debtor Subsidiaries.

5. Employee Benefits and Programs

In accordance with the first day orders described in subsections V(C) and V(P) of the Disclosure Statement, the Debtors have continued to perform their obligations under the employee benefits programs. With certain exceptions, all employment and severance policies, workers' compensation programs, and all compensation and benefit plans, policies and programs of the Debtors applicable to its present employees, officers and directors, including, without express or implied limitation, all health care plans, disability plans, severance benefit plans, incentive plans, and life, accidental death, and dismemberment insurance plans, will be deemed to be, and will be treated as though they are, executory contracts that are deemed assumed under the Plan, and the Debtors' obligations under such plans, policies, and programs will be deemed assumed pursuant to Section 365(a) of the Bankruptcy Code, survive confirmation of the Plan, remain unaffected thereby, and not be discharged in accordance with Section 1141 of the Bankruptcy Code.

The employee benefit programs that will be deemed assumed include, without limitation, the following:

- *Medical and Insurance Benefits – U.S. Debtors.* The U.S. Debtors provide medical, dental and prescription drug insurance to their employees through approximately 19 different medical plans, 8 different health maintenance organizations, 12 different dental plans and one vision plan. In addition, the U.S. Debtors provide their employees with 5 flexible spending account plans, which are composed entirely of employee contributions. The U.S. Debtors also provide their employees with 24 different life insurance programs, and 30 long- and short-term disability programs.
- *Medical and Insurance Benefits – U.K. Debtors.* The U.K. Debtors provide private medical insurance, life insurance, disability insurance, and other insurance to certain of their employees. Although medical benefits are provided by the state to the U.K. Debtors' employees, certain employees (approximately 475) are entitled to private medical care through BUPA, a medical insurance scheme. The U.K. Debtors fund each participating employee's annual premium and each eligible employee may elect to pay for his or her family to be included in the scheme.
- *Management Incentive Plan.* The Debtors offer annual incentive bonuses to their officers, directors, plant managers, and managers through the Management Incentive Plan ("MIP Plan"). The MIP Plan ties each participant's target bonus to corporate EBITDA the corporate-wide initiative measurement, free cash flow, and various manufacturing or distribution goals. The MIP Plan provides participants with a maximum possible payout of 150% of the participant's bonus target and no minimum payout, below 85% achievement of goals results in zero payout.
- *Other Incentive Bonus Plans.* The Debtors offer incentive bonuses to certain other employee constituencies through retention bonus plans, plant gainsharing plans, safety award programs and special recognition awards. The Debtors also pay retention bonuses to key employees of plants or divisions that the Debtors have been or currently are trying to close.
- *Vacations and Sick Leave – U.S. Debtors.* For salaried employees, vacation "credits" accrue at a rate based on a the employee's length of service with the Debtors. For hourly employees, vacation credits accrue based upon hours worked and length of service for the Debtors. Upon termination of employment, the employees are entitled to a cash payout for their earned, banked and for certain employees accrued unused vacation time. The U.S. Debtors provide similar sick leave benefits for salaried and hourly non-bargaining employees through one of six programs. Sick leave policies for

hourly bargaining unit employees vary by plant location and are dictated by collective bargaining agreements.

- *Vacations and Sick Leave – U.K. Debtors.* For salaried employees, vacation “credits” are generally paid a regular amount each period and thus accruals are not made for vacation pay. For hourly employees, vacation credits accrue throughout the year. Upon termination of employment, the employees are entitled to a cash payout of the accrued and unused vacation balance. Certain plants incorporated a sick leave policy into their employee agreements and certain employees covered by such agreements have accrued sick leave.
- *Future Retiree Benefits for Current Employees.* Certain of the U.S. Debtors’ current employees will remain eligible for certain medical, dental, life insurance and prescription drug programs upon retirement.
- *Car Allowances.* The Debtors provide a car allowance program to approximately 190 executives and key employees in the U.S. and 270 in the U.K. The Debtors also provide a number of automobiles for use by their sales force.
- *Miscellaneous Executive Benefits.* The Debtors provide miscellaneous benefits to their senior executives, including tax planning, executive physicals and personal liability insurance.
- *Miscellaneous Other Benefits.* The Debtors have a military leave policy that provides employees with their existing employee benefits for six months of military leave, including payroll reimbursement to ensure that their employees’ income during this six-month period, after accounting for what they receive from the government, is equivalent to what the employees were receiving from the Debtors prior to the military leave. The Debtors also offer other types of leave such as jury-duty and child-bearing leave. Finally, the Debtors offer their employees various service awards, sponsor a variety of employee social functions, and sponsor scholarships for which children of employees and retirees are eligible to apply.
- *Workers’ Compensation Obligations and Related Insurance.* Under the laws of the various jurisdictions in which they operate, the Debtors are required to maintain workers’ compensation coverage for claims arising from or related to their employment with the Debtors. Accordingly, the Debtors will continue to maintain workers’ compensation programs in all states in which they operate and in England, pursuant to the applicable requirements of local law. In all locations other than Ohio and Tennessee, the Debtors’ insure their workers’ compensation liabilities through a series of jurisdiction-specific workers’ compensation policies issued by companies affiliated with Travelers Insurance Company. These policies have deductible amounts which vary by jurisdiction. Deductible amounts are insured by Coventry Assurance, Ltd., a wholly owned subsidiary of Federal-Mogul Corporation. In Ohio, certain of the Debtors’ plants participate in a workers compensation insurance program that is funded through, and administered by, the Ohio Bureau of Workers’ Compensation. The remainder of the Debtors’ plants in Ohio are self-insured and are registered with the state. One facility in Tennessee participates in a workers compensation program through the state’s residual market fund.

6. Non-Pension Retiree Benefits and Programs

The U.S. Debtors provide retiree benefits (the “Retiree Benefits”) to approximately 9,000 former employees through approximately 51 plans that provide different levels of medical, dental, life insurance and prescription drug programs to retired employees and to retired union workers pursuant to various collective bargaining agreements. The U.K. Debtors provide no retiree benefits directly paid for by the U.K. Debtors to their employees. The Debtors will continue to perform their obligations under such retiree benefit plans, and, accordingly, will fully comply with their obligations under Section 1114 of the Bankruptcy Code.

7. U.S. and U.K. Pension Plans

The U.S. and U.K. Debtors have numerous defined benefit and contribution savings and pension plans, which are generally described below. On and after the Effective Date, the U.S. Debtors will continue to perform their obligations under such plans. The pension plans of the U.K. Debtors will be compromised as described in this section.

a. Pension Plans of the U.S. Debtors

(1) U.S. Defined Benefit Plan

The U.S. Debtors provide certain of their employees with a defined benefit pension plan, the Federal-Mogul Corporation Pension Plan (the "U.S. Defined Benefit Plan"), pursuant to which a benefit is payable to the employee or other designated beneficiary upon the employee's retirement from the company, total and permanent disability, or death. The U.S. Defined Benefit Plan's assets have a market value of \$651 million as of December 31, 2003. Based on current actuarial analyses and the Debtors' business plans, the Debtors anticipate that the funding requirements for the U.S. Defined Benefit Plan will be (in millions) \$54.5 for 2004, \$130.2 for 2005, \$97.5 for 2006, and \$22.5 for 2007.

As of January 1, 2002, the Debtors estimated that there were approximately 16,230 active employees of the U.S. Debtors who are participants in the U.S. Defined Benefit Plan, as well as approximately 7,500 retirees receiving benefits from the plan. There are approximately an additional 10,700 persons who are not active employees of the U.S. Debtors not presently receiving benefits under the U.S. Defined Benefit Plan that are eligible to receive benefits thereunder in the future.

The Plan Proponents believe the relatively large number of active employees receiving benefits under the U.S. Defined Benefit Plan, as compared to the number of retired employees thereunder and non-active employees scheduled to receive benefits under the plan in the future, weighs in favor of continuing the U.S. Defined Benefit Plan unaffected by the Reorganization Cases. Also supporting this view is the fact that no U.S. pensions are adjusted or indexed to inflation. Moreover, the Bankruptcy Code and applicable non-bankruptcy law in the U.S. impose significant legal requirements upon an entity seeking to terminate a defined benefit plan (including, but not limited to, Section 1113 of the Bankruptcy Code to the extent that portions of the U.S. Defined Benefit Plan are mandated by collective bargaining agreements of the U.S. Debtors) that the Debtors do not presently believe are satisfied. Accordingly, the U.S. Debtors intend to continue performing their obligations under the U.S. Defined Benefit Plan on and after the Effective Date.

The Pension Benefit Guaranty Corporation, a United States Government corporation which guarantees the payment of certain pension benefits upon termination of a pension plan, has filed contingent claims in the event that the U.S. Defined Benefit Pension Plan were to terminate during the course of these proceedings. As noted above, the U.S. Debtors do not seek to terminate the U.S. Defined Benefit Pension Plan; however, in the event the Debtors were to seek to do so, such a termination could only be affected in accordance with applicable law.

(2) U.S. Defined Contribution Plans

The U.S. Debtors also have three defined contribution pension plans (the "U.S. Defined Contribution Plans"), each of which is qualified under Section 401(k) of the Internal Revenue Code: (i) the Federal-Mogul Corporation 401(k) Investment Program; (ii) the Federal-Mogul Corporation Employee Investment Program; and (iii) the Federal-Mogul Corporation Salaried Employees' Investment Program.

The U.S. Debtors are also involved in a few multi-employer pension plans at various unionized plants pursuant to collective bargaining agreements. These plans generally require monthly contributions based on hours worked, plus certain liabilities if the company withdraws from the plan.

b. Pension Plans of the U.K. Debtors

The U.K. Debtors provide two defined benefit plans for eligible employees: the T&N Pension Plan (formally titled the T&N Retirement Benefits Scheme (1989)) and the FM Ignition Pension Plan (formally titled the Champion Pension Scheme). The T&N Pension Plan is the larger of the U.K. defined benefit plans, with assets having a current market value of £996.4 million as of February 29, 2004. Membership in the T&N Pension Plan is available to all permanent employees of companies previously part of the T&N group. The anticipated cost of the T&N Retirement Benefits Scheme (1989) for 2004 is £7.5 million. Future costs beyond 2004 are subject to reevaluation by the plan actuary and agreement between the company and the trustee.

As of December 31, 2003, the Debtors estimate that there are approximately 2,600 active employees of the U.K. Debtors participating in the T&N Pension Plan, as well as approximately 20,570 retirees receiving benefits from the scheme. In addition, there are approximately 14,820 persons who are not active employees of the U.K. Debtors not presently receiving benefits under the T&N Pension Plan that are eligible to receive benefits thereunder in the future.

Membership in the FM Ignition Pension Plan is closed to new members, and current active members are employees who joined the FM Ignition Pension Plan when it was open prior to May 1997. As of January 31, 2004, there are 303 active employees of the U.K. Debtors participating in the FM Ignition Pension Plan, as well as 531 retirees receiving benefits from the scheme. In addition, there are 438 persons who are not active employees of the U.K. Debtors who are not presently receiving benefits under the FM Ignition Pension Plan but are eligible to receive benefits thereunder in the future.

The U.K. Debtors also operate one defined contribution pension plan, the Champion Automotive Retirement Benefits Plan (the "U.K. Defined Contribution Plan"), for certain of their employees. Membership in the U.K. Defined Contribution Plan is limited to employees of Federal-Mogul Ignition (UK) Limited who joined Federal-Mogul (UK) Ignition Limited after closure of the FM Ignition Pension Plan. The maximum matching company contribution is 6%-12% and generally is twice the particular employee's contribution. As of January 5, 2004, there are 77 active employees of the U.K. Debtors participating in the U.K. Defined Contribution Plan, as well as 65 persons who are not active employees of the U.K. Debtors not presently receiving benefits under the U.K. Defined Contribution Plan that are eligible to receive benefits thereunder in the future.

c. Non-Qualified Pension Plans

The Debtors operate certain non-tax qualified pension plans (the "Non-Qualified Pension Plans") that provide retirement benefits to current and former employees of the Debtors, and are maintained by either Federal-Mogul Corporation itself or one of its subsidiaries. In accordance with the orders described in Section V(O) of the Disclosure Statement, the Debtors have continued to perform and will perform their obligations under the Non-Qualified Pension Plans as limited by such orders with respect to prepetition accrued obligations. Thus, pursuant to the orders, the Debtors will continue to honor non-qualified pension benefits up to, but no more than, the equivalent of \$3,500.00 per month for prepetition accrued obligations under any and all Non-Qualified Pension Plans, except for the non-qualified pension benefits of James Zamoyski, Wilhelm Schmelzer and Richard Randazzo, who are entitled, pursuant to court order, to benefits in excess of the \$3,500.00 cap for prepetition accrued obligations, subject to certain limitations. The Debtors, however, will fully pay all of their obligations under Non-Qualified Pension Plans that accrue Postpetition.

These Non-Qualified Pension Plans fall into six general categories:

- *Defined Benefit SERPs.* The Debtors' obligations in this category relate to three Defined Benefit Supplemental Employee Retirement Plans (the "Defined Benefit SERPs"). The three Defined Benefit SERPs are maintained for the benefit of employees of Federal-Mogul Corporation, former employees of Cooper Automotive Company, and former employees of Moog Automotive Company respectively. Benefits under the Federal-Mogul Defined Benefit SERP and the Cooper Defined Benefit SERP are generally based on each respective qualified plan formula, which is applied to compensation in excess of eligible compensation allowed for qualified pension plans. The Moog Defined Benefit SERP

provides retirement benefits in the form of monthly payments. The other Federal-Mogul Corporation and Cooper Automotive SERPs provide benefits in the form of a lump sum payment.

- *Defined Contribution SERPs.* The Debtor owes obligations with respect to two Defined Contribution Supplemental Employee Retirement Plans (the "Defined Contribution SERPs") for the active and former employees of Federal-Mogul Corporation and Cooper Automotive Company. These benefits are payable as lump sums upon retirement.
- *Medicare Obligations.* Under this category, the Debtors owe certain Medicare obligations with respect to retirees of Champion Automotive Company and Moog Automotive Company, which Federal-Mogul Corporation acquired prepetition. These payments are in the amount of \$66.60 per month (in 2004) to each covered retiree and are intended to reimburse the covered retirees for those payments they must make to ensure continued Medicare Part B coverage. It is possible that the Medicare obligations constitute "retiree benefits" under Section 1114(a) of the Bankruptcy Code and, as a result, the Debtors will continue making such payments pursuant to Section 1114(e) of the Bankruptcy Code.
- *SKEPP Obligations.* This category refers to obligations owing to certain executives of Federal-Mogul Corporation under the Supplemental Key Executive Pension Plan ("SKEPP"). The SKEPP is maintained by Federal-Mogul Corporation to provide pension benefits for a limited number of members of its senior management team that are competitive with those pension benefits provided to senior management personnel at peer companies. Benefits under the SKEPP may only be paid in the form of monthly payments.
- *T&N Plans.* This category refers to obligations owing under various non-qualified pension plans established for the benefit of certain employees of T&N Industries Inc. (the "T&N Plans"), as embodied in several subplans covering current and former employees of T&N Industries and its subsidiaries. Benefits under the T&N Plans may only be paid in the form of monthly payments.
- *Cooper Deferred Compensation Plan.* This category refers to obligations owing under the Cooper Deferred Compensation Plan, which provides a monthly payment based on a participant's contributions during his career.

8. Labor and Union Agreements

In the U.S., various unions represent approximately 40% of the Debtors' hourly employees. Most of the Debtors' unionized manufacturing facilities have their own union contract. There are twenty (20) contracts, each of which applies to an individual facility with the exception of one contract that covers two facilities. Each contract has its own expiration date, and as a result, the contract expiration dates do not generally affect more than one facility. The Debtors will continue performing their obligations pursuant to the union contracts. In addition, to the extent such contracts are collective bargaining agreements, the Debtors' obligations under such contracts will be deemed to be assumed pursuant to Section 1113 of the Bankruptcy Code, survive confirmation of the Plan, remain unaffected thereby, and not be discharged in accordance with Section 1141 of the Bankruptcy Code.

Approximately 71% of the Debtors' hourly employees in the U.K. are represented by unions.

9. Reservation of Rights With Respect to Collective Bargaining Agreements, Retiree Benefit Plans, and Employee Benefit Plans

Notwithstanding any other provisions of the Plan or this Disclosure Statement, the Plan Proponents reserve the right to seek to reject, modify and/or terminate any collective bargaining agreements with respect to which any of the Debtors is a party in accordance with Section 1113 of the Bankruptcy Code, any retiree benefit plans of any or all of the Debtors in accordance with Section 1114 of the Bankruptcy Code, and any other employee benefit programs in accordance with applicable law.

10. Vesting of Assets

On the Effective Date, the estate of each Debtor shall revert in the applicable Reorganized Debtor free and clear of all Claims, Liens, encumbrances and other interests, except as provided in the Plan and the Confirmation Order. As of the Effective Date, each Reorganized Debtor may operate its business and may use, acquire, and dispose of property free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and the Confirmation Order.

11. Preservation of Rights Of Action

Except for the Trust Causes of Action and except as provided in Section 11.5 of the Plan or as otherwise provided in the Plan or the Confirmation Order, the Reorganized Debtors shall retain and have the exclusive right, in their sole discretion, to enforce, sue on, settle, and/or compromise all claims, rights, causes of action, suits and proceedings, including, without limitation, the avoidance actions discussed below, that the Debtors or their Estates may hold against any Person or Entity.

The Debtors and the Unsecured Creditors Committee jointly investigated potential avoidance actions that could be brought against Persons or Entities who received transfers of money or other property from the Debtors prior to the commencement of these Reorganization Cases. The primary focus of this investigation was the potential avoidance of "preferential transfers" under Section 547 of the Bankruptcy Code.

Under Section 547(b) of the Bankruptcy Code, a debtor may avoid certain "preferential transfers" made within 90 days prior to the commencement of the bankruptcy case. A "preferential transfer" is a payment or other transfer of an interest in property of the debtor made to or for the benefit of a creditor within 90 days prior to the petition date if the payment or transfer was made on account of an "antecedent" and if the debtor was insolvent at the time of the payment or transfer. A debtor may recover such "preferences" by bringing suit against the recipients of any such payments or transfers. Section 547(c) of the Bankruptcy Code, however, provides a number of defenses that may be raised by the recipients of any such preferential transfers. One defense, for instance, is the "ordinary course of business" defense. A payment made by a debtor (i) on account of a debt incurred in the ordinary course of business, (ii) paid in the ordinary course of business and (iii) according to ordinary business terms, may be exempt from recovery by a debtor by means of the "ordinary course of business" defense. This defense is designed to protect vendors who continue to provide goods and services to and get paid by a debtor in the ordinary course of business. Other defenses are set forth in Section 547(c) of the Bankruptcy Code.

Based on the investigation and analysis of the Debtors and the Unsecured Creditors Committee, demand letters were sent to certain recipients of preferential transfers. Most of these recipients were trade creditors. The responses to these demand letters indicated, however, that most of the preferential transfers were subject to defenses, including, without limitation, the ordinary course of business defense. Based on this information and after considering the costs and risks of litigation of the potential preference actions, the Debtors and Unsecured Creditors Committee concluded, as a general matter, that the pursuit of preference actions against these recipients would not be in the best interest of the Estates because, among other things, such pursuit either would be too costly, would not result in material recoveries on behalf of the Estates and/or would directly or indirectly harm the relationship of the Reorganized Debtors with their vendors and the standing of the Reorganized Debtors in their industry. The Debtors and Unsecured Creditors Committee believe that more value to the Reorganized Debtors will be derived from, among other things, preserving their relationship with trade vendors and service providers, than if preference actions were pursued against these Persons and Entities. This value will inure to the benefit of all creditors under the Plan insofar as solid relationships and support from trade vendors and other business partners will assist in improving cash flow and cementing business relationships which enhance the overall value of the Reorganized Debtors.

Notwithstanding the foregoing, preference actions were commenced against two parties prior to the expiration of the statute of limitations for any such actions on October 1, 2003. The two parties were: (i) a beneficiary of a certain letter of credit that was collateralized within 90 days of the Petition Date; and (ii) the CCR. The Debtors also entered into tolling agreements among themselves and with certain present and former officers and directors of the Debtors extending the statute of limitations for the prosecution of certain avoidance and other actions. As set forth in Section 9.2 of the Plan, however, certain directors and officers of the Debtors, as "Released

Parties," will be released from liability for any and all claims and causes of action as of the Effective Date, including preferences and other avoidance actions. Except for the causes of action and claims released pursuant to Article 9 of the Plan, the Reorganized Debtors will retain the right to pursue (a) the two parties specifically identified above, (b) any other avoidance litigation commenced prior to the Effective Date, and (c) any parties to pending tolling agreements existing as of the Effective Date, if any.

12. Setoffs

Each Reorganized Debtor (or the Trust to the extent it pertains to an Asbestos Personal Injury Claim) may, pursuant to the applicable provisions of the Bankruptcy Code, the IA 1986 or applicable non-bankruptcy law, setoff against any applicable Allowed Claim (before any distribution is made on account of such Claim) any and all claims, rights, causes of action, debts or liabilities of any nature that the applicable Reorganized Debtor (or the Trust to the extent it pertains to an Asbestos Personal Injury Claim) may hold against the holder of such Allowed Claim; provided, however, that the failure to effect such a setoff shall not constitute a waiver or release of any such claims, rights, causes of action, debts or liabilities.

13. Reorganized Federal-Mogul Secured Term Loan Agreement.

On the Effective Date, Reorganized Federal-Mogul, as borrower, and the other Reorganized U.S. Debtors and Reorganized F-M UK Holding Limited, as guarantors, shall enter into the Reorganized Federal-Mogul Secured Term Loan Agreement with the holders of Class B Secured Bank Claims and JPMorgan Chase Bank, as Administrative Agent. The principal terms and conditions of the Reorganized Federal-Mogul Secured Term Loan Agreement are set forth in Exhibit 1.1.131 to the Plan. The Reorganized Federal-Mogul Secured Term Loan Agreement shall provide for, among other things, term loans in the principal amount of \$1,303,897,117.90 (as adjusted as of the Effective Date to convert any foreign currencies into U.S. dollars) plus the amount of any draws prior to the Effective Date on certain outstanding letters of credit, plus any amount required to be included in such loan agreement, if any, as part of the refinancing of the Tranche C portion of the DIP Facility, in periodic installments maturing six and a half years after the Effective Date, at a rate of interest based on rates in the London interbank market or, at Reorganized Federal-Mogul's option, an alternate base rate. The obligations of the Reorganized U.S. Debtors with respect to the Reorganized Federal-Mogul Secured Term Loan Agreement shall be secured by Liens on substantially all domestic assets of the Reorganized U.S. Debtors and on 65% of the equity in the first tier foreign subsidiaries owned by the Reorganized U.S. Debtors and Reorganized F-M UK Holding Limited. Except as otherwise provided in the Reorganized Federal-Mogul Secured Term Loan Agreement, such Liens shall be junior only to the Liens securing (i) the Exit Facilities and (ii) the converted portion of the Tranche C Loans pursuant to Section 2.2 of the Plan, if any, and shall be *pari passu* with the Liens that secure the Reorganized Federal-Mogul Secured Surety Notes, if any.

14. Issuance of Reorganized Federal-Mogul Junior Secured PIK Notes.

On the Effective Date, Reorganized Federal-Mogul shall issue the Reorganized Federal-Mogul Junior Secured PIK Notes on behalf of all holders of Class B Secured Bank Claims, for ultimate distribution to each such holder in accordance with such holder's rights under the Bank Credit Agreement. The Federal-Mogul Junior Secured PIK Notes shall have an aggregate original principal amount of \$300,000,000.00, shall mature eleven years after the Effective Date and shall bear interest at a fixed rate initially payable partially in cash and partially in kind. The obligations of Reorganized Federal-Mogul with respect to the Reorganized Federal-Mogul Junior Secured PIK Notes shall be secured by Liens on substantially all domestic assets of the Reorganized U.S. Debtors and on 65% of the equity in the first tier foreign subsidiaries owned by the Reorganized U.S. Debtors. Except as otherwise provided in the Reorganized Federal-Mogul Secured Term Loan Agreement, such Liens shall be junior only to the Liens securing (i) the Exit Facilities, (ii) the Reorganized Federal-Mogul Secured Term Loan Agreement, (iii) the converted portion of the Tranche C Loans, if any, and (iv) the Reorganized Federal-Mogul Secured Surety Notes, if any, and shall be *pari passu* with the Reorganized Federal-Mogul Junior Secured Surety PIK Notes.

15. Exit Facilities.

On the Effective Date, Reorganized Federal-Mogul shall enter into the Exit Facilities. The Plan Proponents anticipate that the dollar amount of the Exit Facilities will be in an amount not to exceed \$1 billion, exclusive of amounts used, if any, to refinance the Tranche C portion of the DIP Facility, including, without limitation, amounts on any draws prior to the Effective Date on letters of credit outstanding under the Tranche C Loans. The proceeds of the Exit Facilities shall be used to repay obligations under the DIP Facility on the Effective Date, make cash payments required under the Plan and/or provide working capital for the business operations of the Reorganized Debtors.

16. Issuance of Reorganized Federal-Mogul Secured Surety Notes and Junior Secured Surety PIK Notes and Related Guarantees.

If and to the extent required under Section 3.1.3 of the Plan, Reorganized Federal-Mogul shall issue the Secured Surety Notes and Junior Secured Surety PIK Notes, forms of which shall be filed with the Bankruptcy Court on the earlier of 30 days prior to the deadline for voting on the Plan or 45 days prior to the deadline for objecting to confirmation of the Plan. If and as required under the applicable Surety Claims treatment sections of the Plan, and if the applicable guarantees or liens are not avoided as a result of the Avoidance Action, the Reorganized Debtors that were parties to any guarantee with any of the Sureties relating to the CCR Surety Bonds and that pledged any of their assets to secure their obligations under such agreements shall issue guarantees of Reorganized Federal-Mogul's obligations under the Secured Surety Notes and Junior Secured Surety PIK Notes, if any, and grant Liens in favor of the Sureties to collateralize such guarantees on the same or substantially all of the collateral that secured their prepetition obligations under their respective agreements with the Sureties. The Liens securing the obligations under the Secured Surety Notes shall be *pari passu* with the Liens securing the Reorganized Federal-Mogul Secured Term Loan Agreement, and the Liens securing the Junior Secured Surety PIK Notes shall be *pari passu* with the Liens securing the Reorganized Federal-Mogul Junior Secured PIK Notes.

17. Distributions Under the Plan

a. General Matters.

The Disbursing Agent shall make all distributions required under the Plan other than distributions to holders of Asbestos Personal Injury Claims. Distributions with respect to Asbestos Personal Injury Claims shall be made by the Trust in accordance with the TDP. Distributions shall be made on the Distribution Date (unless otherwise provided in the Plan or ordered by the Bankruptcy Court) with respect to all Allowed Claims except Asbestos Personal Injury Claims. Except where the Plan contemplates deferred payment or delivery of property or securities, payments to be made by the Disbursing Agent pursuant to the Plan shall be made in Cash or by check drawn on a domestic bank or by wire transfer from a domestic bank. The Disbursing Agent or the Trust, as applicable, shall withhold from any assets or property distributed under the Plan any assets or property which must be withheld for foreign, federal, state and local taxes payable with respect thereto or payable by the Person entitled to such assets to the extent required by applicable law. Additionally, 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 tax purposes, be allocated to the principal amount of the Claim first and then, to the extent the consideration exceeds the principal amount of the Claim, to accrued but unpaid interest.

b. Transfer Taxes.

Other than as described in the following paragraph, pursuant to Section 1146 of the Bankruptcy Code, and to the fullest extent permitted by law, no stamp tax, transfer tax or other similar tax shall be imposed or assessed by any taxing authority on account of the issuance, transfer or exchange of any securities issued under the Plan, the transfer of any assets or property pursuant to the Plan, or the making or delivery of an instrument of transfer under the Plan. A sale by T&N Limited of its assets in connection with the implementation of the Market Test Procedures could give rise to a charge to United Kingdom stamp duty land tax and stamp duty or stamp duty reserve tax, as described in Section XIII.B.1.j of this Disclosure Statement. Further, consummation of the Plan is expected to require the payment of real estate transfer taxes in Germany.

c. Indenture Trustee Compensation.

The Indenture Trustees shall receive reasonable compensation and reimbursement of actual and necessary out-of-pocket expenses, pursuant to the procedures set forth in Section 8.15.6 of the Plan. Upon payment of all such amounts, all distributions to the Noteholders shall be free and clear of any Liens or Claims asserted by the Indenture Trustees, including, without limitation, any claims by the Indenture Trustees for reimbursement of fees or expenses.

d. Record Ownership Date.

Distributions under the Plan to holders of Noteholder Claims and Convertible Subordinated Debenture Claims and to holders of Equity Interests shall be made only to those record holders of such securities who are holders thereof as of the Record Date (i.e., five (5) business days after the date of the Bankruptcy Court order approving the Disclosure Statement). The Disbursing Agent and any transfer or distribution agent shall be entitled to treat the record holder of a registered security as the sole holder of any Claim or Equity Interest evidenced thereby for purposes of all notices, payments or distributions under the Plan. No notice of any transfer of any such security shall be binding on the Disbursing Agent or any transfer or distribution agent unless such transfer has been properly registered in accordance with the provisions of the governing indenture or agreement at least ten (10) Business Days prior to any Distribution Date. If there is any dispute regarding the identity of the Entity entitled to receive a distribution in respect of a Claim or Equity Interest under the Plan, no distribution need be made in respect of such Claim or Equity Interest until such dispute has been resolved.

e. Transfer of Claim.

As set forth in Section 8.15.8 of the Plan, in the event that the holder of any Claim shall transfer such Claim on and after the Effective Date, it shall immediately advise the Disbursing Agent or the Trust, as the case may be, in writing of such transfer. The Disbursing Agent or the Trust, as the case may be, shall be entitled to assume that no transfer of any Claim has been made by any holder unless and until written notice of a transfer has been actually received by the Disbursing Agent or the Trust. Each transferee of any Claim shall take such Claim subject to the provisions of the Plan, and, except as provided in a notice of transfer, the Disbursing Agent or the Trust, as the case may be, shall be entitled to assume conclusively that the transferee named in any notice of transfer shall thereafter be vested with all rights and powers of the transferor of such Claim. The provisions of Section 8.15.8 of the Plan shall not apply to holders or transferees of Bank Claims or Noteholder Claims.

18. Objections to Claims

After the Effective Date, only the applicable Reorganized Debtor against whose Estate a Claim was filed or deemed filed, or the Trust in the case of Asbestos Personal Injury Claims, may object to the allowance of any Claim, except that the Unsecured Creditors Committee, the Asbestos Claimants Committee and the Future Claimants Representative shall also have standing and capacity to object to (i) the Administrative Expense Claims of professionals employed or retained in these Reorganization Cases and (ii) the secured or unsecured Surety Claims. After the Effective Date, the applicable Reorganized Debtor against whose Estate a Claim was made, or the Trust and/or the applicable insurers or reinsurers, if applicable, in the case of Asbestos Personal Injury Claims, shall be accorded the power and authority to allow or settle and compromise any Claim, except for the Administrative Expense Claims of professionals employed by or on behalf of the Estates, without notice to any other party or approval of or notice to the Bankruptcy Court. Unless otherwise ordered by the Bankruptcy Court, and except as to any (a) late-filed Claims or (b) Asbestos Personal Injury Claims, all objections to Claims against the U.S. Debtors shall be filed with the Bankruptcy Court on or before six months following the Effective Date. Objections to late-filed Claims against the U.S. Debtors shall be filed not later than the later of (a) six months following the Effective Date or (b) sixty (60) days after the Reorganized Debtor receives actual notice of the filing of such Claim. Subject to Article IV of the Plan, objections to Asbestos Personal Injury Claims shall be handled by the Trust in accordance with the Asbestos Personal Injury Claims Resolution Procedures.

19. Asbestos Insurance Actions

Any Asbestos Insurance Action, or the claims and causes of action asserted or to be asserted therein, shall be preserved for the benefit of the Trust, for prosecution either by Reorganized Federal-Mogul, the other applicable Reorganized Debtors or the Trustees (as mutually agreed by such parties) subsequent to Confirmation of the Plan and in accordance with the Trust Agreement. Following the Effective Date, once the Trustees confirm in writing to the Reorganized Debtors that the Trust is in a position to assume such responsibility, such actions, along with the rights and obligations of the Debtors and the Reorganized Debtors with respect to Asbestos Insurance Policies and claims thereunder (to the extent that such policies and claims relate to Asbestos Personal Injury Claims, subject to the assignability without prejudice of such claims and Policies) shall be assigned to and vested in the Trust as the representative of the Debtors' Estates. Such Asbestos Insurance Actions shall be so vested free and clear of all Liens, security interests and other Claims or causes of action, except as otherwise provided in the Plan. Until such time as the Asbestos Insurance Actions have become vested in the Trust, Reorganized Federal-Mogul and the other Reorganized Debtors, as the case may be, shall be entitled to compromise or settle any Asbestos Insurance Action; provided, however, that any such compromise or settlement shall require the consent of the Future Claimants Representative and the Asbestos Claimants Committee or the Trust Advisory Committee (as applicable), and the approval of the Bankruptcy Court. Upon vesting in the Trust, the Asbestos Insurance Actions shall be governed by the Trust Documents. Notwithstanding anything to the contrary contained in the Plan, the Trust shall not compromise or resolve insurance coverage under any Asbestos Insurance Policy except with respect to Asbestos Personal Injury Claims and Trust Expenses.

20. Supersedeas Bond Actions

All Supersedeas Bond Actions and the rights and claims asserted or to be asserted therein shall be preserved and shall be prosecuted or defended, as the case may be, by the Reorganized Debtors subsequent to Confirmation of the Plan. To the extent that the Reorganized Debtors successfully prosecute or defend against a Supersedeas Bond Action resulting in the discharge or release of the Supersedeas Bond or other payment assurance provided in connection therewith, any such recoveries shall inure to the benefit of the Reorganized Debtors. Additionally, Reorganized Federal-Mogul and the other Reorganized Debtors shall be entitled to compromise or settle any Supersedeas Bond Actions; provided, however, that any such compromise or settlement shall require the consent of the Future Claimants Representative and the Asbestos Claimants Committee, to the extent the compromise or settlement results in there being any unsecured portion of a Bonded Asbestos Personal Injury Claim after applying any supersedeas bond proceeds or other payment assurances.

Notwithstanding anything to the contrary contained in the Plan, nothing in the Plan shall be deemed to impair, prejudice, compromise or otherwise affect any defense or counterclaim asserted by any issuer or insurer of payment assurances issued on behalf of the Debtors, or any other defendant in the Supersedeas Bond Actions, to any claim of the Debtors, including, but not limited to, any defense based upon an asserted right of setoff, recoupment, or other defense under applicable non-bankruptcy law. Any right of setoff or recoupment shall be satisfied out of the assets in the possession of the applicable issuers or insurers and any claims or liabilities including, but not limited to, claims for premiums for bonds provided by any such issuers or insurers.

21. Institution And Maintenance Of Legal And Other Proceedings.

Following the Effective Date, once the Trustees confirm in writing to the Reorganized Debtors that the Trust is in a position to assume the responsibility, the Trust shall be empowered to initiate, prosecute, defend and resolve all legal actions and other proceedings related to any asset, liability or responsibility of the Trust, including Asbestos Insurance Actions, Indirect Asbestos Personal Injury Claims, or other Trust Causes of Action. The Trust shall be empowered to initiate, prosecute, defend and resolve all such actions in the name of Federal-Mogul Corporation, any other Debtor or any Reorganized Debtor if deemed necessary or appropriate by the Trust. The Trust shall be responsible for the payment of all damages, awards, judgments, settlements, expenses, costs, fees and other charges incurred subsequent to the Effective Date arising from or associated with any legal action or other proceeding which is the subject of Section 10.5 of the Plan and shall pay or reimburse all deductibles, retrospective premium adjustments or other charges (not constituting Indirect Asbestos Personal Injury Claims) which may arise from the receipt of any insurance proceeds by the Trust.

22. Retention And Enforcement Of Trust Causes Of Action.

Pursuant to Section 1123(b)(3)(B) of the Bankruptcy Code, except as otherwise provided in the Plan, the Trust shall retain and have the exclusive right to enforce against any Entity any and all of the Trust Causes of Action, with the proceeds of the recoveries of any such actions to be deposited in the Trust; provided, however, that nothing in the Plan shall alter, amend or modify the Injunctions, Releases, discharges or Supersedeas Bond Action provisions contained in the Plan.

23. Preservation Of Insurance Claims.

The discharge and release of the Debtors, Reorganized Debtors and the Released Parties from all Claims, and the injunctive protection provided to the Debtors, Reorganized Debtors, Released Parties and Protected Parties with respect to Demands as provided in the Plan shall neither diminish nor impair the enforceability of any of the Asbestos Insurance Policies. Except as provided in Article IV of the Plan, the Trust shall be deemed to be the successor to the applicable Debtors with respect to all Asbestos Personal Injury Claims and the indemnitee under any Asbestos Insurance Policy to the extent there is no prejudice to coverage under such Asbestos Insurance Policies. The opportunity to participate in the resolution and defense of such Claims shall be in all respects subject to the Asbestos Personal Injury Trust Distribution Procedures provided for in the Trust Agreement and limited to contentions that the Claims should not be Allowed or should be Allowed in a lesser amount under such procedures. Except as provided in Article IV of the Plan, an Allowed Asbestos Personal Injury Claim shall be, and shall be deemed to be, a judgment against the Trust (as successor for all purposes to the liabilities of the applicable Debtors in respect of Asbestos Personal Injury Claims) in the Allowed Amount of such Claim for purposes of determining the liability of any insurer or indemnitor in respect of such Allowed Asbestos Personal Injury Claim.

24. The Official Committees and The Future Claimants Representative

On the Effective Date, the Official Committees shall be dissolved and the members thereof shall be released and discharged from all further authority, duties, responsibilities, liabilities and obligations related to, or arising from, the Reorganization Cases; provided, however, the Unsecured Creditors Committee, the Asbestos Claimants Committee and the Future Claimants Representative shall continue in existence and have standing and capacity to (i) prosecute the Avoidance Litigation or otherwise object to the Surety Claims and/or seek to avoid and recover some portion or all of the security for the Surety Claims; (ii) commence and prosecute the Valuation Proceedings; (iii) prosecute their pre-Effective Date intervention in any other adversary proceedings; (iv) object to any proposed modification of the Plan; (v) object to or defend the Administrative Expense Claims of professionals employed by or on behalf of the Estates; (vi) participate in any appeals of the Confirmation Order; (vii) participate as a party in interest in any proceeding involving Section 524(g) of the Bankruptcy Code and (viii) participate as a party in interest in any proceeding relating to the Trust. Nothing in Section 11.5 of the Plan limits or otherwise affects the rights of the United States Trustee under Section 502 of the Bankruptcy Code or otherwise to object to Claims or requests for allowance of Administrative Expenses.

The Reorganized Debtors shall pay the reasonable fees and expenses of the Unsecured Creditors Committee, the Asbestos Claimants Committee and the Future Claimants Representative relating to any post-Effective Date activities authorized under the Plan.

25. Revocation Of Plan

The Plan Proponents reserve the right to revoke and withdraw the Plan as to any Debtor prior to entry of the Confirmation Order. If the Plan Proponents revoke or withdraw the Plan, or if Confirmation of the Plan as to such Debtor or Debtors does not occur, then, with respect to such Debtor or Debtors, the Plan shall be deemed null and void and nothing contained in the Plan shall be deemed to constitute a waiver or release of any Claims by or against such Debtor or Debtors, or any other Entity (including the Plan Proponents), or to prejudice in any manner the rights of such Debtor or Debtors, or such Entity (including the Plan Proponents) in any further proceedings involving such Debtor or Debtors.

26. Modification Of Plan.

The Plan Proponents may propose amendments to or modifications of the Plan under Section 1127 of the Bankruptcy Code at any time prior to the Confirmation Date. After Confirmation, the Plan Proponents (or, as the case may be, the Reorganized Debtors after the Effective Date) may remedy any defects or omissions or reconcile any inconsistencies in the Plan, or the Confirmation Order or any other order entered for the purpose of implementing the Plan in such manner as may be necessary to carry out the purposes and intent of the Plan, so long as the interests of the holders of Allowed Claims are not materially and adversely affected thereby, and, in the case of the U.K. Debtors, make corresponding changes, reconciliations or modifications in the Scheme of Arrangement for such Debtor if required. Anything in the Plan or in any Plan Document to the contrary notwithstanding, following Confirmation, no Plan Document shall be modified, supplemented, changed or amended in any material respect except with the consent of all Plan Proponents or, in the absence of such consent, with the approval of the Bankruptcy Court on notice to all Plan Proponents and such other Entities as the Bankruptcy Court may require and a hearing.

27. High River Limited Partnership.

High River Limited Partnership, an affiliate of Carl Icahn and a holder of substantial Noteholder Claims, or its affiliated designee shall have the same rights and powers that the Plan Proponents are provided under the Plan and the Plan Documents, including, but not limited to, with respect to any modifications or amendments to the Plan or the Plan Documents, any waiver of conditions to confirmation or consummation of the Plan, the classification and/or treatment of any creditor or equity class in the U.S. and/or U.K. proceedings, and any rights regarding the U.K. Debtors (including as to Schemes of Arrangement and/or Voluntary Arrangements, liquidation, the Administrators, and the T&N Limited and FM Ignition Pension Plans), the cramdown of the Plan, the Plan's tax consequences, the corporate governance of Reorganized Federal-Mogul, the Exit Facilities and any and all other rights reserved for or afforded to the Plan Proponents under the Plan and Plan Documents (including as set forth in Section 6.7.3. of the Plan).

28. Administrative Claims Bar Date.

Unless otherwise ordered by the Bankruptcy Court, except for Administrative Claims for amounts incurred by the U.S. Debtors in the ordinary course of business during the Reorganization Cases, the Confirmation Order shall operate to set a bar date for Administrative Claims against the U.S. Debtors (the "Administrative Claims Bar Date"), which bar date shall be the first Business Day that is at least 120 days after the Effective Date. Claimants holding Administrative Claims against the Debtors not paid prior to the Administrative Claims Bar Date may submit a Request for Payment of Administrative Expense on or before such bar date. The notice of Confirmation to be served and delivered pursuant to Bankruptcy Rules 2002 and 3020(c) will set forth such date and constitute notice of the Administrative Claims Bar Date. The Reorganized Debtors and any other party in interest will have ninety days after the Administrative Claims Bar Date to review and object to such Claims before a hearing for determination of such Administrative Claims is held by the Bankruptcy Court, provided that such ninety-day period of review may be extended by the Bankruptcy Court upon the request of any of the Plan Proponents. Nothing herein shall be deemed or construed to prejudice, or establish a bar date for, any Administrative Claim or Administration Claim against the U.K. Debtors or their Estates.

29. Sale of Certain Piston-Manufacturing Assets of Federal-Mogul Bradford Limited.

The Plan, as it relates to Federal-Mogul Bradford Limited ("Bradford"), will be implemented in part pursuant to an agreement dated as of December 17, 2003, by and among T&N Limited, Bradford, the T&N Administrators, the Bradford Administrators, Federal-Mogul Gorzyce, S.A. ("F-M Gorzyce") and Federal-Mogul Holding Deutschland GmbH, which agreement provides for (i) the lease of certain of Bradford's plant, tooling and machinery and (ii) the license of certain of Bradford's know-how utilized in its piston-manufacturing operations to F-M Gorzyce, a non-Debtor Affiliate of the Debtors located in Poland. That agreement further provides for the sale of such leased and licensed assets, together with Bradford's customer goodwill, to F-M Gorzyce pursuant to a purchase option to be exercised by F-M Gorzyce through the Plan, pursuant to Section 524(g)(3)(A)(ii) of the

Bankruptcy Code. Accordingly the Confirmation Order shall provide that F-M Gorzyce shall exercise the purchase option described in this paragraph as part of the implementation of the Plan and that pursuant to Section 524(g)(3)(A)(ii) of the Bankruptcy Code F-M Gorzyce shall have no liability with respect to any Asbestos Personal Injury Claim or Demand made against it by reason of its status as the transferee of and/or successor to the assets of Bradford.

F. Injunctions, Releases and Discharge.

1. Discharge And Release

a. Discharge of Claims and Termination of Interests.

(A) As of the Effective Date, except as provided in the Plan or the Confirmation Order, the distributions and rights afforded under the Plan and the treatment of Claims and Interests under the Plan shall be in exchange for, and in complete satisfaction, discharge and release of, all Claims and satisfaction and termination of all Interests, including any interest accrued on Claims from and after the Petition Date. Accordingly, and except as otherwise provided in the Plan or the Confirmation Order, Confirmation of the Plan shall discharge the Debtors from all Claims or other debts that arose before the Effective Date, and satisfy, terminate or cancel all Interests and other rights of equity security holders in the Debtors.

(B) As of the Effective Date, except as provided in the Plan or the Confirmation Order, all Persons shall be precluded from asserting against the Debtors or the Reorganized Debtors, or their respective successors or property, any other or further Claims, Demands, debts, rights, causes of action, liabilities or equity interests based upon any act, omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date. In accordance with the foregoing, except as 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 such Claims and other debts and liabilities of the Debtors, and such discharge shall void and extinguish any judgment obtained against the Debtors or the Reorganized Debtors at any time, to the extent such judgment is related to a discharged Claim.

b. Discharge Injunction.

(A) Except as provided in the Plan or the Confirmation Order, as of the Effective Date, all Persons that hold, have held, or may hold a Claim, Demand or other debt or liability that is discharged, or an Interest or other right of an equity security holder that is terminated pursuant to the terms of the Plan, are permanently enjoined from taking any of the following actions on account of, or on the basis of, such discharged Claims, debts or liabilities, or terminated Interests or rights: (i) commencing or continuing any action or other proceeding against the Debtors, the Reorganized Debtors, the Trust or their respective property; (ii) enforcing, attaching, collecting or recovering any judgment, award, decree or order against the Debtors, the Reorganized Debtors, the Trust or their respective property; (iii) creating, perfecting or enforcing any lien or encumbrance against the Debtors, the Reorganized Debtors, the Trust or their respective property; (iv) asserting any setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due the Debtors, the Reorganized Debtors, the Trust or their respective property; and (v) commencing or continuing any judicial or administrative proceeding, in any forum, that does not comply with or is inconsistent with the provisions of the Plan.

(B) Except as provided in the Plan or the Confirmation Order, as of the Effective Date all Persons that hold, have held, or may hold a Claim, Demand, or other debt, right, cause of action or liability that is released pursuant to the provisions of the Plan are permanently enjoined from taking any of the following actions on account of or based upon such released Claims, Demands, debts, rights, causes of action or liabilities: (i) commencing or continuing any action or other proceeding against the Released Parties or their respective property; (ii) enforcing, attaching, collecting or recovering any judgment, award, decree or order against the Released Parties or their respective property; (iii) creating, perfecting or enforcing any lien or encumbrance against the Released Parties or their respective property; (iv) asserting any setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due the Released Parties or against their respective property; and (v) commencing or

continuing any judicial or administrative proceeding, in any forum, that does not comply with or is inconsistent with the provisions of the Plan.

2. Releases.

a. Releases by Debtors and Estates.

Except as otherwise expressly provided in the Plan or the Confirmation Order, on the Effective Date the Reorganized Debtors on their own behalf and as representatives of their respective estates, release unconditionally, and shall be deemed to release unconditionally, each and all of (i) the Debtors' and their non-Debtor Affiliates' officers and directors who were serving in such capacity on or after the Petition Date, (ii) the attorneys, accountants, investment bankers, restructuring consultants and financial advisors of each of the Debtors (but specifically excluding Rothschild Inc.), (iii) the holders of Noteholder Claims, the holders of Bank Claims, and the Administrative Agent and their respective attorneys, accountants, investment bankers and advisers of and from any and all claims, obligations, suits, judgments, damages, rights, causes of action and liabilities of any nature whatsoever (including, without limitation, those arising under the Bankruptcy Code), whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereafter arising, in law, equity, or otherwise, based in whole or in part upon any act, omission, transaction, event or other occurrence taking place before the Petition Date in connection with the Debtors or any of them, or their respective property. These releases shall not apply to or otherwise affect the obligations of any of Debtors' officers or directors to repay loans or advances of money or other property owed to the Debtors or their Estates.

b. Releases by Holders of Claims and Interests.

Except as otherwise expressly provided in the Plan or the Confirmation Order, on the Effective Date each holder of a Claim or Interest that has voted to accept the Plan, shall be deemed to have unconditionally released each and all of (i) the non-Debtor Affiliates, (ii) the Debtors' and their non-Debtor Affiliates' officers and directors who were serving in such capacity on or after the Petition Date, (iii) the attorneys, accountants, investment bankers, restructuring consultants and financial advisors of each of the Debtors (but specifically excluding Rothschild Inc.) and (iv) the holders of Noteholder Claims, the holders of Bank Claims and the Administrative Agent, together with their respective successors, attorneys, accountants, investment bankers and advisers of and from any and all claims, obligations, suits, judgments, damages, rights, causes of action and liabilities of any nature whatsoever (including, without limitation, those arising under the Bankruptcy Code), whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereafter arising, in law, equity, or otherwise, based in whole or in part upon any act, omission, transaction, event or other occurrence taking place before the Petition Date in connection with the Debtors or any of them, or their respective property; provided, however, that each holder of a Claim or Interest that has voted on the Plan may elect, by checking the appropriate box on its Ballot, not to grant the releases.

3. The Supplemental Injunction, Third Party Injunction and Asbestos Insurance Entity Injunction

The Confirmation Order shall also provide for the following final, valid, enforceable and permanent injunctions to take effect as of the Effective Date:

a. The Supplemental Injunction

The Supplemental Injunction shall provide, in order to preserve and promote the settlements contemplated by and provided for in the Plan, and to supplement, where necessary, the injunctive effect of the discharge as provided in Sections 1141 and 524 of the Bankruptcy Code, and pursuant to the exercise of the equitable jurisdiction and power of the Bankruptcy Court under Sections 524(g) and 105(a) of the Bankruptcy Code, that all Entities which have held or asserted, which hold or assert or which may in the future hold or assert any claim, demand or cause of action against any of the Released Parties based upon, relating to, arising out of, or in any way connected with any Claim, Demand or Equity Interest, whenever and wherever arising or asserted, shall be permanently stayed, restrained and enjoined from taking any action for

the purpose of directly or indirectly collecting, recovering or receiving payments or recovery with respect to any such claim, demand or cause of action, including, but not limited to:

(i) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such claim, demand or cause of action against any of the Released Parties, or against the property of any Released Party;

(ii) enforcing, attaching, collecting or recovering, by any manner or means, any judgment, award, decree or order against any of the Released Parties or against the property of any Released Party with respect to any such claim, demand or cause of action;

(iii) creating, perfecting or enforcing any Lien of any kind against any Released Party or the property of any Released Party with respect to any such claim, demand or cause of action;

(iv) except as otherwise provided in the Plan, asserting, implementing or effectuating any setoff, right of subrogation, indemnity, contribution or recoupment of any kind against any obligation due any Released Party or against the property of any Released Party with respect to any such claim, demand or cause of action; and

(v) taking any act, in any manner, in any place whatsoever, that does not conform to, or comply with, the provisions of the Plan, the Plan Documents or the Trust Documents relating to such claim, demand or cause of action.

Notwithstanding the foregoing, the Supplemental Injunction shall not apply to or otherwise affect the assertion against the Released Parties of any claim, demand or cause of action that is not released pursuant to the provisions of Sections 9.2.1 or 9.2.2 of the Plan, and shall not impair (a) the rights of holders of Asbestos Personal Injury Claims to assert such Asbestos Personal Injury Claims solely against the Trust or the Trust Assets in accordance with the Asbestos Personal Injury Trust Distribution Procedures, (b) the rights of holders of Asbestos Personal Injury Claims to assert such Asbestos Personal Injury Claims solely against Hercules-Protected Entities in accordance with Article IV of the Plan, (c) the rights of Entities to assert any Claim, debt, obligation or liability for payment of Trust Expenses solely against the Trust or the Trust Assets, (d) the rights of the Trust or the Reorganized Debtors to prosecute any Asbestos Insurance Action or any similar claim, cause of action or right of Reorganized T&N against the Hercules Insurers or of the Trust against the EL Insurers, and (e) the rights of any Entity to assert an Asbestos Personal Injury Claim against a non-Debtor Affiliate where such Claim is based upon exposure to asbestos or asbestos-containing products resulting solely from the acts, conduct or omissions of such non-Debtor Affiliate.

b. The Third Party Injunction

The Third Party Injunction shall provide, in order to preserve and promote the settlements contemplated by and provided for in the Plan and agreements previously or concurrently approved by the Bankruptcy Court, and pursuant to the exercise of the equitable jurisdiction and power of the Bankruptcy Court under Sections 524(g) and 105(a) of the Bankruptcy Code, that all Entities which have held or asserted, which hold or assert or which may in the future hold or assert any claim, demand or cause of action against any of the Protected Parties based upon, relating to, arising out of, or in any way connected with any Asbestos Personal Injury Claim or Demand, whenever and wherever arising or asserted, whether in the U.S., the U.K., or anywhere else in the world, whether sounding in tort, contract, warranty or any other theory of law, equity or admiralty (a "Third Party Claim"), shall be permanently stayed, restrained and enjoined, from taking any action for the purpose of directly or indirectly collecting, recovering or receiving payments or recovery with respect to any such Third Party Claim, including, but not limited to:

(i) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Third Party Claim against any Protected Party or against the property of any Protected Party with respect to any such Third Party Claim;

(ii) enforcing, attaching, collecting or recovering, by any manner or means, any judgment, award, decree or order against any Protected Party or against the property of any Protected Party with respect to any such Third Party Claim;

(iii) creating, perfecting or enforcing any Lien of any kind against any Protected Party or the property of any Protected Party on the basis of such Third Party Claim;

(iv) commencing any action or other proceeding of any kind or enforcing, attaching, collecting or recovering, by any manner or means, any judgment, award, decree or order, with respect to a Third Party Claim against a Protected Party that pursuant to the Plan or after the Effective Date makes a loan to any of the Released Parties, or challenging, upsetting or impairing any Lien granted in connection with such loan by reason of any such Third Party Claim;

(v) except as otherwise provided in the Plan, asserting, implementing or effectuating any setoff, right of subrogation, contribution or recoupment of any kind against any obligation due any Protected Party or against the property of any Protected Party with respect to any such Third Party Claim; and

(vi) taking any act relating to such Third Party Claim in any manner, and in any place whatsoever, that does not conform to, or comply with, the provisions of the Plan, the Plan Documents and the Trust Documents.

Notwithstanding the foregoing, the Third Party Injunction shall not impair (a) the rights of holders of Asbestos Personal Injury Claims to assert such Claims solely against the Trust or the Trust Assets in accordance with the Asbestos Personal Injury Trust Distribution Procedures, (b) the rights of holders of Asbestos Personal Injury Claims to assert such Asbestos Personal Injury Claims solely against Hercules-Protected Entities in accordance with Article IV of the Plan, (c) the rights of Entities to assert any Claim, debt, obligation or liability for payment of Trust Expenses solely against the Trust or the Trust Assets, (d) the rights of the Trust or the Reorganized Debtors to prosecute any Asbestos Insurance Action or any similar claim, cause of action or right of Reorganized T&N against the Hercules Insurers or of the Trust against the EL Insurers, and (e) the rights of any Entity to assert an Asbestos Personal Injury Claim against a non-Debtor Affiliate where such Claim is based upon exposure to asbestos or asbestos-containing products resulting solely from the acts, conduct or omissions of such non-Debtor Affiliate.

c. The Asbestos Insurance Entity Injunction

In order to protect the Trust and to preserve the Trust Assets, the Bankruptcy Court shall issue the Asbestos Insurance Entity Injunction, which shall provide that all Entities (not including the Trust, the Asbestos Insurance Companies, and the Reorganized Debtors to the extent they are permitted or required to pursue claims relating to the Hercules Policy, Asbestos Insurance Actions and/or the Asbestos Insurance Action Recoveries) that have held or asserted, that hold or assert, or that may in the future hold or assert any Claim, Demand or cause of action (including any Asbestos Personal Injury Claim or Demand or any Claim or Demand for or respecting any Trust Expense) against any Asbestos Insurance Company based upon, attributable to, arising out of, or in any way connected with any such Asbestos Personal Injury Claim or Demand whenever and wherever arising or asserted, whether in the U.S., the U.K. or anywhere else in the world, shall be stayed, restrained, and enjoined from taking any action for the purpose of directly or indirectly collecting, recovering, or receiving payments, satisfaction, or recovery with respect to any such Claim, Demand, or cause of action including, without limitation:

(i) commencing, conducting, or continuing, in any manner, directly or indirectly, any suit, action, or other proceeding of any kind in any forum with respect to any such Claim, Demand, or cause of action against any Asbestos Insurance Company, or against the property of any Asbestos Insurance Company, with respect to any such Claim, Demand, or cause of action;

(ii) enforcing, levying, attaching, collecting, or otherwise recovering, by any means or in any manner, whether directly or indirectly, any judgment, award, decree, or other order against any Asbestos Insurance Company, or against the property of any Asbestos Insurance Company, with respect to any such Claim, Demand, or cause of action;

(iii) creating, perfecting, or enforcing in any manner, directly or indirectly, any encumbrance against any Asbestos Insurance Company, or the property of any Asbestos Insurance Company, with respect to any such Claim, Demand, or cause of action; and

(iv) except as otherwise specifically provided in the Plan, asserting or accomplishing any setoff, right of subrogation, indemnity, contribution, or recoupment of any kind, directly or indirectly, against any obligation of any Asbestos Insurance Company, or against the property of any Asbestos Insurance Company, with respect to any such Claim, Demand or cause of action.

Notwithstanding the foregoing, the Asbestos Insurance Entity Injunction shall not enjoin (a) the rights of Entities to the treatment accorded them under Article III of the Plan, as applicable, including the rights of holders of Asbestos Personal Injury Claims to assert such Claims, as applicable, in accordance with the Asbestos Personal Injury Trust Distribution Procedures, (b) the rights of Entities to assert any claim, debt, obligation, cause of action or liability for payment of Trust Expenses against the Trust, (c) the rights of the Trust, and the Reorganized Debtors (to the extent permitted or required under the Plan) to prosecute any action based on or arising from the Asbestos Insurance Policies, and (d) the rights of the Trust and the Reorganized Debtors to assert any claim, debt, obligation, cause of action or liability for payment against an Asbestos Insurance Company based on or arising from the Asbestos Insurance Policies.

Additionally, the Asbestos Insurance Entity Injunction shall not impair in any way any actions brought by the Trust and/or the Reorganized Debtors against any Asbestos Insurance Company. The Trust shall have the sole and exclusive authority at any time to terminate, or reduce or limit the scope of, the Asbestos Insurance Entity Injunction with respect to any Asbestos Insurance Company upon express written notice to such Asbestos Insurance Company. The Asbestos Insurance Entity Injunction is not issued for the benefit of any Asbestos Insurance Company, and no Asbestos Insurance Company is a third-party beneficiary of the Asbestos Insurance Entity Injunction.

d. Reservation Of Rights.

Notwithstanding any other provision of the Plan to the contrary, the satisfaction, release and discharge provisions of the Plan, and the injunctions set forth above, respectively, shall not be deemed to satisfy, discharge, release or enjoin claims by the Trust, the Reorganized Debtors, or (subject to Article IV of the Plan) any other Entity, as the case may be, against (a) the Trust for payment of Allowed Asbestos Personal Injury Claims in accordance with the Asbestos Personal Injury Claims Resolution Procedures, (b) the Trust for the payment of Trust Expenses, (c) any Asbestos Insurance Company that has not performed under an Asbestos Insurance Policy or an Asbestos Insurance Settlement Agreement, (d) the Hercules Insurers under the Hercules Policy or any settlement agreement with the Hercules Insurers relating to any Asbestos Personal Injury Claim, (e) the EL Insurers under any EL Policy or any settlement agreement with the EL Insurers relating to any Asbestos Personal Injury Claim, or (f) the issuer of a Supersedeas Bond or other assurance of payment with respect to an Allowed Bonded Asbestos Claim that has not performed thereunder.

4. Disallowed Claims And Disallowed Equity Interests

On and after the Effective Date, the Debtors shall be fully and finally discharged of any and all liability or obligation on a disallowed Claim or a disallowed Equity Interest, and any Order disallowing a Claim or an Equity Interest which is not a Final Order as of the Effective Date solely because of an Entity's right to move for reconsideration of such Order pursuant to Section 502 of the Bankruptcy Code or Bankruptcy Rule 3008 shall nevertheless become and be deemed to be a Final Order on the Effective Date. The Confirmation Order, except as otherwise provided herein, shall constitute an Order: (a) in relation to each U.S. Debtor, disallowing all Claims (other than Asbestos Personal Injury Claims) and Equity Interests to the extent such Claims and Equity Interests are

not allowable under any provision of Section 502 of the Bankruptcy Code, including, but not limited to, time-barred Claims and Equity Interests, and Claims for unmatured interest, and (b) in relation to each U.S. Debtor, disallowing or subordinating to all other Claims, as the case may be, any Claims for penalties, punitive damages or any other damages not constituting compensatory damages.

5. No Successor Liability

Except as otherwise expressly provided in the Plan, Reorganized Federal-Mogul and the other Reorganized Debtors do not, pursuant to the Plan or otherwise, assume, agree to perform, pay or indemnify any Entity, or otherwise have any responsibility for any liabilities or obligations of the Debtors relating to or arising out of the operations of or assets of the Debtors, whether arising prior to, on or after the Effective Date. Except as provided in Article IV of the Plan, neither the Plan Proponents, Reorganized Federal-Mogul, the other Reorganized Debtors nor the Trust is, or shall be deemed to be, a successor to any of the Debtors by reason of any theory of law or equity, and none shall have any successor or transferee liability of any kind or character, except that Reorganized Federal-Mogul, the other Reorganized Debtors and the Trust shall assume and remain liable for their respective obligations specified in the Plan and the Confirmation Order.

6. Exculpation

None of the Debtors, the Reorganized Debtors, the members of the Unsecured Creditors Committee, the members of the Asbestos Claimants Committee, the Future Claimants Representative, the members of the Equity Committee, the holders of Noteholder Claims, the holders of Bank Claims, the Administrative Agent nor any of their respective successors, officers, directors, employees, members, agents, attorneys, accountants, investment bankers, financial advisors or restructuring professionals, nor any other professional Person employed by any of them, shall have or incur any liability to any Person or Entity for any act or omission in connection with, relating to, or arising out of the Reorganization Cases, the administration proceedings of the U.K. Debtors, the negotiation of the Plan, the Schemes of Arrangement or the Voluntary Arrangements, pursuit of confirmation of the Plan, the Schemes of Arrangement and/or the Voluntary Arrangements, the administration, consummation and implementation of the Plan or Scheme of Arrangement or the property to be distributed under the Plan of the Scheme, the Disclosure Statement, the Plan Documents, the releases and Injunctions, or the management or operation of the Debtors (except for any liability that results primarily from such Person's or Entity's bad faith, gross negligence, or willful misconduct); provided, however, that (i) with respect to officers and directors of the Debtors, this exculpation provision shall apply only to officers or directors who were serving in such capacity on or after the Petition Date, and (ii) this exculpation provision shall not apply to Rothschild Inc.

G. Corporate Indemnities

1. Prepetition Indemnification and Reimbursement Obligations

For purposes of the Plan, the respective obligations of Federal-Mogul and its Affiliated Debtors to indemnify and reimburse Persons who are or were directors, officers or employees of the Debtors on the Petition Date or at any time thereafter, against and for any obligations pursuant to the articles of incorporation, codes of regulation, bylaws (including, without limitation, the obligations of Federal-Mogul Corporation pursuant to Article IV of the By-Laws of Federal-Mogul Corporation), applicable state or non-bankruptcy law, or specific agreement or any combination of the foregoing, shall survive confirmation of the Plan, remain unaffected thereby, and not be discharged under Section 1141 of the Bankruptcy Code, irrespective of whether indemnification or reimbursement is owed in connection with any event occurring before, on or after the Petition Date. In furtherance of, and to implement the foregoing, the Reorganized Debtors shall maintain insurance (also referred to as tail coverage) for the benefit of each and all of the above-indemnified directors, officers and employees, at levels no less favorable than those existing as of the date of entry of the Confirmation Order, and for a period of no less than three years following the Effective Date.

2. Plan Indemnity

In addition to the matters set forth above and not by way of limitation thereof, the Reorganized Debtors shall indemnify and hold harmless all Persons who are or were officers or directors of the Debtors on the Petition Date or thereafter on account of and with respect to any claim, cause of action, liability, judgment, settlement, cost or expense (including attorney's fees) on account of claims or causes of action threatened or asserted by any third party against such officers or directors that seek contribution, indemnity, equitable indemnity, or any similar claim, based upon or as the result of the assertion of primary claims against such third party by any representative of the Debtors' Estates.

3. Limitation on Indemnification

Notwithstanding anything to the contrary set forth in the Plan or elsewhere, the Reorganized Debtors shall not be obligated to indemnify and hold harmless any Person or Entity for any claim, cause of action, liability, judgment, settlement, cost or expense that results primarily from such Person's or Entity's bad faith, gross negligence or willful misconduct.

H. Conditions to Confirmation and Effectiveness

Confirmation of the Plan shall not occur unless each of the following conditions has been satisfied or waived by the Plan Proponents. These conditions to confirmation, which are designed, among other things, to ensure that the Injunctions, releases and discharges set forth in Article IX of the Plan shall be effective, binding and enforceable, are as follows:

1. Conditions To Confirmation

The Bankruptcy Court and/or the District Court, as applicable, shall have made the following findings in substantially the following form:

(a) The Supplemental Injunction and the Third Party Injunction and the Asbestos Insurance Entity Injunction are to be implemented in connection with the Trust;

(b) As of the Petition Date, certain of the Debtors had been named as defendants in personal injury, wrongful death or property damage actions seeking recovery for damages allegedly caused by the presence of, or exposure to, asbestos or asbestos-containing products;

(c) Subject to Article IV of the Plan, upon Confirmation, the Trust shall assume the liabilities of the Debtors with respect to Asbestos Personal Injury Claims;

(d) The Trust will be funded in part by the Reorganized Federal-Mogul Class B Common Stock, and all rights to receive dividends or other distributions on account of such Class B Common Stock;

(e) On the Effective Date, the Trust will own a majority of the voting shares of Reorganized Federal-Mogul;

(f) The Trust will use its assets or income to pay Asbestos Personal Injury Claims;

(g) The Debtors are likely to be subject to substantial future Demands for payment arising out of the same or similar conduct or events that gave rise to the Asbestos Personal Injury Claims, that are addressed by the Supplemental Injunction, the Third Party Injunction and the Asbestos Insurance Entity Injunction;

(h) The actual amounts, numbers and timing of future Demands cannot be determined;

(i) Pursuit of Asbestos Personal Injury Claims, including Demands, outside the procedures prescribed by the Plan is likely to threaten the Plan's purpose to deal equitably with Claims and future Demands;

(j) The terms of the Supplemental Injunction, the Third Party Injunction and the Asbestos Insurance Entity Injunction, including any provisions barring actions against third parties, are set out in conspicuous language in the Plan and in the Disclosure Statement;

(k) Pursuant to court orders or otherwise, the Trust shall operate through mechanisms such as structured, periodic or supplemental payments, Pro Rata distributions, matrices or periodic review of estimates of the numbers and values of Asbestos Personal Injury Claims or other comparable mechanisms that provide reasonable assurance that the Trust will value, and be in a financial position to pay, present Asbestos Personal Injury Claims and future Asbestos Personal Injury Claims and Demands that involve similar Claims in substantially the same manner;

(l) The Future Claimants Representative was appointed by the Bankruptcy Court as part of the proceedings leading to the issuance of the Supplemental Injunction, the Third Party Injunction and the Asbestos Insurance Entity Injunction for the purpose of, among other things, protecting the rights of persons that might subsequently assert Demands of the kind that are addressed in the Supplemental Injunction, the Third Party Injunction and the Asbestos Insurance Entity Injunction, and transferred to and assumed by the Trust;

(m) The inclusion of each Debtor or beneficiary within the protection afforded by of the Supplemental Injunction, the Third Party Injunction and the Asbestos Insurance Entity Injunction, as applicable, is fair and equitable with respect to the persons that might subsequently assert Demands against each such Debtor or beneficiary in light of the benefits provided, or to be provided, to the Trust on behalf of such Debtor or such beneficiary;

(n) The Plan complies with Section 524(g) of the Bankruptcy Code in all respects;

(o) The receipt of Trust Assets in accordance with Article IV of the Plan do not violate any obligation of the Debtors or breach any terms, obligations, or duties under any applicable Asbestos Insurance Policy, including any obligation of the Debtors to cooperate, any management of claims provisions, any consent to assignment provisions, or any consent to settlement in provision any Asbestos Insurance Policy;

(p) The assignment of rights under the Asbestos Insurance Policies to the Trust do not materially increase any Asbestos Insurance Company's risk in providing coverage for Asbestos Personal Injury Claims compared to the risk that was otherwise being borne by the Asbestos Insurance Companies prior to the Effective Date;

(q) Upon confirmation and consummation of this Plan, the Trust shall have access to the Asbestos Insurance Policies for the purpose of meeting the Trust's obligations to defend, resolve, and satisfy Asbestos Personal Injury Claims and to satisfy existing or future obligations of the Trust for Asbestos Personal Injury Claims in the same manner the Debtors have had access to the Asbestos Insurance Polices to respond to Asbestos Personal Injury Claims prior to the Effective Date; and

(r) The Supplemental Injunction, the Third-Party Injunction and the Asbestos Insurance Entity Injunction are essential to this Plan and the Debtors' reorganization efforts.

It is a condition to Confirmation that the Bankruptcy Court and/or the District Court, as applicable, shall have made such findings and determinations regarding the Plan as shall enable the entry of the Confirmation Order and any other order entered in conjunction therewith, in form and substance acceptable to the Plan Proponents. It is also a condition to Confirmation that the Debtors shall have obtained a binding commitment(s) for the Exit Facilities on terms reasonably acceptable to the Plan Proponents.

2. Conditions To Effectiveness

Notwithstanding any other provision of the Plan or the Confirmation Order, the Effective Date of the Plan shall not occur unless and until each of the following conditions has been satisfied or waived by the Plan Proponents:

(a) The Confirmation Order shall have been issued or affirmed by the District Court, and the Confirmation Order shall have become a Final Order; provided, however, that the Effective Date may occur at a point in time when the Confirmation Order is not a Final Order at the sole option of the Plan Proponents unless the effectiveness of the Confirmation Order has been stayed or vacated, in which case the Effective Date may be, again at the sole option of the Plan Proponents, the first Business Day immediately following the expiration or other termination of any stay of effectiveness of the Confirmation Order.

(b) The Trust Assets shall have been transferred to, vested in and assumed by the Trust in accordance with Section 4.3 of the Plan, other than any Trust Assets to be transferred to, vested in and assumed by the Trust after the Effective Date.

(c) The Trust Documents and the other applicable corporate documents necessary or appropriate to implement the Plan shall have been executed, delivered and, where applicable, filed with the appropriate governmental authorities.

(d) The fees of the United States Trustee then owing by the Debtors shall have been paid in full.

(e) If and to the extent that the Plan Proponents determine that there should be a Scheme of Arrangement in respect of all or any of the U.K. Debtors, (i) the U.K. Court shall have sanctioned the Scheme(s) of Arrangement, and an office copy of the Order of the U.K. Court sanctioning the Scheme(s) of Arrangement shall have been delivered for registration to the Registrar of Companies as required by Section 425(3) of the Companies Act 1985 of Great Britain; and (ii) all of the conditions to such Scheme(s) of Arrangement shall have been satisfied in accordance with the terms of the respective Scheme(s) of Arrangement except with respect to any conditions relating to the effectiveness of the Plan, provided, however, in respect of any or all of the U.K. Debtors, if the relevant Scheme of Arrangement fails to be sanctioned in accordance with the provisions set out above, the Plan Proponents shall have the right to waive this provision in its entirety or in relation to any individual U.K. Debtor.

(f) If and to the extent that the Plan Proponents determine that there should be a Voluntary Arrangement in respect of all or any of the U.K. Debtors, (i) the requisite approval for the Voluntary Arrangement (in accordance with the IA 1986 and the IR 1986), if applicable, shall have been obtained, the chairperson of the relevant meetings shall have reported the results of the meetings to the U.K. Court pursuant to Section 4(6) of the IA 1986 and, within the period of 28 days beginning with the first day on which such reports are made to the U.K. Court, no challenge or appeal shall have been made against the decision of the chairperson of the relevant meetings under Rule 1.17 of the IR 1986 or against the Voluntary Arrangement under Section 6 of the IA 1986 and (ii) all conditions to such Voluntary Arrangement(s) have been satisfied in accordance with the terms of the relevant Voluntary Arrangement, except with respect to any conditions relating to the effectiveness of the Plan, provided, however, that with respect to any or all of the U.K. Debtors, if the relevant Voluntary Arrangement fails to be approved in accordance with the provisions set forth above, the Plan Proponents shall have the right to waive this provision in its entirety or in relation to any such individual U.K. Debtor.

(g) The Plan Proponents shall have obtained tax rulings, decisions, opinions or other assurances regarding certain tax consequences of the Plan, as they deem satisfactory.

(h) The Reorganized Debtors shall have entered into agreements with respect to the Exit Facilities and the Closing Date, as to be defined in the Exit Facilities, has occurred.

VII.

THE ASBESTOS PERSONAL INJURY TRUST AND DISTRIBUTION PROCEDURES

A. The Trust.

1. Establishment and Purpose of the Trust.

On the Effective Date, the Trust shall be established pursuant to Section 524(g) of the Bankruptcy Code, the Plan, and the Asbestos Personal Injury Trust Agreement (the "Trust Agreement") and shall thereafter, except as otherwise provided in Section 4.5 of the Plan as to the Reorganized Hercules-Protected Entities, assume exclusive liability for all Asbestos Personal Injury Claims and Demands. Following the Effective Date, the Trustees will hold and administer the Trust Assets and implement and administer the Trust pursuant to the terms of the Trust Documents, including the Asbestos Personal Injury Trust Distribution Procedures (the "TDP"), the goals and structure of which are discussed in detail in Section VII(B) below. The Trust is intended to qualify as a "qualified settlement fund" within the meaning of Section 468B of the IRC and the regulations promulgated thereunder.

The TDP provides, among other things, for the allowance and payment, or disallowance, of Asbestos Personal Injury Claims pursuant to the terms of the TDP (except as otherwise provided in Section 4.5 of the Plan), and that resolution of an Asbestos Personal Injury Claim by the Trust will result in a full release of such Claim against the Trust. The Trust shall pay Allowed Asbestos Personal Injury Claims at the rate or rates of the Payment Percentages applicable thereto, as defined in the TDP. While Indirect Asbestos Personal Injury Claims against the Debtors may be disallowed pursuant to Section 502(e)(1)(B) of the Bankruptcy Code, any right of a holder of such disallowed Claim under applicable non-bankruptcy law, to setoff payments by the Trust against such holder's liability to an asbestos personal injury claimant, shall be preserved.

Additionally, the Trust shall advocate in any and all actions and proceedings brought against the Debtors and/or Reorganized Debtors which involve Asbestos Personal Injury Claims, that Asbestos Personal Injury Claims, as defined in the Plan, shall be channeled to the Trust, and the Trust Documents shall provide that the Trust shall cooperate with the Debtors and/or Reorganized Debtors in any and all such actions and proceedings.

2. Receipt of Trust Assets.

On the Effective Date, all Trust Assets shall be automatically and without further act or deed, transferred to, vested in and assumed by the Trust. To the extent that certain Trust Assets, because of their nature or because such assets will accrue or become transferable subsequent to the Effective Date, cannot be transferred to, vested in and assumed by the Trust on the Effective Date, such Trust Assets shall be automatically and without further act or deed, transferred to, vested in and assumed by the Trust as soon as practicable after the Effective Date.

As of the date of this Disclosure Statement, the Trust Assets are not in the form of Cash and also may not be in the form of Cash as of the Effective Date. Certain of the Trust Assets, however, may be converted to Cash prior to or after the Effective Date. The Trust shall allocate any assets it receives subsequent to its creation, including insurance proceeds, to the PI Trust Fund (as described below) liable to pay PI Trust Claims against those assets.

3. Discharge of Liabilities To Holders of Asbestos Personal Injury Claims.

Except as provided in Section 4.5 of the Plan with respect to the Reorganized Hercules-Protected Entities and Sections 9.3.1(b)(v) and 9.3.2(b)(v) of the Plan with respect to non-Debtor Affiliates, the transfer to, vesting in and assumption by the Trust of the Trust Assets as contemplated by the Plan shall, as of the Effective Date discharge all obligations and liabilities of and bar recovery or any action against the Released Parties and their respective estates, Affiliates and subsidiaries, for or in respect of all Asbestos Personal Injury Claims and Demands, including, but not limited to, all Indirect Asbestos Personal Injury Claims and Demands, against the Debtors, the Reorganized Debtors, and their respective Estates, Affiliates and subsidiaries. Except as provided in Section 4.5 of the Plan with

respect to the Reorganized Hercules-Protected Entities, the Trust shall assume sole and exclusive responsibility and liability for all Asbestos Personal Injury Claims, including, but not limited to, Indirect Asbestos Personal Injury Claims against the Debtors, the Reorganized Debtors, and their respective Estates, Affiliates and subsidiaries and such Claims, to the extent Allowed, shall be paid solely by the Trust from the Trust Assets.

4. Special Provisions Applicable to T&N and the Other Hercules-Protected Entities that are Debtors.

As described in Section IV(I)(b), the Hercules Policy is a £500 million policy that was purchased to cover asbestos liabilities of T&N Limited and the other Hercules-Protected Entities. Article IV of the Plan is designed to allow T&N and the other Hercules-Protected Entities to emerge from the Reorganization Cases and administration proceedings without a resolution of the rights under the Hercules Policy and to do so in a manner that complies with applicable law and/or the provisions of the Hercules Policy.

a. Assignment of Asbestos Personal Injury Claims to the Trust in Exchange for Trust Claims

The holder of each Asbestos Personal Injury Claim against the Reorganized Hercules-Protected Entities will be deemed to have assigned to the Trust the proceeds of those claims. Similarly, all holders of Asbestos Personal Injury Claims will be deemed to have assigned to (i) Reorganized T&N, any rights respecting the Hercules Policy, and (ii) the Trust, any rights respecting the EL Coverage, in each case being rights transferred to him or her by operation of law under the Third Parties (Rights Against Insurers) Act 1930 of the United Kingdom. In consideration for such assignment, the Trust will confer upon such holder a Trust Claim which will entitle the holder to payment from the Trust in accordance with the TDP and the other Trust Documents. As a corollary, the Trust will assume all liability for Asbestos Personal Injury Claims against the Reorganized Hercules-Protected Entities in excess of both (i) the £690 million self-insured retention (i.e. the deductible) and the £500 million layer of coverage provided by the Hercules Policy and (ii) all other sums as are attributable to or otherwise represent the Hercules Insurance Recoveries to the extent such amounts exceed the £500 million layer of coverage; provided, however, that the Trust shall not assume liability for Asbestos Personal Injury Claims to the extent such claims are covered by the indemnity provisions of the EL Coverage.

From and after the Hercules Policy Expiry Date, the Trust will assume sole and exclusive liability for all remaining Asbestos Personal Injury Claims against the Reorganized Hercules-Protected Entities other than Claims covered by the indemnity provisions of the EL Coverage, and the Reorganized Hercules-Protected Entities shall be discharged and released from any and all liability with respect to Asbestos Personal Injury Claims other than Claims covered by the indemnity provisions of the EL Coverage. From and after the Hercules Policy Expiry Date, all rights of the Reorganized Hercules-Protected Entities to assert any defenses, counterclaims, offsets, or similar rights and remedies for the purpose of reducing or defeating any Asbestos Personal Injury Claim other than Claims covered by the indemnity provisions of the EL Coverage shall be transferred from the Reorganized Hercules-Protected Entities to the Trust.

b. Trust to Pursue The Assigned Asbestos Personal Injury Claims Against the Hercules-Protected Entities

The Trust will pursue the Asbestos Personal Injury Claims as agent of the claimants against the Reorganized Hercules-Protected Entities which will defend and/or settle such Asbestos Personal Injury Claims in accordance with the requirements of the Hercules Policy, including any claims handling rights to which the applicable insurers may have under the Hercules Policy. When a Reorganized Hercules-Protected Entity pays an Asbestos Personal Injury Claim, such payment will count toward the £690 million self-insured retention under the Hercules Policy (i.e. the deductible), of which the Debtors assert they have paid in excess of £387 million as of December 31, 2003. Payments by a Reorganized Hercules-Protected Entity once the self-insured retention is satisfied will result in payments by the Hercules Insurers to the applicable Reorganized Hercules-Protected Entity until the £500 million layer of coverage provided by the Hercules Policy has been exhausted and any additional Hercules Insurance Recoveries have been paid.

c. Payment of Asbestos Personal Injury Claims Asserted by the Trust Against the Hercules-Protected Entities

In order to facilitate the payment of Asbestos Personal Injury Claims covered by the Hercules Policy, the Trust shall subscribe for 72% of the Reorganized Federal-Mogul Class B Common Stock for a price of £361,802,160. Following receipt of the stock by the Trust, Reorganized Federal-Mogul shall be deemed to have assigned to Reorganized T&N (by way of a capital contribution) all of its right to payment for such stock from the Trust (the "Stock Repayment Obligation"). Once an Asbestos Personal Injury Claim is "established" by the Trust against Reorganized T&N or any other Reorganized Hercules-Protected Entity, the liability for such established claim to the Trust may be satisfied as follows: (i) at the option of the Trust or Reorganized T&N, setting off against that liability an equivalent amount of the Stock Repayment Obligation (and for this purpose Reorganized T&N will be deemed, if necessary, to have assigned to the applicable Reorganized Hercules-Protected Entity an amount of the Stock Repayment Obligation necessary to set off such Reorganized Hercules-Protected Entity's liability to the Trust on the claim to the Trust); (ii) by the Trust repaying that part of the Stock Repayment Obligation necessary for Reorganized T&N to satisfy, or arrange for the relevant Hercules-Protected Entity to satisfy the liability to the Trust; (iii) by payment by Reorganized T&N or the other applicable Reorganized Hercules-Protected Entity out of funds made available, by loan or otherwise, for the specific purpose of satisfying Asbestos Personal Injury Claims by the Trust; or (iv) by payment by Reorganized T&N or the relevant Hercules-Protected Entity out of funds received under the Hercules Policy.

The Asbestos Personal Injury Claims to be asserted by the Trust against the Reorganized Hercules-Protected Entities shall only be recourse to the extent of the Stock Repayment Obligation, the proceeds recovered on or related to the Hercules Policy, and any sums provided to such Reorganized Hercules-Protected Entity by the Trust or other person, whether by loan or otherwise, for the purpose of enabling Asbestos Personal Injury Claims to be paid, and shall otherwise be non-recourse. Once the Stock Repayment Obligation has been satisfied and the proceeds recovered on or related to the Hercules Policy have been paid by the Hercules Insurers in accordance with the various provisions of Article IV of the Plan, the Reorganized Hercules-Protected Entities shall have absolutely no liability for any Asbestos Personal Injury Claims (other than with respect to Claims covered by the indemnity provisions of the EL Coverage and for which indemnity is actually recoverable under the EL Coverage, to the extent so recoverable).

d. Special Provisions Relating to the EL Coverage.

Article IV of the Plan also sets forth special provisions pertaining to the EL Coverage of T&N Limited and certain other of the U.K. Debtors. The EL Coverage arises from certain insurance policies held on account of the Employers Liability Act 1969 of the United Kingdom, as amended from time to time. The policies may afford T&N Limited and certain other U.K. Debtors with rights of indemnity or insurance coverage with respect to Asbestos Personal Injury Claims asserted by an employee or former employee relating to exposure to asbestos during the course of such individual's employment. T&N Limited and the other applicable U.K. Debtors will not be discharged and released from Asbestos Personal Injury Claims covered by the indemnity provisions of the EL Coverage unless and until those obligations are commuted by agreement between the applicable U.K. Debtors and the EL Insurers, or otherwise cease to have effect. As of the Effective Date, however, recourse to T&N Limited and the applicable U.K. Debtors for Asbestos Personal Injury Claims covered by the indemnity provisions of the EL Coverage shall be limited to the extent set forth in Section 4.5.3 of the Plan.

5. Funds and Investment Guidelines.

Pursuant to Section 3.2 of the Trust Agreement, all monies held in the Trust shall be invested, subject to the investment limitations and provisions enumerated in the Trust Agreement, and shall not be limited to the types of investments described in Section 345 of the Bankruptcy Code.

6. Trust Expenses.

The Trust shall pay all expenses of the Trust from the Trust Assets, which shall include proceeds of applicable Asbestos Insurance Policies. Neither the Plan Proponents, the Debtors' Estates nor the Reorganized

Debtors or their affiliates shall have any obligation to pay any expenses of the Trust or any other liabilities of the Trust. The Trust shall allocate its expenses between and among the PI Trust Funds (as described below) on a reasonable basis to be determined with the consent of the Trust Advisory Committee ("TAC") and the Future Claimants Representative. Any PI Trust Fund may advance any other PI Trust Fund monies with which to pay the expenses of the latter Fund, including the expenses of insurance coverage litigation, provided that the PI Trust Fund that receives the advance reimburses the PI Trust Fund that made the advance as soon as the monies become available.

7. Advising The Trust.

The TAC will be established pursuant to the Trust Agreement. The TAC will have four (4) members and have the functions, duties and rights provided in the Trust Agreement. On or before the Confirmation Date, the four initial members of the TAC shall be selected by the Asbestos Claimants Committee. Each member of the Trust Advisory Committee shall serve in accordance with the terms and conditions contained in the Trust Agreement. From and after the Effective Date, the Future Claimants Representative shall also continue to serve in that capacity as an advisor to the Trust and to the TAC.

As described in Section VII.B, below, one of the categories of claims that may be asserted against the Trust are T&N/U.K. Claims, which are based on exposure within the U.K. to asbestos or asbestos-containing products manufactured or distributed by T&N. Liquidation of these claims under the TDP will require knowledge of how such claims would be resolved in the U.K. tort system. Accordingly, the Trust Agreement requires the Trustees to retain U.K. legal advisers, who will include at least one expert in English law and one expert in Scottish law, and to consult with such advisers with respect to issues involving those aspects of U.K. law that would affect the processing, liquidation or payment of U.K. claims. The Trust will select its initial U.K. legal advisers in consultation with the Administrators, and shall consult thereafter with the Chairman of the Personal Injury Bar Association with respect to the replacement of the English law expert and the Chairman of the Advocates Personal Injury Group with respect to the replacement of the Scottish law expert.

8. Selection of The Initial Trustees and Successor Trustees.

The three (3) initial Trustees of the Trust shall be the persons identified in the Trust Agreement. At the first meeting of the Trustees, they will designate one of their number to serve as Managing Trustee of the Trust. The initial Trustees shall serve staggered terms of three, four and five years, respectively, while subsequent Trustees will serve five-year terms. The initial Trustees will serve until the earlier of the expiration of their term, death, resignation, removal, or termination of the Trust.

In the event that one of the Trustee positions becomes vacant, the remaining Trustees will have the power to fill the vacant position by unanimous vote following consultation with the TAC and the Future Claimants' Representative, unless the majority of the TAC or the Future Claimants' Representative veto the selection. In the event that the remaining Trustees cannot agree on a successor Trustee, or if the TAC or the Future Claimants' Representative veto the selection of a Trustee, the Bankruptcy Court shall appoint the successor Trustee.

9. Termination of the Trust.

The Trust will automatically terminate ninety (90) days after the first to occur of any of the following events:

- The Trustees decide to terminate the Trust because (a) they deem it unlikely that new Asbestos Personal Injury Claims will be filed against the Trust, (b) all Asbestos Personal Injury Claims duly filed with the Trust have been liquidated and paid or disallowed by a final, non-appealable order, and (c) twelve (12) consecutive months have elapsed during which no new Asbestos Personal Injury Claim has been filed with the Trust; or

- If the Trustees have procured and have in place irrevocable insurance policies and have established claims handling agreements and other necessary arrangements with suitable third parties adequate to discharge all expected remaining obligations and expenses of the Trust in a manner consistent with the Trust Agreement and the TDP, the date on which the Bankruptcy Court order approving such insurance and other arrangements becomes a Final Order; or
- To the extent that any rule against perpetuities shall be deemed applicable to the Trust, twenty-one years less ninety-one days pass after the death of the last survivor of all of the descendants of Joseph P. Kennedy, Sr., of Massachusetts, father of the late President John F. Kennedy, living on the date of the Trust Agreement.

To the extent there are any assets remaining in the Trust as such time as the Trust is terminated, such excess assets will be donated to charity. The Trustees will have reasonable discretion to select the charity or charities to receive the assets, provided that if practicable, the charity or charities shall be related to the treatment of, research on, or the relief of suffering of individuals suffering from asbestos-related lung disorders.

10. Trust Indemnity Obligations

The Plan provides that the Trust shall indemnify the Reorganized Debtors and/or their non-Debtor Affiliates if, on or after the Effective Date, the Reorganized Debtors and/or their non-Debtor Affiliates are held liable for Asbestos Personal Injury Claims that are not successfully channeled to the Trust in accordance with the terms of the Plan. As set forth in Section 4.11 of the Plan, the amount of the indemnity depends upon, among other things, the nature of the Claim and the entity against which the Claim is asserted. Notwithstanding the foregoing, however, the Reorganized Hercules-Protected Entities shall not receive any such indemnity from Trust until and after the later of (a) the Hercules Policy Expiry Date and (b) the EL Coverage Expiry Date; provided, however, that Reorganized Federal-Mogul shall be conclusively deemed to have suffered a loss in the amount of any indemnity payments that would have come due to the Reorganized Hercules-Protected Entities pending the later of such two dates, and the Trust shall indemnify Reorganized Federal-Mogul for any and all such losses pursuant to the Plan.

Further, the Trust shall indemnify Reorganized Federal-Mogul in respect of certain fees, costs and expenses incurred by the Reorganized Hercules-Protected Entities in defending against Asbestos Personal Injury Claims, and any fees, costs, expenses, indemnity payments, reimbursement amounts, additional premiums or other amounts paid by the Hercules-Protected Entities related to the Hercules Policy or the EL Coverage. The Plan also provides that the Trust shall indemnify the Reorganized Debtors and/or any of their non-Debtor affiliates in respect of Non-Debtor Asbestos Claims to the extent set out in Section 4.11 of the Plan.

The Trust shall also indemnify Reorganized Federal-Mogul on an after-tax basis for all and any adverse tax consequences suffered by any of the Hercules-Protected Entities arising (either directly or indirectly) as a result of or attributable to the implementation of Article IV of the Plan. For that purpose, Reorganized Federal-Mogul shall be conclusively deemed to have suffered a loss in an amount equal to the adverse tax consequences suffered by the relevant Hercules-Protected Entity.

B. The Trust Distribution Procedures.

1. Trust Goals.

The Trustees will implement and administer the Trust pursuant to the TDP, which is an exhibit to the Trust Agreement attached to the Plan as Exhibit 1.1.154. The goal of the Trust is to provide fair, equitable, and substantially similar treatment for all claims channeled to the Trust that may presently exist or may arise in the future. To that end, the TDP sets forth procedures for processing and paying claims generally on an impartial, first-in-first-out ("FIFO") basis, with the intention of enabling each claimant against the Trust to receive a payment from the Trust of the Debtors' several share of the unpaid portion of the liquidated value of Asbestos Personal Injury Claims that is at a level proportionate to other claimants and that is calculated by reference to the level of settlements, verdicts or judgments which claimants have historically received in their respective tort systems.

The TDP establishes a schedule of eight (8) different asbestos-related diseases ("Disease Levels"), seven (7) of which have presumptive medical and exposure requirements ("Medical/Exposure Criteria"), and seven of which (all save Lung Cancer 2) have specific liquidated values ("Scheduled Values"), anticipated average values ("Average Values"), and caps on their liquidated values ("Maximum Values"). The Disease Levels, Medical/Exposure Criteria, Scheduled Values, Average Values, and Maximum Values have all been selected and derived with the intention of achieving a fair allocation of the Trust funds as among claimants suffering from different disease processes in light of the best available information considering the settlement history of the Debtors and the rights claimants would have in the tort system absent the bankruptcy.

2. Trust Funds.

In recognition of the six historical "streams" of asbestos liability faced by Federal-Mogul and certain of its subsidiaries (as discussed in detail in Section IV above), the TDP provides for four (4) separate Trust Funds to compensate the holders of Asbestos Personal Injury Claims (collectively, the "PI Trust Funds"). One such fund will be the T&N Worldwide Fund, which will be liable for five (5) separate streams of asbestos-related personal injury liabilities, based on (i) exposure within the United States or Canada to asbestos and asbestos-containing products produced, marketed, distributed, sold, or utilized by T&N ("T&N/U.S. Claims"); (ii) exposure within the United Kingdom to asbestos and asbestos-containing products produced, marketed, distributed, sold or utilized by T&N ("T&N/U.K. Claims"); (iii) exposure throughout the rest of the world (i.e., other than in the United States, United Kingdom, or Canada) to asbestos and asbestos-containing products produced, marketed, distributed, sold or utilized by T&N ("T&N/R.O.W. Claims"); (iv) exposure within or outside the United States to asbestos-containing products produced, marketed, distributed, sold, or utilized by Gasket Holdings Inc. ("Flexitallic Claims"); and (v) exposure within or outside the United States to asbestos-containing products produced, marketed, distributed, sold or utilized by Ferodo America, Inc. ("Ferodo Claims"). The assets of the T&N Worldwide Fund will consist principally of stock of Reorganized Federal-Mogul and the rights to obtain indemnity payments and costs of defense pursuant to various insurance policies. Claims asserted against the T&N Worldwide Fund will be liquidated, processed and paid by the Trust pursuant to the terms of the TDP. As a result, such claims are also referred to as "TDP Valued Claims."

The other three PI Trust Funds will be the FMP Fund, the Fel-Pro Fund, and the Vellumoid Fund, which shall be liable for asbestos-related personal injury liabilities based on exposure within or outside the United States to asbestos-containing products produced, marketed, distributed, sold or utilized by FMP, Fel-Pro, and Vellumoid, respectively. Claims against the FMP Fund, the Fel-Pro Fund and the Vellumoid Fund (collectively, the "Insured PI Trust Funds") shall be paid from the proceeds of insurance policies providing coverage for the asbestos-related liabilities payable from such Funds. The assets of these three PI Trust Funds will consist principally of rights to obtain indemnity payments and costs of defense from such insurance policies.

Unlike claims asserted against the T&N Worldwide Fund and the FMP Fund, claims asserted against the Fel-Pro Fund and the Vellumoid Fund ("Insured PI Trust Claims") will initially be liquidated in the tort system (subject to the rights of the Trust later to establish Disease Levels and matrix values for such claims), and any final judgments against the applicable PI Trust Fund arising from such claims will be paid by that PI Trust Fund pursuant to the terms of the TDP. Claims against the FMP Fund shall be liquidated pursuant to the terms of the TDP, and thus FMP Claims are also referred to as TDP Valued Claims.

Notwithstanding the foregoing, the Trust may, in appropriate circumstances and with the approval of the TAC and the Future Claimants Representative, establish Disease Levels, Medical/Exposure Criteria and Scheduled, Average and/or Maximum Values for the PI Trust Claims payable from either of the Fel-Pro and/or Vellumoid Funds.

A claimant may assert separate Asbestos Personal Injury Claims against more than one of the PI Trust Funds based on exposure to asbestos or asbestos-containing products manufactured, sold, utilized, or distributed by more than one of the Debtors identified above ("Multiple Exposure Claims"). To the extent any of the PI Trust Funds have separate liabilities to a single claimant based on Multiple Exposure Claims, each PI Trust Fund shall pay the claimant its several share of the liquidated value of the separate claim or claims for which it is liable, subject to the applicable Payment Percentage, Maximum Annual Payment, Maximum Available Payment, and Claims Payment Ratio limitations described below.

3. Disease Levels, Scheduled Values and Presumptive Medical/Exposure Criteria Set Forth in the TDP.

The eight (8) Disease Levels covered by the TDP, together with the presumptive Medical/Exposure Criteria for each and the Scheduled Values for the seven (7) Disease Levels eligible for Expedited Review (as defined below), are set forth below. These Disease Levels, Scheduled Values, and Medical/Exposure Criteria will apply to all PI Trust Claims (as defined in the TDP) filed with the Trust on or before the Initial Trust Claims Filing Date (defined below). Thereafter, with the consent of the TAC and the Future Claimants Representative, the Trustees may (i) add to, change, or eliminate Disease Levels, Scheduled Values, or Medical/Exposure Criteria, (ii) develop subcategories of Disease Levels, Scheduled Values or Medical/Exposure Criteria, or (iii) determine that a novel or exceptional Asbestos Personal Injury Claim is compensable even though it does not meet the Medical/Exposure Criteria for any of the then-current Disease Levels.

Disease Level

Presumptive Medical/Exposure Criteria

Mesothelioma (Level VIII)

(1) Diagnosis of mesothelioma by a qualified physician (as set forth in the TDP); and (2) meaningful and credible evidence of exposure to asbestos or asbestos-containing products supplied, specified, manufactured, installed, maintained, or repaired by the relevant Debtor and/or any entity (including any contracting unit) for which the particular Debtor has legal responsibility ("Federal Mogul Exposure") prior to December 31, 1982.

Lung Cancer 1 (Level VII)

(1) Diagnosis of a primary lung cancer plus evidence of an underlying Bilateral Asbestos-Related Nonmalignant Disease (as defined in the TDP), (2) six months Federal Mogul Exposure prior to December 31, 1982, (3) employment for a cumulative period of at least five years (with a minimum of two years prior to December 31, 1982, in an industry and an occupation in which the claimant (a) handled raw asbestos fibers on a regular basis, (b) fabricated asbestos-containing products so that the claimant in the fabrication process was exposed on a regular basis to raw asbestos fibers, (c) altered, repaired or otherwise worked with an asbestos-containing product such that the claimant was exposed on a regular basis to asbestos fibers, or (d) was employed in an industry and occupation such that the claimant worked on a regular basis in close proximity to workers engaged in the activities described in items (a), (b) or (c) ("Significant Occupational Exposure"), and (4) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the lung cancer in question.

Lung Cancer 2 (Level VI)

(1) Diagnosis of a primary lung cancer; (2) Federal Mogul Exposure prior to December 31, 1982, and (3) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the lung cancer in question.

Lung Cancer 2 (Level VI) claims are claims that do not meet the more stringent medical and/or exposure requirements of Lung Cancer 1 (Level VII) claims. All claims in this Disease Level will be evaluated through the Individual Review process described below.

Level VI claims that show no evidence of either an underlying Bilateral Asbestos-Related Non-malignant Disease or Significant Occupational Exposure may be individually evaluated, although it is not expected that such claims will be treated as having any significant value, especially if the claimant is also a Smoker (i.e., has smoked during any

portion of the twelve (12) years immediately prior to the diagnosis of the lung cancer). In any event, no presumption of validity will be available for any claims in this category.

Other Cancer (Level V)

(1) Diagnosis of a primary colo-rectal, laryngeal, esophageal, pharyngeal, or stomach cancer, plus evidence of an underlying Bilateral Asbestos-Related Nonmalignant Disease, (2) six months Federal Mogul Exposure prior to December 31, 1982, (3) Significant Occupational Exposure to asbestos, and (4) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the other cancer in question.

Severe Asbestosis (Level IV)

(1) Diagnosis of asbestosis with ILO of 2/1 or greater based on X-rays read by a certified B-reader (or in the case of U.K. claimants, X-rays read by a consultant chest physician or radiologist), or asbestosis determined by pathological evidence of asbestos, plus either (i) TLC less than 65%, or (ii) FVC less than 65% and FEV1/FVC ratio greater than 65%, (2) six months Federal Mogul Exposure prior to December 31, 1982, (3) Significant Occupational Exposure to asbestos, and (4) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the pulmonary disease in question.

Asbestosis/Pleural Disease (Level III)

(1) Diagnosis of a Bilateral Asbestos-Related Nonmalignant Disease, plus (a) TLC less than 80%, or (b) FVC less than 80% and FEV1/FVC ratio greater than or equal to 65%, and (2) six months Federal Mogul Exposure prior to December 31, 1982 (3) Significant Occupational Exposure to asbestos, and (4) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the pulmonary disease in question.

Asbestosis/Pleural Disease (Level II)

(1) Diagnosis of a Bilateral Asbestos-Related Nonmalignant Disease, (2) six months Federal Mogul Exposure prior to December 31, 1982, and (3) five years cumulative occupational exposure to asbestos.

Other Asbestos Disease (Level I)

(1) Diagnosis of a Bilateral Asbestos-Related Nonmalignant Disease or an asbestos-related malignancy other than mesothelioma, and (2) Federal Mogul Exposure prior to December 31, 1982.

4. Claims Liquidation Procedures.

When a claim is filed with the Trust, it will be placed in a FIFO Processing Queue (as defined below) to be established pursuant to the Trust Distribution Procedures. If a claimant so elects, the Trust will liquidate TDP Valued Claims that meet the presumptive Medical/Exposure Criteria of Disease Levels I-V, VII and VIII using the Expedited Review process described below. Claims involving Disease Levels I-V, VII and VIII that do not meet the presumptive Medical/Exposure Criteria for the relevant Disease Level may undergo the Trust's Individual Review process described below. In such a case, notwithstanding that the claim does not meet the presumptive Medical/Exposure Criteria for the relevant Disease Level, the Trust can offer the claimant an amount up to the Scheduled Value for that Disease Level if the Trust is satisfied that the claimant has presented a claim that would be cognizable and valid in the relevant tort system.

Claimants holding TDP Valued Claims involving Disease Levels II through VIII may also seek to establish a liquidated value for their claims that is greater than the Scheduled Value for such claims by electing the Trust's Individual Review process. However, the liquidated value of a TDP Valued Claim that undergoes the Trust's

Individual Review process for valuation purposes may be determined by the Trust to be less than such claim's Scheduled Value, and in any event may not exceed the Maximum Value for the relevant Disease Level, unless the claim qualifies as an Extraordinary Claim (as defined below), in which case its liquidated value cannot exceed the Maximum Value specified in that provision for such claim. Level VI (Lung Cancer 2) claims and T&N/ROW Claims may only be liquidated pursuant to the Trust's Individual Review process.

At the conclusion of the Individual Review process, and following an evaluation or mediation (except with respect to T&N/UK Claims), a number of unresolved disputes, including those concerning a claimant's medical condition, exposure history and/or the liquidated value of the claim, will be subject to a binding or non-binding arbitration at the election of the claimant. TDP Valued Claims that are the subject of a dispute with the Trust that cannot be resolved by non-binding arbitration may enter the tort system. However, if and when a claimant obtains a judgment in the tort system, the judgment will be payable from the Trust subject to the Payment Percentage, Maximum Available Payment, and Claims Payment Ratio provisions and other limitations set forth below.

5. Payment Percentage.

After the liquidated value of a TDP Valued Claim, other than a claim involving Other Asbestos Disease (Disease Level I – Cash Discount Payment), is determined by the Trust, the claimant will receive a pro rata share of that value based on a payment percentage (the "Payment Percentage").

Following the establishment of the PI Trust, the Trustees, with the consent of the TAC and the Future Claimants Representative, will set an initial Payment Percentage or Percentages (the "Initial Payment Percentage(s)") for the T&N Worldwide Fund and the FMP Fund when sufficient information concerning the assets and liabilities of each such Fund become available. The Initial Payment Percentage(s) will apply to all PI Trust Voting Claims asserted against the relevant Fund that are accepted as valid by the Trust, unless the Initial Payment Percentage is subsequently adjusted by the Trust pursuant to the consent of the TAC and the Future Claimants' Representative. PI Trust Voting Claims include (i) Pre-Petition Liquidated Claims (as defined below), (ii) claims filed against one or more of the Debtors in the tort system or actually submitted to one or more of the Debtors pursuant to an administrative settlement agreement prior to the Petition Date, and (iii) all claims filed against another defendant in the tort system prior to March 6, 2003, the date that the original Plan was filed with the Bankruptcy Court (the "Plan Filing Date"); provided, however, that the holder of any such claim actually voted to accept or reject the Plan and/or the corresponding Voluntary Arrangement and/or Scheme of Arrangement for the U.K. Debtors pursuant to the voting procedures established by the Bankruptcy Court and/or the U.K. Court, as applicable, and provided further that the claim was subsequently filed with the Trust by the Trust's Initial Claims Filing Date (defined below). The Initial Payment Percentage has been calculated on the assumption that the Average Values will be achieved with respect to existing present claims and projected future claims involving Disease Levels II – VIII.

The Payment Percentage for any PI Trust Fund may be adjusted upwards or downwards from time to time by the Trust, with the consent of the TAC and the Future Claimants Representative, to ensure that the Trust will be in a financial position to pay holders of unliquidated and/or unpaid claims, as well as present and future claims against any of the Trust Funds, in substantially the same manner. In making any adjustment, the Trust will take into account then-current estimates of the Trust's assets and liabilities, as well as the then-estimated value of then-pending and future claims. Because there is uncertainty in predicting both the number and severity of future claims, and the amount of the Trust's assets, no guarantee can be made of any Payment Percentage for any TDP Valued Claims. However, in the event of a substantial insurance recovery, the Payment Percentage may be adjusted upwards and supplemental payments may be made to claimants who received payments in prior periods based on a lower Payment Percentage.

Because it is anticipated that the insurance available to the Fel-Pro Fund and the Vellumoid Fund will be adequate to pay the claims against those funds in full, no initial Payment Percentage for such claims has been set. However, the Trust may subsequently, with the consent of the TAC and the Future Claimants Representative, adopt a Payment Percentage for one or both funds in the event circumstances warrant.

6. Maximum Annual Payment and Maximum Available Payment.

The Trust will estimate or model the amount of cash flow anticipated to be necessary over its entire life to ensure that funds will be available to treat all holders of present and future T&N and FMP Claims as similarly as possible. In each year, the Trust will be empowered to pay out all of the interest earned during the year by the T&N Worldwide and FMP Funds, together with a portion of its principal, calculated so that the application of the assets of the T&N Worldwide Fund and FMP Fund, respectively, over their lives will correspond with the needs created by the anticipated flow of claims (the "Maximum Annual Payment"). The Trust's distributions from the T&N Worldwide and FMP Funds to all holders of claims against those funds in a given year may not exceed the Maximum Annual Payment determined for that year.

In distributing the Maximum Annual Payment from the T&N Worldwide and FMP Funds, the Trust will first allocate the amount in question to outstanding Pre-Petition Liquidated Claims (as defined below) payable from the fund, and to liquidated T&N and FMP Claims involving Disease Level I (Cash Discount Payment), in proportion to the aggregate value of each group of claims. The remaining portion of the Maximum Annual Payment (the "Maximum Available Payment"), if any, will then be allocated and used to satisfy all other previously liquidated T&N and FMP Claims, subject to the Claims Payment Ratio (discussed below). Because the insurance assets and cash flows available to the Insured PI Trust Funds are estimated to be sufficient to pay the full liquidated value of the claims as those claims are liquidated in the tort system, the PI Trust does not anticipate setting a Maximum Annual Payment or Maximum Available Payment for those funds, though such limitations may be set in the event the insurance assets or cash flows of one or more of the funds prove insufficient to meet such fund's liabilities as they come due.

7. Claims Payment Ratios.

Based upon the Debtors' settlement history and analysis of present and future claims, Claims Payment Ratios have been determined for the T&N Worldwide Fund and FMP Fund, which ratios, as of the Effective Date, will be set at 60% and 79% for Category A claims against the T&N Worldwide and FMP Funds, respectively, which consist of T&N and FMP Claims involving severe asbestosis and malignancies (Disease Levels IV – VIII) that were unliquidated as of the Petition Date, and at 40% and 21% for Category B claims against the T&N Worldwide and FMP Funds, respectively, which are T&N and FMP Claims involving non-malignant asbestosis or pleural disease (Disease Levels II and III) that were similarly unliquidated as of the Petition Date. The Claims Payment Ratio will not apply to any Pre-Petition Liquidated Claims or to any claims for Other Asbestos Disease (Disease Level I).

The 60%/40% and the 79%/21% Claims Payment Ratios will apply to all T&N and FMP Claims, respectively, and will not be amended until the fifth anniversary of the Effective Date. Thereafter, the Claims Payment Ratio will be continued absent circumstances, such as a significant change in law or medicine, which would necessitate amendment to avoid a manifest injustice. No amendment to the Claims Payment Ratio may be made without the consent of the TAC and the Future Claimants' Representative. However, the Trustees, with the consent of the TAC and the Future Claimants' Representative, may offer the option of a reduced Payment Percentage to holders of claims in either Category A or Category B in return for prompter payment (the "Reduced Payment Option").

No Claims Payment Ratio has been set for the Fel-Pro and Vellumoid Funds because the assets and cash flows available to those funds are anticipated to be sufficient to pay the full value of the claims expected to be asserted against them as those claims are liquidated in the tort system. However, a Claims Payment Ratio may be set for either or both of such funds in the event that the assets and cash flows of any or all of the funds prove insufficient to meet such fund's or funds' liabilities as they come due.

8. Indemnity and Contribution Claims.

Indirect Asbestos Personal Injury Claims for indemnity and contribution ("Indirect PI Trust Claims") will be treated as presumptively valid and will be paid by the Trust, subject to the applicable Payment Percentage, if the following conditions are met: (i) the claim was filed prior to the bar date of March 3, 2003 for the filing of such claims, (ii) the claim has not been disallowed pursuant to Section 502(e) of the Bankruptcy Code, (iii) the claimant

establishes that he or she has paid in full the Trust's obligations to the direct claimant that otherwise would have had a claim against the Trust, (iv) both the indirect claimant and the direct claimant release the Trust fully and forever from all liability to the direct claimant, and (v) the claim is not otherwise barred by a statute of limitation or repose or other applicable law.

If these requirements cannot be met, the indirect claimant may request that the Trust review the applicable Indirect PI Trust Claim individually to determine whether the indirect claimant can establish that it has paid a liability or obligation that the Trust would otherwise have to a direct claimant. If the indirect claimant can make such a showing, the Trust will reimburse the indirect claimant for the amount of the liability or obligation so paid, multiplied by the then-applicable Payment Percentage. However, in no event will such reimbursement to the indirect claimant be greater than the amount to which the direct claimant would have been entitled. Further, the liquidated value of any Indirect PI Trust Claim paid by the Trust to an indirect claimant will be treated as an offset to or reduction of the full liquidated value of any PI Trust Claim that might be subsequently asserted by the direct claimant against the Trust.

The Trust shall also process, liquidate and pay Indirect PI Trust Claims based on contract or other legal theories that have been specifically channeled to the Trust based on express provisions of the Plan. In such a case, the Trust shall consider the particular contract or other legal basis upon which the claim has been asserted, as well as whether the claim has been channeled to the Trust under the terms of the Plan. If the Trust determines that the claim is valid, the Trust shall pay the holder of the Indirect PI Trust Claim the full liquidated value of the claim, multiplied by the applicable Payment Percentage.

Any dispute between the Trust and the indirect claimant over whether the indirect claimant has a right to reimbursement will be subject to alternative dispute resolution procedures to be adopted by the Trustees with the consent of the TAC and the Future Claimants Representative. If such a dispute cannot be resolved through the ADR procedures, the indirect claimant may litigate the dispute in the tort system as provided in the TDP.

Nothing in the TDP is intended to preclude a Trust to which asbestos-related liabilities are channeled from asserting an Indirect PI Trust Claim against the Trust subject to the requirements set forth in the TDP.

9. Ordering of Claims.

The Trust will, as a general matter, order claims that are sufficiently complete to be reviewed for processing purposes on a first-in, first-out (or FIFO) basis (the "FIFO Processing Queue"). For all claims filed on or before the date six (6) months after the Effective Date (the "Initial Claims Filing Date"), a claimant's position in the FIFO Processing Queue will be determined as of the earlier of (i) the date prior to the Petition Date (if any) that the specific claim was either filed against any of the Debtors in the relevant tort system or was actually submitted to one or more of the Debtors pursuant to an administrative settlement agreement, (ii) the date before the Petition Date that a claim was filed against another defendant in the relevant tort system if at the time the claim was subject to a tolling agreement with any of the Debtors, (iii) the date after the Petition Date (if any) but before the Effective Date that the claim was filed against another defendant in the relevant tort system, (iv) the date a proof of claim on account of such claim was filed in any of the Debtors' Chapter 11 Cases, (v) the date a ballot was submitted by the claimant or his or her agent for the purpose of voting on the Plan and/or Scheme of Arrangement and/or Voluntary Arrangement, or (vi) the date after the Effective Date but on or before the Initial Claims Filing Date that the claim was filed with the Trust.

Following the Initial Claims Filing Date, a claimant's position in the FIFO Processing Queue will be determined by the date the claim was filed with the Trust.

10. Effect of Statutes of Limitation and Repose.

To be eligible for a place in the FIFO Processing Queue, a claim must meet either (i) for claims filed first in the relevant tort system against any of the Debtors prior to the Petition Date, the applicable federal, state, and/or foreign statute of limitation and repose that was in effect at the time of the filing of the claim in the relevant tort system, or (ii) for claims not filed against any of the Debtors in the relevant tort system prior to the Petition Date, the

applicable statute of limitation that was in effect at the time of the filing of the claim with the Trust. The Trust shall consult with its U.K. legal advisers concerning the applicability of any U.K. statute of limitation or repose on T&N/UK claims.

However, the running of the relevant statute of limitation will be tolled as of the earliest of (a) the actual filing of the claim against any of the Debtors prior to the Petition Date, whether in the tort system or by submission of the claim to any of the Debtors pursuant to an administrative settlement agreement, (b) the filing of the claim against another defendant in the relevant tort system prior to the Petition Date if the claim was tolled against one or more of the Debtors at the time by an agreement or otherwise, (c) the filing of a claim after the Petition Date but prior to the Effective Date against another defendant in the relevant tort system, (d) the filing of a proof of claim in the Chapter 11 Cases, (e) the submission of a ballot by the claimant or his or her agent for the purpose of voting on the Plan and/or Scheme of Arrangement and/or Voluntary Arrangement, or (f) the filing of a proof of claim with the requisite supporting documentation with the Trust after the Effective Date.

If an Asbestos Personal Injury Claim meets any of the tolling provisions described in the preceding sentence and the claim was not barred by the applicable statute of limitation at the time of the tolling event, it will be treated by the Trust as if it is actually filed with the Trust within three (3) years after the Effective Date. In addition, any claims that were first diagnosed after the Petition Date, irrespective of the application of any relevant statute of limitation or repose, may be filed with the Trust within three (3) years after the date of diagnosis or within three (3) years after the Effective Date, whichever occurs later. However, the processing of any Asbestos Personal Injury Claim by the Trust may be deferred at the election of the claimant.

11. Payment of Claims.

TDP Valued Claims that have been liquidated by the Expedited Review process (as described below), by arbitration, or by litigation in the tort system, will be paid in FIFO order based on the date their liquidation became final (the "FIFO Payment Queue"), subject to the applicable Payment Percentages, the Maximum Available Payment, and the Claims Payment Ratio. Insured PI Trust Claims liquidated in the tort system shall also be placed into FIFO Payment Queues for payment.

12. Resolution of Pre-Petition Liquidated Asbestos Personal Injury Claims.

As soon as practicable after the Effective Date, the Trust will pay, upon submission by the claimant of the applicable proof of claim form together with all documentation required thereunder, all Asbestos Personal Injury Claims that were liquidated by (i) a binding settlement agreement for the particular claim entered into prior to the Petition Date with one or more of the Debtors (or an agent thereof) that is judicially enforceable by the claimant, (ii) a jury verdict or non-final judgment in the relevant tort system obtained against one or more of the Debtors prior to the Petition Date, or (iii) by a judgment that became final and non-appealable prior to the Petition Date (collectively, the "Pre-Petition Liquidated Claims"). Such claims will be paid from the applicable PI Trust Fund.

The liquidated value of a Pre-Petition Liquidated Claim will be the unpaid portion of the amount agreed to in the binding settlement agreement, the unpaid portion of the amount awarded by the jury verdict or non-final judgment, or the unpaid portion of the amount of the final judgment, as the case may be, plus interest, if any, that has accrued on that amount in accordance with the terms of the agreement, if any, or under applicable state or foreign law for settlements or judgments as of the Petition Date; however, the liquidated value of a Pre-Petition Liquidated Claim will not include any punitive or exemplary damages except as otherwise provided in the TDP for judgments or claims arising under the Alabama Wrongful Death Statute. In the absence of a final order of the Bankruptcy Court determining whether a settlement agreement is binding and judicially enforceable, a dispute between the claimant and the Trust over this issue will be resolved pursuant to the same procedures that are provided in the TDP for resolving the validity and/or liquidated value of an Asbestos Personal Injury Claim.

Pre-Petition Liquidated Claims that are T&N or FMP Claims will be processed and paid by the Trust from the T&N Worldwide Fund and/or the FMP Fund, respectively, in accordance with their order in a separate FIFO queue to be established by the Trust based on the date the Trust received a completed proof of claim form with all required documentation for the particular claim. The amounts payable with respect to such claims will not be

subject to or taken into account in consideration of the Claims Payment Ratio, but will be subject to the Maximum Annual Payment and Payment Percentage Provisions set forth above. Pre-Petition Liquidated Claims payable from one of the three Insured PI Trust Funds shall be tendered to the relevant insurer or insurers for payment.

13. Resolution of Unliquidated Asbestos Personal Injury Claims.

a. TDP Valued Claims.

Within six (6) months after the establishment of the Trust, the Asbestos PI Trustees, with the consent of the TAC and the Future Claimants' Representative, will adopt procedures for reviewing and liquidating all unliquidated TDP Valued Claims, which will include deadlines for processing such claims. Such procedures will also require claimants seeking resolution of unliquidated TDP Valued Claims to first file a proof of claim form, together with the required supporting documentation. The proof of claim form will require the claimant to assert his or her claim for the highest Disease Level for which the claim qualifies at the time of filing.

After the filing of a proof of claim form and the required supporting documentation, the Trust will provide the claimant with six (6) months' notice of the date it expects to reach the claim in the FIFO Queue. The claimant must then advise the Trust whether the claim should be liquidated under the Expedited Review process or the Individual Review process (each of which is described below), provide the Trust with any additional medical or exposure evidence not included with the proof of claim form, and advise the Trust of any change in the claimant's Disease Level. In the event such a response is not received from the claimant, the Trust will process and liquidate the claim under the Expedited Review process based on the medical/exposure evidence previously submitted by the claimant, although the claimant will retain the right to request Individual Review for such claim.

(1) Expedited Review Process – General.

The Trust's Expedited Review process ("Expedited Review") is designed primarily to provide an expeditious, efficient and inexpensive method for liquidating all TDP Valued Claims (except those involving Disease Level VI – Lung Cancer 2 and T&N/ROW Claims, which shall all be subject to Individual Review) where the claim can easily be verified by the Trust as meeting the presumptive Medical/Exposure Criteria for the relevant Disease Level. Claimants holding T&N Multiple Exposure Claims may also elect Expedited Review for one or more of those claims. Expedited Review is intended to provide claimants with a substantially less burdensome process for pursuing TDP Valued Claims than the Individual Review process, as well as a fixed and certain claims payment.

Because TDP Valued Claims of individuals exposed in Canada who were resident in Canada when such claims were filed were routinely litigated and resolved in the courts of the U.S., and because the resolution history of these claims has been included in developing the Expedited Review Process for T&N U.S. and FMP Claims, such claims will be eligible for liquidation under the Expedited Review process and for the matrix values provided for T&N U.S. and FMP Claims. Accordingly, the definitions of T&N U.S. Claims and FMP Claims, respectively, set forth in the TDP expressly include claims with respect to which the claimant's exposure to an asbestos-containing product for which T&N has legal responsibility occurred in Canada, and the definition of T&N/ROW Claims described in the TDP expressly excludes claims based on such Canadian exposure.

TDP Valued Claims that undergo Expedited Review and meet the presumptive Medical/Exposure Criteria for the relevant Disease Level will be paid the Scheduled Value for such Disease Level applicable to the relevant T&N entity, as described in Section (2), below. However, except for claims involving Other Asbestos Disease (Disease Level I), all claims liquidated by Expedited Review will be subject to the applicable Payment Percentage, the Maximum Available Payment, and the Claims Payment Ratio limitations set forth above. Claimants holding claims that cannot be liquidated by Expedited Review because they do not meet the presumptive Medical/Exposure Criteria for the relevant Disease Level may elect the Trust's Individual Review process.

(2) Claims Processing Under Expedited Review.

All claimants seeking liquidation of TDP Valued Claims pursuant to Expedited Review must file the Trust's proof of claim form. As a proof of claim form is reached in the FIFO Processing Queue, the Trust will determine whether the claim described therein meets the Medical/Exposure Criteria for one of the seven Disease Levels eligible for Expedited Review, and will advise the claimant of its determination. If a Disease Level is determined, the Trust will tender to the claimant an offer of payment from the T&N Worldwide Fund of the Scheduled Value in the relevant matrix for the relevant Disease Level multiplied by the applicable Payment Percentage, together with a form of release approved by the Trust. If the claimant accepts the Scheduled Value (as adjusted by the Payment Percentage), and returns the release properly executed, the claim shall be placed in the T&N Worldwide Fund's FIFO Payment Queue, and the Trust will disburse payment subject to the limitations of the Maximum Annual Payment, the Maximum Available Payment, and the Claims Payment Ratio, if any.

(3) Individual Review Process – General.

The Trust's Individual Review process provides a claimant with an opportunity for individual consideration and evaluation of a TDP Valued Claim or Claims that fail to meet the presumptive Medical/Exposure Criteria for Disease Levels I-V, VII and VIII. In addition, medical and exposure evidence relating to all T&N/ROW claims and Lung Cancer 2 – Disease Level VI claims shall be subject to Individual Review. In any such case, the Trust will either deny the claim, or, if the Trust is satisfied that the claimant has presented a claim that would be cognizable and valid in the relevant tort system, the Trust can offer the claimant a liquidated value amount up to the Scheduled Value for that Disease Level, unless the claim qualifies as an Extraordinary Claim (discussed below), in which case its liquidated value cannot exceed the Maximum Value for such a claim (generally up to five (5) times its Scheduled Value). Claimants holding TDP Valued Claims involving Disease Levels II – VIII will also be eligible to seek Individual Review of the liquidated value of their claims.

In valuing T&N/ROW Claims under Individual Review, the Trust shall take into account all relevant procedural and substantive legal rules to which the claims would be subject in the claimant's jurisdiction, and shall determine the liquidated value of such claims based on historical settlements and verdicts in such jurisdiction, as well as other valuation factors described in the TDP. In addition, the Trust may establish a separate valuation matrix for claims in a particular foreign jurisdiction at such time as sufficient historical settlement, verdict, and other valuation data are available for that jurisdiction.

The Individual Review process is intended to result in payments equal to the full liquidated value for each claim multiplied by the Payment Percentage; however, the liquidated value of any TDP Valued Claim that undergoes Individual Review may be determined to be less than the Scheduled Value the claimant would have received under Expedited Review. Moreover, the liquidated value for a claim involving Disease Levels II – VIII will not exceed the Maximum Value for the relevant Disease Level, unless the claim meets the requirements of an Extraordinary Claim, in which case its liquidated value cannot exceed the separate Maximum Value set forth in that provision for such claims. Because the detailed examination and valuation process pursuant to Individual Review will require substantial time and effort, claimants electing to undergo the Individual Review process will necessarily be paid the liquidated value of their TDP Valued Claims later than would have been the case had the claimant elected Expedited Review.

The Trust will also administer Individual Review for Disease Levels II and III so that it does not reduce payments to claimants electing the Scheduled Value for TDP Valued Claims under Expedited Review.

(4) Individual Review Process - Valuation Factors to be

Considered.

The Trust will liquidate the value of each TDP Valued Claim that undergoes Individual Review based on the historic liquidated values of other similarly situated claims in the relevant tort system for the same Disease Level. The Trust will thus take into consideration the factors that affect the severity of damages and values within the tort system including, but not limited to (i) the degree to which the characteristics of a claim differ from the presumptive Medical/Exposure Criteria for the Disease Level in question; (ii) factors such as the claimant's age, disability, employment status, disruption of household, family or recreational activities, dependencies, special damages, and pain and suffering; (iii) evidence that the claimant's damages were (or were not) caused by asbestos

exposure, including exposure to an asbestos-containing product of any of the Debtors prior to December 31, 1982 (for example, alternative causes and/or the strength of documentation of injuries); (iv) the industry of exposure; (v) settlements, verdicts and the claimant's and other law firms' experience in the claimant's jurisdiction with respect to similarly-situated claims; and (vi) in the case of T&N/UK Claims, valuation factors uniquely relevant in the U.K. tort system, including whether the claim is subject to English or Scottish law and whether the claimant was living or dead at the time the claim was filed.

(5) Scheduled, Average and Maximum Values for T&N US Claims, T&N Flexitallic Claims, and T&N Ferodo Claims.

The Scheduled, Average, and Maximum Values for all TDP Valued Claims, except T&N/UK Claims and T&N/ROW Claims are as follows:

T&N US Claims (including Canadian claims):

Scheduled Disease	Scheduled Value	Average Value	Maximum Value
Mesothelioma (Level VIII)	\$200,000	\$250,000	\$600,000
Lung Cancer 1 (Level VII)	\$42,500	\$60,000	\$125,000
Lung Cancer 2 (Level VI)	None	\$12,000	\$40,000
Other Cancer (Level V)	\$14,750	\$19,500	\$90,000
Severe Asbestosis (Level IV)	\$42,500	\$54,500	\$125,000
Asbestosis/Pleural Disease (Level III)	\$12,700	\$13,500	\$25,000
Asbestosis/Pleural Disease (Level II)	\$5,700	\$5,800	\$8,000
Other Asbestos Disease (Level I)	\$400	None	None

T&N Flexitallic (GHI) Claims and T&N Ferodo Claims:

Scheduled Disease	Scheduled Value	Average Value	Maximum Value
Mesothelioma (Level VIII)	\$50,000	\$62,500	\$150,000
Lung Cancer (Level VII)	\$10,625	\$15,000	\$31,250
Lung Cancer (Level VI)	None	\$3,000	\$10,000
Other Cancer (Level V)	\$3,700	\$4,900	\$22,500
Severe Asbestosis (Level IV)	\$10,625	\$13,625	\$31,250
Asbestosis/Pleural Disease (Level III)	\$3,175	\$3,375	\$6,250
Asbestosis/Pleural Disease (Level II)	\$1,425	\$1,450	\$2,000
Other Asbestos Disease (Level I)	\$100	None	None

FMP Claims:

<u>Scheduled Disease</u>	<u>Scheduled Value</u>	<u>Average Value</u>	<u>Maximum Value</u>
Mesothelioma (Level VIII)	\$100,000	\$125,000	\$300,000
Lung Cancer (Level VII)	\$21,250	\$30,000	\$62,500
Lung Cancer (Level VI)	None	\$6,000	\$20,000
Other Cancer (Level V)	\$7,375	\$9,750	\$45,000
Severe Asbestosis (Level IV)	\$21,250	\$27,250	\$62,500
Asbestosis/Pleural Disease (Level III)	\$4,000	\$4,250	\$7,000
Asbestosis/Pleural Disease (Level II)	\$2,000	\$2,100	\$2,500
Other Asbestos Disease (Level I)	\$150	None	None

These Scheduled Values, Average Values, and Maximum Values will apply to all T&N US Claims, T&N Flexitallic Claims, T&N Ferodo Claims and FMP Claims filed with the Trust on or before the Initial Claims Filing Date. Thereafter, the Trust, with the consent of the TAC and the Future Claimants' Representative, may change these valuation amounts for good cause and consistent with other restrictions on the amendment power.

(6) Scheduled, Average and Maximum Values for T&N/UK**Claims.**

The Scheduled, Average and Maximum Values for all T&N/UK Claims are as set forth in this paragraph. T&N/UK Claims are divided into two categories, which take into account (i) the settlement history in the United Kingdom tort system of (a) T&N/UK Claims with respect to which the claimant's exposure to T&N asbestos-containing products was ninety percent (90%) or more of the claimant's total exposure to asbestos or asbestos-containing products ("T&N-Only UK Claims") and (b) T&N/UK Claims with respect to which the claimant's exposure to T&N asbestos-containing products was less than ninety percent (90%) of the claimant's total exposure to asbestos or asbestos-containing products ("T&N Shared Liability UK Claims"), (ii) other applicable valuation factors under relevant UK law, and (iii) a twenty percent (20%) increase in these values to make provision for attorneys' fees and costs under the UK legal system.

T&N-Only U.K. Claims:

<u>Scheduled Disease</u>	<u>Scheduled Value</u>	<u>Average Value</u>	<u>Maximum Value</u>
Mesothelioma (Level VIII)	£106,750	£118,100	£190,000
Lung Cancer 1 (Level VII)	£78,500	£84,200	£139,500
Lung Cancer 2 (Level VI)	None	£44,500	£80,000
Other Cancer (Level V)	£52,500	£64,600	£95,000
Severe Asbestosis (Level IV)	£80,000	£99,450	£142,500

Asbestosis/Pleural Disease (Level III)	£36,500	£45,200	£71,250
Asbestosis/Pleural Disease (Level II)	£17,000	£17,600	£26,250
Other Asbestos Disease (Level I)	£500	None	None

T&N Shared Liability U.K. Claims:

<u>Scheduled Disease</u>	<u>Scheduled Value</u>	<u>Average Value</u>	<u>Maximum Value</u>
Mesothelioma (Level VIII)	£42,700	£47,200	£76,000
Lung Cancer (Level VII)	£31,400	£35,300	£55,800
Lung Cancer (Level VI)	None	£17,800	£32,000
Other Cancer (Level V)	£21,000	£25,400	£38,000
Severe Asbestosis (Level IV)	£32,000	£36,200	£57,000
Asbestosis/Pleural Disease (Level III)	£14,600	£17,500	£28,500
Asbestosis/Pleural Disease (Level II)	£6,800	£7,400	£10,500
Other Asbestos Disease (Level I)	£200	None	None

b. Insured PI Trust Claims.

Claimants holding Insured PI Trust Claims (i.e., Fel-Pro Claims and Vellumoid Claims) shall submit proofs of claim to the Trust in a manner similar to that for TDP Valued Claims. If a claimant wishes to assert both an Insured PI Trust Claim and a TDP Valued Claim, the Insured PI Trust Claim must be submitted at the same time as the TDP Valued Claim.

Once filed, the Trust will place a claimant asserting an Insured PI Trust Claim into its FIFO Processing Queue, and will promptly tender the Insured PI Trust Claim or Claims to the insurer or insurers who have liability for the claim. The insurer(s) will then serve the function of the Trustees related to the determination of the liquidated value of the claim, and will also undertake the defense of the claim if the claimant chooses to litigate the claim in the tort system as provided under the TDP. Upon agreement between the insurer(s) handling the tendered claim and the claimant as to the value of a covered Insured PI Trust Claim, the insurer(s) will pay liquidated value of the claim to the Trust, subject to the terms of the applicable insurance policy. Such payment will satisfy all of such insurer(s)' obligations under its policy or policies to the claimant and will constitute payment of the entire claim by the insurer regardless of the actual payment received by the claimant from the Trust. The Trust will then pay the claimant either the full amount received from the insurer(s) or such other amount as may be due to the claimant under the TDP. Insurers having coverage obligations to the Trust and/or an insured Debtor will determine among themselves the applicable insured Debtor's liability for an Insured PI Trust Claim.

The Trust will be entitled to recover from the claimant its reasonable costs of prosecuting the claim against any insurer(s) as well as reasonable administrative expenses, whether or not the claim is ultimately paid by one or more insurer(s).

14. Extraordinary Claims and Exigent Hardship Claims.

Certain TDP Valued Claims (other than T&N/UK Claims) may be classified by the Trust as Extraordinary Claims. An "Extraordinary Claim" is a TDP Valued Claim that otherwise satisfies the Medical Criteria for Disease Levels II – VIII and is held by a claimant whose exposure to asbestos (1) occurred predominantly as the result of working in a manufacturing facility of a T&N Entity during a period in which such T&N Entity was manufacturing asbestos-containing products at that facility, or (2) was at least 75% the result of exposure to asbestos or an asbestos-containing product manufactured by a T&N Entity, and there is little likelihood of a substantial recovery elsewhere. All such Extraordinary Claims will be presented for Individual Review and, if valid, will be entitled to an award of up to a Maximum Value of five (5) times the Scheduled Value for claims qualifying for Disease Levels II – V, VII and VIII, and five (5) times the Average Value for claims in Disease Level VI, multiplied by the applicable Payment Percentage. An Extraordinary Claim, following its liquidation, will be placed in the T&N Worldwide Fund's FIFO Payment Queue ahead of all other liquidated claims payable from that fund except Pre-Petition Liquidated Claims, Disease Level I (Other Asbestos Disease) Claims and Exigent Hardship Claims, which in that order will be first in such queue and will be subject to the Maximum Available Payment and Claims Payment Ratio described above.

T&N UK Claims are not eligible to be treated as Extraordinary Claims. This determination is based on the fact that the holders of such claims whose exposure was primarily (i.e., 90% or greater) to asbestos-containing products manufactured by a T&N entity are subject to the higher Scheduled and Maximum Values in the matrix for T&N-Only UK Claims described above, which matrix already takes into account the substantially higher values historically received by such claims in the UK tort system.

At any time the Trust may liquidate and pay TDP Valued Claims that qualify as "Exigent Hardship Claims." Such claims may be considered separately by the Trust no matter what the order of processing otherwise would have been under the TDP. An Exigent Hardship Claim, following its liquidation, will be placed first in the FIFO Payment Queue for the T&N Worldwide Fund, ahead of all other liquidated claims payable from the fund except Pre-Petition Liquidated Claims and Disease Level I (Other Asbestos Disease) Claims, which will be paid first in that order, subject to the Maximum Available Payment and Claims Payment Ratio described above. A TDP Valued Claim qualifies for payment as an Exigent Hardship Claim if the claim involves Severe Asbestosis (Disease Level IV) or an asbestos-related malignancy (Disease Levels V – VIII), and the Trust, in its sole discretion, determines (a) that the claimant needs financial assistance on an immediate basis based on the claimant's expenses and all sources of available income, and (b) that there is a causal connection between the claimant's dire financial condition and the claimant's asbestos-related disease.

15. Secondary Exposure Claims.

If a claimant asserting a TDP Valued Claim alleges an asbestos-related disease resulting solely from exposure to an occupationally exposed person, such as a family member, the claimant may seek either Expedited Review or Individual Review of his or her claim. If the claimant elects Expedited Review, he or she must establish that the occupationally exposed person would have met the presumptive exposure requirements under the TDP that would have been applicable if the occupationally exposed person had filed a direct claim against the Trust, and that the claimant with secondary exposure is suffering from one of the eight Disease Levels described above. If the claimant elects Individual Review, he or she must satisfy the Trust that his or her claim would be cognizable and valid in the relevant tort system.

In all cases, the claimant must show that his or her own exposure to the occupationally exposed person occurred within the same time frame as the occupationally exposed person was exposed to asbestos products produced by the relevant Federal-Mogul entity, and that such secondary exposure was a cause of the claimed disease.

The Trust's proof of claim form will include a section for Secondary Exposure Claims. All liquidation and payment rights and limitations under the TDP are applicable to Secondary Exposure Claims.

16. Evidentiary Requirements for TDP Valued Claims.

a. Medical Evidence.

For TDP Valued Claims, all diagnoses of a Disease Level must be accompanied by either (a) a statement by the physician providing the diagnosis that at least ten (10) years have elapsed between the date of first exposure to asbestos or asbestos-containing products and the diagnosis, or (b) a history of the claimant's exposure sufficient to establish a ten (10) year latency period. A finding by a physician after the Petition Date that a claimant's disease is "consistent with" or "compatible with" asbestosis will not alone be treated by the Trust as a diagnosis. With respect to T&N UK Claims, however, a certification from a UK medical board that administers the UK statutory workers compensation system that a claimant has an asbestos-related disease will be treated by the Trust as a presumptively valid diagnosis of the disease in question, although the Trust may rebut that presumption.

Disease Levels I – IV. Except for claims filed against T&N or any other asbestos defendant in the tort system prior to the Petition Date, all diagnoses of a non-malignant asbestos-related disease (Disease Levels I-IV) must be based, in the case of a claimant who was living at the time the claim was filed, upon a physical examination of the claimant by the physician providing the diagnosis of the asbestos-related disease. In addition, all living claimants must provide evidence of Bilateral Asbestos-Related Nonmalignant Disease (in the case of Disease Levels I – III), pulmonary function testing (in the case of Disease Levels III and IV), and an ILO reading of 2/1 or greater or pathological evidence of asbestosis (in the case of Disease Level IV). In the case of a claimant who was deceased at the time the claim was filed, a diagnosis of non-malignant asbestos-related disease must be based on either (i) a physical examination of the claimant by the physician providing the diagnosis, or (ii) pathological evidence of the non-malignant asbestos-related disease, or (iii) in the case of Disease Levels I – III, evidence of Bilateral Asbestos-Related Non-Malignant Disease, and, for Disease Level IV, either an ILO reading of 2/1 or greater or pathological evidence of asbestosis, and (iv) for either Disease Levels III or IV, pulmonary function testing.

Disease Levels V – VIII. All diagnoses of an asbestos-related malignancy (Disease Levels V – VIII) submitted to the Asbestos PI Trust must be based upon either (y) a physical examination of the claimant by the physician providing the diagnosis of the malignant asbestos-related disease, or (z) on a diagnosis of such a malignant Disease Level by a board-certified pathologist.

However, if a living holder of a PI Trust Claim involving Disease Levels I-III that was filed against T&N or any other defendant in the tort system prior to the Petition Date has not provided the Trust with a diagnosis of the asbestos-related disease by a physician who has conducted a physical examination of the holder as described above, but the holder has available such a diagnosis by an examining physician engaged by the holder, or if the holder has filed such a diagnosis with another asbestos-related personal injury settlement trust that requires such evidence, the holder shall provide such diagnosis to the Trust notwithstanding the exception described above.

b. Credibility of Medical Evidence.

The Trust must have reasonable confidence that the medical evidence provided in support of a claim is credible and consistent with recognized medical standards before making any payment to a claimant on a TDP Valued Claim. Accordingly, the Trust may require the submission of X-rays, CT scans, detailed results of pulmonary function tests, laboratory tests, tissue samples, results of medical examination(s) or reviews of other medical evidence, and may require that medical evidence submitted comply with recognized medical standards regarding equipment, testing methods and procedure to assure that such evidence is reliable. Medical evidence (i) that is of a kind shown to have been received in evidence by a state or federal judge in a claimant's jurisdiction, (ii) that is consistent with evidence submitted to one (or more) of the Debtors to settle for payment similar disease cases prior to the Petition Date, or (iii) a diagnosis by a physician shown to have previously qualified as a medical expert with respect to the asbestos-related disease in question before a state, federal or foreign judge, is presumed by the Trust to be reliable, although the Trust may seek to rebut the presumption.

In addition, claimants who otherwise meet the requirements of the TDP for payment of a TDP Valued Claim will be paid by the Trust irrespective of the results in any litigation at any time between the claimant and any other defendant(s) in the relevant tort system. However, any relevant evidence submitted in a proceeding in the

relevant tort system involving another defendant, other than any findings of fact, a verdict, or a judgment, involving another defendant, may be introduced by either the claimant or the Trust in any Individual Review proceeding or any Extraordinary Claim proceeding conducted by the Trust.

c. Exposure Evidence.

To qualify for any Disease Level, holders of TDP Valued Claims (including Multiple Exposure Claims) must demonstrate a minimum exposure to an asbestos-containing product manufactured or distributed by the particular Federal Mogul Entity (e.g., T&N Limited, Gasket Holdings Inc. (Flexitallic), Ferodo America, Inc., Federal-Mogul Products, Inc., etc.) to which the claim relates. Claims based on conspiracy theories that involve no such exposure are not compensable under the TDP. The specific exposure requirements for each Disease Level are set forth in Section IV.B.3 above. If the claimant cannot meet the relevant presumptive exposure requirements for a Disease Level eligible for Expedited Review, the claimant may seek Individual Review of his or her claim based on exposure to an asbestos-containing product manufactured or distributed by the relevant entity.

For a claimant seeking to provide meaningful and credible exposure evidence in order to satisfy the requirements of Federal Mogul Exposure (as described in Section IV.B.3 above), such evidence may be established by an affidavit of a living claimant; by an affidavit of a co-worker or the affidavit of a family member in the case of a deceased claimant (providing the Trust finds such evidence reasonably reliable); by invoices, employment, construction, or similar records; or by other credible evidence. The Trust may also require submission of other or additional evidence of exposure when it deems such to be necessary. The specific exposure information required by the Trust to process a claim under either Expedited Review or Individual Review is set forth on the proof of claim form to be used by the Trust.

17. Second Disease (Malignancy) Claims.

The holder of an Asbestos Personal Injury Claim involving a non-malignant asbestos-related disease (Disease Levels I – IV) can assert a new Asbestos Personal Injury Claim against the Trust for a malignant disease (Disease Levels V – VIII) that is subsequently diagnosed. The Trust will not reduce any additional payments to which such claimant may be entitled with respect to such malignant asbestos-related disease by the amount paid for the non-malignant asbestos related disease, provided that the malignant disease had not been diagnosed at the time the claimant filed his or her original claim involving the non-malignant disease.

18. Punitive Damages.

In determining the value of any TDP Valued Claim, punitive or exemplary damages, *i.e.*, damages that are not compensatory damages, will not be considered or allowed, notwithstanding their availability in the relevant tort system. No punitive or exemplary damages will be payable with respect to any claim litigated against the Trust in the tort system, as described below. This prohibition against payment of punitive damages shall not apply, however, to any judgment arising in any action or cause of action, or to any unliquidated present or future claim to be value under the Trust's Individual Review process, with respect to which the applicable law of the Claimant's Jurisdiction (as defined in the TDP) pursuant to Section 5.3(b)(2) of the TDP is determined to be the Alabama Wrongful Death Statute; provided, however, that damages based on wanton, reckless, gross, outrageous or intentional misconduct or acts shall be treated as punitive damages and shall not be paid. The only causes of action or claims recoverable under the Alabama Wrongful Death Statute pursuant to the TDP shall be negligence, product liability (the Alabama Extended Manufacturers Liability Doctrine) and breach of warranty. No jury or court shall be allowed to impose a multiplier for punitive damages against the Trust for these causes of action or claims under the Alabama Wrongful Death Act.

19. Interest.

Interest will be paid on all Pre-Petition Liquidated Claims and on all TDP Valued Claims (except Disease Level I – Other Asbestos Disease claims) with respect to which the claimant has had to wait a year or more for payment; provided, however, that no claimant will receive interest for a period in excess of seven (7) years. The applicable interest rate is to be six percent (6%) simple interest per annum for the first five (5) years after the

Effective Date; thereafter, the Trustees may change the annual interest rate with the consent of the TAC and the Future Claimants Representative.

Interest is payable on the Scheduled Value of any unliquidated TDP Valued Claim that meets the requirements of Disease Levels II – V, VII and VIII, whether the claim is liquidated under Expedited Review, Individual Review, or by arbitration. Interest on a TDP Valued Claim that meets the requirements of Disease Level VI will be based on the Average Value of such a claim. In the case of Insured PI Trust Claims liquidated in the tort system, interest will be paid only to the extent required by an applicable statute or by the express terms of a settlement agreement.

In the case of Pre-Petition Liquidated Claims liquidated by verdict or judgment, interest will be measured from the date of payment back to the date that is one year after the date that the verdict or judgment was entered. In the case of Pre-Petition Liquidated Claims liquidated by a binding, judicially enforceable settlement, interest will be measured from the date of payment back to the date that is one year after the Petition Date. In the case of TDP Valued Claims, interest will be measured from the date of payment back to the earliest of the date that is one year after the date on which (a) the claim was filed against one of the Debtors prior to the Petition Date, (b) the claim was filed against another defendant in the relevant tort system on or after the Petition Date but before the Effective Date, or (iii) the claim was filed with the Trust after the Effective Date.

20. Arbitration of TDP Valued Claims

The Trust, with the consent of the TAC and the Future Claimants Representative, will institute binding and non-binding arbitration procedures in accordance with Alternative Dispute Resolution (“ADR”) procedures for T&N/U.S., Flexitallic, Ferodo and FMP Claims for resolving disputes concerning whether a pre-petition settlement agreement with or on behalf of any Federal Mogul Entity is binding and judicially enforceable, whether the Trust’s outright denial rejection or denial of a TDP Valued Claim was proper, or whether the claimant’s medical condition or exposure history meets the requirements of the TDP for purposes of categorizing a TDP Valued Claim involving Disease Levels II – VIII.

In the case of T&N/U.K. Claims, binding and non-binding arbitration procedures will be developed by the Trust in consultation with its U.K. legal advisers, and will provide for the arbitration of U.K. claims in the U.K. by U.K. arbitrators applying U.K. legal principles. The Trust will additionally have separate panels of English and Scottish arbitrators, if necessary, to resolve disputes concerning the proper treatment of PI Trust Claims held by English and Scottish claimants, respectively. The matters that may be resolved by binding and non-binding arbitration with respect to T&N/U.K. Claims are similar to those that may be submitted to U.S. arbitration proceedings by the holders of T&N/U.S., Flexitallic, Ferodo and FMP Claims; provided, however, that in the case of T&N/U.K. Claims, binding and non-binding arbitration procedures will also be available to resolve disputes over the liquidated value of a TDP Valued Claim involving Disease Levels II – VIII, as well as disputes over T&N’s share of the unpaid portion of a Pre-Petition Liquidated Claim or the validity of an Indirect PI Trust Claim. The ADR procedures for T&N/U.K. Claims may be modified by the Trust with the consent of the TAC and the Future Claimants Representative after consultation with the Trust’s U.K. legal advisers.

21. Suits in the Tort System.

If the holder of a disputed TDP Valued Claim disagrees with the Trust’s determination regarding the Disease Level of the claim, the claimant’s exposure history, or the liquidated value of the claim, and if the holder has first submitted the claim to non-binding arbitration, the holder may file a lawsuit in the claimant’s jurisdiction. All defenses (including, with respect to the Trust, all defenses which could have been asserted by the applicable Debtor(s)) will be available to both sides at trial; however, the Trust may waive any defense and/or concede any issue of fact or law. If the claimant was alive at the time the initial pre-petition complaint was filed or on the date the proof of claim was filed the Trust, the case will be treated as a personal injury case with all personal injury damages to be considered even if the claimant has died during the pendency of the claim.

If and when a claimant obtains a judgment in the tort system, the claim will be placed in the FIFO Payment Queue established by the T&N Worldwide Fund or FMP Fund based on the date on which the judgment became

final. Thereafter, the claimant will receive from that fund an initial payment (subject to the applicable Payment Percentage, the Maximum Available Payment, and the Claims Payment Ratio provisions set forth above) of an amount equal to one hundred percent (100%) of the greater of (i) the Trust's last offer to the claimant or (ii) the award that the claimant declined in non-binding arbitration. The claimant will receive the balance of the judgment, if any, in five (5) equal installments in years six (6) through ten (10) following the year of the initial payment (also subject to the applicable Payment Percentage, the Maximum Available Payment and the Claims Payment Ratio provisions above).

In the case of non-Extraordinary TDP Valued Claims involving Disease Levels II – VIII, the total amounts paid with respect to such claims may not exceed the Maximum Values for such Disease Levels. In the case of Extraordinary TDP Valued Claims, the total amounts paid with respect to such claims similarly may not exceed the relevant Maximum Values for such claims. Under no circumstances will interest be paid on any judgments obtained in the tort system with respect to TDP Valued Claims, nor will any punitive damages; i.e., damages that are not compensatory damages, be paid with respect to any claims liquidated in the tort system.

Settlements or final judgments against the Trust arising out of litigation in the tort system on account of Insured PI Trust Claims will be paid by the applicable Insured PI Trust Fund based on their place in such Fund's FIFO Payment Queue. Payments of such settlements and final judgments will be made as insurance proceeds or other monies become available to the Fund in question, and are subject to those other provisions of the TDP that are applicable to that Fund.

22. Amendments to the TDP.

Except as otherwise provided in the TDP, the Trustees may amend, modify, delete or add any provisions to the TDP to ensure that all PI Trust Claims are treated in accordance with the TDP's core objective; provided that the right to amend the Claims Payment Ratio will be governed by Section 2.5 of the TDP and the right to adjust the Payment Percentage will be governed by Section 4.2 of the TDP.

In making any amendments, modifications, deletions or additions to the provisions of the TDP, the Trustees are required to first obtain the consent of the TAC and the Future Claimants Representative as set forth in the Trust Agreement. In addition, the Trustees will also consult with the Trust's U.K. legal advisers concerning any amendments or other changes to the TDP to ensure that such amendments or changes do not prejudice the interests of U.K. claimants.

VIII.

CERTAIN FACTORS TO BE CONSIDERED

HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTORS SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT AND THE DOCUMENTS DELIVERED TOGETHER HEREWITH OR INCORPORATED BY REFERENCE, PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

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, THE PRICES AT WHICH THE COMPANY CAN SELL ITS GOODS AND SERVICES, 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, ACTIONS OF GOVERNMENTAL BODIES AND

OTHER MARKET AND COMPETITIVE CONDITIONS. HOLDERS OF CLAIMS AND EQUITY 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 OTHER PLAN PROPONENTS OR THE REORGANIZED DEBTORS, UNDERTAKES AN OBLIGATION TO UPDATE ANY SUCH STATEMENTS.

A. Variances from Projections.

The Debtors have prepared the projected financial information contained in this Disclosure Statement relating to Reorganized Federal-Mogul, including the pro forma financial statements attached as Exhibit G to this Disclosure Statement (the "Projections"), 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 Reorganized Federal-Mogul 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 Reorganized Federal-Mogul's future operating results are subject to and likely to be affected by a number of factors, including significant business, economic, regulatory, litigation and competitive uncertainties, many of which are beyond the control of Reorganized Federal-Mogul. In addition, unanticipated events and circumstances occurring subsequent to the date of this Disclosure Statement may affect the actual financial results of Reorganized Federal-Mogul's operations. Accordingly, actual results may vary materially from those shown in the Projections, which may adversely affect the ability of Reorganized Federal-Mogul to pay the obligations owing to certain holders of Claims entitled to distributions under the Plan and other indebtedness incurred after confirmation of the Plan.

Management believes that the industries in which Reorganized Federal-Mogul 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 Reorganized Federal-Mogul's 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 Reorganized Federal-Mogul's 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. Reorganized Federal-Mogul does 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 Reorganized Federal-Mogul and its subsidiaries after the Effective Date. Nevertheless, the Projections should not be regarded as a representation, guaranty or other assurance by the Debtors or the other Plan Proponents, Reorganized Federal-Mogul 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.

B. Risk Factors.

1. Assumptions Regarding Value of the Debtors' Assets.

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, Federal-Mogul can make no assurances with respect thereto.

2. Non-Comparability of Historical Financial Information.

As a result of the consummation of the Plan and the transactions contemplated thereby, the financial condition and results of operations of Reorganized Federal-Mogul 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.

3. Market and Business Risks.

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 offset or exceed contractually or competitively required price reductions, to obtain new business and to generate and manage working capital consistent with the Projections and the underlying assumptions thereto.
- Legal actions and claims of undetermined merit and amount involving, among other things, product liability, warranty, recalls of products manufactured or sold by the Debtors and environmental and safety issues involving the Debtors' products or facilities;
- Variations in the financial or operational condition of the Debtors' significant customers, particularly original equipment manufacturers of commercial and personal vehicles;
- Material shortages, transportation systems delays or other difficulties in markets where the Debtors purchase supplies for the manufacturing of their products;
- Significant work stoppages, 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 development of fuel cells, hybrid-electric or other non-combustion engine technologies that may represent competitive alternatives to the Debtors' products;
- The Debtors' ability to obtain cash adequate to funds their needs, including the borrowings available under the Exit Facilities;
- New or expanded litigation activity regarding alleged asbestos claims against subsidiaries of the Company not included in either the U.S. Chapter 11 or the U.K. Administration Proceedings (the risk of which will be mitigated by Section 4.11 of the Plan, pursuant to which the Trust provides a partial indemnity in favor of the Reorganized Debtors and their non-Debtor Affiliates against such claims).

- Fluctuations in the global securities markets which directly impact the funding payments required by, and the valuation of assets supporting, the Debtors' pension plans;
- Various worldwide economic and political factors, changes in economic conditions, currency fluctuations and devaluations, credit risks in emerging markets or political instability in foreign countries where the Debtors and the Affiliates have significant manufacturing operations of 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 and their Affiliates;
- The Debtors' ability to comply with government regulations, including public market disclosure requirements such as those contained within the Sarbanes-Oxley Act; and
- Possible terrorist attacks or acts of aggression or war, which could exacerbate other risks such as slowed vehicle production or interruptions in the transportation system.

In the normal course of business, the Debtors are also subject to market exposure from changes in foreign exchange rates, interest rates and raw material prices. The Debtors do not hold or issue derivative financial instruments for trading purposes. To manage a portion of these inherent risks, however, the Debtors purchase various derivative financial instruments and commodity futures contracts. Financial losses incurred through the Debtors' use of such instruments and contracts could have a negative effect on the Debtors' financial condition.

a. Foreign Currency Risk

The Debtors are subject to the risk of changes in foreign currency exchange rates due to its global operations. The Company manufactures and sells its products in North America, South America, Asia, Europe and Africa. As a result, the Debtors' financial results could be significantly affected by factors such as changes in foreign currency exchange rates or weak economic conditions in foreign markets in which the Debtors manufacture and distribute their products. The Debtors' operating results are primarily exposed to changes in exchange rates between the U.S. dollar and European currencies.

As currency exchange rates change, translation of the statements of operations of the Debtors' international businesses into United States dollars affects year-over-year comparability of operating results. The Debtors do not generally hedge operating translation risks because cash flows from international operations are generally reinvested locally. Changes in foreign currency exchange rates are generally reported as a component of stockholders' equity for the Debtors' foreign subsidiaries reporting in local currencies and as a component of income for its foreign subsidiaries using the U.S. dollar as the functional currency.

As of December 31, 2003, the Debtors' net current assets (defined as current assets less current liabilities) subject to foreign currency translation risk were \$933.2 million. The potential decrease in net current assets from a hypothetical 10% adverse change in quoted foreign currency exchange rates was \$93.3 million. The sensitivity analysis presented assumes a parallel shift in foreign currency exchange rates. Exchange rates rarely move in the same direction. This assumption may overstate the impact of changing exchange rates on individual assets and liabilities denominated in a foreign currency.

The Debtors manage certain aspects of their foreign currency activities and larger transactions through the use of foreign currency options or forward contracts. The Debtors generally try to utilize natural hedges within their foreign currency activities, including the matching of revenues and costs. The Debtors had two contracts outstanding with a combined notional value of \$10.4 million at December 31, 2003.

b. Interest Rate Risk

The current capital structure of the Federal-Mogul entities contains certain variable interest rate debt, particularly the debt governed by the Bank Credit Agreement, which is sensitive to changes in the overall level of global market interest rates. Once the Reorganization Cases are concluded, the Debtors' variable interest rate debt, and consequently their total variable interest expense, will be subject to periodic market-based adjustment in accordance with the terms of the relevant post-confirmation credit agreements. Moreover, if the Plan is confirmed, the Reorganized Debtors' capital structure will be more sensitive to interest rate movement than it was prior to the Petition Date since the Note Debt, which constituted more than \$2.1 billion of fixed rate debt in the prepetition capital structure, are all being converted into equity in the Reorganized Debtors, leaving the variable rate Bank Credit Agreement as the principal debt component of the Reorganized Debtors' capital structure. To address this increased sensitivity to market interest rate fluctuations, the Reorganized Debtors may choose to enter into interest rate hedging transactions.

c. Commodity Price Risk

The Federal-Mogul Entities are dependent upon the supply of certain raw materials in the production process that are exposed to price fluctuations on the open market. The Federal-Mogul Entities use swaps and forward contracts to hedge against the changes in certain specific commodity prices of the purchase commitments outstanding. The principal raw materials hedged include natural gas, copper, lead, nickel, lead, high-grade aluminum and aluminum alloy. At December 31, 2003, the Federal-Mogul Entities had two forward contracts outstanding with a combined notional value of \$9.2 million.

4. Ability to Attract and Retain Employees.

Among the Debtors' most valuable assets are their highly skilled professionals who have the ability to leave the Debtors and so deprive the Debtors of valuable skills and knowledge that contribute substantially to their business operations. Although the Debtors have taken steps to retain their key personnel through the pendency of the Reorganization Cases, the Debtors cannot assure you 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 assure you that such key personnel will not leave after consummation of the Plan and emergence from Chapter 11. Further attrition may hinder the Debtors' ability to operate efficiently, which could have a material adverse effect on their results of operations and financial condition.

5. Government Regulation.

The Debtors are subject to various foreign, federal, state and local laws and regulations that affect the conduct of its operations. The Debtors cannot assure you that compliance with these laws and regulations 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. A change in the tax laws of the United States or the United Kingdom could materially affect the consequences of the Plan as described herein to the Debtors and the holders of Claims and Equity Interests. See Article XIII, entitled "Certain Tax Consequences of the Plan."

6. Post-Petition Interest Expense.

As of December 31, 2003, Federal-Mogul has taken federal income tax deductions attributable to interest accrued on Noteholder Claims following the Petition Date ("Post-Petition Interest") totaling approximately \$421 million. Federal-Mogul has been able to benefit from these deductions by carrying back losses to prior taxable years and obtaining federal tax refunds totaling approximately \$9.3 million. Federal-Mogul intends to continue its practice of deducting Post-Petition Interest and anticipates obtaining additional tax benefits in the future. Federal-Mogul believes that its deduction of Post-Petition Interest is supported by existing authorities, including a recent holding of the Bankruptcy Court for the Eastern District of Michigan, which is the most recent authority regarding Post-Petition Interest. However, it is not clear whether the IRS will agree with Federal-Mogul's position. The IRS has notified Federal-Mogul that one of the items the IRS will be reviewing in connection with its audit of Federal-

Mogul's 2001 taxable year is how Federal-Mogul handled interest for post-petition periods. If the IRS were to challenge successfully Federal-Mogul's practice of deducting Post-Petition Interest, Federal-Mogul would be required to pay back the refunds noted above plus interest. The Plan provides that the Bankruptcy Court will retain jurisdiction over any dispute with a taxing authority involving Federal-Mogul's deduction of Post-Petition Interest.

C. Certain Bankruptcy Considerations.

1. Failure to Confirm the Plan.

Section 1129 of the Bankruptcy Code requires, among other things, a showing that confirmation of the plan will not be followed by liquidation or the need for further financial reorganization of the Debtors, and that the value of distributions to dissenting holders of Claims and Equity Interests may not be less than the value such holders would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code. Although the Debtors believe that the Plan will meet these tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

The Bankruptcy Code also requires that a plan must provide the same treatment for each Claim or Equity Interest in a particular class, unless a holder agrees to a less favorable treatment of its particular Claim or Equity Interest. The Debtors believe that they have complied with the requirements of the Bankruptcy Code by their classification and treatment of various holders of Claims and Equity Interests under the Plan. However, if a member of a Class objects to its treatment, or if the Bankruptcy Court finds that the Plan does not comply with the requirements of the Bankruptcy Code, confirmation of the Plan could be delayed or prevented. In addition, each class of Impaired Claims and Equity Interests that will (or may) be entitled to receive property under the Plan will have the opportunity to vote to accept or reject the Plan. If an Impaired Class of Claims or Equity Interests rejects the Plan, the Debtors may request confirmation of the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code. Even if the requirements for "cramdown" are met, the Bankruptcy Court, which, as a court of equity, may exercise substantial discretion, may choose not to confirm the Plan. See "Requirements for Confirmation of the Plan."

2. Failure To Consummate The Plan.

Consummation of the Plan is conditioned upon, among other things, entry of the Confirmation Order and the negotiation and execution of certain definitive agreements. As of the date of this Disclosure Statement, there can be no assurance that any or all of the foregoing conditions will be met (or waived) or that the other conditions to consummation, if any, will be satisfied. Accordingly, even if the Bankruptcy Court confirms the Plan, there can be no assurance that the Plan will be consummated. If a liquidation or protracted reorganization were to occur, there is a substantial risk that the value of the Debtors' enterprise would be substantially eroded to the detriment of all stakeholders.

3. Non-Occurrence of the Effective Date.

The Plan provides that there are several conditions precedent to the occurrence of the Effective Date. The Plan Proponents cannot assure you as to the timing of the Effective Date. Additionally, if the conditions precedent to the Effective Date are not satisfied or waived, the Bankruptcy Court may vacate the Confirmation Order. In that event, the Plan would be deemed null and void and the Plan Proponents may propose or solicit votes on an alternative reorganization plan that may not be as favorable to parties in interest as the Plan.

D. Factors Affecting the Value of Securities to be Issued Under the Plan.

1. No Established Market for Reorganized Federal-Mogul Common Stock; Volatility Is Possible.

No established market will exist for the Reorganized Federal-Mogul Class A Common Stock on the Effective Date, and there can be no assurance that the Reorganized Debtors will be successful in their efforts to

obtain a listing for the Reorganized Federal-Mogul Class A Common Stock on a national securities exchange or automated interdealer quotation system. Moreover, there can be no assurance as to the degree of price volatility in any market for the Reorganized Federal-Mogul Class A Common Stock that does develop. Also, the Reorganized Federal-Mogul Class A Common Stock will be issued pursuant to the Plan to holders of Noteholder Claims, and some of these holders may prefer to liquidate their investment rather than to hold it on a long-term basis. Finally, the Trust will receive a substantial number of shares of Reorganized Federal-Mogul Class B Common Stock, which are convertible into an equal number of shares of Reorganized Federal-Mogul Class A Common Stock and which may be sold to satisfy the funding obligations of the Trust under the Plan. Accordingly, it is anticipated that the market for the Reorganized Federal-Mogul Class A Common Stock may be volatile.

The valuation of Reorganized Federal-Mogul Class A Common Stock contained in this Disclosure Statement is not an estimate of the prices at which the Reorganized Federal-Mogul Class A Common Stock may trade in the market, and the Debtors have not attempted to make any such estimate in connection with the development of the Plan. In addition, the market price of the Reorganized Federal-Mogul Class A Common Stock may be subject to significant fluctuations in response to numerous factors, including variations in Reorganized Federal-Mogul's consolidated annual or quarterly financial results or those of its competitors, changes by financial analysts in their estimates of the future earnings of Reorganized Federal-Mogul, conditions in the markets for bank, bond or equity financing, the economy in general or in the manufacturing industry in particular or unfavorable publicity. The stock market also has, from time to time, experienced significant price and volume fluctuations that have been unrelated to the operating performance of companies with publicly-traded securities. No assurance can be given as to the market prices for Reorganized Federal-Mogul Class A Common Stock that will prevail following the Effective Date.

2. Dividends Are Not Anticipated; Payment of Dividends Is Subject to Restriction.

Reorganized Federal-Mogul does not anticipate paying any dividends on the Reorganized Federal-Mogul Common Stock in the foreseeable future. In addition, covenants in certain debt instruments to which Reorganized Federal-Mogul will be a party may restrict the ability of Reorganized Federal-Mogul to pay dividends and make certain other payments. Further, such restrictions on dividends may have an adverse impact on the market demand for Reorganized Federal-Mogul Class A Common Stock as certain institutional investors may invest only in dividend-paying equity securities or may operate under other restrictions that may prohibit or limit their ability to invest in the Reorganized Federal-Mogul Class A Common Stock.

E. Position of the Administrators on the Plan

The Administrators believe that a consensual reorganization of the U.K. Debtors would be likely to deliver the best results for creditors of the U.K. Debtors and other interested parties. As noted above in Section II.E of this Disclosure Statement, the Administrators are the only persons with authority to recommend and propose Schemes of Arrangement and/or Voluntary Arrangements in the pending U.K. administration proceedings. At this time, the Administrators have not agreed to recommend Schemes of Arrangement and Voluntary Arrangements that parallel the terms of the Plan because they are concerned that the Plan will not yield creditors of the U.K. Debtors a greater return on their Claims than they would receive on a structured disposal of the U.K. assets and businesses over a period of time and because they are concerned that creditors of the U.K. Debtors will not receive adequate dividends on account of their Claims against the U.K. Debtors. As a result, at this time, for the reasons set forth below, the Administrators believe that, absent a revision to the Plan delivering a better return to creditors of the U.K. Debtors, it may be in the best interests of creditors of the U.K. Debtors to liquidate certain or all of the assets and businesses of the U.K. Debtors and distribute the proceeds to creditors in satisfaction of their Claims. The Plan Proponents strongly disagree with the Administrators and believe (but the Administrators disagree) that the reorganization contemplated by the Plan is in the best interests of all creditors, including creditors of the U.K. Debtors. Indeed, the Plan Proponents believe that any liquidation of the U.K. Debtors would result in the loss of thousands of jobs and substantially lesser distributions to creditors of the U.K. Debtors.

In an attempt to resolve these differences, the Administrators have agreed to undertake, and currently are engaged in, further review and analysis on several issues including, without limitation, the following: (a) the

proposed enterprise value of the Reorganized Debtors and hence the value of the proposed distribution of Reorganized Federal-Mogul Class B Common Stock for the benefit of certain creditors of the U.K. Debtors; (b) the Asbestos Claimant Committee's estimation of Asbestos Personal Injury Claims and Demands against the U.K. Debtors; and (c) the value of the businesses and assets of certain of the U.K. Debtors. In connection therewith, the Administrators have retained and are in consultation with several independent specialists, including, without limitation, numerous financial, actuarial and legal advisors. The Plan Proponents believe that the Administrators have had sufficient time to conduct any such review and analysis regarding the Debtors and the Plan as these cases have been pending for more than two and half years. The Administrators insist, however, that such additional review and analysis is necessary in order for them to complete a final and definitive view of the Plan.

1. Specific Concerns Relating to the Plan

The Administrators have advised the Plan Proponents that they have the following specific concerns relating to the Plan.

The Administrators are concerned that the central deal described in Section V.U. of this Disclosure Statement gives too much of the Reorganized Federal-Mogul Common Stock to the holders of Noteholder Claims and not enough to the holders of Asbestos Personal Injury Claims and, as a consequence thereof, delivers too high of a dividend to the holders of Unsecured Claims against the U.S. Debtors and too low of a dividend to the holders of Unsecured Claims against the U.K. Debtors. Specifically, the Administrators have advised the Plan Proponents that they are concerned that that the Plan provides greater distributions to the holders of Class D Noteholder Claims, Class H Unsecured Claims and Class J Asbestos Personal Injury Claims against the U.S. Debtors than the holders of similar Claims against the U.K. Debtors given the information appearing from the Liquidation Analysis. In the opinion of the Plan Proponents, all of these distributions differ, however, for a number of reasons, including, without limitation, the following: (a) the Asbestos Personal Injury Claims and Demands against the U.K. Debtors relative to the value of the assets of such U.K. Debtors are significantly greater than the Asbestos Personal Injury Claims and Demands against the U.S. Debtors relative to the value of the assets of such U.S. Debtors; (b) the Asbestos Personal Injury Claims and Demands against the U.S. Debtors are more adequately covered by applicable insurance; and (c) the assets of the U.S. Debtors are more valuable than the assets of the U.K. Debtors. The Administrators are also concerned about the allocation and distribution of the Reorganized Federal-Mogul Common Stock among the holders of Noteholder Claims and Asbestos Personal Injury Claims. Again, however, these distributions merely reflect the nature and extent of the assets and liabilities of the Debtors against whom these Claims are asserted and the deal as negotiated among the holders of Noteholder Claims and Asbestos Personal Injury Claims (as described more fully in Section V.U of the Disclosure Statement).

Additionally, as noted above, the Administrators also contend that they cannot yet conclude, based on their current information, that the reorganization contemplated by the Plan is better for creditors of the U.K. Debtors than a "controlled realisation" of all of some of the U.K. Debtors. Specifically, the Administrators believe that they may be able to achieve greater distributions for creditors of the U.K. Debtors by not reorganizing, but instead through a sale or other liquidation of the U.K. Debtors. The reasons given by the Administrators to the Plan Proponents for these concerns, conclusions and beliefs include the following: (i) the Plan is based on unproven asset values and, as a result, the value of the Reorganized Federal-Mogul Common Stock to be distributed to certain creditors of the U.K. Debtors is allegedly speculative and uncertain; (ii) the liquidation of T&N Limited would enable faster and more certain distributions to holders of Asbestos Personal Injury Claims against T&N Limited because of the Cash on hand at T&N Limited and (iii) the Administrators would be more successful in seeking the reduction and/or disallowance of Asbestos Personal Injury Claims (specifically Asbestos Personal Injury Claims held by U.S. claimants) by subjecting them to an alleged "rigorous" claims adjudication process in the United Kingdom.

The Plan Proponents strongly disagree with all of the foregoing concerns, conclusions and beliefs. First, the asset values are neither unproven nor speculative. Each of the Plan Proponents have employed experienced and sophisticated financial advisors in connection with the preparation of the valuation and liquidation analyses discussed, referenced and/or attached to this Disclosure Statement. As set forth elsewhere in this Disclosure Statement, moreover, the Plan Proponents all believe that the value of the portion of the Reorganized Federal-Mogul Common Stock to be distributed to the Trust on account of holders of Asbestos Personal Injury Claims is approximately \$800 million and that this amount is far greater than any distribution that could be achieved in any

liquidation of the U.K. Debtors conducted by the Administrators. The Plan Proponents also strongly believe that the Administrators are over-estimating the liquidation value of the assets and businesses of the U.K. Debtors and greatly under-estimating the costs of any such liquidation process (including, without limitation, the costs associated with liquidating hundreds of thousands of contested Asbestos Personal Injury Claims). Finally, the Plan Proponents do not believe that the Administrators could timely and successfully liquidate and process all of the Asbestos Personal Injury Claims in the United Kingdom. The Plan Proponents, moreover, also believe that the proceeds of any liquidation would be greatly reduced and depleted by the costs and expenses of liquidating hundreds of thousands of contested Asbestos Personal Injury Claims. In sum, the Plan Proponents believe that any sale or other liquidation conducted by the Administrators would result in materially lower and more uncertain distributions to creditors of the U.K. Debtors. The Plan Proponents have communicated these views to the Administrators and have urged them to consider these views in connection with their further due diligence and analysis.

As a final matter, the Administrators have also advised the Plan Proponents that they do not agree with the Asbestos Personal Injury Trust Distribution Procedures attached to the Plan. Specifically, the Administrators believe that the Asbestos Personal Injury Trust Distribution Procedures treat U.K. asbestos creditors unfairly. The Plan Proponents disagree and assert that the Asbestos Personal Injury Trust Distribution Procedures treat all holders consistent with applicable tort system values.

2. The Proposed Course of Action for the Administrators

The Administrators have advised the Plan Proponents that they intend to complete their additional review and analysis as quickly as possible. If, upon the completion of that work, the concerns of the Administrators as articulated above are not resolved, the Administrators have advised the Plan Proponents that they will seek directions from the U.K. Court on whether it would be appropriate for them to propose Schemes of Arrangement and/or Voluntary Arrangements under such circumstances. If, on the other hand, the concerns of the Administrators are resolved following the completion of such work, then the Administrators have advised the Plan Proponents that they would work with the Plan Proponents with a view towards proposing Schemes of Arrangement and Voluntary Arrangements that parallel the Plan.

The Administrators have also advised the Plan Proponents that they think it will be necessary (assuming an agreement is ultimately reached among the Administrators and Plan Proponents) to seek directions from the U.K. Court at an appropriate stage in relation to various procedural matters concerning the presentation of Schemes of Arrangement and/or Voluntary Arrangements.

3. The Response of the Administrators to Sections 6.6, 8.1 and 8.16 of the Plan

The Administrators have advised the Plan Proponents that upon receipt of any request to convene meetings of creditors, as well as the passage of any resolutions in connection therewith to either direct the Administrator to file Schemes of Arrangement and Voluntary Arrangements and/or to seek the discharge of the U.K. administration proceedings, pursuant to Section 6.6 of the Plan, the Administrators would seek directions from the U.K. Court on whether to proceed in accordance with any such requests, directions and/or resolutions. At such time, the Administrators would make their views as to the Plan known to the U.K. Court. The Administrators further believe that it is uncertain whether the U.K. Court would require the Administrators to carry out any such resolutions. The Administrators also assert that a U.K. Court might refuse to approve the Plan with respect to the U.K. Debtors as a matter of comity as set forth in Section 8.1.1 of the Plan. Notwithstanding the foregoing, however, the Plan Proponents believe that the U.K. Court will listen to and take into account the votes, directions and resolutions of the creditors. Additionally, in the event that an agreement cannot be reached between the Administrators and the Plan Proponents and if the directions given pursuant to Section 6.6 of the Plan are not effective, Section 8.16.3 of the Plan provides for certain non-consensual marketing procedures that would be used to permit the Confirmation of the Plan and resolution of these Reorganization Cases.

IX.

VOTING PROCEDURES AND REQUIREMENTS

The following section describes in summary fashion the procedures and requirements that have been established for voting on the Plan. Those procedures and requirements establish, among other things, the place to send completed ballots, in the form approved by the Bankruptcy Court in the Voting Procedures Order, used in voting on the Plan (a "Ballot"), together with the deadline for returning completed Ballots for voting on the Plan and the deadline for objecting to the Plan. The Voting Procedures Order, the Voting Procedures, the notice of the Confirmation Hearing, and the instructions attached to your Ballot should be read in connection with this section of this Disclosure Statement as they set forth these procedures and deadlines in detail. If you are a holder of a Claim or Equity Interest who is entitled to vote on the Plan and did not receive a ballot, received a damaged Ballot or lost your Ballot, please call the Voting Agent, The Garden City Group, Inc. at (888) 212-5571, or visit the Federal-Mogul reorganization website at <http://www.fmoplan.com>.

If you are entitled to vote on the Plan, a form of Ballot appropriate for your Claim has been included in the Solicitation Package with this Disclosure Statement. If you are entitled to vote on the Plan for one of the U.K. Debtors, your Ballot also affords you the opportunity to determine whether to direct the Administrators to summon meetings of creditors pursuant to Section 17(3) of the IA 1986 for the purposes of considering and voting on the following resolutions:(the "Resolutions"):

- that the Administrators propose Schemes of Arrangement and/or Voluntary Arrangements substantially similar to the forms attached to the Disclosure Statement and take all necessary steps to summon meetings of creditors and members to consider and vote on such Schemes of Arrangement and/or Voluntary Arrangements; or apply to the U.K. Court for discharge of the U.K. administration orders and give the Plan Proponents fourteen (14) days' notice of such application; and
- that the expenses of summoning and holding any such meetings of creditors are to be payable out of the estates of the U.K. Debtors as an expense of the administration proceedings.

In addition, the holders of Claims against the U.K. Debtors will also vote on whether to appoint Joseph F. Rice or, in the alternative, Steven Kazan, to be the agent and proxy holder of such holders of Claims at the meetings of creditors or at any adjournment of those meetings to vote in favor of the Resolutions or any modifications with respect thereto that the agent and proxy holder deems appropriate. The Plan Proponents shall also be authorized, as agents of the holders of Claims voting in favor of making the demand set forth above, to take all steps that the Plan Proponents consider necessary or desirable in order to facilitate the Consensual Marketing Procedures, including, without limitation, issuing proceedings and/or making applications to the U.K. Court.

Holders of Claims against the U.K. Debtors that vote to accept the Plan will also vote in favor of summoning meetings of creditors of the U.K. Debtors, the Resolutions, and the other matters set forth above. Holders of Claims against the U.K. Debtors that vote to reject the Plan will also vote against summoning meetings of creditors of the U.K. Debtors, the Resolutions, and the other matters set forth above.

The Plan Proponents have prepared, and the Bankruptcy Court has approved, detailed procedures governing the solicitation and return of Ballots (the "Voting Procedures"). You should refer to the Voting Procedures sent with this Disclosure Statement to determine precisely those procedures that apply with respect to the return of your Ballot.

A. Voting Deadline.

TO BE CONSIDERED FOR PURPOSES OF ACCEPTING OR REJECTING THE PLAN, ALL BALLOTS MUST BE RECEIVED BY THE VOTING AGENT NO LATER THAN THE VOTING DEADLINE OF 4:00 P.M. PREVAILING EASTERN TIME (9:00 P.M. LONDON TIME) ON ____ __, 2004 (THE "VOTING)

DEADLINE”). ONLY THOSE BALLOTS ACTUALLY RECEIVED BY THE VOTING AGENT BEFORE THE VOTING DEADLINE WILL BE COUNTED AS EITHER ACCEPTING OR REJECTING THE PLAN.

B. Holders of Claims and Equity 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), (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 and (d) 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.

Holders of claims and equity interests in impaired classes are generally entitled to vote to accept or reject a plan. However, if the holder of an impaired claim or equity interest will not receive any distribution under the plan in respect of such claim or equity interest, the Bankruptcy Code deems such holder to have rejected the plan and provides that the holder of such claim or equity interest is not entitled to vote. If the claim or equity interest is not impaired, the Bankruptcy Code conclusively presumes that the holder of such claim or equity interest has accepted the plan and provides that the holder is not entitled to vote.

Exhibit B to this Disclosure Statement sets forth those Classes of Claims and Equity Interests that are not impaired by the Plan. Holders of Claims and Equity Interests in such Classes are accordingly not entitled to vote on the Plan. Exhibit C to this Disclosure Statement sets forth those Classes of Claims and Equity Interests that are impaired by the Plan. Holders of Claims and Equity Interests in such Classes are entitled to vote on the Plan in all cases save the holders of Claims in Class 2N (Subordinated Securities Claims against FMPRI) and Equity Interests in Class 2P (Equity Interests in FMPRI), which Claims and Equity Interests are to receive no distributions under the Plan and accordingly are conclusively presumed to reject the Plan.

If the Debtors have objected to a Claim prior to _____, 2004, the holder of such Claim will not be entitled to vote on the Plan on account of such Claim, unless such holder files a motion to have such Claim temporarily Allowed for voting purposes on or before _____, 2004.

C. Vote Required for Acceptance by a Class.

1. Class of Claims.

A Class of Claims shall have accepted the Plan if it is accepted by at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Allowed Claims in such Class that have voted on the Plan in accordance with the Approval and Procedures Order.

2. Class of Equity Interests.

A Class of Interests shall have accepted the Plan if it is accepted by at least two-thirds (2/3) in amount of the Allowed Interests in such Class that have voted on the Plan in accordance with the Approval and Procedures Order.

3. Class of Asbestos Personal Injury Claims.

Pursuant to Section 524(g)(2)(B)(ii)(IV)(bb) of the Bankruptcy Code a Class of Asbestos Personal Injury Claims shall have accepted the Plan only if the holders of at least 75 percent of the Allowed Claims actually voting in such Classes have voted to accept the Plan in accordance with the Approval and Procedures Order.

D. Voting Procedures.

1. Ballots.

All votes to accept or reject the Plan with respect to any Class of Claims or Equity Interests must be cast by properly submitting the duly completed and executed form of Ballot designated for such Class. Holders of impaired Claims and Equity Interests voting on the Plan should complete and sign the Ballot in accordance with the instructions thereon, being sure to check the appropriate box entitled "Accept the Plan" or "Reject the Plan." For holders of Claims against the U.K. Debtors, the Ballots will also be used to vote in favor of directing the Administrators to hold a meeting of creditors within the time specified by the IR 1986 and to grant a proxy in favor of the Resolutions to be proposed at that meeting.

Holders of Claims against the U.K. Debtors must vote in favor of the Plan and the Resolutions or against the Plan and the Resolutions, and may not split their vote. All holders of Claims and Equity Interests must vote the full amount of their Claims or Equity Interests to accept or reject the Plan, and may not split their vote in amount.

Ballots must be delivered to the Voting Agent, at its address set forth above, and received by the Voting Deadline. **THE METHOD OF SUCH DELIVERY IS AT THE ELECTION AND RISK OF THE VOTER.** If such delivery is by mail, 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.

In most cases, each Ballot enclosed with this Disclosure Statement has been encoded with the amount of the Allowed Claim for voting purposes (if the Claim is a contested Claim, this amount may not be the amount ultimately allowed for purposes of Distribution) and the Class into which the Claim has been placed under the Plan.

If you are entitled to vote and you did not receive a Ballot, received a damaged Ballot or lost your Ballot, please contact the Voting Agent in the manner set forth in this Disclosure Statement.

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 Voting Procedures Order also sets forth assumptions and procedures for tabulating ballots that are not completed fully or correctly.

2. Withdrawal or Change of Votes on the Plan.

A Ballot may be withdrawn by delivering a written notice of withdrawal to the Voting Agent, so that the Voting Agent receives the notice prior to the voting deadline. Thereafter, withdrawal may be effected only with the approval of the Bankruptcy Court.

In order to be valid, a notice of withdrawal must (a) specify the name of the holder who submitted the ballot to be withdrawn, (b) contain a description of the Claim(s) or Equity Interest(s) to which it relates and (c) be signed by the holder in the same manner as on the ballot. The Plan Proponents expressly reserve the right to contest the validity of any such withdrawals of votes on the Plan.

Any holder who has submitted to the Voting Agent prior to the voting deadline a properly completed Ballot may change its vote by submitting to the Voting 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 or Equity Interest, 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 Agent determines was the last to be received.

X.

CONFIRMATION OF THE PLAN

Under the Bankruptcy Code, the following steps must be taken to confirm the Plan.

A. Confirmation Hearing.

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of a plan. By order of the Bankruptcy Court, the Confirmation Hearing has been scheduled for _____, 2004, at _____ (prevailing Eastern Time), at the Clarkson S. Fisher U.S. Courthouse, 402 East State Street, Courtroom 4, Trenton, New Jersey 08608. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement made at the Confirmation Hearing or any adjournment thereof.

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 be in writing, conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court, set forth the name of the objector, the nature and amount of the Claim or Interest held or asserted by the objector against the Debtors' estates or property, the basis for the objection and the specific grounds therefor. The objection, together with proof of service thereof, must then be filed with the Bankruptcy Court, with a copy to chambers, and served upon Bankruptcy Counsel to the Debtors so as to be received no later than 4:00 p.m. (prevailing Eastern Time), on _____, 2004.

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. Requirements for Confirmation of the Plan.

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 Equity 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 Equity Interests impaired under the Plan.

1. Acceptance.

Claims and Equity Interests set forth in Exhibit C of this Disclosure Statement 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. There are impaired Classes of Claims and Equity Interests with respect to each of the Debtors. As stated above, impaired Classes of Claims and Equity Interests 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 or Equity Interests (as applicable) 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.

Except for Class 2N Subordinated Securities Claims and Class 2P Equity Interests, the Claims and Equity Interests set forth in Exhibit C of this Disclosure Statement are impaired under, and the holders of such Claims and Equity Interests are entitled to vote on, the Plan. The holders of Claims and Equity Interests set forth on Exhibit C (except Classes 2N and 2P) must therefore 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, Classes of Claims and Equity Interests will have accepted the Plan if the Plan is accepted by at least two-thirds in amount of the Allowed Interests in such Class (other than the votes of any holders of Equity Interests designated under Section 1126(e) of the Bankruptcy Code) that have voted to accept or reject the Plan.

Classes 2N (Subordinated Securities Claims against Federal-Mogul Piston Rings, Inc.) and 2P (Equity Interests in Federal-Mogul Piston Rings, Inc.) are impaired and the holders of such Claims and Equity Interests (as applicable) will not receive or retain any property under the Plan. Accordingly, Classes 2N and 2P are deemed not to have accepted the Plan and confirmation of the Plan will require application of the "fair and equitable test," described below, to Classes 2N and 2P.

2. Fair and Equitable Test.

The Plan Proponents will seek to confirm the Plan notwithstanding the non-acceptance or deemed non-acceptance of the Plan by any impaired Class of Claims or Equity Interests. To obtain such confirmation, it must be demonstrated that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to 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 Plan Proponents 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 Claims.

Either the plan must provide (i) that the holders of such claims retain the liens securing such claims, whether the property subject to such liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims, and each holder of a claim receives deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the plan, of at least the value of such holder's interest in the estate's interest in such property; (ii) for the sale of any property that is subject to the liens securing such claims, free and clear of such liens, with such liens to attach to the proceeds of such sale; or (iii) for the realization by such holders of the indubitable equivalent of such claims.

b. Unsecured Claims.

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 interests that are junior to the claims of the dissenting class will not receive any property under the plan.

c. Equity Interests.

Either (i) each interest holder will receive or retain under the plan property of a value equal to the greater of (x) the fixed liquidation preference or redemption price, if any, of such stock or (y) the value of the stock or (ii) the holders of interests that are junior to that interest holder will not receive 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.

The Bankruptcy Code also requires as a condition to confirmation of a plan of reorganization that the confirmation of the plan is not likely to be followed by liquidation or the need for further financial reorganization of the debtor. For purposes of determining whether the Plan meets this requirement, the financial advisors of each of the Plan Proponents have analyzed the Debtors' ability to meet their obligations under the Plan. As part of that analysis, Federal-Mogul Corporation has prepared consolidated projected financial results for each of the years

ending December 31, 2004 through 2007. These financial projections, and the assumptions on which they are based, are included in the Projections annexed hereto as Exhibit G. Based upon the Projections, the Plan Proponents 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 Plan Proponents also believe that Reorganized Federal-Mogul Corporation will be able to repay or refinance any and all of the indebtedness under the Plan at or prior to the maturity of such indebtedness.

The Projections consist of the following:

- Projected Consolidated Balance Sheets of Reorganized Federal-Mogul as of December 31, 2004 (which reflects the projected accounting effects of consummation of the Plan and the application of "fresh start" accounting principles) and at December 31 for each of the years from 2005 through 2007.
- Projected Consolidated Statements of Income of Reorganized Federal-Mogul for each of the years ending December 31, 2004 through 2007.
- Projected Consolidated Statements of Cash Flow of Reorganized Federal-Mogul for each of the years ending December 31, 2004 through 2007.

The Projections are based upon the assumption that the Plan will be confirmed, and for projection purposes, that the Effective Date and the initial distributions take place as of December 31, 2004. Although the Projections are based upon a December 2004 Effective Date, the Plan Proponents believe that an actual Effective Date as late as January 31, 2005 would not have any material adverse effect on the Projections.

Federal-Mogul Corporation has prepared the Projections based upon certain assumptions that it believes to be reasonable under the current circumstances. Those assumptions considered to be significant are described in the notes which 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 and Interests that are entitled to vote to accept to 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 Plan Proponents believe that under the Plan, holders of impaired Claims and impaired Equity 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 set forth below demonstrates that the Plan satisfies the requirements of the "Best Interests Test."

To estimate potential returns to holders of Claims and Equity 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 Equity Interests based on their relative priority as set forth in the Bankruptcy Code. The Debtors considered many factors and data and have assumed that the liquidation of all assets would be conducted in an orderly manner and, as such, the bids received for the Debtors' significant assets would be, at most, materially no different from the bids that the Debtors have received from sales and inquiries in recent months. The liquidation proceeds available for distribution to holders of Claims against and Equity Interests in the Debtors would consist of the net proceeds from the disposition of the Debtors' assets, augmented by any other cash that the Debtors held and

generated during the assumed holding period stated in the Plan and after deducting the incremental expenses of operating the business pending disposition.

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 the unpaid Administrative Claims;
- fourth, to Priority Tax Claims and other Claims entitled to priority in payment under the Bankruptcy Code;
- fifth, to Unsecured Claims; and
- sixth, to Equity 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 Claims that are allowed in the Chapter 7 case. The liquidation itself might trigger certain Priority Claims, such as Claims for severance pay, 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 Claims, and before the balance would be made available to pay Unsecured Claims or to make any distribution in respect of Equity Interests.

The following Chapter 7 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. 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 Value of the Debtors.

A liquidation analysis prepared with respect to each of the 49 non-dormant Debtors is attached to this Disclosure Statement as Exhibit J (the "Liquidation Analysis"). This 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 BELOW. 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 ESTATE 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' balance sheets as of December 31, 2003, and assumes that the actual December 31, 2003 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 nine (9) 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 nine months to accomplish, other assets would be more difficult to collect or sell and hence would require a liquidation period substantially longer than nine months. Accordingly, the Debtors believe that one (1) year's worth of carrying costs for tangible assets is a reasonable estimate of the liquidation costs associated with holding such assets, and have used this assumption for purposes of fashioning the Liquidation Analysis.

As set forth in detail on the attached Liquidation Analysis at Exhibit J, the Plan Proponents believe that the Plan will produce a greater recovery for the holders of Claims and Equity Interests than would be achieved in a Chapter 7 liquidation. Consequently, the Plan Proponents 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 Equity Interests than would a Chapter 7 liquidation. Indeed, and as set forth in Exhibit J, the Plan Proponents believe that holders of Equity Interests in the Debtors could receive no distributions at all under a hypothetical Chapter 7 liquidation.

XI.

PROJECTED FINANCIAL INFORMATION AND REORGANIZATION VALUE

A. Projected Financial Information.

The Debtors have prepared certain consolidated projected financial results, which are attached to this Disclosure Statement as Exhibit G. The Projections include (A) a pro-forma reorganized balance sheet as of December 31, 2004, including estimated reorganization and fresh-start adjustments; (B) projected balance sheets as of December 31, 2005, 2006 and 2007; (C) projected income statements for the fiscal years ending December 31, 2004, 2005, 2006, and 2007; and (D) projected statements of cash flows for the fiscal years ending December 31, 2004, 2005, 2006 and 2007.

The Debtors prepared the Projections based upon, among other things, the anticipated future financial condition and results of operations of Reorganized Federal-Mogul. The Debtors do not generally publish their business plans and strategies or make external projections of their anticipated financial position or results of operations. Accordingly, after the Effective Date, Reorganized Federal-Mogul does not intend to update or otherwise revise the Projections to reflect circumstances existing since their preparation in March 2004 or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error. Furthermore, Reorganized Federal-Mogul does not intend to update or revise the Projections to reflect changes in general economic or industry conditions. However, Reorganized Federal-Mogul's regular quarterly and annual financial statements, and the accompanying discussion and analysis, contained in Reorganized Federal-Mogul's Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K, will contain disclosure concerning Reorganized Federal-Mogul's actual financial condition and results of operations during the periods covered by these reports.

THE PROJECTIONS ATTACHED TO THIS DISCLOSURE STATEMENT AS EXHIBIT G WERE NOT PREPARED TO COMPLY WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS. THE COMPANY'S 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 COMPANY DOES NOT PUBLISH PROJECTIONS OF ITS ANTICIPATED FINANCIAL POSITION OR RESULTS OF OPERATIONS. THE COMPANY DOES 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 COMPANY BELIEVES THAT THE PROJECTIONS ARE BASED ON ESTIMATES AND ASSUMPTIONS THAT ARE REASONABLE. THE ESTIMATES AND ASSUMPTIONS MAY NOT BE REALIZED, HOWEVER, AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE COMPANY'S CONTROL. NO REPRESENTATIONS CAN BE OR ARE MADE AS TO WHETHER THE ACTUAL RESULTS WILL BE WITHIN THE RANGE SET FORTH IN ITS PROJECTIONS. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE, AND EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE PROJECTIONS WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED, OR MAY BE UNANTICIPATED, AND THEREFORE 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 SECTION VIII, "CERTAIN FACTORS TO BE CONSIDERED."

B. Reorganization Value.

Jefferies & Company, Inc. ("Jefferies"), the financial advisor to the Unsecured Creditors Committee, performed an analysis with respect to the reorganization value of Reorganized Federal-Mogul on a going concern basis. The purpose of the reorganization value analysis was to determine the value available to distribute to holders of Claims and Interests pursuant to the Plan and to analyze the relative recoveries to holders of Claims and Interests thereunder. This analysis was based on the Debtors' financial projections, as well as current market conditions and statistics. The values are as of an assumed Effective Date of December 31, 2004, and are based upon information available to and analyses undertaken by Jefferies through May 6, 2004. All Plan Proponents believe that Jefferies' analysis is reasonable and appropriate.

The reorganization value of Reorganized Federal-Mogul was assumed for the purposes of the Plan, based on the analysis by Jefferies, to be between approximately \$4.0 billion to \$4.4 billion.

In performing its analysis, Jefferies used discounted cash flow, comparable companies trading multiples and comparable transaction multiples methodologies to arrive at the reorganization value of the Debtors' business. The valuation techniques used by Jefferies reflect both a market-based view of the Debtors' business plan and operations, as well as a longer-term focus on the intrinsic value of the cash flow projections in the Debtors' business plan. The discount rates used by Jefferies in its discounted cash flow analysis were based on general capital market conditions and the public market valuation and financial performance of selected companies deemed generally comparable to the Debtors' operating businesses. In selecting such comparable companies, Jefferies considered factors such as the focus of the comparable companies' businesses as well as such companies' current operating performance relative to the Debtors. Given Federal-Mogul's distinctive product and market segment mix, Jefferies believes that there is no single publicly traded company that is purely comparable to Federal-Mogul.

The foregoing valuations are based on a number of measured assumptions, including a successful reorganization of the Debtors' business and finances in a timely manner, the achievement of the forecasts reflected in the financial projections, the availability of certain tax attributes, the outcome of certain expectations regarding market conditions, and the Plan becoming effective in accordance with its terms. The estimates of value represent hypothetical reorganization values of the Reorganized Debtors as the continuing operator of their business and assets, and do not purport to reflect or constitute appraisals, liquidation values or estimates of the actual market value that may be realized through the sale of any securities to be issued pursuant to the Plan, which may be

significantly different than the amounts set forth herein. The value of an operating business such as the Debtors' business is subject to uncertainties and contingencies that are difficult to predict, and will fluctuate with changes in factors affecting the financial condition and prospects of such a business.

In preparing a range of the estimated reorganization value of Reorganized Federal-Mogul and the reorganization value of the Debtors' business, Jefferies: (i) reviewed certain historical financial information of the Debtors for recent years and interim periods; (ii) reviewed certain internal financial and operating data of the Debtors, including financial and operational projections developed by management relating to its business and prospects; (iii) met with certain members of senior management of the Debtors to discuss operations and future prospects; (iv) reviewed publicly available financial data and considered the market values of public companies deemed generally comparable to the operating business of the Debtors; (v) considered relevant precedent transactions in the automotive and vehicle parts industry, (vi) considered certain economic and industry information relevant to the operating business; and (vii) conducted such other analyses as Jefferies deemed appropriate. Although Jefferies conducted a review and analysis of the Debtors' business, operating assets and liabilities and business plan, Jefferies assumed and relied on the accuracy and completeness of all financial and other information furnished to it by the Debtors as well as that of all publicly available information which Jefferies accessed regarding the Debtors. Jefferies' valuation assumes that operating results projected by the Debtors will be achieved in all material respects. To the extent that the valuation is dependent upon the Debtors' achievement of the Business Plan, the valuation must be considered speculative. It should be understood that, although subsequent developments may affect Jefferies' conclusions, Jefferies does not have any obligation to update, revise or reaffirm its estimates.

The summary set forth above does not purport to be a complete description of the analyses performed by Jefferies. The preparation of an estimate involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods in the particular circumstances and, therefore, such an estimate is not readily susceptible to summary description. In performing their analyses, Jefferies made numerous assumptions with respect to industry performance, business and economic conditions and other matters. In addition, the Debtors also made numerous assumptions with respect to industry performance, business and economic conditions, and other matters. The analyses performed by Jefferies are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses.

At least fourteen (14) business days prior to the Voting Deadline, the Plan Proponents shall file with the Court a valuation report in support of the valuation set forth in this subsection.

XII.

ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not confirmed, the alternatives include (a) continuation of the Reorganization 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. In addition, it is possible that whether or not the Plan is confirmed, the United States Congress might pass legislation that would materially affect the manner in which the Debtors' asbestos-related liabilities in the United States are treated. Each of these possibilities is discussed in turn below.

A. Continuation of the Reorganization 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, operating financing and the eroding confidence of their customers and trade vendors, if the Debtors remained in Chapter 11. It is highly unlikely that the Debtors would be able to find alternative bank financing if the DIP Facility were terminated. 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 7 or Chapter 11.

If the Plan is not confirmed, the Debtors' Reorganization 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 Equity Interests under a Chapter 11 liquidation plan probably would be delayed substantially.

C. Pending Asbestos-Related Legislation before the U.S. Congress

Since April 2003, the U.S. Congress has actively considered legislation to reform the tort system with respect to claims arising from exposure to asbestos in the United States. The leading legislative vehicle under consideration in 2003 was S. 1125, the "Fairness in Asbestos Injury Resolution Act of 2003" ("S. 1125" or the "FAIR Act"), which was introduced in the Senate on May 22, 2003 and approved by the Senate Judiciary Committee on July 10, 2003. The principal focus of the FAIR Act is to replace the existing state and federal tort systems as means of compensating asbestos-related personal injury claimants with a no-fault mandatory federal compensation scheme. The FAIR Act envisions the creation of an Office of Asbestos Injury Claims Resolution to administer an Asbestos Injury Claims Resolution Fund (the "Fund") and make payments from the Fund to claimants who are determined to be eligible for compensation. Under the proposed legislation, claimants would not be required to trace exposure to a specific, responsible defendant. Instead, compensation would be based on eligibility categories defined by diagnostic, medical, exposure and latency criteria. The Fund would be funded by annual, mandatory contributions from asbestos-defendant companies and insurance companies over a 27-year period. Payments that would be due from the Debtors under the S. 1125 would be substantial; namely, in excess of \$1.5 - \$2.2 billion (depending on whether certain "step-downs" provided in S. 1125 occur), with more than \$415 million of that amount payable during the first five (5) years after the S. 1125's passage.

The FAIR Act, if approved, would also prohibit defendant companies from discharging their asbestos liabilities pursuant to Section 524(g) of the Bankruptcy Code, as envisioned by the Plan. In other words, companies that had been named as defendants in asbestos-related litigation that had not confirmed a chapter 11 plan containing an injunction pursuant to Section 524(g) of the Bankruptcy Code (or a similar injunction) as of the effective date of the FAIR Act would only be able to resolve their asbestos-related liabilities through contributions to the Fund in the amounts specified in the FAIR Act.

Following the Senate's failure to approve the S. 1125 during 2003, Senate-sponsored negotiations with stakeholders from insurance, business and organized labor were initiated in 2004. On April 7, 2004, a new version of the FAIR Act -- S. 2290, the "Fairness in Asbestos Injury Resolution Act of 2004" -- was introduced in the Senate. The principal modification in S. 2290 of concern to the Debtors is an increased payment allocation for asbestos-defendant companies, with over \$2.2 billion due from the Debtors over the projected 27-year life of the Fund. A failed effort to end a filibuster on April 22, 2004, prevented Senate consideration of S. 2290 and, on May

6, 2004, negotiations between stakeholders mediated by Chief Judge Emeritus Edward Becker of the 3rd Circuit Court of Appeals were terminated.

There is significant uncertainty as to whether or not the S. 2290 will become law, either in 2004 or thereafter. There is also significant uncertainty as to whether any version of the FAIR Act that may ultimately be enacted will contain all of the material provisions outlined above that are in S. 2290.

The Plan Proponents believe that the Plan provides a superior and more comprehensive resolution of the Debtors' asbestos-related liabilities than the FAIR Act. Indeed, the Plan Proponents all believe that the FAIR Act, in its current form, would have a significant negative impact on the Debtors if it were to become law. Among other things, the FAIR Act would not address asbestos claims asserted against the Debtors outside of the United States. Such foreign claims (i.e., claims asserted in the United Kingdom against Debtor T&N Limited and its subsidiaries and affiliates) are, as noted elsewhere in this Disclosure Statement, a significant source of the Debtors' asbestos-related liabilities. The FAIR Act, moreover, may also jeopardize certain insurance assets of the Debtors that may otherwise be available to satisfy asbestos-related claims that may be asserted against them outside of the United States.

In sum, the FAIR Act, if approved in its current form, would require the Debtors to make substantial contributions to the Fund, yet would not relieve the Debtors of all of their asbestos-related liabilities. The Plan, in contrast, has been carefully designed both to address the Debtors' significant non-U.S. asbestos personal injury liabilities and to ensure that the Debtors, or the Trust, are able to gain the maximum available benefit from applicable insurance assets. Moreover, as set forth above, it is impossible to predict what action, if any, Congress will ultimately take with respect to the FAIR Act. For all of these reasons, the Plan Proponents do not believe that the possible approval by Congress of the FAIR Act or similar asbestos-related legislation at some point in the future is a reason to either modify the Plan or to delay seeking approval of the Plan.

XIII.

CERTAIN TAX CONSEQUENCES OF THE PLAN

The following discussion is a summary of certain tax consequences of the Plan to the Debtors and to U.S. holders of Claims and Equity Interests. With respect to any U.S. federal income tax consequences described below, this discussion is based on the Internal Revenue Code of 1986, as amended (the "IRC"), Treasury Regulations promulgated and proposed thereunder (the "Treasury Regulations"), judicial decisions, and published administrative rules and pronouncements of the Internal Revenue Service (the "IRS") as in effect on the date hereof. With respect to any U.K. tax consequences described below, the discussion is based on U.K. tax law as applied by the English courts at the date hereof and the generally published practice of the U.K. Inland Revenue and HM Customs & Excise applying as at the date hereof. This discussion is subject to significant uncertainties because of the complexity of certain aspects of the Plan, the lack of legal precedents for many of the tax issues described below, the possibility of changes in the law, the potential for disputes with taxing authorities as to certain legal and factual matters, and the fact that many substantial tax consequences of the Plan depend upon facts which will not be known until after the Effective Date of the Plan. In addition, the tax consequences described below may or may not reflect the position taken by the Debtors on any tax return. No legal opinions have been requested from counsel with respect to any of the tax aspects of the Plan and (except as indicated below) no rulings have been or will be requested from the taxing authorities with respect to any of the issues discussed below. Furthermore, legislative, judicial or administrative changes may occur, perhaps with retroactive effect, that could affect the accuracy of the statements and conclusions set forth below as well as the tax consequences to the Debtors and the holders of Claims and Equity Interests.

This discussion does not purport to address all aspects of tax that may be relevant to the Debtors or the U.S. holders of Claims or Equity Interests in light of their personal circumstances, nor does the discussion address tax consequences for taxpayers subject to special treatment under the U.S. federal income tax laws and/or U.K. tax rules (including, for example, banks, governmental authorities or agencies, pass-through entities, brokers and dealers in securities who elect to apply a mark-to-market method of accounting, insurance companies, financial institutions, tax-exempt organizations, small business investment companies, regulated investment companies, foreign taxpayers,

and persons who hold Claims as part of a "straddle," a "hedge against currency risk" or a "conversion transaction"). Except as expressly set forth below, no aspect of foreign, state, local or estate and gift taxation is addressed. Finally, this discussion includes certain financial data and estimates that are based on preliminary information that is subject to further review. No assurance can be given that actual results will not differ materially.

THE FOLLOWING SUMMARY IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE PERSONAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR EQUITY INTEREST. EACH HOLDER OF A CLAIM OR EQUITY INTEREST IS URGED TO CONSULT WITH SUCH HOLDER'S TAX ADVISORS CONCERNING THE U.S. FEDERAL, U.K., STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES OF THE PLAN.

A. U.S. Federal Income Tax Considerations of the Debtors.

1. Cancellation of Indebtedness.

a. General Rules.

In general, a taxpayer must include in gross income the amount by which indebtedness discharged exceeds any consideration (i.e., the amount of cash or the fair market value of property including stock of the taxpayer) given in exchange for such discharge ("COD Income"). IRC Section 108 provides two relevant exceptions to this general rule: first, COD Income from the cancellation of indebtedness is not included in gross income to the extent the payment of such indebtedness would have given rise to a deduction (the "Deductible Payment Exception") and second, any COD Income realized may be excluded from gross income if the cancellation occurs in a case under the Bankruptcy Code (except with respect to certain discharged intercompany debt which is described below), but only if the taxpayer is under the jurisdiction of a bankruptcy court and the cancellation is granted by the court or is pursuant to a plan approved by the court (the "Bankruptcy Exception").

Any COD Income excluded from gross income under the Bankruptcy Exception must be applied to reduce certain tax attributes of the taxpayer in the following order: any net operating loss ("NOL") for the taxable year of the discharge and any NOL carryover to such taxable year, general business credit carryovers to or from the taxable year of discharge, minimum tax credits available as of the beginning of the first tax year following the year of discharge, any net capital loss for the taxable year of discharge and any capital loss carryover to such year, the tax basis of assets, and any foreign tax credit carryovers to or from the taxable year of discharge. General business credit carryovers, minimum tax credits, and foreign tax credit carryovers to or from the taxable year of discharge are reduced 33-1/3 cents for each dollar of excluded COD Income. The tax basis of the taxpayer's assets is reduced subject to ordering rules provided in the applicable Treasury Regulations. Generally, the reduction in the tax basis of assets cannot exceed the excess of the total tax bases of the taxpayer's property held immediately after the debt discharge over the total liabilities of the taxpayer immediately after the discharge (the "Floor Rule"). The Floor Rule does not apply if an election is made to reduce the tax basis of depreciable assets before reducing NOLs. While the application of the attribute reduction rules remains under study, Federal-Mogul does not currently anticipate making this election.

In the case of a group of corporations filing a consolidated U.S. federal income tax return, such as Federal-Mogul and its U.S. subsidiaries, recently issued temporary regulations (the "Consolidated Attribute Reduction Regulations") require the tax attributes attributable to the debtor member of the consolidated group to be reduced as described above. If the debtor member's basis in the stock of a lower-tier member of the group is reduced, the lower-tier member is required to reduce its tax attributes as provided in the Consolidated Attribute Reduction Regulations. Any COD Income remaining is then applied to reduce certain consolidated tax attributes of the group, including NOLs.

As described in XIII(A)(4) below, IRC Section 382 applies to attributes of the Debtors, even after they are reduced under IRC Section 108. IRC Section 382 may further limit utilization of the Debtors' attributes.

b. Application to the Plan.

**(1) Other Secured Claims, On-Site Environmental Claims
Against U.S. Debtors, Employee Benefit Claims Against U.S. Debtors, and Bonded Claims.**

Under the Plan, Other Secured Claims, On-Site Environmental Claims against U.S. Debtors, Employee Benefit Claims against U.S. Debtors, and Bonded Claims will not be Impaired and therefore the Debtors should recognize no COD Income with respect to these Claims (except to the extent that interest previously accrued and deducted by the Debtors is not required to be paid).

(2) Secured Surety Claims and Asbestos Personal Injury Claims

The Debtors' satisfaction of the Asbestos Personal Injury Claims generally should not give rise to COD Income because payment of such Claims generally would have given rise to a deduction to the Debtors under the Deductible Payment Exception.

The portion of the Surety Claims, if any, that is determined as a result of the CCR Litigation, the Avoidance Litigation and/or the Valuation Proceedings to constitute Allowed Secured Surety Claims will receive Secured Surety Notes and Junior Secured Surety PIK Notes with principal amounts, collectively, equal to the Allowed Secured Surety Claims. The Surety Claims arose under an indemnity contract between the Sureties and certain Debtors to fund the payment of certain asbestos-related claims, none (or a small fraction, if any) of which have been paid to date. The Debtors' satisfaction of the Surety Claims generally should not give rise to COD Income under the Deductible Payment Exception because the Surety Claims are based upon, arose under, or are attributable to, asbestos personal injuries.

**(3) Affiliate Claims Against U.S. Debtors and Affiliate Claims
Against U.K. Debtors**

Certain Affiliate Claims against U.S. Debtors may be discharged under the Plan. Under applicable Treasury Regulations involving debt instruments of consolidated group members, the U.S. Debtors should recognize ordinary income on the discharge of Affiliate Claims against U.S. Debtors held by members of the Federal-Mogul U.S. consolidated group without the relief normally afforded by IRC Section 108, while the U.S. creditor Affiliate should recognize a matching ordinary loss at the same time, resulting in offsetting income and loss in the U.S. consolidated tax return. The discharge of Affiliate Claims Against U.S. Debtors between a U.S. Debtor as the borrower and a lower tier foreign Affiliate as the creditor may result in either (i) COD Income to the U.S. Debtor that is excluded from income but that requires a reduction in tax attributes; or (ii) a distribution that is includable in the U.S. Debtor's income as a dividend out of earnings and profits to the extent such earnings exist, but that would not result in attribute reduction to the extent not so included in the U.S. Debtor's income. The discharge of Affiliate Claims against U.K. Debtors in which the creditor is a U.S. Debtor may give rise to a loss to the U.S. Debtor.

Under the Plan, certain Affiliate Claims against U.S. Debtors may be subordinated in legal right and priority to non-Affiliate Claims against U.S. Debtors, while under the Subordination Deed, certain Affiliate Claims and Interests against U.K. Debtors may be subordinated in legal right and priority to non-Affiliate Claims against U.K. Debtors. Under Treasury Regulations, the modification of a debt instrument, if it is significant, will result in an exchange of the old debt instrument for a new debt instrument for U.S. federal income tax purposes such that gain or loss is realized in the same manner as any other taxable exchange of property. The subordination of a debt instrument will be considered significant if it results in a change in payment expectations. Presently, Federal-Mogul does not expect that the subordination of such Claims under the terms of the Subordination Deed or upon Confirmation of the Plan will result in a change in payment expectations. Accordingly, the holders of such Claims whose interests are subordinated should recognize no gain or loss with respect to the subordination of their Claims and should have the same adjusted tax basis and holding period in such Claims as immediately before the subordination, and should also continue to report interest in the same manner as before.

**(4) Bank Claims, Noteholder Claims, Unsecured Claims Against
U.S. Debtors, Convertible Subordinated Debenture Claims, and Subordinated Securities Claims**

The Debtors are likely to incur COD Income as a result of the discharge or partial satisfaction of the Bank Claims, Noteholder Claims, Unsecured Claims against U.S. Debtors, Convertible Subordinated Debenture Claims, and Subordinated Securities Claims.

c. Tax Consequences to the Debtors.

(1) U.S. Tax Consequences to the Debtors.

As a result of the foregoing, the Federal-Mogul U.S. consolidated group believes that, upon Confirmation of the Plan, it will realize COD Income of approximately \$2.1 billion for U.S. federal income tax purposes, assuming the Reorganized Federal-Mogul Common Stock is valued consistently with the valuation assumption utilized in Section XI.B of this Disclosure Statement. Uncertainty may exist in determining the fair market value of the Reorganized Federal-Mogul Common Stock because, although value is often based on the mean price between the high and low trading price on a given date, in certain circumstances trading value is not a true reflection of actual value. It is anticipated that the Reorganized Federal-Mogul Common Stock will be publicly traded as of the Effective Date (or as soon as administratively practical after the Effective Date), but more than 50% of such stock will be subject to the Lockup Agreement. Accordingly, the value of the Reorganized Federal-Mogul Common Stock for purposes of determining the amount of COD Income realized may be more or less than the value obtained using the valuation assumption utilized in Section XI.B of this Disclosure Statement. Pursuant to the Bankruptcy Exception, this COD Income will not be recognized, but the Debtor that realizes the COD Income will have to reduce its tax attributes after calculating the tax for the taxable year of discharge.

It is expected that most of the COD Income will be attributable to Federal-Mogul. As described more fully below, it is anticipated that the COD Income that Federal-Mogul will realize will exceed significantly the consolidated NOL belonging to the Federal-Mogul U.S. consolidated group. Under the Consolidated Attribute Reduction Regulations described in (A)(1)(a) of this Article, above, Federal-Mogul will first reduce its tax attributes starting with consolidated NOLs attributable to Federal-Mogul. Any COD Income in excess of the amount of NOLs attributable to Federal-Mogul will then be applied primarily against its tax basis in assets. It is expected that a significant portion of this reduction in tax basis will be with respect to Federal-Mogul's non-depreciable assets, such as stock in subsidiary corporations. As provided in the Consolidated Attribute Reduction Regulations, a basis reduction in the stock of a U.S. subsidiary corporation will require such subsidiary corporation to reduce its tax attributes in the amount by which the parent corporation reduced its stock basis in that subsidiary corporation, subject to certain limitations. Any COD Income remaining after Federal-Mogul and other U.S. Debtors who recognize COD Income have reduced their tax attributes will then reduce certain consolidated tax attributes (such as NOLs) attributable to other members of Federal-Mogul's U.S. consolidated group. Presently, Federal-Mogul does not expect to make the election described in Section XIII(A)(1)(a) above to reduce the tax bases of depreciable property first before reducing NOLs. As a result of the application of these rules, it is expected that any NOLs of the Federal-Mogul U.S. consolidated group that are not absorbed in the calculation of tax for the year of discharge and that cannot be carried back to an earlier taxable year will be eliminated and therefore not available to offset income of the group after the Effective Date. Further, it is expected that a significant portion of the group's tax basis in depreciable assets, and possibly even current assets (e.g., accounts receivable and inventory), will be reduced, thereby resulting in the group having to pay U.S. federal income taxes sooner and in a greater amount than if its attributes were not required to be reduced under the foregoing rules.

(2) Certain Non-U.S. Tax Consequences to the Debtors.

The Debtors are currently seeking a ruling from the appropriate tax authorities in the Netherlands regarding the tax consequences of the discharge of Affiliate Claims and Interests between Federal-Mogul subsidiaries that are organized in the Netherlands and those Federal-Mogul subsidiaries that are organized in the United States and the United Kingdom. The Debtors do not reasonably believe that the discharge of such Affiliate Claims and Interests should have an adverse U.S. tax consequence.

2. Deductibility of Payments to the Trust.

It is anticipated that the Trust will be a "qualified settlement fund" within the meaning of IRC Section 468B and the Treasury Regulations promulgated thereunder. Such Treasury Regulations provide that a fund, account, or trust will be a qualified settlement fund if three conditions are met. First, the fund, account, or trust must be established pursuant to an order of or be approved by a government authority, including a court, and must be subject to the continuing jurisdiction of that government authority. A court order giving preliminary approval to a fund, account, or trust will satisfy this requirement even though the order is subject to review or revision. Second, the fund, account, or trust must be established to resolve or satisfy one or more contested or uncontested claims that have resulted or may result from an event (or related series of events) that has occurred and that has given rise to at least one claim asserting liability arising, among other things, out of a tort. Third, the fund, account, or trust must be a trust under applicable state law or have its assets physically segregated from the other assets of the transferor and persons related to the transferor. The Trust has been established with the express purpose of satisfying the requirements of a qualified settlement fund and will be treated as a separate taxable entity. Its modified gross income, which will consist generally of investment earnings on amounts on deposit in the Trust (less administrative fees and related costs), will generally be subject to U.S. federal income tax at the highest rate applicable to estates and trusts (currently 35%). For purposes of determining the Trust's modified gross income, payments to the Trust and payments from the Trust to Asbestos Personal Injury Claimants in settlement of their Claims will not be taken into account.

As contemplated by the Plan, 50.1% of the Reorganized Federal-Mogul Common Stock will be transferred, directly or indirectly, to the Trust on the Effective Date of the Plan. Although no authority appears to exist on the qualification of a trust as a qualified settlement fund where a non-U.S. transferor who is not subject to the jurisdiction of the United States makes a transfer to the trust (or on whose behalf a transfer is made), there appears to be no requirement that the transferor be organized under U.S. laws in order for it to be considered a transferor within the meaning of Treasury Regulations Section 1.468B-1. If, as expected, the Trust is a qualified settlement fund, the Federal-Mogul U.S. consolidated group will be entitled to a deduction for U.S. federal income tax purposes to the extent that the Reorganized Federal-Mogul Common Stock and the Warrants, if any, transferred to the Trust are deemed, for U.S. federal income tax purposes, to have been transferred to the Trust by a U.S. Debtor to satisfy its Asbestos Personal Injury Claims. For these purposes, (i) it is expected that a significant portion of the Reorganized Federal-Mogul Common Stock transferred to the Trust will be attributable to Claims against Federal-Mogul's non-U.S. subsidiaries (including T&N) and thus will not give rise to a U.S. deduction, and (ii) even to the extent a portion of the Reorganized Federal-Mogul Common Stock transferred to the Trust is attributable to a U.S. Debtor, there may be some uncertainty as to whether the stock transferred to the Trust will be considered a transfer that gives rise to an immediate deduction for U.S. federal income tax purposes. Federal-Mogul currently intends to treat any stock so transferred as giving rise to an immediate deduction to the extent attributable to liabilities against a U.S. Debtor. Although it is not likely, the IRS may disagree with this treatment, however, and assert that any such deduction is delayed (e.g., to such time as an Asbestos Personal Injury Claim is established against the U.S. Debtor) or possibly eliminated.

Assuming Federal-Mogul's intended treatment is correct, the Federal-Mogul U.S. consolidated group will be entitled to a deduction equal to the fair market value of the Reorganized Federal-Mogul Common Stock and the Warrants, if any, transferred to the Trust at the time of transfer, reduced by amounts attributable to Claims against Federal-Mogul's non-U.S. subsidiaries. Although the Reorganized Federal-Mogul Common Stock will be publicly traded as of the Confirmation of the Plan, to support a deduction of the fair market value of such stock upon the transfer to the Trust, Federal-Mogul anticipates having to obtain a qualified appraisal of such stock within the meaning of Treasury Regulations Section 1.468B-3(b) because of transferability restrictions under the Lockup Agreement between the Trust and certain Noteholders. Subject to the "built-in" deduction rules described in Section XIII(A)(4)(a) below, the Federal-Mogul U.S. consolidated group may utilize any such deduction to offset any taxable income arising in the taxable year that includes the Effective Date of the Plan.

3. Net Operating Losses.

As of December 31, 2003, the Federal-Mogul U.S. consolidated group had an estimated consolidated NOL carryforward of approximately \$530 million. The amount of such NOL carryforward remains subject to adjustment

by the IRS. In general, NOLs may be carried back two years and carried forward twenty years to offset taxable income in such years. However, for NOLs arising in taxable years ending in 2001 and 2002, a five-year carryback instead of a two-year carryback period applies. NOLs that constitute specified liability losses may be carried back ten years.

An NOL is a specified liability loss to the extent it is comprised of specified liability expenses. Specified liability expenses include product liability expenses and expenses incurred in the investigation or settlement of, or opposition to, claims against the taxpayer on account of product liability. As previously discussed, the Federal-Mogul U.S. consolidated group is expecting to claim a U.S. federal income tax deduction equal to the fair market value of the Reorganized Federal-Mogul Common Stock transferred to the Trust (based on a qualified appraisal of such stock within the meaning of Treasury Regulations Section 1.468B-3(b)) to the extent that the transfer satisfies Asbestos Personal Injury Claims against U.S. Debtors. Because Asbestos Personal Injury Claims are product liability claims, deductions related to the satisfaction of Asbestos Personal Injury Claims against U.S. Debtors should constitute specified liability expenses. If the Federal-Mogul U.S. consolidated group has a consolidated NOL in the taxable year that the Reorganized Federal-Mogul Common Stock and the Warrants, if any, are transferred to the Trust in satisfaction of Asbestos Personal Injury Claims against U.S. Debtors, all or a portion of the NOL should be eligible for a ten-year carryback. In other words, if the sum of the U.S. federal income tax deduction generated by the transfer to the Trust and any other specified liability expenses exceeds the Federal-Mogul U.S. consolidated group's consolidated NOL, all of the consolidated NOL should be eligible for a ten-year carryback. On the other hand, if the Federal-Mogul U.S. consolidated group's consolidated NOL exceeds its specified liability expenses, including any U.S. federal income tax deduction generated by the transfer to the Trust, the portion of the consolidated NOL attributable to the deduction created by the transfer to the Trust or to any other specified liability expense should be eligible for a ten-year carryback.

As noted in Section XIII(A)(1)(c) above, the consolidated NOL that is not absorbed in the calculation of tax for the year of discharge and that is not carried back and used in an earlier taxable year is expected to be eliminated as a result of the attribute write-down required by IRC Section 108. Even if some of the NOLs remain after attribute reduction, Federal-Mogul's ability to utilize such NOLs may be limited by IRC Section 382 as described in Section XIII(A)(4)(a) below.

4. Possible Limitations on "Built-In" Losses and Deductions.

a. Overview of IRC Section 382.

Under IRC Section 382, if a corporation with NOLs (a "loss corporation") undergoes an "ownership change," the amount of its pre-change NOLs that may be utilized to offset future taxable income is, in general, subject to an annual limitation (the "Section 382 Limitation") equal to the product of the applicable long-term tax-exempt rate (a rate published monthly by the Treasury Department which is 4.31% for ownership changes that occur during April 2004) and the value of the loss corporation. In general, for the purpose of calculating the Section 382 Limitation, the value of the loss corporation is the value of the stock of the loss corporation immediately before the ownership change (with certain adjustments). Generally, IRC Section 382 and the Section 382 Limitation are applied to a consolidated group as though the group were a single corporation. Generally, if a loss corporation does not continue its historic business or use a significant portion of its business assets in a new business for two years after the ownership change, the annual limitation would be zero.

The Section 382 Limitation applies to pre-change losses. Pre-change losses include NOL carryforwards to the taxable year that includes the ownership change and the NOL of the loss corporation for the year of the ownership change to the extent it is allocable to the period on or before the change date. The Section 382 Limitation does not limit the use of NOLs carried forward into the taxable year in which the ownership change occurs to offset taxable income allocable to the pre-ownership-change portion of that taxable year. The Section 382 Limitation is prorated for the year of the ownership change based on the remaining portion of such year and applies to income recognized after an ownership change. Taxable income or net operating loss for the taxable year in which the ownership change occurs is allocated ratably to the pre-change and post-change periods of that year unless a closing of the books election is made. Federal-Mogul does not currently expect to make a closing of the books election. Notwithstanding the foregoing, an NOL incurred in the year of an ownership change, even though attributable to the

pre-ownership change portion of the year, generally can be used, without limitation, to offset capital gain arising in the taxable year of the ownership change.

In addition to limiting a corporation's ability to utilize NOLs, the Section 382 Limitation may also apply to certain losses or deductions which are "built-in" as of the date of the ownership change and that are subsequently recognized. If a loss corporation has a net unrealized built-in loss at the time of an ownership change (taking into account all items of "built-in" income and deduction), then any built-in losses or deductions (which for this purpose includes a portion of the depreciation or amortization of depreciable or amortizable assets that have a built-in loss) that are recognized during the following five years (up to the amount of the original net built-in loss) generally will be treated as a pre-change loss and similarly will be subject to the Section 382 Limitation. Conversely, if the loss corporation has a net unrealized built-in gain at the time of an ownership change, any built-in gains recognized (or deemed recognized) during the following five years (up to the amount of the original net built-in gain) generally will increase the Section 382 Limitation in the year recognized, such that the loss corporation would be permitted to use its pre-change losses against such built-in gain income in addition to its regular annual allowance. In a recent notice, the IRS announced that it is studying, among other things, how COD Income and any resulting attribute reduction affect these calculations. The notice gives taxpayers two alternative methods of treatment, both of which Federal-Mogul is analyzing. Under both alternative methods, COD Income that is includable in income and tax basis adjustments arising under the attribute reduction rules of IRC Section 108 are taken into account for purposes of measuring recognized built-in items. Under one of the methods, a deduction arising during the recognition period is treated as "built-in" if, subject to certain exceptions, an accrual method taxpayer would have been allowed a deduction before the date of the ownership change.

IRC Section 382(1)(5) provides an exception to the application of the Section 382 Limitation for loss corporations under the jurisdiction of a court in a bankruptcy case (the "Section 382(1)(5) Bankruptcy Exception"). The Section 382(1)(5) Bankruptcy Exception applies if the historic shareholders and creditors that held certain "qualified indebtedness" (as defined by the Treasury Regulations) prior to the ownership change own at least 50% of the total voting power and total value of the loss corporation's stock after such ownership change. If the Section 382(1)(5) Bankruptcy Exception applies, the loss corporation's ability to utilize its NOLs arising prior to the ownership change and built-in losses and deductions (if any) recognized after such date will not be limited as described above. The Section 382(1)(5) Bankruptcy Exception would, however, reduce the loss corporation's pre-change NOLs that may be carried over to a post-change year for any interest paid or accrued on notes in respect of which stock is issued during the taxable year in which the notes are exchanged and the three preceding taxable years. The Section 382(1)(5) Bankruptcy Exception also provides that a second ownership change occurring during the two-year period immediately following the first ownership change would reduce the Section 382 Limitation to zero. There is no clear interpretation as to whether and how the Section 382(1)(5) Bankruptcy Exception applies to a consolidated group; i.e., whether "qualified creditors" (as defined in XIII(A)(4)(b) below) of a parent corporation who satisfy the ownership test prevent the other members of the consolidated group from experiencing an ownership change, or whether qualified creditors of consolidated subsidiaries may be treated as qualified creditors of the parent corporation.

If a loss corporation does not qualify for the Section 382(1)(5) Bankruptcy Exception or elects out of the Section 382(1)(5) Bankruptcy Exception, a special rule under IRC Section 382(1)(6) applicable to corporations under the jurisdiction of a bankruptcy court will apply in calculating the loss corporation's Section 382 Limitation. Under this special rule, the limitation will be calculated by reference to the lesser of (a) the value of the loss corporation's stock (with certain adjustments) immediately after the ownership change (as opposed to immediately before the ownership change as discussed above), or (b) the value of the loss corporation's assets determined without regard to liabilities immediately before the ownership change.

b. Application to the Debtors.

It is anticipated that the Federal-Mogul U.S. consolidated group will undergo an ownership change as a result of the implementation of the Plan. As a result, the ability of the Debtors to utilize NOLs, if any, that remain after the reduction of tax attributes under IRC Section 108 as a result of the implementation of the Plan may be subject to the Section 382 Limitation, as described above. Further, to the extent the Federal-Mogul U.S. consolidated group has a net unrealized built-in loss, its ability to utilize certain subsequently recognized built-in losses and

deductions may be limited. Assuming an enterprise value consistent with that used in Section XI.B of this Disclosure Statement, the Federal-Mogul U.S. consolidated group anticipates that immediately before the ownership change, it will have a net unrealized built-in loss in its assets rather than a net unrealized built-in gain. If a net unrealized built-in loss exists, any built-in losses and deductions recognized after the ownership change will be subject to the Section 382(1)(5) Bankruptcy Exception applies.

It is unclear whether the Federal-Mogul U.S. consolidated group will meet the requirements for the Section 382(1)(5) Bankruptcy Exception. In order to so qualify, at least 50% of the Reorganized Federal-Mogul Common Stock must be owned by "qualified creditors" of Federal-Mogul immediately following implementation of the Plan. The Treasury Regulations define a "qualified creditor" as a person who owns debt that (i) has been owned by the same beneficial owner since the date that is 18 months before the date of the filing of the title 11 case, or (ii) arose in the ordinary course of the trade or business of Federal-Mogul and has been owned at all times by the same beneficial owner. The IRS has ruled in other contexts that asbestos claimants may be qualified creditors under the second part of this definition notwithstanding the interposition of a trust. Nevertheless, because no definitive guidance exists on the application of this definition to a group of corporations, it is unclear whether asbestos claimants against Federal-Mogul's subsidiaries (in particular, its non-U.S. subsidiaries) would be considered qualified creditors. Further, Federal-Mogul has limited information on whether the holders of Noteholder Claims will meet the qualified creditor definition.

Assuming the Section 382(1)(5) Bankruptcy Exception does not apply, the Section 382 Limitation will be determined under the special rule of IRC Section 382(1)(6) described above. Assuming a post-reorganization equity value for the Debtors consistent with that used in Section XI.B of this Disclosure Statement and a long-term tax-exempt rate of approximately 4.31% (for ownership changes occurring in April 2004), the Section 382 Limitation would be in the range of approximately \$80 million to approximately \$95 million per year. The Section 382 Limitation for the taxable year in which the Plan is implemented would be pro-rated (i.e., the limitation for that particular year would be equal to the product of the Section 382 Limitation and the fraction of the remaining portion of the year over the full year).

As noted in subsection (A)(2) above under the heading "Deductibility of Payments to the Trust," the Federal-Mogul U.S. consolidated group expects to deduct approximately \$250 million as a result of the transfer of the Reorganized Federal-Mogul Common Stock and the Warrants, if any, to the Trust. Based on the IRS notice described in Section XIII(A)(4)(a) above, Federal-Mogul does not intend to treat this payment as a built-in deduction as described above. To the extent not carried back to prior taxable years as a specified liability loss, Federal-Mogul intends to use this expense to offset any income recognized during the year of ownership change. If the payment does constitute a built-in deduction (or is otherwise unavailable as described above) and the Section 382(1)(5) Bankruptcy Exception does not apply, the ability of the Federal-Mogul U.S. consolidated group to utilize this deduction to offset income in the taxable year that includes the Effective Date of the Plan will be limited as described above. Further, the Federal-Mogul U.S. consolidated group's ability to utilize any other built-in deductions will be similarly limited.

5. Consensual Marketing Procedures for the U.K. Debtors

In the event a sale by T&N Limited of its assets occurs in connection with the performance of the Consensual Marketing Procedures, based on current estimates, no adverse U.S. tax consequences to the U.S. Debtors are expected to result therefrom.

B. Certain U.K. Tax Consequences of the Plan.

1. Consequences to Debtors.

a. Cancellation of Indebtedness.

(1) Applicable Law.

Cancellation of indebtedness can give rise to a taxable receipt for a United Kingdom taxpayer debtor where the indebtedness cancelled: (a) represents an expense which the debtor has previously claimed as a deduction in computing its trading profit (loss) for United Kingdom corporation tax purposes; or (b) constitutes a loan relationship. Each of these potential occasions of charge is subject to the exceptions set forth below. In this description of certain United Kingdom tax consequences of the Plan, the Income and Corporation Taxes Act 1988 is referred to as the Taxes Act.

(a) Indebtedness Represents a Trading Deduction.

This potential charge is imposed by statute (Section 94 Taxes Act). It is specifically provided that the charge does not arise where the relevant debt is released as part of a "relevant arrangement or compromise". For these purposes, a "relevant arrangement or compromise" is defined to mean a voluntary arrangement which has taken effect under or by virtue of the Insolvency Act 1986 (which includes a Voluntary Arrangement) or a compromise or arrangement which has taken effect under Section 425 Companies Act 1985.

Section 94 on its terms is restricted to a release of a debt. A United Kingdom Revenue Interpretation dated December 2001 (RI238) states the United Kingdom Revenue view that a write-back of any "trade debt" (that is a debt which has been allowed as a deduction in computing trading profit (loss) for United Kingdom tax purposes) which falls short of an actual release of the relevant debt will also give rise to recognition of a taxable receipt for the debtor. This reflects an apparent change in interpretation by the United Kingdom Revenue. The revised interpretation as stated in RI238 will be applied to all accounting periods commencing after 31 December 2001. Per RI238, the release of debt must involve a contractual agreement. Where this is under seal no consideration is necessary. All other releases must involve the debtor giving consideration for the release. In the case of such a write-back which falls short of a release and in contrast to the position in respect of such a release, there appears to be no equivalent protection to that contained within Section 94 for a "relevant arrangement or compromise".

(b) Indebtedness Constitutes a Loan Relationship.

A loan relationship is broadly a money debt which actually arises or is treated for the purposes of the loan relationship code as arising from a transaction for the lending of money. It would, for example, include intra-group debt where the relevant creditor group company advanced money to the relevant debtor group company by way of a loan. Broadly, credits and debits (equivalent to receipts and expenses) arising in respect of a loan relationship are taxed in accordance with the authorized accounting treatment. The release of a debtor company from its obligations under a loan relationship would normally give rise to recognition of a receipt for accounting purposes and, accordingly, a credit in accordance with the loan relationship code.

There are four specific exceptions to the recognition of such a credit. All of these exceptions apply where the debtor company is released from its liability to pay any amount under the relevant loan relationship and the release takes place in an accounting period for which the debtor company uses an authorized accruals basis of accounting in respect of the relevant loan relationship. Subject to the satisfaction of both those conditions, the four exceptions are: (a) the release is part of a "relevant arrangement or compromise" (which has the same meaning as it does for the purposes of the Section 94 Taxes Act discussed above); (b) the creditor company and debtor company are "connected" for the purposes of the loan relationship legislation; (c) the creditor company is either in insolvent liquidation, insolvent administration, insolvent administrative receivership, insolvent provisional liquidation, or a foreign equivalent of any of the foregoing and immediately before but not immediately after so becoming the debtor company and the creditor company were "connected" for the purposes of the loan relationship legislation; or (d) the

debtor company is either in insolvent liquidation, insolvent administration, insolvent administrative receivership, provisional liquidation or a foreign equivalent of any of the foregoing and the creditor company and the debtor company were not "connected" for the purposes of the loan relationship legislation. The exceptions referred to at (c) and (d) above are, however, contained in provisions of the Finance Bill 2004 and, accordingly, remain subject to enactment of the relevant provisions in the Finance Act 2004.

(c) Reopening Earlier Tax Computation.

In addition to the rules described above, release of indebtedness could possibly also give rise to a charge to United Kingdom tax for the debtor company in the following circumstance. A deduction in respect of a claimed indebtedness may have been allowed in a tax computation of the debtor company (for example, by way of a provision) where there was a material uncertainty in respect of the claim (whether as to the existence or quantum of such a claim). Where that uncertainty has subsequently been resolved in a later period wholly or partly in favor of the taxpayer debtor company, the United Kingdom courts have sometimes permitted the United Kingdom Revenue to reopen the computation for the earlier period and reduce the amount claimed in that computation to an amount equal to the amount ultimately found to be payable by the debtor company.

(2) Application to the Plan.

(a) Asbestos Personal Injury Claims.

To the extent that the assumption by the Trust of liability for Asbestos Personal Injury Claims and the consequential release of liability of the United Kingdom Federal-Mogul Entities in respect of such Claims takes effect pursuant to either a Section 425 Companies Act 1985 scheme or to a CVA, Section 94 Taxes Act will not apply to impose a charge on the United Kingdom Federal-Mogul Entities so released from liability in respect of such release.

In any event, the Federal-Mogul United Kingdom group companies have not generally claimed a tax deduction in respect of such Asbestos Related Claims on a provisions basis. At most, such companies may have claimed a tax deduction in respect of some settled claims where the quantum of liability was agreed prior to the relevant accounting period end but the actual payment was to be made after the end of the accounting period. Accordingly, even if a Section 94 charge were not excluded by the "relevant arrangement or compromise" exception, any such charge would be restricted to those limited claims in respect of which a tax deduction had previously been claimed but the agreed payment was not subsequently made. It is expected that any such instances will be limited. Because the existing Asbestos Related Claims against the Federal-Mogul United Kingdom group companies are expected to be released under the Plan, there should be no scope for the application of RJ238.

As the Federal-Mogul United Kingdom companies have not claimed a tax deduction for Asbestos Related Claims on a provision basis, there is no scope for the United Kingdom Revenue to re-open earlier tax computations for accounting periods for which such a provision may have been made in the accounts of a group company to reflect the subsequent release of the liability in respect of which such provision had been claimed.

(b) Other Claims.

The tax treatment of the cancellation (in whole or in part) of any other Claims owed by United Kingdom Federal-Mogul Entities will depend on whether (a) the Claim constitutes a loan relationship (b) the Claim is cancelled pursuant to either a Section 425 Companies Act 1985 scheme or to a CVA and (c) the Claim is treated as a write-back rather than a release of debt.

To the extent that the relevant Claim constitutes a loan relationship and is cancelled pursuant to either a Section 425 Companies Act 1985 scheme or to a CVA the relevant United Kingdom Federal-Mogul Entity will not be required to recognize a credit in accordance with the loan relationship code. However, even to the extent that such a Claim is not cancelled pursuant to either a Section 425 Companies Act 1985 scheme or to a CVA, the relevant United Kingdom Federal-Mogul Entity should not be required to recognize a credit in accordance with the

loan relationship code if the relevant United Kingdom Federal-Mogul Entity is either (a) "connected" with the creditor company or (b) in insolvent administration. The exclusion referred to in (b) is, however, contained in the Finance Bill 2004 and, accordingly, remains subject to enactment of the relevant provisions in the Finance Act 2004. Further, there is some uncertainty regarding the application of this exclusion in circumstances where the relevant debtor company is in administration under Part 2 of the Insolvency Act 1986 as opposed to an administration under the new rules contained in Schedule B1 of that Act. The Plan Proponents consider, however, that the exclusion should be read in such a way so as to include an administration under Part 2 of the Insolvency Act 1986 and are in the process of attempting to clarify this issue with the Inland Revenue.

It is expected that the relevant United Kingdom Federal-Mogul Entities will be in administration under Part 2 of the Insolvency Act 1986 and/or "connected" with the relevant creditor company at the time of the cancellation of any Claim. Accordingly, the cancellation of any Claims which constitute loan relationships should not generate a credit for the relevant United Kingdom Federal-Mogul Entity in accordance with the loan relationship code.

To the extent that the relevant Claim does not constitute a loan relationship but represents an expense which the debtor has previously claimed as a deduction in computing its trading profit (loss) for United Kingdom corporation tax purposes, a release (as opposed to a write-back) will not generate a taxable receipt for the relevant United Kingdom Federal-Mogul Entity as long as the Claim is released pursuant to either a Section 425 Companies Act 1985 scheme or to a CVA. A taxable receipt will, however, be generated to the extent that the Claim is not released pursuant to either a Section 425 Companies Act 1985 scheme or to a CVA.

To the extent that the relevant Claim does not constitute a loan relationship but represents an expense which the debtor has previously claimed as a deduction in computing its trading profit (loss) for United Kingdom corporation tax purposes a write-back (as opposed to a release) will generate a taxable receipt for the relevant United Kingdom Federal-Mogul Entity whether or not the write-back takes place pursuant to either a Section 425 Companies Act 1985 scheme or to a CVA. The Plan Proponents understand, however, that to the extent that the Claim is dealt with pursuant to either a Section 425 Companies Act 1985 scheme or to a CVA there will be a release and not a mere write-back of the Claim. Accordingly, it is only in circumstances where a write-back takes place otherwise than pursuant to a Section 425 Companies Act 1985 scheme or to a CVA where a taxable receipt could be generated for the relevant United Kingdom Federal-Mogul Entity.

b. Deductibility of Payments to the Trust.

No deduction for United Kingdom corporation tax purposes will be available to any of the Federal-Mogul United Kingdom group companies in respect of the proposed issue and distribution to the Trust of 50.1% of Reorganized Federal Mogul Common Stock as part of the consideration to be paid for the assumption by the Trust of the Asbestos Personal Injury Claims.

c. Trading Losses.

(1) Applicable Law.

As of December 31, 2003, the Federal-Mogul United Kingdom group companies had aggregate unused trading losses of approximately £204.7 million (of which £177.4 million relates to T&N Limited). These amounts of aggregate unused trading losses reflect the estimated outcome of the application of the agreement in principle with the U.K. Inland Revenue in respect of certain matters outstanding for tax accounting periods of U.K. group companies up to and including December 1998. It is expected that the detailed computations giving effect to such agreement in principle will be finalized and agreed with the U.K. Inland Revenue within the next six months. The totals include losses in 2002 and 2003 which are based solely on US GAAP provisions. Therefore, they do not take account of any adjustments that may be made once the 2002 and 2003 U.K. GAAP accounts are finalized and computations for the years ended 31 December 2002 and 2003 are submitted to the Inland Revenue. It should be noted that not all of the 2001 U.K. GAAP accounts have been finalized, and some 2000 UK GAAP accounts will not be finalized. However trading and other losses are not expected to change materially as a result of this alone.

The most significant of the issues resolved by such agreement in principle is in relation to correspondence on T&N Limited with the Inland Revenue Shares Valuation Division regarding the March 1982 valuations proposed in respect of the base cost for chargeable assets disposed of in 1996. The resolution of this issue has determined the quantum of capital losses available for carry forward against chargeable gains in 1998. Under the "worst case" analysis, and after taking into account the impact of capital losses, there was potential exposure in 1998 in respect of chargeable gains of £81 million. Based on such agreement in principle and the use of T&N Limited trading losses (see above), that potential exposure for chargeable gains for 1998 will be reduced to zero.

In general, trading losses may be carried back and set off against general profits of the company in which the loss was incurred for the period of 12 months prior to the accounting period in which the loss was incurred. Trading losses may be carried forward without limitation of time by the relevant company and set off in later accounting periods against trading income of the same trade in the course of which the loss was incurred.

The ability of any relevant Federal-Mogul group company to utilize trading losses for United Kingdom corporation tax purposes (either by carry back or carry forward as described above) is subject to the potential application of the anti-avoidance provisions of Sections 768 (carry forward) and 768A (carry back) Taxes Act. These sections apply where there is both: (a) a change in the ownership of a company with trading losses; and (b)(i) within any period of three years of such change (whether earlier, later or at the same time as such change in ownership) a major change in the nature or conduct of a trade carried on by that company or (ii) the change in ownership takes place at any time after the scale of the activities in a trade carried on by that company has become small or negligible but before any considerable revival of that trade.

A change in ownership is defined within Section 769 (1) Taxes Act and occurs if: (a) a single person acquires more than half the ordinary share capital of a company; or (b) two or more persons each acquire 5 per cent or more of the ordinary share capital of a company, and those holdings together amount to more than half of the company's ordinary share capital. It is possible for there to be no change in ownership where more than half of a company's shares change hand if they are held by a number of unconnected persons, each of whom holds less than 5 per cent. For these purposes, a "major change in the nature or conduct of a trade" is described to include a major change in any of the type of property dealt in, the services or facilities provided in, or the customers, outlets or markets of the trade. There can be a relevant major change for these purposes where the change is a result of a gradual process which began outside the three year period referred to in the preceding paragraph.

Where Section 768 applies, a trading loss incurred in an accounting period commencing prior to the change of ownership cannot be carried forward and set off against trading income of the same trade in an accounting period ending after the change in ownership. Where that change in ownership occurs during the course of an accounting period, the accounting period is effectively split into two separate accounting periods for these purposes.

Where Section 768A applies, a trading loss arising in an accounting period ending after the change of ownership cannot be carried back and set against profits of an accounting period beginning before the change in ownership. Again, where the change of ownership occurs during the course of an accounting period, the accounting period is effectively split into two separate accounting periods for these purposes.

(2) Application to the Plan.

In this case, the proposed acquisition by the Trust of more than 50% of the Reorganized Federal Mogul Common Stock is very likely to constitute a change of ownership for the purposes of both Sections 768 and 768A. As described above, change of ownership is not sufficient in itself for these sections to apply. One or other of the "major change in the nature or conduct of the trade" or "small or negligible activities" tests described above must also apply.

As described above, trading losses can only be carried forward and set against trading income in later accounting periods of the same trade as that in which the loss was incurred. Accordingly, cessation of trade will generally cause unutilized trading losses existing as of the date of cessation to be lost.

Any sale by T&N Limited of its trade in connection with the Consensual Marketing Procedures (see subsection (j), below) would result in a cessation of trade by T&N Limited. Carry forward trading losses of T&N Limited which were not utilized on such sale or, in the case of a sale pursuant to an F-M Bid, were not successfully transferred to the purchaser, would be lost immediately following such sale.

d. Surplus Advance Corporation Tax ("Surplus ACT").

(1) Applicable Law.

As of December 31, 2003, the Federal-Mogul United Kingdom group had aggregate surplus ACT of approximately £41.3 million (of which approximately £40 million relates to T&N Limited and approximately £1.3 million relates to surplus ACT surrendered by T&N Limited to its subsidiaries). The amount of surplus ACT remains subject to possible adjustment, and is based on US GAAP provisions as of December 31, 2003.

In general, surplus ACT can be carried forward and set off (subject to certain restrictions) against the mainstream corporation tax liability of the company in which such surplus ACT arose or, where such surplus ACT has been surrendered by the company in which such Surplus ACT arose to a subsidiary of that company, that subsidiary without limitation in time. In general, the maximum amount that may be set-off in one accounting period is 20% of a company's corporation tax profit for that period. Following the abolition of ACT in 1999, utilization of carry forward surplus ACT is subject to what is generally described as the "Shadow ACT" regime. Broadly, this further limits the amount of mainstream corporation tax of each relevant company against which such carry forward Surplus ACT can be offset by amounts equal to notional (shadow) ACT treated as payable in respect of distributions made by such relevant company.

The ability of any relevant Federal-Mogul group company to utilize surplus ACT for United Kingdom corporation tax purposes is subject to the potential application of the anti-avoidance provisions of regulation 15(2) and regulations 16 to 18 of the Corporation Tax (Treatment of Unrelieved Surplus Advance Corporation Tax) Regulations 1999.

Regulation 15(2) applies where: (a) surplus ACT has been surrendered by a company to another company which was a 51% subsidiary (as defined) of the surrendering company; and (b) the subsidiary company ceases to be a 51% subsidiary of the surrendering company. Where Regulation 15(2) applies, the subsidiary company will be denied relief for any unrelieved amount of the surplus ACT so surrendered to it for any accounting period during the whole or part of which it was not a 51% subsidiary of either: (a) the relevant surrendering company; or (b) another company of which both it and the relevant surrendering company were each a 51% subsidiary.

Regulation 16 applies where there is both: (a) a change in the ownership of a company (as defined in Section 769 (1) Taxes Act) with surplus ACT; and (b) (i) within any period of three years of such change (whether earlier, later or at the same time as such change), a major change in the nature or conduct of a trade or business carried on by that company or (ii) the change in ownership takes place at any time after the scale of activities in a trade or business carried on by that company has become small or negligible but before any considerable revival of that trade or business.

This test is very similar to the test which applies for the purposes of Sections 768 and 768A (described above) in relation to trading losses. The difference is that because surplus ACT can arise in a company which carries on a business other than a trade (for example an investment business) the test is applied not solely in relation to a trade but also in relation to a business. For the same reason, the definition of a "major change in the nature or conduct of a trade or business" is extended beyond the definition which applies for the purposes of Sections 768 and 768A to include additionally: (a) a change whereby the relevant company ceases to be a trading company (as defined) and becomes an investment company (again as defined) or vice versa; and (b) where the company is an investment company, a major change in the nature of the investments held by the company. As in the case of Sections 768 and 768A, such a major change in the nature or conduct of the trade or business can arise where the change is the result of a gradual process which began outside the relevant three-year period.

Where Regulation 16 applies in relation to a particular company, no unrelieved surplus ACT of that company may be set off against the company's mainstream corporation tax liability for any accounting period ending after the relevant change of ownership. Where the change of ownership occurs during the course of an accounting period, that accounting period is effectively split into two separate accounting periods for these purposes. Regulation 16 applies equally to a company that incurred the surplus ACT as to a subsidiary company to which surplus ACT has been surrendered.

Regulation 17 applies where there is a change in the ownership of a subsidiary company to which surplus ACT has been surrendered and within the period of six years beginning three years before such change, there is a major change in the nature or conduct of a trade or business of the company which surrendered such surplus ACT to that first company. Where Regulation 17 applies, the consequences are similar to those of Regulation 16 (as described above).

Regulation 18 applies where: (a) there is a change in the ownership of a company (as defined in Section 769 (1) Taxes Act); (b) after that change, the company acquires a chargeable asset from another group company on an intra-group no gain: no loss transfer; and (c) within a period of three years beginning with the relevant change in ownership, the company realizes a chargeable gain on the disposal of that asset. It is not a requirement of the application of Regulation 18 that the "major change in the nature or conduct of the trade or business" or "small or negligible activities" tests are also satisfied. Where Regulation 18 applies, the company is not able to set off surplus ACT against any mainstream corporation tax attributable to the chargeable gain described above.

(2) Application to the Plan.

The Plan does not anticipate that any company to which surplus ACT has been surrendered by another Federal-Mogul group company will cease to qualify as a 51% subsidiary of such company (or of another relevant group company) for the purposes of Regulation 15(2). Accordingly, Regulation 15(2) should not apply to deny relief for any such surrendered surplus ACT.

As in the case of Sections 768 and 768A, the proposed acquisition by the Trust of more than 50% of the Reorganized Federal-Mogul Common Stock is very likely to constitute a change of ownership for the purposes of Regulations 16 to 18. Again, as in the case of Sections 768 and 768A, change in ownership is not sufficient in itself to trigger any of Regulations 16 to 18. In the case of Regulations 16 and 17, one or other of the "major change in the nature or conduct of the trade or business" or "small or negligible activities" tests described above must also apply. In the case of Regulation 18, all three requirements of Regulation 18 described above must apply.

In the event of a sale by T&N Limited in connection with the Consensual Marketing Procedures (see subsection (j) below), any surplus ACT of T&N Limited which was not utilized on such sale would cease to be available to T&N Limited. Accordingly, any surplus ACT of any subsidiaries of T&N Limited would correspondingly cease to be available to such subsidiaries.

e. Non Trading Loan Relationship Deficits.

(1) Applicable Law.

As of December 31, 2003, the Federal-Mogul United Kingdom group companies had aggregate non-trading loan relationship deficits of approximately £100.8 million (all of which relates to Federal-Mogul Global Growth Ltd.). This includes deficits in 2002 and 2003 which are based solely on US GAAP provisions. Therefore, they do not take account of any adjustments that may be made once the 2002 and 2003 U.K. GAAP accounts are finalized and computations for the years ended 31 December 2002 and 2003 are submitted to the Inland Revenue. It should be noted that not all of the 2001 U.K. GAAP accounts have been finalized, and some 2000 UK GAAP accounts will not be finalized. However trading and other losses are not expected to change materially as a result of this alone.

In general, a non-trading loan relationship deficit may be carried back by the relevant company and set off against non-trading profits and gains arising from that company's loan relationships for the period of 12 months

prior to the accounting period of the relevant company in which the non-trading loan relationship deficit was incurred. A non-trading loan relationship deficit may also be carried forward without limitation of time and set off against non-trading profits of the relevant company (that is non-trading income and chargeable gains (but not trading income) and not just profits or gains arising from loan relationships) for future accounting periods.

The ability of any relevant Federal-Mogul group company to utilize non-trading loan relationship deficits against non-trading profits of future accounting periods as described above is subject to the potential application of the anti-avoidance provisions of Sections 768B and 768C Taxes Act 1988.

Section 768B applies where there is: (a) a change in the ownership of an investment company (as defined in Section 769 (1) Taxes Act) with a carry forward non-trading loan relationship deficit; and (b) (i) after such change in ownership there is a significant increase in the amount of the company's capital, (ii) within the period of six years beginning three years before such change in ownership there is a major change in the nature or conduct of the business carried on by the company or (iii) the change in ownership occurs at any time after the scale of the activities in the business carried on by the company has become small or negligible and before any considerable revival of the business. There are detailed rules which determine whether there is a "significant increase in the amount of a company's capital" for the purposes of (b)(i) at paragraph • above. A "major change in the nature or conduct of the business" is described to include a major change in the nature of the investments held by the company including a change which is the result of a gradual process which began before the six year period referred to in (b)(ii) at paragraph • above.

Where Section 768B applies, a non-trading loan relationship deficit in respect of a debtor relationship of the relevant company which falls to be brought into account on an authorized accruals basis of accounting and which relates to an amount which accrued before the change in ownership cannot be carried forward and set off against non-trading profits of that relevant company for any accounting period commencing after the change in ownership. This disallowance extends to a non-trading debit which relates to interest which accrues prior to the change of ownership but which is only allowed as a debit under the loan relationship rules when the interest is paid (for example, interest paid to a connected creditor company more than 12 months after the end of the accounting period in which the interest accrued).

Section 768C applies where there is: (a) a change in ownership of an investment company (as defined in Section 769 (1) Taxes Act); (b) none of conditions (b)(i) to (iii) in relation to Section 768B applies; (c) after the change in ownership, the company acquires a chargeable asset on an intra-group no gain: no loss transfer; and (d) a chargeable gain accrues to the company on the disposal of that asset within a period of three years beginning with the change in ownership. For these purposes an "investment company" means any company whose business consists wholly or mainly in the making of investments and the principal part of whose income is derived therefrom. Where Section 768C applies, non-trading loan relationship debits which cannot be carried forward for the purposes of Section 768B as described above, equally cannot be set off against the chargeable gain so arising.

(2) Application to the Plan.

The proposed acquisition by the Trust of more than 50% of the Reorganized Federal Mogul Common Stock is very likely to constitute a change of ownership for the purposes of both Sections 768B and 768C. A change in ownership is not sufficient in itself to trigger Sections 768B or 768C. In the case of Section 768B, it is necessary in addition that one of the three further conditions described above is satisfied in connection with such change. In the case of Section 768C, each of the four conditions described above must be satisfied for that section to apply.

f. Capital Losses.

As of December 31, 2003, the Federal-Mogul United Kingdom group companies had aggregate unused capital losses of approximately £14.3 million (of which approximately £6.1 million are unrestricted). This number is based on the latest corporation tax computations and includes assumptions in respect of disposals of chargeable assets which occurred in 2002 and 2003 based on US GAAP provisions. Therefore, it does not take account of any adjustments that may be made once the 2002 and 2003 U.K. GAAP accounts are finalized and computations for the years ended 31 December 2002 and 2003 are submitted to the Inland Revenue. This takes into account the

estimated adjustment referred to in Section (c) above ("Trading Losses"), resulting from correspondence with the Inland Revenue Shares Valuation Division. It should be noted that not all of the 2001 U.K. GAAP accounts have been finalized, and some 2000 UK GAAP accounts will not be finalized. However trading and other losses are not expected to change materially as a result of this alone.

Of the approximate total of capital losses of £14.3 million, approximately £8.2 million of such losses are restricted. This means that the losses arise from transactions between connected persons. Under the applicable rules, such capital losses can only be used against chargeable gains arising on a transaction between the Federal Mogul group company which incurred the capital loss and the same connected person which was party to that loss-making transaction.

Subject to that restriction, capital losses may be carried forward without limitation of time and set off against chargeable gains accruing to the company which incurred the loss. As a result of a change introduced in 2002, subject to certain conditions, it is possible to elect that a gain arising on a disposal of a chargeable asset to a person who is not a member of the Federal-Mogul corporation tax group (for these purposes, the group includes group companies which are not within the charge to United Kingdom corporation tax) should be treated as arising to another member of the Federal-Mogul United Kingdom group (for example a group company with capital losses which could be set off against that gain).

In relation to capital losses, there are no rules equivalent to the change of ownership rules described above in relation to trading losses, surplus ACT and non-trading loan relationship deficits.

g. Unpaid Corporation Tax.

A change in ownership of a company which has been assessed to corporation tax which remains unpaid more than six months after the date of assessment may entitle the United Kingdom Revenue to collect that unpaid tax from certain other persons as described below.

Section 767A Taxes Act applies where: (a) there has been a change in ownership of a company (as defined in Section 769 (1) Taxes Act); (b) corporation tax assessed on that company for an accounting period beginning before the change remains unpaid more than 6 months after the date of assessment; and (c) any one of three specified conditions is satisfied. Those three specified conditions are: (i) at any during the period of three years before the change in ownership, the activities of a trade or business of the relevant company cease or the scale of those activities becomes small or negligible and there is no significant revival of those activities before the change in ownership occurs; (ii) at any time after the change in ownership of the relevant company, but under arrangements made before that change, the activities of a trade or business of the company cease or the scale of those activities becomes small or negligible; or (iii) at any time during the period of six years beginning three years before the change in ownership of the relevant company, there is a major change in the nature or conduct of a trade or business of that company which broadly is attributable to transfer of assets of the relevant company to a person or company described in the next following paragraph and such transfers occur during the period of three years before the change in ownership of the relevant company or, if after that change, under arrangements made before that change.

Where each of conditions (a) and (b) and any one of the conditions specified in (c)(i)-(iii) above are satisfied, the unpaid corporation tax of the relevant company may be claimed from any person who, broadly in the period up to three years prior to the relevant change controlled the relevant company as well as any company which has been controlled by any such person at any time within that period of up to three years.

The proposed acquisition by the Trust of more than 50% of the Reorganized Federal-Mogul Common Stock is very likely to constitute a change of ownership for the purposes of Section 767A. In practice, however, even if condition (b) and any of conditions (c)(i)-(iii) (as described above) are satisfied, given the wide ownership of the ultimate Federal-Mogul group holding company it is unlikely that any shareholder would be regarded as controlling any Federal-Mogul United Kingdom group company for the purposes of Sections 767A.

Accordingly, exposure would be limited to Federal-Mogul group companies. In the event that United Kingdom corporation tax were due and payable by any Federal-Mogul group company subject to United Kingdom

corporation tax, it would be reasonable to suppose that to the extent that funds were available, that corporation tax would be duly discharged, (if necessary by funding from other group companies) so as to avoid any exposure for other group companies under this section.

Section 767AA imposes secondary liability for unpaid corporation tax relating to an accounting period of a company ending on or after a relevant change in ownership. For that reason, the scope of Section 767AA is not further described in this Disclosure Statement.

h. Insurance against Asbestos Claims.

The Plan contemplates an issue of stock in Reorganized Federal-Mogul to the Trust in exchange for a subscription price that will be left outstanding and so owed to Reorganized Federal-Mogul (the "Receivable"). The Receivable would then be assigned to Reorganized T&N Limited for no consideration. In addition, the rights to the proceeds of Claims would be assigned to the Trust. Up to the balance of the retention under the Policy, Reorganized T&N Limited would satisfy such Claims (now owed by Reorganized T&N Limited to the Trust) by setting off the amount of such Claims against or out of the proceeds of repayment of the Receivable (now owed by the Trust to Reorganized T&N Limited). Claims arising against entities other than Reorganized T&N Limited would be funded by Reorganized T&N Limited assigning (or being deemed to assign) a proportion of the Receivable to that entity so that it may also satisfy such Claims by setting them off against or out of the proceeds of repayment of the Receivable.

This aspect of the Plan raises the question whether the assignment of the Receivable to Reorganized T&N Limited would cause a tax charge for Reorganized T&N Limited at the time the Receivable is assigned. If so, there would be significant tax costs to this aspect of the Plan since tax would be due before any corresponding deduction is available for the payment of the Claims. In addition, where Reorganized T&N Limited has assigned a proportion of the Receivable to other entities liable for Claims, no corresponding deduction would be available for Reorganized T&N Limited so there would be a permanent tax cost. Neither case law nor statute provides a conclusive answer to this question. In consequence, an approach was made to the Inland Revenue under the procedure detailed in its Code of Practice 10 for a binding ruling on how the Inland Revenue would seek to tax this aspect of the Plan. The conclusion of the guidance provided was that it suggests any tax charges arising should be matched at the same time by a corresponding tax deduction. Subsequent to the receipt of such guidance, the possibility of a sale by T&N Limited of its assets in connection with the performance of the Consensual Marketing Procedures has arisen. It is intended both that the precise basis for the conclusion of the guidance be clarified and the application of that conclusion to T&N Limited in the event that it were so to sell its assets and, consequently, cease to carry on its trade be confirmed with the Inland Revenue.

If the Stock Repayment Obligation were to exceed the retention under the Policy, there is some uncertainty as to the tax treatment of any such excess on receipt by T&N Limited and the deductibility of the corresponding obligation of T&N Limited to pay an amount equal to such excess to the Trust. On the basis of current case law we think the better view is that there should be no tax mismatch but there is some uncertainty.

There is some uncertainty as to whether any recovery by T&N Limited under the Hercules Policy which is contributed by T&N Limited to a Hercules-Protected Entity (other than Ferodo or GHI) so that such Hercules-Protected Entity can discharge an Asbestos Personal Injury Claim against that Hercules-Protected Entity may be brought into charge to corporation tax on income on T&N Limited without a corresponding deduction for the amount so contributed by T&N Limited to the relevant Hercules-Protected Entity.

In relation to the Code of Practice 10 application (referred to in subsection (h) above) the Inland Revenue agreed that receipts from the Stock Repayment Obligation contributed by T&N Limited to a Hercules-Protected Entity so that such Hercules-Protected Entity can discharge an Asbestos Personal Injury Claim against that Hercules-Protected Entity would not be brought into charge to corporation tax as trading receipts of T&N Limited. Similar arguments can be made to the effect that any recovery by T&N Limited under the Hercules Policy which is contributed by T&N Limited to a Hercules-Protected Entity for the same purpose should not be brought into charge to corporation tax as a trading receipt of T&N Limited.

It is intended that in the next stage of the Code of Practice 10 application, the Inland Revenue will be asked to confirm a treatment which will exclude any such charge to tax on T&N Limited. On the basis of the Inland Revenue response to the first stage of the Code of Practice 10 application, it is hoped that such confirmation will be given but no certainty as to the outcome can be provided as of the date of this Disclosure Statement.

As referred to in subsection j.(3) below, T&N Limited would acquire a base cost in the Stock Repayment Obligation equal to the market value of that Stock Repayment Obligation on its acquisition by T&N Limited. For the reasons explained in that subsection, such market value base cost may equate to the face value of the Stock Repayment Obligation. If, for the reasons also explained in that subsection, such market value base cost were to be at a discount to the face value of the Stock Repayment Obligation, then, to the extent that a receipt from the Stock Repayment Obligation were not brought into charge to corporation tax as income on T&N Limited, then a chargeable gain could be generated which would be brought into charge to corporation tax on chargeable gains on T&N Limited.

i. Impact of Plan on Inherent Deferred Gains.

There are estimated inherent deferred chargeable gains of £365 million which have been held over into loan notes currently owned by T&N Limited. Until the loan notes are repaid, unless action is taken that constitutes an actual or deemed disposal of such loan notes for the purposes of corporation tax on chargeable gains, such as a transfer outside the UK corporate tax group, no crystallization of these inherent gains should arise.

In the event of a sale by T&N Limited in connection with the Consensual Marketing Procedures (see subsection (j) below) to a non-affiliated purchaser, such inherent deferred chargeable gains would be crystallized. The computation and possible mitigation of that liability is discussed further in subsection (j) below.

j. Consensual Marketing Procedures for the U.K. Debtors

A sale by T&N Limited of its assets in connection with the performance of the Consensual Marketing Procedures would give rise to charges to United Kingdom tax and loss of United Kingdom tax attributes as described below.

(1) Sale to Federal-Mogul Corporation

The purchaser on a sale by T&N Limited would be likely be a company within the same United Kingdom tax group as T&N Limited. As such, the sale would benefit from various reliefs for intra-group transfers under United Kingdom tax rules. This should result in no transactional taxes on the sale other than a charge to United Kingdom stamp duty land tax at rates up to 4% on the sale of land and buildings and United Kingdom stamp duty (or stamp duty reserve tax) at a rate of 0.5% on the sale of shares and certain securities in United Kingdom companies.

As a result of the amount of retained liabilities of T&N Limited immediately following any such sale, it is very unlikely that any carry forward trading losses of T&N Limited (estimated as of December 31, 2003 to be £177.4 million, as described in subsection (c) above) could successfully be transferred to the purchaser. Such a sale would be very likely to result in a loss to T&N Limited of such carry forward trading losses and a loss of surplus ACT by T&N Limited (estimated as of December 31, 2003 to be approximately £40 million) and by subsidiaries of T&N Limited (estimated as of December 31, 2003 to be approximately £1.3 million), as described in more detail in subsection (d) above).

A disposal of trading stock (inventory) and trade receivables should not give rise to any taxable profit provided that such assets were sold at a price no higher than book value.

Specific Treasury Consent may be required for any such sale.

(2) Sale to Non-Affiliated Purchaser

In contrast to a sale to a company within the same United Kingdom tax group as T&N Limited, a sale to a party outside such tax group (such as a third party) would not benefit from the intra-group reliefs. Accordingly, depending on the amount and allocation of the sale price as between the assets the subject of any such sale, a charge to corporation tax on chargeable gains could arise for T&N Limited.

Additionally, the estimated inherent deferred chargeable gains of £365 million which have been held over into loan notes currently owned by T&N Limited (see subsection (i) above) would be crystallized by this sale. Based on that estimated value of £365 million, at the current rate of corporation tax of 30%, the charge to tax would be £109.5 million.

Provided that any such sale were to take place prior to any change in ownership of T&N Limited and, subject to the application of the rules of the United Kingdom shadow ACT scheme which regulate the manner in which surplus ACT can be utilised, surplus ACT of T&N Limited should be available to reduce that liability. Based on an estimated amount of surplus ACT of T&N Limited of £40 million, the potential liability would reduce from £109.5 million to £69.5 million.

Carry forward trading losses of T&N Limited would not be available further to offset such potential charge. Any loss arising to T&N Limited on the sale of the loan notes would not give rise to an allowable loss for United Kingdom tax purposes.

Any such sale would potentially give rise to balancing charges (recovery of capital allowances previously claimed) but carry forward trading losses of T&N Limited should be available to offset any such balancing charges provided that the sale were to take place prior to any change in ownership of T&N Limited.

Any carry forward trading losses and surplus ACT of T&N Limited which were not utilized on the sale would cease to be available to T&N Limited. Surplus ACT of subsidiaries of T&N Limited would also cease to be available to such subsidiaries.

Disposals of trading stock (inventory), trade receivables and loan relationship assets should not give rise to any taxable profit provided that such assets were sold at a price no higher than book value.

As in the case of any sale to an entity in the same United Kingdom tax group as T&N Limited, a charge to stamp duty land tax and stamp duty (or stamp duty reserve tax) would arise although, under the terms of the sale, such liability may be assumed by the purchaser.

Specific Treasury Consent may be required for any such sale.

(3) Impact on Insurance Against Asbestos Claims

In the event that T&N Limited were to sell its assets (whether pursuant to a F-M Bid or otherwise) and, accordingly, permanently discontinue its trade, there is some uncertainty as to whether receipts from the Stock Repayment Obligation would be brought into charge to corporation tax on income as post-cessation receipts arising from the carrying on of the trade during any period before the discontinuance. If so brought into charge, there should be a corresponding deduction for any Asbestos Personal Injury Claim against T&N Limited discharged from such post-cessation receipt so that there would be no net taxable profit. In relation to any Asbestos Personal Injury Claim against a Hercules-Protected Entity (other than Ferodo or GHI), see below.

If receipts from the Stock Repayment Obligation are not so brought into charge to corporation tax as post-cessation receipts, the likely alternative treatment would be that such receipts would be brought into charge to corporation tax on chargeable gains of T&N Limited. If so, a taxable chargeable gain could arise for T&N Limited.

T&N Limited would acquire a base cost in the Stock Repayment Obligation equal to the market value of that Stock Repayment Obligation on its acquisition by T&N Limited. The Stock Repayment Obligation carries no interest. To the extent that the Stock Repayment Obligation would be exhausted over a relatively short period, that

market value base cost may equate to the face value of the Stock Repayment Obligation. To the extent that such base cost is at a discount to the face value of the Stock Repayment Obligation, the amount of such discount less indexation relief would give rise to chargeable gains which would be brought into charge to tax on T&N Limited over the term of the Stock Repayment Obligation. No valuation of the Stock Repayment Obligation has been made for these purposes.

There is some uncertainty as to whether any recovery by T&N Limited under the Hercules Policy which is contributed by T&N Limited to a Hercules-Protected Entity (other than Ferodo or GHI) so that such Hercules-Protected Entity can discharge an Asbestos Personal Injury Claim against that Hercules-Protected Entity may be brought into charge to corporation tax on income on T&N Limited as a post-cessation receipt without a corresponding deduction for the amount so contributed by T&N Limited to the relevant Hercules-Protected Entity.

The same uncertainty would apply to a receipt from the Stock Repayment Obligation so contributed by T&N Limited to a Hercules-Protected Entity in the event that receipts from the Stock Repayment Obligation were generally brought into charge to tax as post-cessation receipts (see above).

In relation to the Code of Practice 10 application (referred to in subsection (h) above), the Inland Revenue have apparently agreed that in a case where T&N Limited is trading, receipts from the Stock Repayment Obligation contributed by T&N Limited to a Hercules-Protected Entity so that such Hercules-Protected Entity can discharge an Asbestos Personal Injury Claim against that Hercules-Protected Entity would not be brought into charge to corporation tax as trading receipts of T&N Limited.

In a case where T&N Limited has permanently discontinued its trade, similar arguments can be made to the effect that any recovery by T&N Limited under the Hercules Policy and, to the extent that receipts from the Stock Repayment Obligation are generally brought into charge to tax as post-cessation receipts, any such receipts which are contributed by T&N Limited to a Hercules-Protected Entity for the same purpose should not be brought into charge to corporation tax as post-cessation receipts on T&N Limited.

It is intended that in the next stage of the Code of Practice 10 application, the Inland Revenue will be asked to confirm a treatment which will exclude any such charge to tax on T&N Limited. On the basis of the Inland Revenue response to the first stage of the Code of Practice 10 application, it is hoped that such confirmation will be given but no certainty as to the outcome can be provided as of the date of this Disclosure Statement.

If the Inland Revenue do confirm that any receipts from the Stock Repayment Obligation are not brought into charge to corporation tax as post-cessation receipts on T&N Limited then for the reasons set out in the last paragraph of subsection h. above, such receipts could give rise to a chargeable gain which would be brought into charge to corporation tax on chargeable gains on T&N Limited.

In the event that receipts from the Stock Repayment Obligation were generally brought into charge to tax as post-cessation receipts (see above), the same uncertainty as to the tax treatment of any excess of the Stock Repayment Obligation over the retention under the Policy described in the third paragraph of subsection h. arises.

k. Pension Payments.

Should the T&N Pension Plan Trustees vote in favor of the Plan and the Voluntary Arrangements, Reorganized T&N shall have the right to terminate the T&N Pension Plan at any time on or after April 30, 2012. If Reorganized T&N exercises this right, a cash payment will be required to be paid at the time of exercise by Reorganized T&N into the T&N Pension Plan. Should the FM Ignition Pension Plan Trustees vote in favor of the Plan and the Voluntary Arrangements and elect the "Let it Run" treatment, similar arrangements will apply for Reorganized FM Ignition. Accordingly, the statements set out below apply equally in relation to Reorganized FM Ignition and the FM Ignition Pension Plan.

On the basis that, any such payment (if made at all) would not be paid until on or after April 30, 2012 the analysis of this payment for United Kingdom tax purposes is subject to a variety of factors including (a) the

possibility that there will be changes in relevant law and Inland Revenue practice by the date of the relevant payment(s); (b) the possibility that the T&N Pension Plan may have ceased to qualify as Inland Revenue exempt approved schemes by the date of the relevant payment; (c) the way in which the payment is ultimately documented and (d) the possibility that Reorganized T&N may have ceased to qualify as a trading company by the date of the relevant payment.

On the assumption, however, that (a) no changes are made to relevant law and Inland Revenue practice by the date of the relevant payment; (b) the T&N Pension Plan does not cease to qualify as an Inland Revenue exempt approved scheme by the date of the relevant payment; and (c) Reorganized T&N has not ceased to qualify as a trading company by the date of the relevant payment, then the payment could be treated in any of the following ways. If the payment is not regarded as a payment made "by way of contribution under the scheme" (which may, in part, depend on how the payment is ultimately documented) it is possible that the payment will not be allowed as a trading deduction for Reorganized T&N. If, however, the payment is properly regarded as a payment made "by way of contribution under the scheme" the payment should, to the extent that it is regarded as constituting an "ordinary annual contribution", be allowed as a trading deduction in the accounting period in which it is paid. To the extent, however, that such payment is properly regarded as constituting a "special contribution" the tax deduction is likely to be spread over a number of accounting periods.

Should the FM Ignition Pension Plan Trustees vote in favor of the Plan and the Voluntary Arrangements and elect for the alternate "Payout" treatment Reorganized FM Ignition will make payments to the scheme sufficient to (a) "purchase annuities to secure the benefits of all participants retired and receiving pension payments immediately before the Voluntary Arrangement Effective Date"; and (b) provide "actuarially equivalent transfer values" to non-pensioner participants. Such payments are likely to be subject to the same rules as described above.

2. Consequences to Holders of Claims and Equity Interests.

a. UK Tax Consequences for the Holders of Claims and Equity Interests.

The following description is a summary of certain UK tax consequences of the Plan for the Holders of Claims and Equity Interests who are the beneficial owners of Claims and Equity Interests, is not comprehensive, applies only in the circumstances described below and except where noted applies only where the holder of such a Claim or Equity interest is within the charge to UK corporation tax. Further, the description below is generally based upon the provisions of UK tax laws and UK Inland Revenue practice as at the date hereof and such provisions may be repealed, revoked or modified (possibly with retrospective effect) so as to result in UK tax consequences different from those described below.

(1) Noteholder Claims.

Under the Plan, the holders of Allowed Noteholder Claims will be entitled to receive a pro rata proportion of the Reorganized Federal-Mogul Class A Common Stock in return for which the relevant Noteholder Claims shall be discharged.

There should be no UK tax consequences for the holders of Allowed Noteholder Claims unless the Note in question is held by a company resident in the UK for tax purposes or is held by a UK permanent establishment of a company resident outside the UK in connection with that company's trade in the UK. If so, the Noteholder may be entitled to claim bad debt relief in line with the statutory accounting treatment of that discharge provided that such relief has not already been claimed and the Noteholder is not connected with Federal-Mogul Corporation and the accounting treatment is in accordance with a mark to market or accruals basis which is authorized for tax purposes.

(2) Convertible Subordinated Debenture Claims.

Under the Plan, the holders of Allowed Convertible Subordinated Debenture Claims will be entitled to receive a proportion of the Reorganized Federal-Mogul Class A Common Stock in return for which the relevant Convertible Subordinated Debenture Claim shall be discharged.

There should be no UK tax consequences for the holders of Allowed Convertible Subordinated Debenture Claims unless the Note in question is held by a company resident in the UK for tax purposes or is held by a UK permanent establishment of a company resident outside the UK in connection with that company's trade in the UK. If so, the position should be as follows. The discharge of the principal amount of the loan should be treated as a capital disposal and the relevant Noteholder may realize a capital loss if the acquisition cost of the Convertible Subordinated Debenture is greater than the value of the total consideration received for the discharge, including the value of the Reorganized Federal-Mogul Class A Common Stock. Any accrued interest outstanding should represent a loan relationship and the holder of the Convertible Subordinated Debenture Claim may be entitled to claim bad debt relief in line with the statutory accounting treatment of that discharge provided that such relief has not already been claimed and the Noteholder is not connected with Federal-Mogul Corporation and the accounting treatment is in accordance with a mark to market or an accruals basis which is authorized for tax purposes.

(3) Transfer of Warrants to Subordinated Securities Claims and/or Equity Interests.

Under the Plan, the holders of Noteholder Claims may receive Warrants that they must transfer to Class 1M, 1N and/or 1O depending upon which of those classes votes to accept the Plan.

There should be no UK tax consequences arising on any transfer of the Warrants unless the holder of the Noteholder Claims receiving and then transferring the particular Warrant is resident in the UK for tax purposes or is a UK permanent establishment of a company resident outside the UK holding the Warrant in connection with its trade in the UK. If so, the transfer of the Warrants should not trigger a charge to corporation tax on chargeable gains provided that either no consideration is received or deemed to be received for the Warrant and the transfer is not deemed to be made at market value (by virtue of the transferee and the transferor being connected) or the market value of the Warrants transferred is nil. Otherwise, the Warrant will be a chargeable asset on which a chargeable gain may arise.

(4) Bank Claims.

Under the Plan, the Bank Claims will be discharged. There should be no UK tax consequences for the holders of Allowed Bank Claims unless the loan in question is made by a company resident in the UK for tax purposes or is made by a UK permanent establishment of a company resident outside the UK in connection with that company's trade in the UK. If so, and provided the Bank Claims are not trade debts but loan relationships (for the purposes of chapter II of the UK's Finance Act 1996), the holders of the Bank Claims may be entitled to claim bad debt relief in line with the statutory accounting treatment of that discharge provided that such relief has not already been claimed and the holder of the Bank Claims is not connected with Federal-Mogul Corporation and the accounting treatment is in accordance with a mark to market or an accruals basis which is authorized for tax purposes.

(5) Holders of Equity Interests.

Under the Plan, all Equity Interests in class 1N and 1O will be extinguished. There should be no UK tax consequences when the Equity Interests are extinguished unless the holder of the Equity Interest is resident in the UK for tax purposes or is a UK permanent establishment of a company resident outside the UK holding the Equity Interest in connection with its trade in the UK. If so, the holder of the Equity Interest will (provided the Equity Interest is not held as trading stock) realize a gain or loss when the Equity Interest is extinguished by reference to its cost of acquisition and the total consideration received by the Holder for the Equity Interest.

(6) Foreign Exchange Gains and Losses.

It may be that a holder of Noteholder Claims or Convertible Subordinated Debenture Claims suffers foreign exchange losses or makes foreign exchange gains in connection with the implementation of the Plan. Broadly, where such a loss or gain is made by a holder of Noteholder Claims or Convertible Subordinated Debenture Claims within the charge to UK corporation tax such losses or gains will be relieved or taxed in accordance with the accounting treatment of that loss or gain.

(7) Stamp Duty.

No stamp duty or stamp duty reserve tax should arise in respect of the aspects of the Plan discussed in paragraphs (1) to (6) above.

b. Holders of Affiliate Claims.

(1) Cancellation of Indebtedness.

(a) Applicable Law.

(i) Indebtedness constitutes a loan relationship.

Paragraph 5(1) Schedule 9 FA 1996 sets out the circumstances in which relief for bad and doubtful debts is allowed under the loan relationship rules.

It provides that when applying an accruals basis of accounting to certain debts it is permissible to write off sums due to the extent the debt is a bad debt, a doubtful debt is estimated to be bad or liability to pay any amount is released.

Bad debt relief is not, however, available in respect of debts between "connected" parties (paragraph 6 Schedule 9 FA 1996) unless the creditor company is in (1) insolvent liquidation, (2) insolvent administration, (3) (assuming that the Finance Bill 2004 is enacted in its current form) insolvent administrative receivership, (4) insolvent provisional liquidation or (5) overseas proceedings equivalent to any of the above.

As a result, unless any creditor company which is "connected" with the debtor company is in one of the above listed insolvency proceedings at the time of the releases or write-off, any release or write-off of sums due will not result in tax relief for the creditor company.

(ii) Indebtedness does not constitute a loan relationship.

Section 74(1)(j) Taxes Act sets out the circumstances in which relief for bad and doubtful debts is allowed otherwise than under the loan relationship rules and in circumstances where the debt has arisen in the course of its trade.

It provides that no bad debt relief will be available except to the extent the debt is (1) a bad debt, (2) released by the creditor wholly and exclusively for the purposes of its trade as part of a "relevant arrangement or compromise" (which has the same meaning as it does for the purposes of the Section 94 Taxes Act discussed in Section XIII B.1.a.(1)(a)) or (3) a doubtful debt which is estimated to be bad which means, in the case of the bankruptcy or insolvency of the debtor, the debt except to the extent that any amounts may reasonably be expected to be received on the debt.

(b) Application to the Plan.

The tax treatment of the cancellation (in whole or in part) of any Affiliate Claims owed to United Kingdom Federal-Mogul Entities will depend on whether (a) the Claim constitutes a loan relationship and (b) the Claim is cancelled pursuant to either a Section 425 Companies Act 1985 scheme or to a CVA.

(i) Indebtedness constitutes a loan relationship.

It is expected that the holders of Affiliate Claims will either (a) be "connected" with the relevant debtor companies but be in administration under Part 2 of the Insolvency Act 1986 at the time of the cancellation of any Affiliate Claims or (b) not be "connected" with the relevant debtor companies as a result of the administration proceedings (for example, where a dormant company not in administration has an amount owing by a company in

administration). Accordingly the relevant holders of Affiliate Claims may be entitled to claim bad debt relief to the extent that the Claim is released if it can be demonstrated that the amount became bad after the commencement of the administration.

(ii) Indebtedness does not constitute a loan relationship.

To the extent that the relevant Affiliate Claim does not constitute a loan relationship the relevant holder of the Affiliate Claim may be able to claim bad debt relief if the debt arose in the course of its trade and either (1) the Affiliate Claim is released pursuant to either a Section 425 Companies Act 1985 scheme or to a CVA or (2) the debt can otherwise be shown to be bad or doubtful.

In order to obtain bad debt relief under either (1) or (2) above, it may be necessary to demonstrate that the Affiliate Claim balance has been treated in the same manner as similar balances with non-Affiliates.

c. Holders of Asbestos Personal Injury Claims.

(1) Applicable Law.

Sums paid to an individual claimant in settlement of a claim for personal injury should not be subject to UK income tax. No UK income tax should apply because the "source" of the income is the injury, pain or suffering of that person. This "source" is not covered by any of the UK income tax "Schedules" (statutory categories of taxable income for UK income tax purposes).

Similarly, compensation for personal injury, pain or suffering which is received by a person other than the individual who suffered the injury, such as a relative or personal representative of a deceased person, should not be chargeable to UK income tax.

Under section 51 (2) Taxation of Chargeable Gains Act 1992, compensation payments for any wrong or injury suffered by an individual in his person, profession or vocation are not chargeable to UK capital gains tax.

However, damages and settlement awards may nevertheless be taxed as a chargeable gain on the basis that a right to sue constitutes an asset for UK capital gains tax purposes and damages awarded in settlement of such claim is a disposal of that asset. This is the case law position based on *Zim Properties v Procter* [1985] STC 90.

By concession, the UK Inland Revenue will not apply the *Zim* principle to individuals if the underlying cause of action is a personal injury claim within section 51(2) Taxation of Chargeable Gains Act 1992 (paragraphs 7 and 12 Inland Revenue Extra Statutory Concession D33). As such, sums received in settlement of such claims should not be liable to UK capital gains tax.

The exemption in section 51(2) Taxation of Chargeable Gains Act 1992 (and the *Zim* concession outlined above) also extend to compensation for personal injury, pain or suffering which is received by a person other than the individual who suffered injury, such as relatives or personal representatives of a deceased person.

Except in limited circumstances (where, for example, interest is awarded by a court) interest paid on damages for personal injury, pain or suffering is generally subject to UK income tax for relevant individuals.

(2) Application to the Plan.

Payments under the Plan to Asbestos Personal Injury Claimants with respect to damages on account of personal injuries or sickness should not be liable to UK income tax. Nor should such sums be chargeable to UK capital gains tax.

The payment of interest under the Plan to Asbestos Personal Injury Claimants is likely to be subject to UK income tax for individual claimants resident or ordinarily resident in the UK for tax purposes.

C. U.S. Federal Income Tax Consequences to Holders of Claims.

The U.S. federal income tax consequences of the Plan to a holder of a Claim will depend upon several factors, including but not limited to: (i) the origin and nature of the holder's Claim, (ii) whether the holder is a resident of the United States for tax purposes (or falls into any of the special classes of taxpayers excluded from this discussion as noted above), (iii) whether the holder reports income on the accrual or cash basis method, (iv) whether the holder has taken a bad debt deduction or worthless security deduction with respect to the Claim and (v) whether the holder receives distributions under the Plan in more than one taxable year. **HOLDERS ARE STRONGLY ADVISED TO CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX TREATMENT UNDER THE PLAN OF THEIR PARTICULAR CLAIMS.**

1. In General.

a. Overall Categorization and Treatment of Claims.

(1) Contingent Liability Claims.

In general, the Claims can be divided into two broad categories for U.S. federal income tax purposes. The first category consists of Claims that are not treated as debt for U.S. federal income tax purposes ("Contingent Liability Claims"). Most of the Asbestos Personal Injury Claims, for example, are included in this category. The holder of a Contingent Liability Claim generally should not recognize any income, gain or loss, if at all, until actual receipt of consideration under the Plan (in the case of a cash basis taxpayer) or at such time as the holder's right to consideration under the Plan becomes fixed and determinable (in the case of an accrual basis taxpayer). In either case, the holder generally should be treated no differently for U.S. federal income tax purposes than had the consideration been received with respect to the holder's original Claim.

(2) Debt Claims.

The second category of Claims consists of Claims that are treated as debt obligations for U.S. federal income tax purposes ("Debt Claims"). This category would include, among other Claims, Bank Claims and Noteholder Claims. The exchange or discharge of a Debt Claim under the Plan will be treated as one of three possible transactions for U.S. federal income tax purposes: a continuation of the Debt Claim, a "recapitalization" or a fully taxable transaction.

(a) Continuation of the Debt Claim.

A holder of a Debt Claim who receives (or maintains) an obligation of the Debtors under the Plan that does not differ significantly from the original Claim generally should not have a taxable event for U.S. federal income tax purposes. Treasury Regulations under IRC Section 1001 define with more specificity when a modification to a Debt Claim constitutes a significant modification. Examples of significant modifications include, but are not limited to, changes in the yield of a debt instrument by more than a certain threshold; changes in the timing of payments if it results in a material deferral of scheduled payments; substitution of a new obligor or a change in payment expectations in certain circumstances; and certain changes in the nature of a debt instrument. See also the discussion in XIII(A)(1)(b)(3) above.

(b) Recapitalization.

Recapitalization treatment will apply to any Debt Claim that constitutes a "security" for U.S. federal income tax purposes (a "Tax Security") that is exchanged in whole or in part for another Tax Security or for Reorganized Federal-Mogul Common Stock and Warrants, if any. There is no precise definition under the U.S. tax law of a Tax Security and all facts and circumstances pertaining to the origin and character of the claim are relevant to the determination. Courts have generally held that corporate debt obligations evidenced by written instruments with original terms to maturity of ten years or more constitute Tax Securities, while corporate debt obligations with original terms to maturity of five years or less generally do not. The cases are unsettled with respect to corporate

debt obligations with original terms to maturity between five and ten years. While the term of a note is an important factor, it is not necessarily determinative. Other relevant factors include the degree of participation and continuing interest, and the extent of proprietary interest as opposed to the similarity of the obligation to a cash payment. Thus, debt obligations with maturities of more or less than five years may constitute Tax Securities if they represent a continuing interest in the enterprise, or, if at issuance, payment on the obligation is sufficiently uncertain.

A Holder of a Tax Security subject to recapitalization treatment (i) will not be entitled to recognize any loss realized as a result of the exchange of the Tax Security, including the Warrants and (ii) will recognize any gain realized, but only to the extent of any "boot" received. "Boot" for these purposes includes any cash and the fair market value of any property other than Reorganized Federal-Mogul Common Stock and Warrants and new Tax Securities (but only to the extent the principal amount of the new Tax Security does not exceed the principal amount of the Tax Security surrendered). Further, nonrecognition will not apply to the extent Reorganized Federal-Mogul Common Stock and Warrants or new Tax Securities are received for accrued interest. As described below under the heading "Distributions in Discharge of Accrued but Unpaid Interest", there is no assurance that the IRS will respect the allocation of distributions in respect of Allowed Claims first to principal. The determination of the amount of gain or loss realized is described below in Section XIII (C)(1)(b), "Amount Realized; Issue Price of New Debt Obligations."

A Holder's initial aggregate tax basis in Reorganized Federal-Mogul Common Stock and Warrants and any new Tax Securities received in the exchange will be equal to such Holder's adjusted tax basis in the Tax Securities exchanged therefor, increased by any gain recognized on the exchange, and decreased by the amount of cash and boot received. In general, the Holder's holding period for the Reorganized Federal-Mogul Common Stock and the Warrants and any new Tax Securities received will include the Holder's holding period for the Tax Securities exchanged, except to the extent the Reorganized Federal-Mogul Common Stock and the Warrants or Tax Securities were received in respect of a claim for accrued interest.

(c) Fully Taxable Transaction.

If a Debt Claim is exchanged or discharged under the Plan other than through a continuation of the Debt Claim or a recapitalization as described above, the exchange or discharge will generally constitute a fully taxable transaction to the holder and any gain or loss realized as a result of the exchange or discharge will be recognized. The determination of the amount of gain or loss realized is described below in Section XIII(C)(1)(b), "Amount Realized; Issue Price of New Debt Obligations."

A holder's aggregate tax basis for any consideration received in a fully taxable transaction will generally equal the amount realized in the exchange (less any amount allocable to interest as described below). A holder's holding period for any non-cash consideration received under the Plan will generally begin on the day following the receipt of such consideration.

b. Amount Realized; Issue Price of New Debt Obligations.

A holder whose Debt Claim is exchanged or discharged pursuant to a recapitalization or a fully taxable transaction (including a deemed exchange resulting from a significant modification) will realize gain or loss equal to the difference between (i) the "amount realized" in respect of the Claim and (ii) the holder's tax basis therein. The amount realized generally will equal the sum of the cash, the "issue price" of any new debt instruments and the fair market value of any other property (including Reorganized Federal-Mogul Common Stock and Warrants), less any amounts allocable to interest. For a discussion of the fair market value of the Reorganized Federal-Mogul Common Stock, see Section XIII(A)(1)(c)(I) above. As noted above, a holder whose exchange or discharge constitutes a recapitalization will not recognize any loss realized and will only recognize any gain realized to the extent of boot received.

The "issue price" of a debt instrument is generally equal to its stated principal amount if neither the debt instrument nor the Debt Claim for which it is exchanged is considered to be "publicly traded" within the meaning of the original issue discount ("OID") rules of the IRC within a short period before or after the Effective Date of the Plan. Otherwise, such issue price will be its actual fair market value, as determined by such public trading. The OID

rules of the IRC define “publicly traded” to include (i) listing on a major securities exchange; (ii) trading in an interbank market; (iii) appearance on a quotation medium that provides a reasonable basis to determine fair market value by dissemination of either recent price quotations of identified brokers, dealers or traders, or actual prices of recent sales transactions; or (iv) in certain circumstances, being readily quotable by dealers, brokers or traders.

c. Distributions in Discharge of Accrued but Unpaid Interest.

Pursuant to the Plan, distributions received in respect of Allowed Claims will be allocated first to the principal amount of such Allowed Claims, with any excess allocated to accrued but unpaid interest. However, there is no assurance that the IRS will respect such allocation for U.S. federal income tax purposes. Holders of Allowed Claims not previously required to include in their taxable income any accrued but unpaid interest on an Allowed Claim may be treated as receiving taxable interest, to the extent any consideration received under the Plan is allocable to such accrued but unpaid interest. Holders previously required to include in their taxable income any accrued but unpaid interest on an Allowed Claim may be entitled to recognize a deductible loss, to the extent that such accrued but unpaid interest is not satisfied under the Plan. Holders should consult their own tax advisors concerning the allocation of consideration received in satisfaction of their Allowed Claims and the U.S. federal income tax treatment of accrued but unpaid interest.

d. Character of Gain or Loss.

The character of any gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss recognized by a holder of Allowed Claims under the Plan will be determined by a number of factors, including, but not limited to, the status of the holder, the nature of the Allowed Claim in such holder's hands, the purpose and circumstances of its acquisition, the holder's holding period of the Allowed Claim, the extent to which the holder previously claimed a loss, bad debt deduction or charge to a reserve for bad debts with respect to the Allowed Claim, whether the Allowed Claim is subject to mark-to-market accounting in the hands of the holder and whether the holder is deemed to receive any consideration with respect to such Claim. In this regard, IRC Section 582(c) provides that the sale or exchange of a bond, debenture, note or certificate, or other evidence of indebtedness by a bank or certain other financial institutions, will not be considered the sale or exchange of a capital asset. Accordingly, any gain recognized by such creditors as a result of the implementation of the Plan will be ordinary income.

In general, if a creditor holds a Debt Claim as a capital asset, any gain recognized with respect to such Claim should be classified as capital gain, except to the extent of interest (including accrued market discount, if any, as described below), and any loss required to be recognized should be classified as capital loss. Such gain or loss will be treated as long-term capital gain with respect to Debt Claims for which the creditor's holding period is more than one year. There is a favorable tax rate applied to long-term capital gains for non-corporate holders. 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.

e. Bad Debt and/or Worthless Securities Deduction.

A holder who under the Plan receives no consideration in respect of its Claim (such as a holder of a Subordinated Securities Claim) may be entitled in the year of receipt or in an earlier year to a bad debt deduction under IRC Section 166(a) (generally in the case of a holder that is a financial institution) or a worthless securities deduction under IRC Section 165(g). However, the Treasury Regulations under IRC Section 165(g) do not permit a deduction for partial worthlessness of securities held as a capital asset. In the case of Debt Claims satisfied with Reorganized Federal-Mogul Common Stock, a subsequent disposition of such stock generally requires the recognition of ordinary income to the extent of any previous bad debt deduction taken under IRC Section 166 under a recapture rule.

f. Market Discount.

Generally, a “market discount” bond is one acquired after its original issuance for less than the issue price of such bond plus the aggregate amount, if any, of OID includable in the income of all holders of such bond before

such acquisition, provided the amount of market discount is not *de minimis*. Generally, gain realized on the disposition of a market discount bond (or on the disposition of property acquired in exchange for such bond in certain non-taxable exchanges) will be treated as ordinary income to the extent of "accrued market discount" at the time of such disposition (determined using either constant interest or ratable daily accrual). The market discount rules will also apply in the case of stock or a Tax Security acquired pursuant to a non-taxable exchange of a market discount obligation. Under these rules, any accrued market discount not treated as ordinary income upon an exchange of a Debt Claim in a recapitalization should carry over to the Reorganized Federal-Mogul Common Stock, the Warrants, or Tax Security received in the exchange. For example, on the disposition of such Reorganized Federal-Mogul Common Stock, any gain recognized generally would be treated as ordinary income to the extent of the amount of accrued market discount carried over to such stock.

g. Interest.

The taxation of interest on a debt instrument depends on whether the interest is "qualified stated interest" (as defined below). Interest that is qualified stated interest is includable in a holder's income as ordinary income when actually or constructively received (if such holder uses the cash method of accounting for U.S. federal income tax purposes) or when accrued (if such holder uses an accrual method of accounting for U.S. federal income tax purposes). Interest that is not qualified stated interest is includable in a holder's income under the rules governing OID noted in Section XIII(C)(1)(b) above and described more fully below, regardless of such holder's method of accounting.

Interest is "qualified stated interest" if the interest is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually at a single fixed rate or at a single qualified floating rate or single objective rate. If a floating rate debt instrument that qualifies as a "variable rate debt instrument" (as defined in applicable Treasury Regulations) provides for interest other than at a single qualified floating rate or single objective rate, special rules apply to determine the portion of such interest that is treated as though it were qualified stated interest. A floating rate debt instrument that is not a variable rate debt instrument will be taxable under the rules applicable to contingent payment debt instruments (the "Contingent Payment Debt Regulations").

h. OID.

OID is the excess of a debt instrument's "stated redemption price at maturity" over its issue price (as determined in Section XIII(C)(1)(b) above) by more than a statutory *de minimis* amount. A debt instrument's "stated redemption price at maturity" is the sum of all payments provided by the debt instrument (whether designated as interest or as principal) other than payments of qualified stated interest as described in Section XIII(C)(1)(g) above.

Holders of debt instruments with OID generally will be required to include such OID in income as it accrues in accordance with a constant yield method, regardless of their regular method of tax accounting. As a result, holders of debt instruments with OID generally will recognize taxable income in advance of the receipt of cash payments attributable to such income.

i. Installment Method.

IRC Section 453 permits a taxpayer to report gain on the sale of property on the installment method (including, apparently, accrued market discount that would be characterized as ordinary income when payments are received), provided at least one payment is received after the year in which the taxable exchange occurs and the taxpayer is not considered a dealer in such property, unless the taxpayer elects to report the gain currently. Installment reporting, however, would not be available if either the Debt Claim sold (or deemed sold) or the new Debt Claim received is publicly traded. Even if a taxpayer may defer recognized gain under the installment method, the resulting deferred tax liability may be subject to a special interest charge under IRC Section 453A. Holders of Claims considering the use of the installment method with respect to consideration received pursuant to the Plan should consult their tax advisor.

2. Holders of Specific Claims.

a. Noteholder Claims.

The tax consequences of the Plan to a holder of a Noteholder Claim will depend, in part, on whether the Claim constitutes a Tax Security as described in Section XIII(C)(1)(a)(2)(b) above. Federal-Mogul's 7.875% Notes due in 2010 should be considered Tax Securities because their term is longer than ten years. Federal-Mogul's 8.8% Senior Notes due in 2007, 7.5% Notes due in 2009, and 7.75% Notes due in 2006 have maturities ranging from eight to ten years, while Federal-Mogul's 7.5% Notes due in 2004 and 7.375% Notes due in 2006 have terms of six and seven years, respectively. The Medium-Term Notes have terms ranging from five to ten years. Other factors besides the term of a debt instrument, including factors of risk, control, and degree of participation and continuing interest in the business, are relevant in determining whether debt instruments with maturities of between five and ten years constitute securities. Based on applicable authority and all the facts and circumstances surrounding their issuance, Federal-Mogul's Notes with maturities ranging from eight to ten years (which includes the 8.8% Senior Notes due in 2007, 7.5% Notes due in 2009, 7.75% Notes due in 2006, and certain Medium-Term Notes) should likely be treated as Tax Securities for U.S. federal income tax purposes. Federal-Mogul's Notes with terms of less than eight years (which includes the 7.5% Notes due in 2004, 7.375% Notes due in 2006, and certain Medium-Term Notes) may or may not constitute Tax Securities.

Under the Plan, holders of Convertible Subordinated Debentures will be entitled to receive a pro rata portion of the Reorganized Federal-Mogul Common Stock; however, due to previously agreed to contractual subordination provisions governing the Convertible Subordinated Debentures, such stock will be distributed directly to, and for the sole benefit of, the holders of Noteholder Claims. Thus, the holders of Convertible Subordinated Debentures will retain no consideration under the Plan, and for purposes of the discussion herein, the Convertible Subordinated Debentures are considered to have been extinguished for no consideration.

Pursuant to the Plan, the holders of Noteholder Claims and the holders of Asbestos Personal Injury Claims will receive Warrants and will subsequently transfer the Warrants to the holders of Subordinated Securities Claims in Class 1N and/or to the holders of Equity Interests in Class 1M or 1O, subject to certain voting requirements. Also, under the Plan, the holders of Noteholder Claims will receive newly issued stock in Federal-Mogul Piston Rings, Inc. and will immediately thereafter transfer such stock to Federal-Mogul Powertrain, Inc. whose Equity Interests in Class 2P will be extinguished on the Effective Date.

The U.S. federal income tax consequences to the holders of Noteholder Claims of the receipt and subsequent transfer of the Warrants and stock in Federal-Mogul Piston Rings, Inc. is uncertain. Because the holders of Noteholders Claims will have momentary ownership of the stock in Federal-Mogul Piston Rings, Inc. and such momentary ownership has a business purpose that is not inconsistent with the fact that Federal Mogul Powertrain, Inc. never relinquished beneficial ownership of Federal Mogul Piston Rings, Inc., it is likely that the receipt of such property by the holders of Noteholder Claims will be disregarded under U.S. tax law as having no independent economic significance. On the other hand, the momentary ownership of the Warrants by the holders of Noteholder Claims (assuming Class 1M, 1N and/or 1O vote to accept the Plan) is not likely to be disregarded because such transitory ownership (i.e., receipt and immediate subsequent transfer) reflects a transaction that has independent economic significance. The discussion below assumes that such tax treatments are appropriate, but there can be no assurance that the IRS will not take a contrary position. Holders of Noteholder Claims should consult their tax advisors with respect to the federal income tax treatment of the receipt of Warrants and stock in Federal-Mogul Piston Rings, Inc.

(1) Allocation of Consideration.

As noted in Section XIII(C)(1)(c) above, under the Plan, the allocation of consideration received in respect of Allowed Claims (including Noteholder Claims) will be made first to principal and then to accrued but unpaid interest. Holders of Noteholder Claims receiving Reorganized Federal-Mogul Common Stock and the Warrants, if any, as consideration for accrued but unpaid interest on such Claims who have not previously included such interest in income would recognize ordinary interest income equal to the fair market value of such stock and the Warrants, if any, while those holders who had previously included such interest in income would receive the Reorganized

Federal-Mogul Common Stock and the Warrants, if any, tax-free and have a simultaneous offsetting ordinary bad debt deduction to the extent such accrued but unpaid interest is not satisfied.

(2) Noteholder Claims Constituting Tax Securities.

To the extent that consideration is not attributable to accrued but unpaid interest, holders of Noteholder Claims constituting Tax Securities who receive Reorganized Federal-Mogul Common Stock and the Warrants, if any, in satisfaction of such Claims under the Plan generally will recognize no gain and will not be permitted to recognize any loss on the exchange. Any accrued market discount attributable to such Claims and not previously included in income would carry over to the Reorganized Federal-Mogul Common Stock and the Warrants received and will be treated as ordinary income upon disposition of such interests. A holder's aggregate tax basis in the Reorganized Federal-Mogul Common Stock and the Warrants received under the Plan in respect of such a Claim will generally equal the holder's adjusted basis in such Claim. The holding period for the Reorganized Federal-Mogul Common Stock and Warrants received will generally include the holding period of the Claim surrendered therefor.

(3) Noteholder Claims Not Constituting Tax Securities.

To the extent that consideration is not attributable to accrued but unpaid interest, holders of Noteholder Claims not constituting Tax Securities will recognize gain or loss equal to the amount realized under the Plan in respect of their Claims, less their respective tax bases in their Claims. The amount realized for this purpose will generally be equal to the fair market value of the Reorganized Federal-Mogul Common Stock and the Warrants, if any, received under the Plan in respect of their Claims.

The holder's aggregate tax bases in the Reorganized Federal-Mogul Common Stock and the Warrants, if any, received under the Plan will generally equal the amount realized and the holding period for such interests will generally begin on the day following receipt of such interests. For a discussion of the character of any recognized gain or loss on such taxable exchange, see Section XIII(C)(1)(d) above.

(4) Transfer of Warrants to Subordinated Securities Claims and/or Equity Interests.

If the holders of Subordinated Securities Claims in Class 1N and/or the holders of Equity Interests in Class 1M or 1O vote to accept the Plan, the holders of the Noteholder Claims will receive Warrants which they must thereafter transfer to Class 1M, 1N and/or 1O, as appropriate, depending upon which of those classes has voted to accept the Plan. Such transfer may be treated as a taxable exchange for the holders of the Noteholder Claims. If the holders of Noteholder Claims acquired Warrants in exchange for Noteholder Claims that did not constitute Tax Securities (see Section XIII(C)(2)(a)(3) above), such holders should not recognize any additional gain or loss on the subsequent transfer of Warrants. If the holders of Noteholder Claims acquired the Warrants in exchange for Noteholder Claims that did constitute Tax Securities (see Section XIII(C)(2)(a)(2) above), such holders may recognize a taxable capital gain to the extent the value of the Warrants, determined as of the Effective Date, exceeds such holders' tax basis in the Warrants determined as set forth in Section XIII(C)(2)(a)(2) above. In addition, if such holders' tax basis in the Warrants exceeds the value of such Warrants as of the Effective Date, the holder may not claim an immediate capital loss, but such realized loss would likely be added to the adjusted tax basis that the holder has in the Reorganized Federal-Mogul Common Stock.

b. Bank Claims.

Holders of Bank Claims receiving consideration for accrued but unpaid interest on such Claims who have not previously included such interest in income would recognize ordinary interest income, while those holders who had previously included such interest in income would receive such consideration tax-free and have a simultaneous offsetting ordinary bad debt deduction to the extent such accrued but unpaid interest is not satisfied.

To the extent that consideration is not attributable to accrued but unpaid interest, holders of Bank Claims (which do not constitute Tax Securities) will recognize gain or loss equal to the amount realized under the Plan in respect of their Claims less their respective tax bases in their Claims. The amount realized for this purpose will generally equal the sum of the cash, the issue price of new debt and the fair market value of any other consideration received under the Plan in respect of their Claims. For a discussion of the character of any recognized gain or loss on such taxable exchange, see Section XIII(C)(1)(d) above.

(1) Term Loans.

The Bank Claims and the Reorganized Federal-Mogul Secured Term Loans issued in partial satisfaction of such Claims are likely to be treated as publicly traded property within the meaning of Treasury Regulation Section 1.1273-2. Accordingly, the issue price of the Reorganized Federal-Mogul Secured Term Loans is expected to be their fair market value. Assuming the Reorganized Federal-Mogul Secured Term Loans are valued consistently with the valuation analysis of the Reorganized Federal-Mogul Secured Term Loans performed by Jefferies, the issue price of such Term Loans will be less than their stated redemption price at maturity, such that the Reorganized Federal-Mogul Secured Term Loans will be treated as having OID. Moreover, based on the facts at the relevant time, the Reorganized Federal-Mogul Secured Term Loans could become subject to the applicable high yield discount obligation ("AHYDO") provisions of IRC Section 163(e)(5), affecting the timing and amount of interest deductions by the Debtor. Holders of the Reorganized Federal-Mogul Secured Term Loans generally will be required to include OID in income to the extent the yield to maturity of the Reorganized Federal-Mogul Secured Term Loans for the relevant period multiplied by their adjusted issue price exceeds the "qualified stated interest" for the relevant period. See Sections XIII(C)(1)(b) and (h) above.

Reorganized Federal-Mogul will be entitled to redeem all or a portion of the Reorganized Federal-Mogul Secured Term Loans at any time. In addition, the Reorganized Federal-Mogul Secured Term Loans provide for interest to be paid quarterly at a rate equal to the London Interbank Offered Rate ("LIBOR") plus a percentage spread above LIBOR that increases periodically beginning January 1, 2007. (Dates used in this discussion are based on the assumption that the Effective Date will occur not later than March 31, 2005.) Treasury Regulations under the OID rules generally define a variable rate debt instrument ("VRDI") to include a debt instrument that has stated interest that is payable unconditionally at least annually at one or more qualified floating rates. A qualified floating rate generally includes a designated interest index, such as LIBOR, plus percentage points. It appears that the Reorganized Federal-Mogul Secured Term Loans bear interest at multiple qualified floating rates and consequently should qualify as VRDIs for U.S. federal income tax purposes.

For purposes of determining whether a VRDI has OID, the OID rules generally applicable to fixed rate debt instruments apply. For this purpose, "qualified stated interest" with respect to a qualified floating rate on a VRDI is determined by assuming that the variable rate is a fixed rate equal to the value of the qualified floating rate on the issue date. The amount of qualified stated interest and OID accruals on the Reorganized Federal-Mogul Secured Term Loans are determined by constructing an equivalent fixed rate debt instrument and substituting an appropriate fixed rate (in the manner described in the immediately preceding sentence) for each variable rate provided for under its terms. If necessary, adjustments are made for the actual variable rates during the applicable accrual period. The application of these rules to the Reorganized Federal-Mogul Secured Term Loans generally should result in the increases to the fixed amount of interest beginning January 1, 2007 being treated as producing OID (in addition to the OID attributable to the issue price being less than the principal amount of the Reorganized Federal-Mogul Secured Term Loans), with the remaining interest payable on the Reorganized Federal-Mogul Secured Term Loans being treated as qualified stated interest. Thus, a holder of the Reorganized Federal-Mogul Secured Term Loans may be required to report interest (OID plus qualified stated interest) in amounts exceeding the stated interest paid on the Reorganized Federal-Mogul Secured Term Loans.

The OID rules also provide special rules for determining the yield and maturity of a debt instrument with "alternative payment schedules" arising, for example, from an issuer call right. Under these rules, an issuer is deemed to exercise or not exercise any call rights in a manner that minimizes the yield on the debt instrument as among the possible alternative payment schedules. It is presumed that Reorganized Federal-Mogul would not exercise its call rights prior to January 1, 2007, because this presumption has the effect of minimizing the yield on

the Reorganized Federal-Mogul Secured Term Loans due mainly to the amount of OID on the Reorganized Federal-Mogul Secured Term Loans.

(2) **Reorganized Federal-Mogul Junior Secured PIK Notes.**

Because the Reorganized Federal-Mogul Junior Secured PIK Notes will be issued in partial satisfaction of the Bank Claims, which are likely to be treated as publicly traded, and because the Reorganized Federal-Mogul Junior Secured PIK Notes are likely to be treated as publicly traded, the issue price of the Reorganized Federal-Mogul Junior Secured PIK Notes is expected to be their fair market value. Assuming the Reorganized Federal-Mogul Junior Secured PIK Notes are valued consistently with the valuation analysis of the Reorganized Federal-Mogul Junior Secured PIK Notes performed by Jefferies, the issue price of such PIK Notes will be less than their stated redemption price at maturity, such that the Reorganized Federal-Mogul Junior Secured PIK Notes will be treated as having OID. As set forth below, Reorganized Federal-Mogul intends to report such OID plus stated interest under the Contingent Payment Debt Regulations.

The Reorganized Federal-Mogul Junior Secured PIK Notes provide for interest to be paid both in cash and in-kind until the earlier of December 31, 2009 or the end of any fiscal quarter in which certain financial targets are achieved, after which interest at a lower rate would be paid solely in cash. Because the amount and timing of payments to be made under the Reorganized Federal-Mogul Junior Secured PIK Notes are contingent and because the Bank Claims (for which the Reorganized Federal-Mogul Junior Secured PIK Notes are issued in partial satisfaction) are likely to be treated as publicly traded property, Federal-Mogul intends to treat the Reorganized Federal-Mogul Junior Secured PIK Notes as debt instruments subject to the "noncontingent bond method" of the Contingent Payment Debt Regulations, using the comparable yield (as defined below) compounded semiannually and the projected payment schedule (as defined below) determined by Federal-Mogul. The remainder of this discussion assumes that this treatment is correct.

The Plan Proponents believe the Reorganized Federal-Mogul Junior Secured PIK Notes issued in partial satisfaction of the Bank Claims will constitute AHYDOs for United States federal income tax purposes. A debt instrument is an AHYDO if, among other requirements, its yield to maturity is at least five percentage points above the applicable federal rate ("AFR") as of the Effective Date and it has significant OID (in general, where there is unamortized OID at the end of any accrual period ending after the fifth year from the Effective Date that exceeds interest paid plus an amount equal to the yield to maturity multiplied by the issue price). If the Reorganized Federal-Mogul Junior Secured PIK Notes are treated as AHYDOs, (i) a portion of the interest deduction otherwise allowable as OID would be disallowed, (ii) corporate holders of the Federal-Mogul Junior Secured PIK Notes should receive a dividend received deduction equal to the disqualified portion of the OID (provided, however, that a dividend received deduction will only be allowed if Reorganized Federal-Mogul has sufficient earnings and profits), and (iii) the balance of such interest deduction would be deferred until actually paid. For this purpose, the issuance of additional Federal-Mogul Junior Secured PIK Notes will not be treated as the actual payment of OID.

Neither the AHYDO rules nor the Contingent Payment Debt Regulations contain any guidance as to how the AHYDO rules apply to a contingent payment debt instrument, however Federal-Mogul intends to take the position that the AHYDO rules apply to the Federal-Mogul Junior Secured PIK Notes. Accordingly, Reorganized Federal-Mogul will not deduct for United States federal income tax purposes OID accrued on the Reorganized Federal-Mogul Junior Secured PIK Notes until such time as it actually pays such OID, and a portion of the interest deduction otherwise allowable as OID may be permanently disallowed.

In accordance with the rules set forth in the Contingent Payment Debt Regulations, holders of the Reorganized Federal-Mogul Junior Secured PIK Notes will be required to include OID in income as follows, regardless of their regular method of tax accounting, which may exceed the stated interest paid on the Reorganized Federal-Mogul Junior Secured PIK Notes. Moreover, the distribution by Reorganized Federal-Mogul of additional debt instruments pursuant to the terms of the Reorganized Federal-Mogul Junior Secured PIK Notes will not be considered a payment on the original debt instrument.

First, Reorganized Federal-Mogul is required to determine, as of the issue date, the comparable yield for the contingent payment debt instrument. The comparable yield is generally the yield at which Reorganized Federal-

Mogul would issue a fixed rate debt instrument with terms and conditions similar to those of the contingent payment debt instrument (including the level of subordination, term, timing of payments and general market conditions) but not taking into consideration the risk of the contingencies or the liquidity of the contingent payment debt instrument. Further, the comparable yield may not be less than the AFR. Based on information current as of the date of this Disclosure Statement (which may change by the time the Reorganized Federal-Mogul Junior Secured PIK Notes as issued), Reorganized Federal-Mogul intends to take the position that the comparable yield for the Reorganized Federal-Mogul Junior Secured PIK Notes is approximately 12.25%, compounded semiannually. The precise manner of calculating the comparable yield, however, is not entirely clear. If the comparable yield were successfully challenged by the IRS, the redetermined yield could differ materially from the comparable yield provided above.

Second, solely for tax purposes, Reorganized Federal-Mogul constructs a projected schedule of payments determined under the Contingent Payment Debt Regulations for the contingent payment debt instrument (the "Schedule"). The Schedule is determined as of the issue date and generally remains in place throughout the term of the contingent payment debt instrument. If a right to a contingent payment is based on market information, the amount of the projected payment is the forward price of the contingent payment. If a contingent payment is not based on market information, the amount of the projected payment is the expected value of the contingent payment as of the issue date. The Schedule must produce the comparable yield determined as set forth above. Otherwise, the Schedule must be adjusted under the rules set forth in the Contingent Payment Debt Regulations.

Third, under the usual rules applicable to debt instruments issued with OID and based on the Schedule, the interest income on the contingent payment debt instrument for each accrual period is determined by multiplying the comparable yield of the contingent payment debt instrument (adjusted for the length of the accrual period) by the contingent payment debt instrument's adjusted issue price at the beginning of the accrual period (determined under rules set forth in the Contingent Payment Debt Regulations). The amount so determined is then allocated on a ratable basis to each day in the accrual period that the holder held the contingent payment debt instrument. The adjusted issue price of a debt instrument at the beginning of the first accrual period is its issue price. Thereafter, the adjusted issue price of the debt instrument is its issue price, increased by the amount of OID previously includable in the gross income of any beneficial owner and decreased by the amount of any payment previously made on the debt instrument other than a payment of qualified stated interest.

Fourth, appropriate adjustments are made to the interest income determined under the foregoing rules to account for any differences between the Schedule and actual contingent payments. Under the rules set forth in the Contingent Payment Debt Regulations, interest income is generally increased (or decreased) if the actual contingent payment is more (or less) than the projected payment. Differences between the actual amounts of any contingent payments made in a calendar year and the projected amounts of such payments are generally aggregated and taken into account, in the case of a positive difference, as additional interest income, or, in the case of a negative difference, first as a reduction in interest income for such year and thereafter, subject to certain limitations, as ordinary loss.

The Contingent Payment Debt Regulations require Reorganized Federal-Mogul to provide each beneficial owner of a contingent payment debt instrument with the Schedule. If Reorganized Federal-Mogul does not create the Schedule or the Schedule is unreasonable, a holder must set its own projected payment schedule and explicitly disclose the fact that the holder's schedule is being used and the reason therefor. Unless otherwise prescribed by the IRS, the holder must make such disclosure on a statement attached to the holder's timely filed U.S. federal income tax return for the taxable year in which the contingent payment debt instrument was acquired. The comparable yield and the Schedule are not determined for any purpose other than for the determination of a holder's interest accruals and adjustments thereof in respect of the Reorganized Federal-Mogul Junior Secured PIK Notes for United States federal income tax purposes and do not constitute a projection or representation regarding the actual amounts payable on the Reorganized Federal-Mogul Junior Secured PIK Notes.

The application of the Contingent Payment Debt Regulations to the Reorganized Federal-Mogul Junior Secured PIK Notes is uncertain in several respects, and, as a result, no assurance can be given that the IRS or a court will agree with the treatment described herein. Any differing treatment could affect the amount, timing and character of income, gain or loss in respect of an investment in the Reorganized Federal-Mogul Junior Secured PIK

Notes. In particular, a holder might be required to accrue interest income at a higher or lower rate and might have an adjusted tax basis in the Reorganized Federal-Mogul Junior Secured PIK Notes that is materially different than discussed herein. Holders should consult their tax advisors concerning the tax treatment of holding and disposing of the Reorganized Federal-Mogul Junior Secured PIK Notes.

c. Subordinated Securities Claims.

Assuming the Subordinated Securities Claims arise from securities that the holder previously sold and the securities were held as a capital asset by the holder, the holder should generally recognize a capital gain equal to the amount realized under the Plan. Subject to the risk set forth below, the amount realized for this purpose will generally equal the fair market value of the Warrants received plus the amount of the insurance proceeds. The IRS could assert that the fair market value of the Warrants is not attributable to the exchange of the Claims but is attributable to acquiring the vote of Class 1N which is an ordinary income asset. As a result, a holder of these Claims would recognize ordinary income in the amount of the fair market value of the Warrants and recognize a capital gain with respect to the transfer of Claims taking into account insurance proceeds as the only amount realized.

d. Asbestos Personal Injury Claims.

Payments under the Plan to Asbestos Personal Injury Claimants with respect to damages on account of personal injuries or sickness will not be includable in such Asbestos Personal Injury Claimants' gross income under IRC Section 104. However, to the extent payments under the Plan to an Asbestos Personal Injury Claimant are attributable to interest or medical expense deductions allowed under IRC Section 213 for a prior taxable year, such payments will be taxable as ordinary income to such Claimant.

If the holders of Subordinated Securities Claims in Class 1N and/or the holders of Equity Interests in Class 1M or 1O vote to accept the Plan, the holders of the Asbestos Personal Injury Claims will receive Warrants which they must thereafter transfer to Class 1M, 1N and/or 1O, as appropriate, depending upon which of those classes voted to accept the Plan. The Trust should have no adverse U.S. federal tax consequences on the transfer of the Warrants to Class 1M, 1N, and/or 1O.

e. Reinstated Claims.

Holders should not generally recognize gain, loss, or other taxable income or deduction upon the reinstatement of their Claims under the Plan. Taxable income may, however, be recognized by such holders if they are considered to receive interest, damages, or other income in connection with the reinstatement of their Claims, or if such reinstatement is considered for tax purposes to be a significant modification of the Claim. This category of claims includes Other Secured Claims, Environmental Claims, Employee Benefit Claims and Bonded Non-Asbestos Claims.

D. U.S. Tax Consequences to Holders of Equity Interests.

Pursuant to the Plan, all Equity Interests in Classes 1M and 1O will be extinguished. If, among other things, Class 1M (holders of existing preferred stock of Federal-Mogul) and/or Class 1O (holders of existing common stock of Federal-Mogul) vote to accept the Plan, the holders of Noteholder Claims and the holders of Asbestos Personal Injury Claims will receive Warrants and will thereafter transfer such Warrants to Class 1M and/or 1O, as appropriate, depending upon whether one or both Classes voted in favor of the Plan.

The tax consequences of the receipt of Warrants by the holder of an Equity Interest in Federal-Mogul are uncertain. As described in Section XIII(C)(2)(a) above, it is likely that the IRS would take the position that the Warrants are received by the holders of Noteholder Claims and Asbestos Personal Injury Claims in an independent transaction and then transferred to each holder of an Equity Interest in exchange for a favorable vote on the Plan. Under this approach, (i) the fair market value of the Warrants received by a holder of an Equity Interest would be required to be included as ordinary income by such holder, (ii) the holder's basis in the Warrants would be the fair

market value of the Warrants at the time received, (iii) the holder's holding period for the Warrants would begin on the date the Warrants are received and (iv) the holder would be entitled to a loss with respect to such holder's Equity Interest as described in the last paragraph of this section.

It is also possible that the momentary ownership of the Warrants by the holders of Noteholder Claims and Asbestos Personal Injury Claims may be ignored and the Warrants may be treated as having been received by each holder in exchange for such holder's Equity Interest. Under this view, a holder of an Equity Interest will recognize gain or loss equal to the difference between the fair market value of the Warrants received by such holder and the holder's tax basis in the existing Federal-Mogul common or preferred stock. In general, if the holder held the Equity Interest as a capital asset, the gain or loss will be treated as a loss from the sale or exchange of such capital asset and will be long-term if the Equity 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.

If Class 1M or Class 1O rejects the Plan, the Class not casting a favorable vote will receive nothing in exchange for its shares. In such event, a holder of an Equity Interest generally should recognize a loss equal to the holder's tax basis in the existing Federal-Mogul common or preferred stock extinguished under the Plan unless the holder previously claimed a loss with respect to such stock under its regular method of accounting. Except in the case of a holder that is a financial institution, if the holder held the Equity Interest as a capital asset, the loss will be treated as a loss from the sale or exchange of such capital asset. Capital loss will be long-term if the Equity 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.

E. U.S. Withholding Tax.

All Distributions to holders of Allowed Claims under the Plan (including payments and distributions by the Trust to Asbestos Personal Injury Claimants) are subject to any applicable withholding, including employment tax withholding. The Trust, the Debtors and/or the Post-Confirmation Estate will withhold appropriate employment taxes with respect to payments to a holder of an Allowed Claim which constitutes a payment for compensation. In addition, the Trust, the Debtors and/or the Post-Confirmation Estate, if payors of interest (including OID), dividends, and certain other reportable payments may be required to backup withhold a portion of such payments to a holder of an Allowed Claim at the current rate of 28% if such holder (i) fails to furnish the correct social security number or other taxpayer identification number ("TIN") of such holder, (ii) furnishes an incorrect TIN, (iii) is informed by the IRS that it failed to report properly any interest or dividends in the past or (iv) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is the correct number and that such holder is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions. For this purpose, payments made directly to the Trust are treated as payments to a corporation.

AS INDICATED ABOVE, THE FOREGOING IS INTENDED TO BE A SUMMARY ONLY AND NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE U.S. FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN SOME CASES, UNCERTAIN. ACCORDINGLY, EACH HOLDER OF A CLAIM OR INTEREST IS URGED TO CONSULT SUCH HOLDER'S TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

XIV.

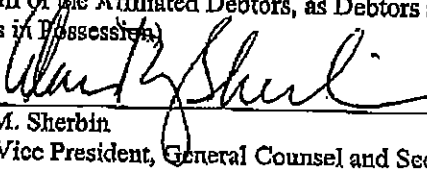
CONCLUSION AND RECOMMENDATION

The Plan Proponents believe that the Plan is in the best interests of all holders of Claims and Equity Interests and urge all holders of impaired Claims and Equity Interests in Classes entitled to vote on the Plan to vote to accept the Plan and to evidence such acceptance by returning their Ballots so that they will be actually received on or before _____ p.m. (prevailing Eastern Time), on _____, 2004.

Dated: Southfield, Michigan

6/4, 2004

FEDERAL-MOGUL CORPORATION (for itself and
on behalf of the Affiliated Debtors, as Debtors and
Debtors in Possession)

By: 
David M. Sherbin
Senior Vice President, General Counsel and Secretary

OFFICIAL COMMITTEE OF UNSECURED CREDITORS

By: _____

OFFICIAL COMMITTEE OF ASBESTOS CLAIMANTS

By: _____

JPMORGAN CHASE BANK, AS ADMINISTRATIVE AGENT

By: _____

OFFICIAL COMMITTEE OF EQUITY SECURITY HOLDERS

By: _____

ERIC D. GREEN, as THE FUTURE CLAIMANTS
REPRESENTATIVE

By: _____

Dated: Southfield, Michigan

6/4, 2004

FEDERAL-MOGUL CORPORATION (for itself and
on behalf of the Affiliated Debtors, as Debtors and
Debtors in Possession)

By: _____
David M. Sherbin
Senior Vice President, General Counsel and Secretary

OFFICIAL COMMITTEE OF UNSECURED CREDITORS

By:  _____

OFFICIAL COMMITTEE OF ASBESTOS CLAIMANTS

By: _____

JPMORGAN CHASE BANK, AS ADMINISTRATIVE AGENT

By: _____

OFFICIAL COMMITTEE OF EQUITY SECURITY HOLDERS

By: _____

ERIC D. GREEN, as THE FUTURE CLAIMANTS
REPRESENTATIVE

By: _____

Dated: Southfield, Michigan

6/4, 2004

FEDERAL-MOGUL CORPORATION (for itself and
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By: _____
David M. Sherbin
Senior Vice President, General Counsel and Secretary

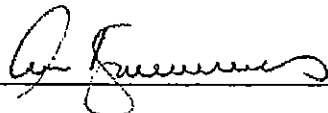
OFFICIAL COMMITTEE OF UNSECURED CREDITORS

By: _____

OFFICIAL COMMITTEE OF ASBESTOS CLAIMANTS

By: _____

JPMORGAN CHASE BANK, AS ADMINISTRATIVE AGENT

By:  _____

OFFICIAL COMMITTEE OF EQUITY SECURITY HOLDERS

By: _____

ERIC D. GREEN, as THE FUTURE CLAIMANTS
REPRESENTATIVE

By: _____

Dated: Southfield, Michigan

6/4, 2004

FEDERAL-MOGUL CORPORATION (for itself and
on behalf of the Affiliated Debtors, as Debtors and
Debtors in Possession)

By: _____
David M. Sherbin
Senior Vice President, General Counsel and Secretary

OFFICIAL COMMITTEE OF UNSECURED CREDITORS

By: _____

OFFICIAL COMMITTEE OF ASBESTOS CLAIMANTS

By: Joseph R. Ricci

JPMORGAN CHASE BANK, AS ADMINISTRATIVE AGENT

By: _____

OFFICIAL COMMITTEE OF EQUITY SECURITY HOLDERS

By: _____

ERIC D. GREEN, as THE FUTURE CLAIMANTS
REPRESENTATIVE

By: _____

Dated: Southfield, Michigan

6/3, 2004

FEDERAL-MOGUL CORPORATION (for itself and
on behalf of the Affiliated Debtors, as Debtors and
Debtors in Possession)

By: _____
David M. Sherbin
Senior Vice President, General Counsel and Secretary

OFFICIAL COMMITTEE OF UNSECURED CREDITORS

By: _____

OFFICIAL COMMITTEE OF ASBESTOS CLAIMANTS

By: _____

JPMORGAN CHASE BANK, AS ADMINISTRATIVE AGENT

By: _____

OFFICIAL COMMITTEE OF EQUITY SECURITY HOLDERS

By: _____

ERIC D. GREEN, as THE FUTURE CLAIMANTS
REPRESENTATIVE

By: E. Hickman _____

Dated: Southfield, Michigan

6/4, 2004

FEDERAL-MOGUL CORPORATION (for itself and
on behalf of the Affiliated Debtors, as Debtors and
Debtors in Possession)

By: _____
David M. Sherbin
Senior Vice President, General Counsel and Secretary

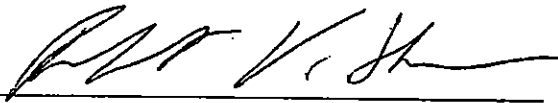
OFFICIAL COMMITTEE OF UNSECURED CREDITORS

By: _____

OFFICIAL COMMITTEE OF ASBESTOS CLAIMANTS

By: _____

JPMORGAN CHASE BANK, AS ADMINISTRATIVE AGENT

By:  _____

OFFICIAL COMMITTEE OF EQUITY SECURITY HOLDERS

By: _____

ERIC D. GREEN, as THE FUTURE CLAIMANTS
REPRESENTATIVE

By: _____

Counsel for the Plan Proponents

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GENTILOTTI
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Facsimile: (302) 429-8600

TABLE OF EXHIBITS

<u>Exhibit</u>	<u>Description</u>
Exhibit A	Third Amended Joint Plan of Reorganization
Exhibit B	Claims and Equity Interests Not Impaired by the Plan
Exhibit C	Claims and Equity Interests Impaired by the Plan
Exhibit D	Forms of Schemes of Arrangement for the UK Debtors
Exhibit E	Form of Voluntary Arrangement Proposal for the UK Debtors
Exhibit F	Pending Commercial Litigation Against the Debtors
Exhibit G	Pro Forma Financial Statements and Notes
Exhibit H	Administrators of U.K. Debtors
Exhibit I	Creditors Committees Appointed in Administrations of U.K. Debtors
Exhibit J	Liquidation Analysis
Exhibit K	[Intentionally omitted]
Exhibit L	Projected Asset Values, Liabilities, and Estimated Distributions to Holders of of Unsecured Claims Against U.K. Debtors from Application of Company Specific Distribution Ratio and Small Company Specific Distribution Ratio
Exhibit M	Locations of U.S. Environmental Sites
Exhibit N	Federal-Mogul Corporation's Form 10-K for the Year Ended December 31, 2003

GLOSSARY OF DEFINED TERMS

The capitalized terms set forth herein share the meanings ascribed to them in the Plan or the Bankruptcy Code, unless otherwise noted by an *, in which case the defined term is used solely for purposes of the Disclosure Statement.

<i>1997 Flexitallic Asset Purchase Agreement</i>	means that certain Asset Purchase Agreement, dated as of April 11, 1997, by and among T&N plc, Flexitallic Limited, Flexitallic Sealing Materials Ltd., Flexitallic, Inc., Goetze Vermögenswerwaltungs, GmbH, Flexitallic Canada Ltd., Ferodo a.s., Dan=Loc Corporation, Dan=Loc Limited, Delta 72 Unternehmenswerwaltungs GmbH, Frederique s.r.o., Dan=Loc (Canada) Ltd. and Dan=Loc Transitional, L.P.
<i>Administrative Agent</i>	means JPMorgan Chase Bank (formerly The Chase Manhattan Bank) as administrative agent under the Bank Credit Agreement.
<i>Administration Claim</i>	means, in relation to a U.K. Debtor, any Claim that ranks in the administration of that U.K. Debtor under the laws of the relevant part of the United Kingdom as an administration expense, including, without limitation, (a) the remuneration and expenses of the Administrators properly incurred by them as administrators of that U.K. Debtor as referred to in subsection 19(4) of the IA 1986; (b) any sums payable in respect of debts or liabilities incurred, while they were Administrators, under contracts entered into by them in carrying out their functions as administrators of that U.K. Debtor as referred to in subsection 19(5) of the IA 1986; and (c) any sums payable in respect of liabilities incurred, while they were Administrators, under contracts of employment adopted by the Administrators of that U.K. Debtor in carrying out their functions as administrators, to the extent that the liabilities are qualifying liabilities, for the purposes of subsection 19(6) of the IA 1986.
<i>Administrative Claim</i>	means any Claim for the payment of an Administrative Expense.
<i>Administrative Expense</i>	means (a) any cost or expense of administration of the Reorganization Cases under Section 503(b) of the Bankruptcy Code including, but not limited to (1) any actual and necessary postpetition cost or expense of preserving the Estates or operating the businesses of the Debtors, (2) any payment to be made under the Plan to cure a default on an assumed executory contract or unexpired lease, (3) any postpetition cost, indebtedness or contractual obligation duly and validly incurred or assumed by the Debtors in the ordinary course of business, (4) any valid and allowed reclamation claims in accordance with Section 546(c) of the Bankruptcy Code, (5) compensation or reimbursement of expenses of professionals to the extent allowed by the Bankruptcy Court under Sections 328, 330(a) or 331 of the Bankruptcy Code, (6) the Indenture Trustee fees and expenses under the terms of the respective Indentures and pursuant to Section 8.15.6 of this Plan; (7) all Claims arising under the DIP Facility; and (8) all Claims for adequate protection authorized and entitled to administrative expense status pursuant to the DIP Facility; and (b) any fee or charge assessed against the Estates under 28 U.S.C. § 1930.
<i>Administrators</i>	means, in relation to a U.K. Debtor, the administrators appointed by the U.K. Court from time to time in respect of that U.K. Debtor.
<i>Affiliate</i>	shall have the meaning ascribed to such term in Section 101(2) of the Bankruptcy Code, and when used with reference to any Debtor, shall include, but not be limited to, each of the entities listed in Exhibit 1.1.7 to the Plan.

Affiliate Claims

means all prepetition Claims against any of the Debtors held by a Debtor or non-debtor Affiliate, or any interest held by such entities in any property of the Debtors, but excluding Equity Interests and the Convertible Subordinated Debentures.

Affiliated Subsidiaries

means the subsidiaries of the Debtors or their Affiliates in which the Debtors or their Affiliates own greater than 5% but less than 20% of the outstanding voting securities of such entity, each of which is listed in Exhibit 1.1.9 of the Plan.

Allowed

means:

With respect to any Claim (other than an Administrative Claim, an Administration Claim, an Asbestos Personal Injury Claim, a Bonded Claim or an Other U.K. Claim), (a) any Claim that is specifically designated as Allowed under this Plan, (b) any Claim that has been, or hereafter is, listed in the Schedules as liquidated in amount and not disputed or contingent or (c) any Claim, proof of which was timely filed in a liquidated non-contingent amount with the Bankruptcy Court or its duly appointed claims agent, or, in compliance with any order of the Bankruptcy Court regarding the filing of a proof of claim and with respect to which either (i) no objection to the allowance thereof has been filed within the applicable period of limitation fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules or the Bankruptcy Court or (ii) the Claim has been allowed by a Final Order (but only to the extent so allowed).

With respect to an Asbestos Personal Injury Claim other than a Bonded Claim, the amount of any such Claim that is determined pursuant to the procedures set forth in the Asbestos Personal Injury Trust Distribution Procedures or, if applicable, pursuant to a Final Order of the Bankruptcy Court or the U.K. Court. An Asbestos Personal Injury Claim that is Allowed in accordance with the foregoing, shall be, and be deemed to be, a judgment determining the legal liability against the Trust in the Allowed Amount of such Asbestos Personal Injury Claim.

With respect to any Bonded Claim, any Claim that qualifies as a Bonded Claim under the applicable definitions of the Plan, with respect to which the Bankruptcy Court or other court of competent jurisdiction determines by Final Order, or the applicable Debtor or Reorganized Debtor and the holder of such Claim agree, that such holder is entitled to some or all of the proceeds of the applicable supersedeas bond or other payment assurance (but only to the extent so ordered or agreed). A Bonded Claim that is "Allowed" shall constitute a final, non-appealable judgment determining the legal liability of the Debtors or their Estates, as applicable.

With respect to any Claim that is asserted to constitute an Administrative Expense (a) a Claim that represents an actual and necessary expense of preserving the estate or operating the business of the Debtors, to the extent such Claim is determined by the Plan Proponents to constitute an Administrative Expense; (b) other than with respect to a Claim of a professional person employed under Sections 327, 328 or 1103 of the Bankruptcy Code that is required to apply to the Bankruptcy Court for the allowance of compensation and reimbursement of expenses pursuant to Section 330 of the Bankruptcy Code, a Claim that the Plan Proponents do not believe constitutes an Administrative Expense, and such Claim is allowed in

whole or in part by a Final Order of the Bankruptcy Court and only to the extent that such allowed portion is determined pursuant to a Final Order to constitute a cost or expense of administration under Sections 503(b) and 507(a)(1) of the Bankruptcy Code; or (c) that represents a Claim of a professional person employed under Sections 327, 328 or 1103 of the Bankruptcy Code that is required to apply to the Bankruptcy Court for the allowance of compensation or reimbursement of expenses pursuant to Section 330 of the Bankruptcy Code, to the extent such Claim is allowed by a Final Order of the Bankruptcy Court under Section 330 of the Bankruptcy Code.

With respect to any Claim that is asserted to constitute an Administration Claim, a Claim that is non-contingent and (i) is properly and reasonably accepted as an Administration Claim by the Administrators or (ii) to the extent that it is determined to be an Administration Claim by a Final Order of the U.K. Court having competent jurisdiction over the matter.

With respect to any Other U.K. Claim, the amount of such Claim that is non-contingent and (i) is properly and reasonably accepted by the Administrators or Voluntary Arrangement Supervisors, as applicable, of the relevant U.K. Debtor as owing by that U.K. Debtor, (ii) is accepted by the relevant Reorganized U.K. Debtor as owing by that U.K. Debtor or (iii) that is determined to be such by Final Order of the U.K. Court pursuant to the terms of the Scheme of Arrangement and/or Voluntary Arrangement, as applicable, for such U.K. Debtor.

With respect to any Equity Interest, the shares of common and/or preferred stock of the Debtors held by any Person as of the Record Date.

Allowed Amount

means, with respect to any Claim, the amount in which that Claim is Allowed, denominated in dollars (in the case of a U.S. Debtor) or pounds sterling (in the case of a U.K. Debtor).

Asbestos Claimants Committee

means the Official Committee of Asbestos Claimants appointed in the Reorganization Cases by the United States Trustee.

Asbestos In-Place Insurance Coverage

means any insurance coverage available for the payment or reimbursement of liability, indemnity or defense costs arising from or related to Asbestos Personal Injury Claims or Trust Expenses under any Asbestos Insurance Policy or any Asbestos Insurance Settlement Agreement.

Asbestos Insurance Action

means any claim, cause of action, or right of the Debtors or any of them, under the laws of any jurisdiction, against any Asbestos Insurance Company, arising from or related to: (a) any such Asbestos Insurance Company's failure to provide or pay under Asbestos In-Place Insurance Coverage, (b) the refusal of any Asbestos Insurance Company to compromise and settle any Asbestos Personal Injury Claim under or pursuant to any Asbestos Insurance Policy, or (c) the interpretation or enforcement of the terms of any Asbestos Insurance Policy with respect to any Asbestos Personal Injury Claim; provided, however, Asbestos Insurance Action shall not include any claim, cause of action, or right of the Debtors or any of them, under the laws of any jurisdiction against any Asbestos Insurance Company for reimbursement, indemnity, breach of contract for insurance, statutory and common law bad faith or otherwise arising from or relating to any payments made by the Debtors on account of Asbestos Personal Injury Claims prior to the Petition Date.

*Asbestos Insurance
Action Recoveries*

means (a) Cash derived from and paid pursuant to Asbestos Insurance Settlement Agreements entered into prior to the Confirmation Hearing, (b) the right to receive proceeds of Asbestos In-Place Insurance Coverage and (c) the right to receive the proceeds or benefits of any Asbestos Insurance Action.

*Asbestos Insurance
Company*

means any insurance company, insurance broker or syndicate insurance broker, guaranty association or any other Entity with liability under an Asbestos Insurance Policy, including any reinsurers with respect to claims covered by an Asbestos Insurance Policy.

*Asbestos Insurance
Entity Injunction*

means the injunction described in Section 9.3.3 of the Plan.

Asbestos Insurance Policy

means (a) any insurance policy (other than the Hercules Policy and the EL Policy) in effect at any time on or before the Effective Date naming the Debtors (or any predecessor, subsidiary, or past or present Affiliate of the Debtors) as an insured, or otherwise affording the Debtors indemnity or insurance coverage, upon which any claim has been or may be made with respect to any Asbestos Personal Injury Claim or (b) any reinsurance agreement relating to an Asbestos Insurance Policy as defined in (a) above to which an Asbestos Insurance Company is a party.

*Asbestos Insurance
Settlement Agreement*

means any settlement agreement with a Settling Asbestos Insurance Company relating to any Asbestos Personal Injury Claim.

*Asbestos Personal
Injury Claim*

means a liquidated or unliquidated claim against one or more of the Debtors or their non-Debtor Affiliates, or their present or former officers, directors or employees of any of them, whether asserted by agents or employees of the Debtors or their non-Debtor Affiliates or any other Person or Entity, whether in the nature of or sounding in tort, contract, warranty, employer liability or any other theory of law, equity or admiralty, whatsoever, for, attributable to or arising under the laws of any jurisdiction, by reason of, directly or indirectly, physical, emotional or other personal injuries or other damages caused, or allegedly caused, in whole or in part, directly or indirectly, by the presence of, or exposure to, asbestos – including, but not limited to, asbestos-containing products, automotive or industrial parts and components, equipment, manufacturing processes, improvements to real property or materials manufactured, sold, supplied, produced, specified, selected, distributed or in any way marketed by one or more of the Debtors or their non-Debtor Affiliates or the predecessors of any of them – and arising or allegedly arising, directly or indirectly, from acts or omissions of one or more of the Debtors, their non-Debtor Affiliates or the predecessors of any of them, including, but not limited to, all claims, debts, obligations or liabilities for compensatory damages (such as, without limitation, loss of consortium, medical monitoring, personal or bodily injury, wrongful death, survivorship, proximate, consequential, general and special damages) and punitive damages. Asbestos Personal Injury Claims shall include, without limitation, (i) Indirect Asbestos Personal Injury Claims, (ii) Asbestos Personal Injury Demands, (iii) any Claim or Demand based upon, arising under or attributable to an asbestos personal injury settlement agreement or protocol entered into by CCR on behalf of one or more of the Debtors, (iv) any Claims asserted by CCR against the Debtors or their non-Debtor Affiliates excluding any Claim asserted by the CCR for postpetition fees and expenses incurred in connection with these bankruptcy cases and (v) any Claim or Demand by an EL Insurer or Hercules Insurer or any of their reinsurers for premium, indemnity, reimbursement, contribution, fees, expenses or otherwise in connection with their respective policies or Asbestos Personal Injury Claims. Notwithstanding the foregoing, Asbestos Personal Injury Claims shall not include Bonded Asbestos Personal Injury Claims or the CCR Bond Claim, but shall include the unsecured deficiency, if any, of any Bonded Asbestos Personal Injury Claim or the CCR Bond Claim. For purposes of this Section 1.1.20 only, the term non-Debtor Affiliates shall mean Affiliates of the Debtors on or prior to the Effective Date that are not Debtors.

*Asbestos Personal Injury
Demand or Demand*

means a demand as such term is used and defined in Section 524(g)(5) of the Bankruptcy Code, including a demand for payment, present or future, that (i) was not a Claim prior to the Effective Date; (ii) arises out of the same or similar conduct or events that gave rise to an Asbestos Personal Injury Claim or the Claims addressed by the Supplemental Injunction, the Third Party Injunction or the Asbestos Insurance Entity Injunction; and (iii) pursuant to the Plan, is to be satisfied exclusively by the Trust.

Asbestos Personal Injury Expenses

means all costs, taxes and expenses of or imposed on the Trust attributable or allocable to Asbestos Personal Injury Claims, including, but not limited to, trustee compensation, employee compensation, insurance premiums, legal, accounting and other professional fees and expenses, overhead, disbursements, and expenses relating to the implementation of the Asbestos Personal Injury Trust Distribution Procedures, but excluding payments to holders of Asbestos Personal Injury Claims on account of such Claims or Demands, or reimbursements of such payments.

Asbestos Personal Injury Trust Distribution Procedures

means the Asbestos Personal Injury Trust Distribution Procedures substantially in the form attached to the Trust Agreement, or as subsequently modified or amended.

Asbestos Property Damage Claim

means a liquidated or unliquidated Claim against, or any debt, obligation or liability of one or more of the Debtors, arising under the laws of any jurisdiction, whether in the nature of or sounding in tort, contract, warranty or any other theory of law, equity or admiralty, for, attributable to or arising by reason of, directly or indirectly, property damages, including, but not limited to, diminution in the value thereof, or environmental damage or economic loss caused or allegedly caused, directly or indirectly, by asbestos - including, but not limited to, asbestos-containing products, automotive or industrial parts and components, equipment, manufacturing processes, improvements to real property or materials manufactured, sold, supplied, produced, specified, selected, distributed or in any way marketed by one or more of the Debtors or their predecessors - and arising or allegedly arising, directly or indirectly, from acts or omissions of one or more of the Debtors, or their predecessors, including, but not limited to, all claims, debts, obligations or liabilities for compensatory and punitive damages, and also including, without limitation, any claim for contribution, reimbursement, subrogation or indemnity, whether contractual or implied by law, attributable to Asbestos Property Damage Claims. Asbestos Property Damage Claims shall exclude all Asbestos Personal Injury Claims.

Asbestos Property Damage Claimants Committee

means the Official Committee of Asbestos Property Damage Claimants appointed in the Reorganization Cases by the United States Trustee.

Avoidance Litigation

means the adversary proceeding filed or to be filed which seeks or will seek to, among other things, avoid the Liens securing the Surety Claims.

Bank Claims

means any and all obligations, rights, claims or interests, whether secured or unsecured, matured or unmatured, fixed or contingent, including, but not limited to, principal, accrued and unpaid interest, charges, costs, breakage fees, counsel fees, contingent reimbursement obligations under unfunded or partially drawn letters of credit, and any and all other rights to payment of money arising under, based upon or related to the Bank Credit Agreement.

Bank Credit Agreement

means that certain Fourth Amended and Restated Credit Agreement and related Loan Documents as therein defined, dated as of December 29, 2000, as such Agreement has been amended, supplemented or otherwise modified from time to time thereafter among Federal-Mogul Corporation, certain Affiliate Debtors and non-Debtor Affiliates, a syndicate of lenders and the Administrative Agent.

Bankruptcy Code

means title 11 of the United States Code, 11 U.S.C. §§ 101, et seq., as in effect

on the Petition Date, together with all amendments and modifications thereto that were subsequently made applicable to the Reorganization Cases.

Bankruptcy Court

means the United States Bankruptcy Court for the District of Delaware.

Bankruptcy Rules

means the Federal Rules of Bankruptcy Procedure and the local rules of the Bankruptcy Court, as in effect on the Petition Date, together with all amendments and modifications thereto that were subsequently made applicable to the Reorganization Cases.

Bonded Asbestos Personal Injury Claim

means an Asbestos Personal Injury Claim evidenced by a judgment as to which, but only to the extent that, a supersedeas bond or equivalent form of payment assurance was posted by a Debtor as security for such Claim, and only to the extent that the Bankruptcy Court or other court of competent jurisdiction determines by Final Order, or the applicable Reorganized Debtor and the holder of such Bonded Asbestos Personal Injury Claim agree, that such holder is entitled to some or all of the proceeds of the supersedeas bond or other payment assurance. Bonded Asbestos Personal Injury Claims shall not include the CCR Bond Claim.

Bonded Claim

means any Bonded Asbestos Personal Injury Claim, Bonded Non-Asbestos Claim or the CCR Bond Claim, but shall not include the unsecured deficiency, if any, of any such Claims.

Bonded Non-Asbestos Claim

means any Claim, other than an Asbestos Personal Injury Claim or a CCR Bond Claim, evidenced by a judgment as to which, but only to the extent that, a supersedeas bond or equivalent form of payment assurance was posted by a Debtor as security for such Claim, and only to the extent that the Bankruptcy Court or other court of competent jurisdiction determines by Final Order, or the applicable Reorganized Debtor and the holder of such Bonded Non-Asbestos Claim agree, that such holder is entitled to some or all of the proceeds of the supersedeas bond or other payment assurance.

Business Day

means any day other than a Saturday, Sunday or legal holiday (as such term is defined in Bankruptcy Rule 9006(a)) or any public holiday in the U.K.

Cash

means lawful currency of the United States of America and its equivalents as to the U.S. Debtors, and pounds sterling and its equivalents as to the U.K. Debtors.

CCR

means the Center for Claims Resolution, a Delaware non-profit corporation.

CCR Bond Claim

means any claim in favor of CCR as obligee under or with respect to the CCR Surety Bonds, but only to the extent that the Bankruptcy Court or other court of competent jurisdiction determines by Final Order, or the applicable Debtors or Reorganized Debtors, CCR and the Plan Proponents agree that CCR is entitled to some or all of the proceeds of the CCR Surety Bonds.

CCR Litigation

means Adversary Proceeding 01-8885 and the claims asserted therein to, among other things, determine the CCR's rights, if any, to draw on the CCR Surety Bonds.

CCR Surety Bonds

means Performance Bond No. 6066092 issued by Safeco in favor of CCR, Performance Bond Nos. 103529126 and 103529229 REL issued by Travelers

	in favor of CCR, and Performance Bond No. 929182983 issued by National Fire in favor of CCR.
<i>Claim</i>	shall have the meaning ascribed to such term in Section 101(5) of the Bankruptcy Code, and shall include, but not be limited to, Asbestos Personal Injury Claims and interests other than Equity Interests.
<i>Class</i>	means a category of Claims or Equity Interests pursuant to the Plan, as such term is used and described in Section 1122 of the Bankruptcy Code.
<i>Collateral Trustee</i>	means the Persons serving as trustees of collateral pledged as security for the Bank Claims, Noteholder Claims and Surety Claims, as applicable, pursuant to, among other things, the Bank Credit Agreement and related documents.
<i>Company Specific Distribution Ratio</i>	means, with respect to a U.K. Debtor, a ratio, the numerator of which shall be: (i) the value of the referenced U.K. Debtor's assets as estimated on Exhibit L of the Disclosure Statement if the Consensual Marketing Procedures are not performed for the referenced U.K. Debtor or (ii) the Market Value of the referenced U.K. Debtor's assets if the Consensual Marketing Procedures are performed for the referenced U.K. Debtor, and the denominator of which shall be the tort system value (as reflected in the Asbestos Personal Injury Trust Distribution Procedures) of all Asbestos Personal Injury Claims against the referenced U.K. Debtor and the Allowed Amount of all other Claims against the referenced U.K. Debtor.
<i>Confirmation or Confirmation of the Plan</i>	means the entry of an order approving the Plan in accordance with Section 1129 of the Bankruptcy Code.
<i>Confirmation Date</i>	means the date on which the Confirmation Order is entered on the docket of the Bankruptcy Court.
<i>Confirmation Hearing</i>	means the hearing(s) which will be held before the Bankruptcy Court and/or District Court, as applicable, in which the Plan Proponents will seek Confirmation of the Plan.
<i>Confirmation Order</i>	means the order confirming the Plan pursuant to Section 1129 and other applicable sections of the Bankruptcy Code.
<i>Consensual Marketing Procedures</i>	means the process by which Federal-Mogul Corporation, by agreement with the Administrators, shall retain those businesses and/or assets of the U.K. Debtors that are valuable to Federal-Mogul Corporation and its customers and by which those businesses and/or assets of the U.K. Debtors that are not valuable to Federal-Mogul Corporation and its customers may be marketed and sold to third-party purchasers as more fully described in Section 8.16.1 of the Plan.
<i>Convertible Subordinated Debentures</i>	means the 7% Convertible Junior Subordinated Debentures due 2027 in the original aggregate principal amount of \$575,000,000 issued by Federal-Mogul Corporation on December 1, 1997, and sold to Federal-Mogul Financing Trust, the indenture trustee for which is currently The Bank of New York.
<i>CRU</i>	means the Compensation Recovery Unit under the U.K. Social Security (Recovery of Benefits) Act 1997.

<i>Dan=Loc Deed of Guarantee</i>	means that certain Deed of Guarantee, dated as of April 11, 1997, by and among T&N plc, and Dan=Loc Corporation, Dan=Loc, Inc., Dan=Loc Limited, Delta 72 Unternehmenswerwaltungs GmbH, Frederique s.r.o., Dan=Loc (Canada) Ltd., Dan=Loc Investments, Inc. and Dan=Loc Transitional, L.P.
<i>Dan=Loc Deed of Special Indemnity</i>	means that certain Deed of Special Indemnity, dated as of April 11, 1997, by and among T&N plc, Flexitallic Limited, Flexitallic Sealing Materials Ltd., Flexitallic, Inc., Goetze Vermögenswerwaltungs, GmbH, Flexitallic Canada Ltd., Ferodo a.s., Dan=Loc Corporation, Dan=Loc Limited, Delta 72 Unternehmenswerwaltungs GmbH, Frederique s.r.o., Dan=Loc (Canada) Ltd. and Dan=Loc Transitional, L.P.
<i>Dan=Loc Group</i>	means Dan=Loc Corporation and its subsidiaries or affiliates and their respective successors, including but not limited to, The Flexitallic Group, Inc. and its subsidiaries and affiliates.
<i>Dan=Loc Indemnified Indirect Asbestos Personal Injury Claims and Demands</i>	means any Asbestos Personal Injury Claim or Demand that is <u>both</u> : (A)(i) based upon exposure, occurring at any time, to an asbestos containing product which was manufactured, distributed, or sold prior to April 11, 1997 by GHI or any other Debtor, that has been, is or could be asserted against the Dan=Loc Group or (ii) based upon exposure, prior to April 11, 1997, to asbestos present in the internal or external fabric of any building owned or leased by GHI or any other Debtor and which was acquired or leased by the Dan=Loc Group from GHI or any other Debtor under the terms of the 1997 Flexitallic Asset Purchase Agreement, that has been, is or could be asserted against the Dan=Loc Group; <u>and</u> (B) is an "Asbestos Related Claim" (as such term is defined in the Dan=Loc Deed of Special Indemnity) subject to indemnification by GHI under Section 2.2 of the Dan=Loc Deed of Special Indemnity and Section 2.2 of the Dan=Loc Deed of Guarantee (copies of which are attached hereto as Exhibit 1.1.55). Dan=Loc/GHI Indemnified Asbestos Personal Injury Claims and Demands shall also include any Asbestos Personal Injury Claims and Demands asserted in connection with any asbestos containing product manufactured, distributed or sold by GHI or any other Debtor prior to April 11, 1997, which Asbestos Personal Injury Claim <u>also</u> alleges exposure to any asbestos containing product manufactured, distributed or sold by the Dan=Loc Group on or after April 11, 1997, and which Asbestos Personal Injury Claim is based upon exposure to asbestos from such product during a period of time <u>both</u> prior to and after April 11, 1997, <u>but</u> only to the extent of the percentage allocable to GHI or any other Debtor pursuant to and in accordance with the sharing provisions set forth in Section 2.5 of the Dan=Loc Deed of Special Indemnity; <u>provided, however</u> , that in no event shall Dan=Loc Indemnified Indirect Asbestos Personal Injury Claims and Demands include any Claims or Demands made against the Dan=Loc Group at any time after April 11, 2024.
<i>Debtors</i>	means Federal-Mogul Corporation and its affiliated U.S. Debtors and U.K. Debtors (or any of them as the context may require).
<i>Debtors in Possession</i>	means the Debtors (or any of them as the context may require) in their capacities as debtors in possession in the Reorganization Cases.
<i>DIP Facility</i>	means that certain Revolving Credit, Term Loan and Guaranty Agreement, by, between and among the U.S. Debtors and a syndicate of lenders, with The

Chase Manhattan Bank as administrative agent, and those certain Tranche C Loans (as defined in the Final Order approving the DIP Facility), which the Bankruptcy Court authorized through a Final Order issued on November 21, 2001, and as amended and restated on or about August 7, 2003.

- Disbursing Agent* means Reorganized Federal-Mogul or any Person selected by Reorganized Federal-Mogul (with approval of the Bankruptcy Court) to hold and distribute the consideration to be distributed to the holders of Allowed Claims (other than Allowed Asbestos Personal Injury Claims) or Allowed Equity Interests under the Plan. Disbursing Agent does not include any Indenture Trustee relating to the Notes or the Indentures.
- Discharge Injunction* means the injunction described in Section 1141 of the Bankruptcy Code and contained in Section 9.1.2 of the Plan.
- Disclosure Statement* means the Disclosure Statement Describing Third Amended Joint Plan Of Reorganization, dated May __, 2004, including all exhibits, appendices, schedules and annexes attached thereto, as submitted by the Plan Proponents pursuant to Section 1125 of the Bankruptcy Code and approved by the Bankruptcy Court, as such Disclosure Statement may be further amended, supplemented or modified from time to time.
- Distribution Date* when used with respect to an Allowed Claim (other than an Asbestos Personal Injury Claim that is not a Bonded Asbestos Personal Injury Claim), means the date which is as soon as reasonably practicable after the later of: (a) the Effective Date, and (b) the first Business Day of the next calendar quarter after the date upon which the Claim becomes Allowed, unless the Claim becomes Allowed within fifteen Business Days before the first Business Day of the next calendar quarter, in which case the Distribution Date shall be the first Business Day of the next succeeding calendar quarter.
- District Court* means the United States District Court for the District of Delaware, or the unit thereof having jurisdiction over the matter in question.
- Effective Date* means, and shall occur on, the first Business Day immediately following the first day upon which all of the conditions precedent to occurrence of the Effective Date contained in Article 7.2 of the Plan have been satisfied or waived, and on which date all acts, events, terms and conditions contemplated under the Plan to occur on the Effective Date or as soon as practicable thereafter shall be deemed to have occurred simultaneously.
- EL Coverage* means insurance policies held on account of the ELA that afford or may afford T&N Limited and any applicable U.K. Debtors with rights of indemnity or insurance coverage with respect to, among other things, any Asbestos Personal Injury Claim asserted by an employee or former employee relating to exposure to asbestos in the course of such individual's employment.
- EL Coverage Expiry Date* has the meaning set forth in Section 4.5.1 of the Plan (but subject to Section 8.16.3).
- EL Insurer* means any insurer with respect to the EL Coverage.
- EL Policy* means any insurance policy with respect to EL Coverage.

<i>ELA</i>	means the Employers Liability Act 1969 of the United Kingdom, as amended from time to time.
<i>Employee Benefit Plan</i>	means any employment, compensation, pension, healthcare (including, but not limited to, medical, surgical, hospital, dental and counseling), bonus, incentive compensation, sick leave and other leaves (including, but not limited to, jury duty, child-bearing and military service), vacation pay, expense reimbursement, dependent care, retirement, savings, workers compensation, life insurance, disability, dependent care, dependent healthcare, education, car allowance, miscellaneous executive benefits, severance or other benefit plan or arrangement for the benefit of the directors, officers or employees (whether salaried or hourly, active or retired) of the applicable Debtor, but excluding (i) the New Employment Agreements and (ii) that portion of the Debtors' non-tax qualified pension plans giving rise to Excluded Non-Qualified Pension Claims.
<i>Entity</i>	means any Person, estate, trust, Governmental Unit, or the United States Trustee.
<i>Environmental Claim</i>	means any Claim, other than an Asbestos Personal Injury Claim, asserted by any Governmental Unit or Person, arising out of, related to, or based upon any Environmental Law, including, but not limited to, any Claim (a) to restrict or enjoin, or recover damages, costs or expenses to remedy any release or threatened release of any environmental pollution, contamination or nuisance or to require the Debtors or their non-debtor Affiliates to remedy or to reimburse, pay or incur costs to remedy any release or threatened release of any environmental pollution, contamination or any nuisance; (b) to remedy, reimburse, compensate or pay any damage, penalty, fine or forfeiture for, or to restrict or enjoin any violation of, or alleged violation of, any Environmental Law; (c) to pay any contractual claim with respect to any Environmental Law; or (d) to pay or reimburse any such Entity for personal injury (including workers compensation, sickness, disease or death), tangible or intangible property damage or natural resource damage arising out of, relating to, or based upon any release or threatened release of any environmental pollution, contamination or nuisance, whether or not contemplated in subsections (a) through (c) above, including, but not limited to, any related Asbestos Property Damage Claim. For purposes of the Plan, prepetition Environmental Claims fall into one of two categories – (x) Claims arising from or related to property either never owned, or formerly but no longer owned by the Debtors (" <u>Off-Site Environmental Claims</u> "), and (y) Claims arising from or related to property currently owned, and that will continue to be owned by the Debtors after Confirmation of the Plan, excluding, however, any Claims arising from or relating to wastes or other materials which were shipped or were arranged to be shipped for disposal to a site that was never owned or was formerly owned but no longer owned by the Debtors (" <u>On-Site Environmental Claims</u> "). A schedule of all known On-Site Environmental Claims is set forth in Exhibit 1.1.72 to the Plan.
<i>Environmental Laws</i>	means (a) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C., §§ 9601, et seq., (b) the Resource Conservation and Recovery Act, as amended by the Hazardous and Solid Waste Amendment of 1984, 42 U.S.C. §§ 6901, et seq., (c) the Clean Air Act, 42 U.S.C. §§ 7401, et seq., (d) the Clean Water Act of 1977, 33 U.S.C. §§

1251, et seq., (e) the Toxic Substances Control Act, 15 U.S.C. §§ 2601, et seq., (f) the Environmental Protection Act of 1990, the Environment Act 1995, the Control of Pollution Act 1974, the Planning (Hazardous Substances) Act 1990, the Radioactive Substances Act 1993, the Clean Air Act 1993, the Water Resources Act 1991, the Water Industry Act 1991, the Health and Safety at Work, etc. Act 1974 and the Public Health Act 1936 (all of the United Kingdom) as the same may from time to time be amended or reenacted, and all orders and regulations from time to time made thereunder, (g) all statutes, laws, rules or regulations issued or promulgated by any Governmental Unit or court (including, without limitation, the common law), as they may be amended from time to time, relating to the protection and/or prevention of harm, contamination or pollution of or to the environment (including, without limitation, ecological systems and living organisms including humans and the following media whether alone or in combination: air (including air within buildings), water (including water under or within land or in pipe or sewage systems), land, buildings and soil) and (h) the ordinances, rules, regulations, orders, notices of violation, requests, demands and requirements issued or promulgated by any Governmental Unit in connection with such statutes or laws.

Equity Committee

means the Official Committee of Equity Security Holders of Federal-Mogul Corporation appointed in the Reorganization Cases by the United States Trustee.

Equity Interest

means any equity interest in the Debtors represented by (a) existing Federal-Mogul common or preferred stock as classified in Classes 1M and 1O below or (b) shares of capital stock in the remaining Debtors, whether or not issued.

Estate

means, as to each Debtor, the estate created for that Debtor under Section 541 of the Bankruptcy Code upon the commencement of its Reorganization Case.

Excluded Non-Qualified Pension Claims

means any Claims based upon or arising out of the Debtors' non-tax qualified pension plans in which the existing or prior employee was entitled to receive more than \$3,500 per month, but for which such employee has received or will receive only \$3,500 per month pursuant to the Bankruptcy Court's order entered on April 30, 2002 (Docket No. 1655), all of which Claims shall be classified and treated as Unsecured Claims; provided, however, that the claims of James Zamoycki, Wilhelm Schmelzer and Richard Randazzo, respectively, based upon the Supplemental Key Executive Pension Plan of Federal-Mogul Corporation shall not be subject to the aforementioned \$3,500 per month limitation as provided in the Bankruptcy Court's order entered on August 9, 2002 (Docket No. 582591721).

Exit Facilities

means the agreements described in Section 8.12 of the Plan providing for one or more credit facilities in an amount not to exceed \$1 billion, exclusive of amounts used, if any, to refinance the Tranche C portion of the DIP Facility including, without limitation, amounts on any draws prior to the Effective Date on letters of credit outstanding under the Tranche C Loans, which shall be used to repay obligations under the DIP Facility on the Effective Date, make cash payments required under the Plan and/or provide working capital for the business operations of the Reorganized Debtors.

Final Order

means an order or judgment of any court of competent jurisdiction, the implementation, operation or effect of which has not been stayed and as to which order (or any revision, modification or amendment thereof) the time to

	appeal or seek review, rehearing or writ of certiorari has expired and as to which no appeal or petition for review, rehearing or certiorari has been taken and is pending.
<i>FM Ignition Pension Plan</i>	means the pension scheme known as the Champion Pension Scheme, a defined benefit plan operated by Federal-Mogul Ignition (U.K.) Limited for eligible employees.
<i>FM Ignition Pension Plan Trustees</i>	means the trustees for the time being of the FM Ignition Pension Plan and, as of the date hereof, being Ann Hearn Associates Limited, Joseph Breitenbeck, Ian Emery, Christine Goffogg, Nigel Reid and Richard Green.
<i>Future Claimants Representative</i>	means Eric D. Green (or any court-appointed successor) who was appointed by the Bankruptcy Court in the Reorganization Cases pursuant to an Order dated February 11, 2002 as the legal representative of any and all persons described in Section 524(g)(4)(B)(i) of the Bankruptcy Code who may assert demands for asbestos-related personal injuries, as that term is defined in Section 524(g)(5) of the Bankruptcy Code.
<i>GHI</i>	means Gasket Holdings Inc. (f/k/a Flexitallic, Inc.).
<i>Governmental Unit</i>	means any domestic, foreign, provincial, federal, state, local or municipal (a) government, or (b) governmental agency, commission, department, bureau, ministry or other governmental entity.
<i>Hercules Insurance Recoveries</i>	means all such amounts as are referred to in clauses (b) and (c) of the definition of "Hercules Policy Expiry Date".
<i>Hercules Insurers</i>	means Curzon Insurance Limited in its capacity as insurer under the Hercules Policy.
<i>Hercules Policy</i>	means the Asbestos Liability Policy number CZ 7/96 ASB/096 dated December 30, 1996 and made among T&N Limited (then known as "T&N plc") and Curzon Insurance Limited.
<i>Hercules Policy Expiry Date</i>	means (subject to Section 8.16.3) the date that is the earlier of (i) the date that (a) the £690 million retention has been satisfied, (b) the £500 million layer of coverage under the Hercules Policy has been exhausted or is otherwise determined by agreement, judicial proceedings or otherwise, to be unavailable and (c) all other amounts under or with respect to the Hercules Policy including, without limitation, amounts recoverable as a result of any breach by the Hercules Insurers of their obligations under or with respect to the Hercules Policy, to the extent they exceed the £500 million layer of coverage, are recovered or are otherwise determined to be unavailable, or (ii) the date that the Hercules Policy ceases to have effect, whether by commutation or otherwise.
<i>Hercules-Protected Entities</i>	means (a) Reorganized T&N Limited, (b) the Debtors listed as subsidiaries or subsidiary undertakings of T&N Limited in Schedule B to the Hercules Policy as reorganized under and pursuant to the Plan and (c) the non-Debtor companies listed as subsidiaries or subsidiary undertakings of T&N Limited in Schedule B to the Hercules Policy. Reorganized Hercules-Protected Entities means the companies identified in (a) and (b) above and Non-Debtor Hercules-Protected Entities means the companies identified in (c) above.

<i>IA 1986</i>	means the Insolvency Act 1986 of the United Kingdom, as amended from time to time.
<i>Inactive Debtor Subsidiaries</i>	means the affiliated Debtors listed on Exhibit 1.1.91 to the Plan, which may, at the discretion of their respective boards of directors and corporate parent companies, be liquidated, dissolved, wound-up, struck off and/or left in existence after Confirmation.
<i>Indenture Trustees</i>	means the Persons serving as trustees under the Indentures for the Notes and for the Convertible Subordinated Debentures.
<i>Indentures</i>	means the indenture agreements entered into between and among Federal-Mogul Corporation, the Indenture Trustees and certain other parties relating to each series of Notes and to the Convertible Subordinated Debentures, as amended, modified or supplemented from time to time.
<i>Indirect Asbestos Personal Injury Claim</i>	means any Asbestos Personal Injury Claim for contribution, reimbursement, subrogation or indemnity, whether contractual or implied by law (as those terms are defined by the applicable non-bankruptcy law of the relevant jurisdiction), and any other derivative or indirect Asbestos Personal Injury Claim of any kind whatsoever, whether in the nature of or sounding in contract, tort, warranty or any other theory of law, equity or admiralty, whatsoever. Without limitation, Indirect Asbestos Personal Injury Claims include (i) Claims or Demands held or asserted by CCR against the Debtors or their Affiliates on its own behalf or on behalf of current or former members of CCR with respect to Asbestos Personal Injury Claims; (ii) Claims or Demands held or asserted by current or former members of CCR with respect to Asbestos Personal Injury Claims; (iii) Claims or Demands with respect to asbestos personal injury claims arising from or attributable to the 1998 acquisition by Federal-Mogul Products, Inc. ("F-M Products") of the stock of Moog Automotive, Inc. from Cooper Industries, Inc. ("Cooper"), and F-M Products' assumption of Cooper's pre-existing indemnity obligation in favor of Pneumo Abex Corporation in connection with such acquisition; (iv) Dan=Loc Indemnified Indirect Asbestos Personal Injury Claims and Demands; (v) Claims or Demands held or asserted by any EL Insurer or the Hercules Insurers or any of their reinsurers; and (vi) Claims or Demands held or asserted by the CRU.
<i>Injunctions</i>	means the Discharge Injunction, the Supplemental Injunction, the Third Party Injunction, the Asbestos Insurance Entity Injunction and any other injunctions entered by Order of the Bankruptcy Court in the Reorganization Cases.
<i>IR 1986</i>	means the Insolvency Rules 1986 of the United Kingdom, as amended from time to time.
<i>IRC</i>	means the Internal Revenue Code of 1986, as amended.
<i>Lien</i>	means, with respect to any asset or property, any mortgage, lien, pledge, charge, security interest, encumbrance or other security device of any kind pertaining to or affecting such asset or property.
<i>Market Value</i>	means the value of certain or all of the U.K. Debtors as may be determined in accordance with the Consensual Marketing Procedures.

<i>New Employment Agreements</i>	means collectively, the new employment agreements and/or equity-based compensation and pension plans to be implemented by the Reorganized Debtors on and after the Effective Date.
<i>Non-Priority Employee Benefit Claim</i>	means any Claim that (i) arises from or relates to an Employee Benefit Plan or otherwise to the performance of service by an employee to the Debtors and (ii) is neither secured nor entitled to priority or preference to other Claims under the Bankruptcy Code or U.K. insolvency laws. For the avoidance of doubt, Non-Priority Employee Benefit Claims include claims described in Section 1114 of the Bankruptcy Code, except to the extent such retiree benefit claims (a) are entitled to priority under Section 503 of the Bankruptcy Code or (b) arise in connection with the termination or modification of any retiree benefit plan in accordance with Section 1114 of the Bankruptcy Code. Non-Priority Employee Benefit Claims shall not include: (w) Excluded Non-Qualified Pension Claims, (x) Non-Priority T&N Pension Plan Employee Benefit Claims, (y) Non-Priority FM Ignition Pension Plan Employee Benefit Claims or (z) any Claims arising out of the rejection of a collective bargaining agreement in accordance with Section 1113 of the Bankruptcy Code.
<i>Non-Priority FM Ignition Pension Plan Employee Benefit Claim</i>	means any Claim that arises from or relates to the FM Ignition Pension Plan and is neither secured nor entitled to priority or preference to other Claims under the Bankruptcy Code or U.K. insolvency laws. For the avoidance of doubt, Non-Priority FM Ignition Employee Benefit Claims include claims described in Section 1114 of the Bankruptcy Code except to the extent such retiree benefit claim is entitled to priority under Section 503 of the Bankruptcy Code.
<i>Non-Priority T&N Pension Plan Employee Benefit Claim</i>	means any Claim that arises from or relates to the T&N Pension Plan and is neither secured nor entitled to priority or preference to other Claims under the Bankruptcy Code or U.K. insolvency laws. For the avoidance of doubt, Non-Priority T&N Pension Plan Employee Benefit Claims include claims described in Section 1114 of the Bankruptcy Code except to the extent such retiree benefit claim is entitled to priority under Section 503 of the Bankruptcy Code.
<i>Noteholder</i>	means each Person holding or having a beneficial interest in any of the Notes as of the Record Date.
<i>Noteholder Claims</i>	means all Claims of the Noteholders against Federal-Mogul Corporation arising under or evidenced by the Notes or the Indentures for the Notes and related documents. Notwithstanding the foregoing, Noteholder Claims shall not include any Convertible Subordinated Debenture Claims or Subordinated Securities Claims.
<i>Notes</i>	means Federal-Mogul Corporation's 7.5% Notes due 2009, 7.375% Notes due 2006, 7.75% Notes due 2006, 7.875% Notes due 2010, 7.5% Notes due 2004, 8.8% Senior Notes due 2007, 8.37% Medium Term Notes due 2001, 8.25% Medium Term Notes due 2005, 8.33% Medium Term Notes due 2001, 8.12% Medium Term Notes due 2003, 8.16% Medium Term Notes due 2003 and 8.46% Medium Term Notes due 2002.
<i>Official Committees</i>	means the Asbestos Claimants Committee, the Unsecured Creditors Committee, the Asbestos Property Damage Claimants Committee and the Equity Committee (or, in the singular, any of them).

<i>Other U.K. Claim</i>	means Asbestos Property Damage Claims, if any, and any other Claims asserted against a U.K. Debtor other than an Administrative Claim, an Administration Claim, an Asbestos Personal Injury Claim, Bank Claims, Noteholder Claims and any Secured portion of the Surety Claims.
<i>Person</i>	means any person, individual, partnership, corporation, limited liability company, joint venture company, association or other entity or being of whatever kind, whether or not operating or existing for profit, including, but not limited to, any "person" as such term is defined in Section 101(41) of the Bankruptcy Code, but excluding any Governmental Unit.
<i>Petition Date</i>	means October 1, 2001 for all of the Debtors; <u>provided, however</u> , that for purposes of determining Administration Claims in the administration of T&N Investments Limited, or under such Debtor's Scheme of Arrangement and/or Voluntary Arrangement, Petition Date shall mean April 5, 2002.
<i>PIK Notes Trustee</i>	means, as the context requires, the trustee or trustees under those certain Indentures of Trust pursuant to which the Reorganized Federal-Mogul Junior Secured PIK Notes and/or Junior Secured Surety PIK Notes are to be issued.
<i>Plan</i>	means the Third Amended Joint Plan of Reorganization filed by the Plan Proponents, as the same may be amended or modified from time to time pursuant to Section 1127 of the Bankruptcy Code.
<i>Plan Documents</i>	means all documents, attachments and exhibits related to the Plan, including, but not limited to, the Trust Documents, that aid in effectuating the Plan, which documents, attachments and exhibits shall be filed by the Plan Proponents with the Bankruptcy Court on or before the Plan Documents Filing Date.
<i>Plan Documents Repository</i>	means the offices of Sidley Austin Brown & Wood LLP, counsel to the Debtors, at the address set forth in Section 1.4 of the Plan, at which any party in interest may review all of the Plan Documents after such Plan Documents have been filed with the Bankruptcy Court.
<i>Plan Documents Filing Date</i>	means the date for the filing of the Plan Documents (or any of them) which shall be either (a) the date, as determined by the Plan Proponents, that is as soon as practicable, but in no event later than 14 Business Days before the deadline for filing objections to Confirmation of the Plan or (b) such other date (or dates) as determined by the Bankruptcy Court.
<i>Plan Proponents</i>	means, collectively, the Debtors, the Unsecured Creditors Committee, the Asbestos Claimants Committee, the Future Claimants Representative, the Administrative Agent and the Equity Committee.
<i>Preferential Claims</i>	means, with respect to each U.K. Debtor, all Claims and liabilities which would have been preferential under Section 386 of and schedule 6 to the IA 1986, had an order for the compulsory winding-up of the Debtor been made on the Petition Date. To the extent that a Priority Tax Claim against a U.K. Debtor is included within the definition of Preferential Claims, such Claim or portion thereof, shall be treated as a Preferential Claim.
<i>Priority Claim</i>	means any Claim (other than an Administrative Claim or a Priority Tax Claim) to the extent such Claim is entitled to a priority in payment under Section

507(a) of the Bankruptcy Code.

Priority Tax Claim

means any Claim to the extent that such Claim is entitled to a priority in payment under Section 507(a)(8) of the Bankruptcy Code.

Pro Rata

means the proportion that a Claim in a particular Class bears to the aggregate amount of all Claims in such Class except in cases where Pro Rata is used in reference to multiple classes in which case Pro Rata means the proportion that a Claim in a particular Class bears to the aggregate amount of all Claims in such multiple Classes.

Proof of Claim

means any proof of claim filed with the Bankruptcy Court or its duly appointed claims agent with respect to the Debtors pursuant to Bankruptcy Rules 3001 or 3002, unless and to the extent that the Bankruptcy Court has ordered the use of a special or customized form for the particular type of claim at issue, and in such case, the special or customized form proof of claim.

Protected Party

means any and all of the following parties:

the Debtors, their non-Debtor Affiliates (excluding, however, any person or Entity that may qualify as an Affiliate, but that is not commonly owned or controlled by the Debtors), the Affiliated Subsidiaries, Reorganized Federal-Mogul and the other Reorganized Debtors and all of their respective past and present officers, directors and employees;

the Noteholders and the holders of Bank Claims, together with their respective successors, past and present officers, directors and employees;

any Entity which, pursuant to the Plan or after the Effective Date, becomes a direct or indirect transferee of, or successor to, any assets of the Debtors, Reorganized Federal-Mogul or the Trust, but only to the extent that a claim or liability is asserted against such Entity on account of its status as such transferee or successor;

any Entity that, pursuant to the Plan or after the Effective Date, makes a loan to the Debtors, Reorganized Federal-Mogul, or the Trust, or to a successor to, or transferee of, any assets of the Debtors, Reorganized Federal-Mogul, or the Trust, but only to the extent that liability is asserted to exist by reason of such lending relationship or to the extent any Lien created in connection with such a loan is sought to be challenged or impaired;

each Settling Asbestos Insurance Company named in the Confirmation Order and each contributor of funds, proceeds or other consideration to the Trust, but only to the extent specified in the Confirmation Order; and

the Dan=Loc Group, but only to the extent specified in the Confirmation Order.

Record Date

means the date that is five business days after the entry of the Bankruptcy Court's order approving the Disclosure Statement with respect to the Plan.

<i>Released Party</i>	means each of (a) the Debtors, their non-Debtor Affiliates (excluding, however, any person or Entity that may qualify as an Affiliate, but that is not commonly owned or controlled by the Debtors), the Affiliated Subsidiaries, the Reorganized Debtors, and their respective present and former agents, attorneys, accountants, financial advisors, restructuring consultants and investment bankers (but specifically excluding Rothschild Inc.) and their respective successors or assigns, (b) the officers and directors of the Debtors, their non-Debtor Affiliates (excluding, however, any person or Entity that may qualify as an Affiliate, but that is not commonly owned or controlled by the Debtors), and the Affiliated Subsidiaries, who were serving as officers or directors on or after the Petition Date, (c) the Official Committees and their respective members, agents, attorneys, accountants, financial advisors, restructuring consultants and investment bankers, (d) the Future Claimants Representative and his agents, attorneys, accountants, financial advisors, restructuring consultants and investment bankers and (e) the holders of Noteholder Claims, holders of Bank Claims and the Administrative Agent, together in each case with all of their respective successors, officers, directors, employees, agents, attorneys, accountants, financial advisors, restructuring consultants and investment bankers.
<i>Reorganization Cases</i>	means the cases currently pending under Chapter 11 of the Bankruptcy Code of Federal-Mogul Corporation and its affiliated Debtors before the Bankruptcy Court.
<i>Reorganized Federal-Mogul</i>	means Federal-Mogul Corporation on and after the Effective Date, as reorganized pursuant to the Plan.
<i>Reorganized Debtor or Reorganized [name of Debtor]</i>	shall have the same meaning with reference to the particular Debtor identified. In each instance, and unless a successor entity is specified, the Reorganized Debtor shall consist of the same legal entity as the corresponding Debtor, but subject to the terms and conditions of the Plan, including, without limitation, the discharge, release and Injunctions under Article IX of the Plan, and, except as provided in Article IV of the Plan, each Reorganized Debtor shall have and incur no successor liability with respect to Claims or Demands that may have existed prior to Confirmation of the Plan.
<i>Reorganized Federal-Mogul Class A Common Stock</i>	shall have the meaning set forth in the Amended and Restated Certificate of Incorporation of Federal-Mogul Corporation which is attached as Exhibit 8.3.9(1) to the Plan.
<i>Reorganized Federal-Mogul Class B Common Stock</i>	shall have the meaning set forth in the Amended and Restated Certificate of Incorporation of Federal-Mogul Corporation which is attached as Exhibit 8.3.9(1) to the Plan.
<i>Reorganized Federal-Mogul Common Stock</i>	means the shares of Reorganized Federal-Mogul Class A Common Stock and Reorganized Federal-Mogul Class B Common Stock to be distributed pursuant to the Plan.
<i>Reorganized Federal-Mogul Junior Secured PIK Notes</i>	means the junior secured PIK notes to be issued by Reorganized Federal-Mogul pursuant to the Plan on account of the Allowed Class 1B Bank Claims, in the original principal amount of \$300,000,000.00. The principal terms and conditions of the Reorganized Federal-Mogul Junior Secured PIK Notes are set forth in Exhibit 1.1.130 to the Plan.

*Reorganized Federal-Mogul
Secured Term Loan Agreement*

means the loan agreement among Reorganized Federal-Mogul, the holders of Allowed Class 1B Bank Claims and the Administrative Agent, in the principal amount of (i) \$1,303,897,117.90 (as adjusted as of the Effective Date to convert any foreign currencies to U.S. dollars) plus the amount of any draws prior to the Effective Date on letters of credit outstanding under the Bank Credit Agreement and (ii) the amount, if any, of the Tranche C portion of the DIP Facility restructured pursuant to Section 2.2 of the Plan. The principal terms and conditions of the Reorganized Federal-Mogul Secured Term Loan Agreement are set forth in Exhibit 1.1.131 of the Plan. A form of the Reorganized Federal-Mogul Secured Term Loan Agreement shall be filed with the Bankruptcy Court prior to the hearing on the adequacy of Disclosure Statement.

Schedules

means the Schedules, Statements and Lists filed by the Debtors with the Bankruptcy Court pursuant to Bankruptcy Rule 1007, as they have been and may be amended or supplemented from time to time.

Scheme of Arrangement

means the Section 425 Scheme or Section 425 Schemes relating to those of the U.K. Debtors that are listed in Exhibit 1.1.133 of the Plan, together with any modifications thereof which are approved by the U.K. Court.

Section 425 Scheme

means any scheme of arrangement under Section 425 of the Companies Act 1985 of the United Kingdom.

Secured

means, with respect to any Claim, including, without limitation, Bank Claims and Surety Claims, a Claim that is (a) secured in whole or in part as of the Petition Date, by a Lien which is valid, perfected and enforceable under applicable law and is not subject to avoidance under the Bankruptcy Code, the IA 1986 or other applicable law, or (b) subject to setoff under Section 553 of the Bankruptcy Code or other applicable law, but, with respect to both (a) and (b) above, only to the extent of the value of the holder of such Claim's interest in the particular Estate's interest in the property securing any such Claim or the amount subject to setoff, as the case may be.

*Secured Surety Notes and
Junior Secured Surety PIK
Notes*

means the secured notes and junior secured PIK notes, if any, to be issued by Reorganized Federal-Mogul pursuant to the Plan on account of Allowed Surety Claims. The principal terms and conditions of the Secured Surety Notes and Junior Secured Surety PIK Notes are set forth in Exhibit 1.1.136 to the Plan. The Secured Surety Notes, Junior Secured Surety PIK Notes and any related documents will be filed with the Bankruptcy Court on or before the earlier of (i) 30 days before the deadline for casting votes on the Plan or (ii) 45 days before the deadline for filing objections to confirmation of the Plan.

*Settling Asbestos Insurance
Company*

means any Asbestos Insurance Company that enters into an Asbestos Insurance Settlement Agreement that is sufficiently comprehensive in the determination of the Plan Proponents.

Small Company

means a U.K. Debtor with assets having a value, as set forth in Exhibit L to the Disclosure Statement, of less than £1,000,000 or liabilities to unaffiliated creditors (excluding holders of Asbestos Personal Injury Claims other than those that have been asserted in lawsuits filed in the United Kingdom on or before the date this Plan was filed with the Bankruptcy Court) having a value of less than £1,000,000.

<i>Small Company Specific Distribution Ratio</i>	means, with respect to a Small Company, a ratio, the numerator of which shall be (i) the value of the referenced Small Company's assets as estimated on Exhibit L to the Disclosure Statement if the Consensual Marketing Procedures are not performed or (ii) the Market Value of the referenced U.K. Debtor's assets if the Marketing Procedures are performed and the denominator of which shall be the Allowed Claims against the referenced U.K. Debtor excluding Asbestos Personal Injury Claims other than those that have been asserted in lawsuits filed in the United Kingdom on or before April 22, 2004.
<i>Stock Repayment Obligation</i>	shall have the meaning set forth in Section 4.5.2 to the Plan.
<i>Subordinated Securities Claim</i>	means a Claim subject to subordination under Section 510(b) of the Bankruptcy Code, including, without limitation, any Claim that arises from the rescission of a purchase or sale of a security of any of the Debtors (including, without limitation, the Notes and the existing Federal-Mogul common and preferred stock classified below in Classes 1M and 1O), or for damages arising from the purchase or sale of such a security, or for reimbursement, indemnification, or contribution allowed under Section 502 of the Bankruptcy Code on account of such Claim.
<i>Subordination Deed</i>	means an agreement wherein certain of the Debtors or their Affiliates holding Affiliate Claims against a U.K. Debtor consensually agree to (i) subordinate their Claims so that the legal right and priority of payment on their Claim is subordinate to all non-Affiliate Claims against the applicable U.K. Debtor, (ii) extinguish and discharge their Claims in whole or in part or (iii) leave unaltered the legal, equitable and contractual rights to which such Claims entitled the holder; <u>provided, however</u> , that prior to such discharge and extinguishment such Affiliate Claims may be contributed to capital, transferred, setoff or subject to any other arrangement at the option of the Plan Proponents. The Subordination Deed shall be filed with the Bankruptcy Court at least 30 days prior to the deadline for casting votes on the Plan.
<i>Supersedeas Bond Action</i>	means any rights, defenses, counterclaims or affirmative causes of action of the Debtors, Reorganized Federal-Mogul, or the other Reorganized Debtors with respect to a Bonded Claim, or with respect to any supersedeas bond or other form of security or payment assurance issued in connection with a Bonded Claim, or against the issuer or insurer of any payment assurance issued in connection with a Bonded Claim.
<i>Supplemental Injunction</i>	means the injunction described in Section 9.3.1 of the Plan.
<i>Sureties</i>	means Travelers Casualty and Surety Company of America (" <u>Travelers</u> "), SAFECO Insurance Company of America (" <u>Safeco</u> ") and National Fire Insurance Company of Hartford and Continental Casualty Company (" <u>National Fire</u> ") as issuers of the CCR Surety Bonds.
<i>Surety Claims</i>	means the secured, unsecured (as in the cases of T&N Limited, Gasket Holdings, Inc. and their respective Estates), or partially secured and unsecured contingent reimbursement obligations arising under and related to any indemnity contract or guarantee between certain of the Debtors signatory thereto and the Sureties relating to the CCR Surety Bonds issued by the Sureties in favor of CCR.
<i>T&N Distribution Ratio I</i>	means a ratio, the numerator of which shall be 79% of the value of the

Reorganized Federal-Mogul Class B Common Stock as determined at the Confirmation Hearing and the denominator of which shall be the tort system value (as reflected in the Asbestos Personal Injury Trust Distribution Procedures) of all Asbestos Personal Injury Claims against T&N Limited.

T&N Distribution Ratio 2

means a ratio, the numerator of which shall be the value of T&N Limited's assets as determined at the Confirmation Hearing either in accordance with the Consensual Marketing Procedures or as otherwise determined by the Court and the denominator of which shall be the sum of (i) the tort system value (as reflected in the Asbestos Personal Injury Trust Distribution Procedures) of all Asbestos Personal Injury Claims against T&N Limited and (ii) the Allowed Amount of all other Claims against T&N Limited including, without limitation, Affiliate Claims against T&N Limited.

T&N Pension Plan

means the T&N Retirement Benefits Scheme (1989), a defined benefit plan operated by certain of the U.K. Debtors for eligible employees.

T&N Pension Plan Trustees

means the trustees for the time being of the T&N Pension Plan and, as of the date hereof, being Alexander Forbes Trustee Services Limited and T&N Pension Trustee Limited.

Third Party Injunction

means the injunction described in Section 9.3.2 of the Plan.

Trust

means the trust or trusts established pursuant to the Trust Agreement and in accordance with Section 524(g) of the Bankruptcy Code, which is a "qualified settlement fund" pursuant to Section 468B of the IRC and the regulations issued pursuant thereto.

Trust Advisory Committee or TAC

means that committee appointed and serving in accordance with Section 4.10.1 of the Plan and having the powers, duties and obligations set forth in the Trust Agreement.

Trust Agreement

means that certain Asbestos Personal Injury Trust Agreement, effective as of the Confirmation of the Plan, substantially in the form of Exhibit 1.1.154 to the Plan.

Trust Assets

means the following assets and any income, profits and proceeds derived from such assets subsequent to the transfer of such assets to the Trust: (a) the Reorganized Federal-Mogul Class B Common Stock to be distributed to the Trust pursuant to the Plan, (b) the Asbestos Insurance Actions and the Asbestos Insurance Action Recoveries attributable to any Asbestos Personal Injury Claims, (c) the Asbestos Insurance Settlement Agreements attributable to any Asbestos Personal Injury Claims, other than such agreements attributable to the Hercules Policy, (d) the Trust Causes of Action and (e) any and all other funds, proceeds or other consideration otherwise contributed to the Trust pursuant to the Confirmation Order.

Trust Causes of Action

means any and all of the actions, claims, rights, defenses, counterclaims, suits and causes of action of the Debtors (other than, prior to the Hercules Policy Expiry Date, the Hercules-Protected Entities and other than any such actions, claims, rights, defenses, counterclaims, suits and causes of action with respect to the EL Coverage), whether known or unknown, in law, at equity or otherwise, whenever and wherever arising under the laws of any jurisdiction attributable to: (a) all defenses to any Asbestos Personal Injury Claim, including, but not limited to, all defenses under Section 502 of the Bankruptcy

Code, (b) with respect to any Asbestos Personal Injury Claim, all rights of setoff, recoupment, contribution, reimbursement, subrogation or indemnity (as those terms are defined by the non-bankruptcy law of any relevant jurisdiction) and any other indirect claim of any kind whatsoever, whenever and wherever arising or asserted, and (c) subject to the provisions of the Plan, any other claims or rights with respect to Asbestos Personal Injury Claims that the Debtors (other than, prior to the Hercules Policy Expiry Date, the Hercules-Protected Entities and other than any such claims or rights with respect to the EL Coverage) would have had under applicable law if the Reorganization Cases had not occurred and the holder of such Asbestos Personal Injury Claim had asserted it by initiating civil litigation against any such Debtor. Notwithstanding the foregoing, Trust Assets and Trust Causes of Action shall not include (x) any of the Debtors' rights arising under or attributable to the Supersedeas Bond Actions (y) the property, rights or assets, if any, of the Debtors which were previously used to secure or obtain a supersedeas bond with respect to any Allowed Bonded Claim and which are recoverable or recovered by the Debtors after the full satisfaction of such claim or (z) any claim, cause of action, or right of the Debtors or any of them, under the laws of any jurisdiction, for reimbursement, indemnity, contribution, breach of contract or otherwise arising from or relating to any payments made by the Debtors on account of Asbestos Personal Injury Claims prior to the Petition Date.

Trust Claim

shall have the meaning set forth in Section 4.5.4.

Trust Documents

means the Trust Agreement, the Asbestos Personal Injury Trust Distribution Procedures and all other agreements, instruments and documents governing the establishment, administration and operation of the Trust, which shall be substantially in the form set forth in the Plan, as they may be amended or modified from time to time in accordance with the Plan and the Trust Agreement.

Trust Expenses

means any Asbestos Personal Injury Expenses and any other liabilities, costs or expenses of, or imposed upon, or in respect of, the Trust (except for payments to holders of Asbestos Personal Injury Claims on account of such Claims). Trust Expenses shall also expressly include (a) any and all liabilities, costs and expenses incurred subsequent to the Confirmation of the Plan in connection with any and all Asbestos Insurance Actions, or any similar claim, cause of action or right of Reorganized T&N against the Hercules Insurers, or of the Trust against the EL Insurers, in each case whether or not any such action results in a recovery for the Trust and (b) any and all liabilities, costs and expenses incurred by the Reorganized Debtors in taking any action on behalf of or at the direction of the Trustees, if any, including, without limitation, any costs and expenses incurred by the Reorganized Debtors in being named as a defendant in any Asbestos Insurance Action or other actions relating to the Hercules Policy or any EL Policy.

Trustees

means the Persons appointed pursuant to Section 4.9 of the Plan for the purpose of acting as trustees of the Trust in accordance with the terms and conditions contained in the Trust Documents, the Plan and the Confirmation Order.

U.K. Court

means any court of competent jurisdiction in any part of the United Kingdom.

U.K. Debtors

means those Debtors so listed in footnote 1 of the Plan.

United States Trustee

means the Office of the United States Trustee for the District of Delaware.

Unsecured Claim

means any Claim (regardless of whether such Claim is covered by insurance), not specifically included in a separately identified Class of Claims or Equity Interests, and to the extent that such Claim is neither secured nor entitled to priority under applicable law. Unsecured Claims shall expressly include, without limitation, (a) any claim arising from the rejection of an executory contract or unexpired lease under Section 365 of the Bankruptcy Code, (b) any portion of a Claim to the extent the value of the holder's interest in the applicable Estate's interest in the property securing such Claim is less than the amount of the Claim, or to the extent that the amount of the Claim subject to setoff is less than the amount of the Claim, as determined pursuant to Section 506(a) of the Bankruptcy Code, (c) Surety Claims against T&N Limited and/or Gasket Holdings, Inc., (d) Other U.K. Claims (including, specifically, Off-Site Environmental Claims and Asbestos Property Damage Claims against any U.K. Debtors to the extent that the Allowed Amounts of such Claims are not otherwise satisfied by any applicable insurance coverage), (e) any unsecured deficiency claims held by the holders of Bonded Non-Asbestos Claims and/or Surety Claims, (f) Asbestos Property Damage Claims against any U.S. Debtors to the extent that the Allowed Amounts of such Claims are not otherwise satisfied by any applicable insurance coverage, and to the extent that such Claims are not Bonded Claims; (g) Excluded Non-Qualified Pension Claims, (h) Off-Site Environmental Claims, (i) Claims arising from the provision of goods or services to the Debtors prior to the Petition Date, including the Claims of commercial trade creditors, and (j) Affiliate Claims against the U.K. Debtors which are not subject to the Subordination Deed. Unless otherwise specifically provided in an applicable provision of the Plan, Unsecured Claims shall not include (i) Administrative Claims, (ii) Administration Claims, (iii) Priority Claims, (iv) Preferential Claims, (v) Secured Bank Claims, (vi) Secured Surety Claims, (vii) Noteholder Claims, (viii) Other Secured Claims, (ix) On-Site Environmental Claims, (x) Non-Priority Employee Benefit Claims, (xi) Asbestos Personal Injury Claims, (xii) Bonded Claims, (xiii) Affiliate Claims and (xiv) Equity Interests.

Unsecured Creditors Committee

means the Official Committee of Unsecured Creditors of the Debtors appointed in the Reorganization Cases by the United States Trustee.

U.S. Debtors

means those Debtors so listed in footnote 1 of the Plan.

Valuation Proceedings

means the contested matter to be initiated, if necessary, under Section 506(a) of the Bankruptcy Code and Rule 3012 of the Federal Rules of Bankruptcy Procedure for the purpose of determining the Allowed Amount of the Secured portions of the Surety Claims.

Voluntary Arrangement

means the company voluntary arrangement or company voluntary arrangements proposed under Part I of the IA 1986 and Part I of the IR 1986 relating to those of the U.K. Debtors that are listed in Exhibit 1.1.168 to the Plan and any modifications thereto which may be approved by the requisite proportion of creditors of the relevant U.K. Debtor.

Voluntary Arrangement Supervisors

means, in relation to a U.K. Debtor, the joint supervisors of the Voluntary Arrangement over the U.K. Debtor or their duly appointed successors.

Warrants

means the warrants for the purchase of Reorganized Federal-Mogul Common Stock which are to be issued by Reorganized Federal-Mogul pursuant to the Plan and the warrant agreement attached hereto as Exhibit 1.1.170 to the Plan.

EXHIBIT A

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
)
FEDERAL-MOGUL GLOBAL INC.,)
T&N LIMITED, et al.,¹) Case No. 01-10578 (RTL)
) (Jointly Administered)
)
Debtors.)

THIRD AMENDED JOINT PLAN OF REORGANIZATION

**ARTICLE IX OF THIS PLAN PROVIDES FOR THE ISSUANCE OF A CHANNELING
INJUNCTION UNDER SECTIONS 105(a) AND 524(g) OF THE BANKRUPTCY CODE
THAT PERMANENTLY ENJOINS ALL PERSONS HOLDING ASBESTOS PERSONAL
INJURY CLAIMS FROM PURSUING A REMEDY AGAINST THE PROTECTED PARTIES
AND CHANNELS THEM TO THE TRUST FOR RESOLUTION AND PAYMENT**

¹ The U.S. Debtors (collectively, the "U.S. Debtors") are Carter Automotive Company, Inc., Federal-Mogul Corporation, Federal-Mogul Dutch Holdings Inc., Federal-Mogul FX, Inc., Federal-Mogul Global Inc., Federal-Mogul Global Properties, Inc., Federal-Mogul Ignition Company, Federal-Mogul Machine Tool, Inc., Federal-Mogul Mystic, Inc., Federal-Mogul Piston Rings, Inc., Federal-Mogul Powertrain, Inc., Federal-Mogul Products, Inc., Federal-Mogul Puerto Rico, Inc., Federal-Mogul U.K. Holdings, Inc., Federal-Mogul Venture Corporation, Federal-Mogul World Wide, Inc., Felt Products Manufacturing Co., FM International LLC, Ferodo America, Inc., Gasket Holdings Inc., J.W.J. Holdings, Inc., McCord Sealing, Inc., and T&N Industries Inc.

The U.K. Debtors (collectively, the "U.K. Debtors") are AE Dayton Services Limited, AE Group Machines Limited, AE Holdings Limited, AE International Limited, AE Limited, AE Piston Products Limited, AE Sales (Africa) Limited, Aeroplane & Motor Aluminium Castings Limited, Amber Supervision Limited, Ashburton Road Services Limited, Associated Engineering Group Limited, Awncast Limited, Bearings (North-Western) Limited, Brake Linings Limited, Colvan Rubber Co. Limited, Contact 100 Limited, Cosmid Limited, Cranhold Limited, Dealings Limited, Dumlinton Services Limited, Duron Limited, E W Engineering Limited, Edmunds, Walker & Co. Limited, Engineering Components Limited, Federal-Mogul Acquisition Company Limited, Federal-Mogul Aftermarket UK Limited, Federal-Mogul Bradford Limited, Federal-Mogul Brake Systems Limited, Federal-Mogul Bridgwater Limited, Federal-Mogul Camshaft Castings Limited, Federal-Mogul Camshafts Limited, Federal-Mogul Engineering Limited, Federal-Mogul Eurofriction Limited, Federal-Mogul Export Services Limited, Federal-Mogul Friction Products Limited, Federal-Mogul Global Growth Limited, Federal-Mogul Ignition (U.K.) Limited, Federal-Mogul Powertrain Systems International Limited, Federal-Mogul Sealing Systems (Cardiff) Limited, Federal-Mogul Sealing Systems (Rochdale) Limited, Federal-Mogul Sealing Systems (Slough) Limited, Federal-Mogul Sealing Systems Limited, Federal-Mogul Shoreham Limited, Federal-Mogul Sintered Products Limited, Federal-Mogul Systems Protection Group Limited, Federal-Mogul Technology Limited, Federal-Mogul U.K. Limited, Ferodo Caernarfon Limited, Ferodo Limited, FHE Technology Limited, Fleetside Investments Limited, F-M UK Holding Limited, FP Diesel Limited, Friction Materials Limited, G.B. Tools & Components Exports Limited, Genthope Limited, Greet Limited, Halls Gaskets Limited, Hepworth & Grandage Limited, High Precision Equipment Limited, Inblot Limited, Instantwonder Limited, J.W. Roberts Limited, Kings Park Housing Limited, Lalton Limited, Lanoth Limited, Lanoth Precision Equipment Limited, Leeds Piston Ring & Engineering Co. Limited, M.T.A. (Kettering) Limited, Mantro Engineering Co. Limited, Mobile Distributing (Spares) Limited, Moores Plastic Units Limited, Newalls Insulation Company Limited, Ontall Limited, Payen (Europe) Limited, Pecal Limited, Presswork-Components Limited, Sintration Limited, Sourcelook Limited, Specialoid, Limited, STS (1996) Limited, TAF International Limited, T&N Holdings Limited, T&N International Limited, T&N Investments Limited, T&N Limited, T&N Materials Research Limited, T&N Piston Products Group Limited, T&N Properties Limited, T&N Shelf Eight Limited, T&N Shelf Eighteen Limited, T&N Shelf Fifteen Limited, T&N Shelf Five Limited, T&N Shelf Four Limited, T&N Shelf Fourteen Limited, T&N Shelf Nine Limited, T&N Shelf Nineteen Limited, T&N Shelf One Limited, T&N Shelf Seven Limited, T&N Shelf Six Limited, T&N Shelf Sixteen Limited, T&N Shelf Ten Limited, T&N Shelf Thirteen Limited, T&N Shelf Thirty Limited, T&N Shelf Thirty-One Limited, T&N Shelf Thirty-Three Limited, T&N Shelf Three Limited, T&N Shelf Twenty Limited, T&N Shelf Twenty-Eight Limited, T&N Shelf Twenty-Five Limited, T&N Shelf Twenty-Four Limited, T&N Shelf Twenty-Nine Limited, T&N Shelf Twenty-One Limited, T&N Shelf Twenty-Six Limited, T&N Shelf Twenty-Two Limited, T&N Shelf Two Limited, T&N Trade Marks Limited, T&N Welfare Trust Limited, TBA Belting Limited, TBA Belting (Residual) Limited, TBA Industrial Products Limited, Telford Rubber Processors Limited, Telford Technology Supplies Limited, The British Piston Ring Company Limited, The Washington Chemical Company Limited, Tinblo Limited, Touchdown Adhesive Products Limited, Turner & Newall Limited, Turner Brothers Asbestos Company Limited, Tynoda Limited, Vanwall Cars Limited, Wellworthy Limited, Wellworthy Property Developments Limited, and William C. Jones (Polymers) Limited. Unlike all the other U.K. Debtors, T&N Investments Limited is a Scottish rather than English company and commenced administration in Scotland in April 2002.

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Pursuant to 11 U.S.C. § 1121, the Debtors, the Unsecured Creditors Committee, the Asbestos Claimants Committee, the Future Claimants Representative, the Administrative Agent and the Equity Committee hereby jointly propose the following Third Amended Joint Plan of Reorganization in accordance with the provisions of Chapter 11, Title 11 of the United States Code:

ARTICLE I DEFINITIONS, CONSTRUCTION OF TERMS, AND EXHIBITS

As used herein, the following terms shall have the respective meanings specified below, unless the context otherwise requires:

1.1.1. 1997 Flexitallic Asset Purchase Agreement means that certain Asset Purchase Agreement, dated as of April 11, 1997, by and among T&N plc, Flexitallic Limited, Flexitallic Sealing Materials Ltd., Flexitallic, Inc., Goetze Vermögenswertungen, GmbH, Flexitallic Canada Ltd., Ferodo a.s., Dan=Loc Corporation, Dan=Loc Limited, Delta 72 Unternehmenswertungen GmbH, Frederique s.r.o., Dan=Loc (Canada) Ltd. and Dan=Loc Transitional, L.P.

1.1.2. Administrative Agent means JPMorgan Chase Bank (formerly The Chase Manhattan Bank) as administrative agent under the Bank Credit Agreement.

1.1.3. Administration Claim means, in relation to a U.K. Debtor, any Claim that ranks in the administration of that U.K. Debtor under the laws of the relevant part of the United Kingdom as an administration expense, including, without limitation, (a) the remuneration and expenses of the Administrators properly incurred by them as administrators of that U.K. Debtor as referred to in subsection 19(4) of the IA 1986; (b) any sums payable in respect of debts or liabilities incurred, while they were Administrators, under contracts entered into by them in carrying out their functions as administrators of that U.K. Debtor as referred to in subsection 19(5) of the IA 1986; and (c) any sums payable in respect of liabilities incurred, while they were Administrators, under contracts of employment adopted by the Administrators of that U.K. Debtor in carrying out their functions as administrators, to the extent that the liabilities are qualifying liabilities, for the purposes of subsection 19(6) of the IA 1986.

1.1.4. Administrative Claim means any Claim for the payment of an Administrative Expense.

1.1.5. Administrative Expense means (a) any cost or expense of administration of the Reorganization Cases under Section 503(b) of the Bankruptcy Code including, but not limited to (1) any actual and necessary postpetition cost or expense of preserving the Estates or operating the businesses of the Debtors, (2) any payment to be made under the Plan to cure a default on an assumed executory contract or unexpired lease, (3) any postpetition cost, indebtedness or contractual obligation duly and validly incurred or assumed by the Debtors in the ordinary course of business, (4) any valid and allowed reclamation claims in accordance with Section 546(c) of the Bankruptcy Code, (5) compensation or reimbursement of expenses of professionals to the extent allowed by the Bankruptcy Court under Sections 328, 330(a) or 331 of the Bankruptcy Code, (6) the Indenture Trustee fees and expenses under the

terms of the respective Indentures and pursuant to Section 8.15.6 of this Plan; (7) all Claims arising under the DIP Facility; and (8) all Claims for adequate protection authorized and entitled to administrative expense status pursuant to the DIP Facility; and (b) any fee or charge assessed against the Estates under 28 U.S.C. § 1930.

1.1.6. Administrators means, in relation to a U.K. Debtor, the administrators appointed by the U.K. Court from time to time in respect of that U.K. Debtor.

1.1.7. Affiliate shall have the meaning ascribed to such term in Section 101(2) of the Bankruptcy Code, and when used with reference to any Debtor, shall include, but not be limited to, each of the entities listed in Exhibit 1.1.7 to the Plan.

1.1.8. Affiliate Claims means all prepetition Claims against any of the Debtors held by a Debtor or non-debtor Affiliate, or any interest held by such entities in any property of the Debtors, but excluding Equity Interests and the Convertible Subordinated Debentures.

1.1.9. Affiliated Subsidiaries means the subsidiaries of the Debtors or their Affiliates in which the Debtors or their Affiliates own greater than 5% but less than 20% of the outstanding voting securities of such entity, each of which is listed in Exhibit 1.1.9 of the Plan.

1.1.10. Allowed means:

1.1.9.1. With respect to any Claim (other than an Administrative Claim, an Administration Claim, an Asbestos Personal Injury Claim, a Bonded Claim or an Other U.K. Claim), (a) any Claim that is specifically designated as Allowed under this Plan, (b) any Claim that has been, or hereafter is, listed in the Schedules as liquidated in amount and not disputed or contingent or (c) any Claim, proof of which was timely filed in a liquidated non-contingent amount with the Bankruptcy Court or its duly appointed claims agent, or, in compliance with any order of the Bankruptcy Court regarding the filing of a proof of claim and with respect to which either (i) no objection to the allowance thereof has been filed within the applicable period of limitation fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules or the Bankruptcy Court or (ii) the Claim has been allowed by a Final Order (but only to the extent so allowed).

1.1.9.2. With respect to an Asbestos Personal Injury Claim other than a Bonded Claim, the amount of any such Claim that is determined pursuant to the procedures set forth in the Asbestos Personal Injury Trust Distribution Procedures or, if applicable, pursuant to a Final Order of the Bankruptcy Court or the U.K. Court. An Asbestos Personal Injury Claim that is Allowed in accordance with the foregoing, shall be, and be deemed to be, a judgment determining the legal liability against the Trust in the Allowed Amount of such Asbestos Personal Injury Claim.

1.1.9.3. With respect to any Bonded Claim, any Claim that qualifies as a Bonded Claim under the applicable definitions of the Plan, with respect to which the Bankruptcy Court or other court of competent jurisdiction determines by Final Order, or the applicable Debtor or Reorganized Debtor and the holder of such Claim agree, that such holder is entitled to some or all of the proceeds of the applicable supersedeas bond or other payment assurance (but only to the extent so ordered or agreed). A Bonded Claim that is "Allowed" shall

constitute a final, non-appealable judgment determining the legal liability of the Debtors or their Estates, as applicable.

1.1.9.4. With respect to any Claim that is asserted to constitute an Administrative Expense (a) a Claim that represents an actual and necessary expense of preserving the estate or operating the business of the Debtors, to the extent such Claim is determined by the Plan Proponents to constitute an Administrative Expense; (b) other than with respect to a Claim of a professional person employed under Sections 327, 328 or 1103 of the Bankruptcy Code that is required to apply to the Bankruptcy Court for the allowance of compensation and reimbursement of expenses pursuant to Section 330 of the Bankruptcy Code, a Claim that the Plan Proponents do not believe constitutes an Administrative Expense, and such Claim is allowed in whole or in part by a Final Order of the Bankruptcy Court and only to the extent that such allowed portion is determined pursuant to a Final Order to constitute a cost or expense of administration under Sections 503(b) and 507(a)(1) of the Bankruptcy Code; or (c) that represents a Claim of a professional person employed under Sections 327, 328 or 1103 of the Bankruptcy Code that is required to apply to the Bankruptcy Court for the allowance of compensation or reimbursement of expenses pursuant to Section 330 of the Bankruptcy Code, to the extent such Claim is allowed by a Final Order of the Bankruptcy Court under Section 330 of the Bankruptcy Code.

1.1.9.5. With respect to any Claim that is asserted to constitute an Administration Claim, a Claim that is non-contingent and (i) is properly and reasonably accepted as an Administration Claim by the Administrators or (ii) to the extent that it is determined to be an Administration Claim by a Final Order of the U.K. Court having competent jurisdiction over the matter.

1.1.9.6. With respect to any Other U.K. Claim, the amount of such Claim that is non-contingent and (i) is properly and reasonably accepted by the Administrators or Voluntary Arrangement Supervisors, as applicable, of the relevant U.K. Debtor as owing by that U.K. Debtor, (ii) is accepted by the relevant Reorganized U.K. Debtor as owing by that U.K. Debtor or (iii) that is determined to be such by Final Order of the U.K. Court pursuant to the terms of the Scheme of Arrangement and/or Voluntary Arrangement, as applicable, for such U.K. Debtor.

1.1.9.7. With respect to any Equity Interest, the shares of common and/or preferred stock of the Debtors held by any Person as of the Record Date.

1.1.11. *Allowed Amount* means, with respect to any Claim, the amount in which that Claim is Allowed, denominated in dollars (in the case of a U.S. Debtor) or pounds sterling (in the case of a U.K. Debtor).

1.1.12. *Asbestos Claimants Committee* means the Official Committee of Asbestos Claimants appointed in the Reorganization Cases by the United States Trustee.

1.1.13. *Asbestos In-Place Insurance Coverage* means any insurance coverage available for the payment or reimbursement of liability, indemnity or defense costs arising from

or related to Asbestos Personal Injury Claims or Trust Expenses under any Asbestos Insurance Policy or any Asbestos Insurance Settlement Agreement.

1.1.14. *Asbestos Insurance Action* means any claim, cause of action, or right of the Debtors or any of them, under the laws of any jurisdiction, against any Asbestos Insurance Company, arising from or related to: (a) any such Asbestos Insurance Company's failure to provide or pay under Asbestos In-Place Insurance Coverage, (b) the refusal of any Asbestos Insurance Company to compromise and settle any Asbestos Personal Injury Claim under or pursuant to any Asbestos Insurance Policy, or (c) the interpretation or enforcement of the terms of any Asbestos Insurance Policy with respect to any Asbestos Personal Injury Claim; provided, however, Asbestos Insurance Action shall not include any claim, cause of action, or right of the Debtors or any of them, under the laws of any jurisdiction against any Asbestos Insurance Company for reimbursement, indemnity, breach of contract for insurance, statutory and common law bad faith or otherwise arising from or relating to any payments made by the Debtors on account of Asbestos Personal Injury Claims prior to the Petition Date.

1.1.15. *Asbestos Insurance Action Recoveries* means (a) Cash derived from and paid pursuant to Asbestos Insurance Settlement Agreements entered into prior to the Confirmation Hearing, (b) the right to receive proceeds of Asbestos In-Place Insurance Coverage and (c) the right to receive the proceeds or benefits of any Asbestos Insurance Action.

1.1.16. *Asbestos Insurance Company* means any insurance company, insurance broker or syndicate insurance broker, guaranty association or any other Entity with liability under an Asbestos Insurance Policy, including any reinsurers with respect to claims covered by an Asbestos Insurance Policy.

1.1.17. *Asbestos Insurance Entity Injunction* means the injunction described in Section 9.3.3 of the Plan.

1.1.18. *Asbestos Insurance Policy* means (a) any insurance policy (other than the Hercules Policy and the EL Policy) in effect at any time on or before the Effective Date naming the Debtors (or any predecessor, subsidiary, or past or present Affiliate of the Debtors) as an insured, or otherwise affording the Debtors indemnity or insurance coverage, upon which any claim has been or may be made with respect to any Asbestos Personal Injury Claim or (b) any reinsurance agreement relating to an Asbestos Insurance Policy as defined in (a) above to which an Asbestos Insurance Company is a party.

1.1.19. *Asbestos Insurance Settlement Agreement* means any settlement agreement with a Settling Asbestos Insurance Company relating to any Asbestos Personal Injury Claim.

1.1.20. *Asbestos Personal Injury Claim* means a liquidated or unliquidated claim against one or more of the Debtors or their non-Debtor Affiliates, or their present or former officers, directors or employees of any of them, whether asserted by agents or employees of the Debtors or their non-Debtor Affiliates or any other Person or Entity, whether in the nature of or sounding in tort, contract, warranty, employer liability or any other theory of law, equity or admiralty, whatsoever, for, attributable to or arising under the laws of any jurisdiction, by reason

of, directly or indirectly, physical, emotional or other personal injuries or other damages caused, or allegedly caused, in whole or in part, directly or indirectly, by the presence of, or exposure to, asbestos – including, but not limited to, asbestos-containing products, automotive or industrial parts and components, equipment, manufacturing processes, improvements to real property or materials manufactured, sold, supplied, produced, specified, selected, distributed or in any way marketed by one or more of the Debtors or their non-Debtor Affiliates or the predecessors of any of them – and arising or allegedly arising, directly or indirectly, from acts or omissions of one or more of the Debtors, their non-Debtor Affiliates or the predecessors of any of them, including, but not limited to, all claims, debts, obligations or liabilities for compensatory damages (such as, without limitation, loss of consortium, medical monitoring, personal or bodily injury, wrongful death, survivorship, proximate, consequential, general and special damages) and punitive damages. Asbestos Personal Injury Claims shall include, without limitation, (i) Indirect Asbestos Personal Injury Claims, (ii) Asbestos Personal Injury Demands, (iii) any Claim or Demand based upon, arising under or attributable to an asbestos personal injury settlement agreement or protocol entered into by CCR on behalf of one or more of the Debtors, (iv) any Claims asserted by CCR against the Debtors or their non-Debtor Affiliates excluding any Claim asserted by the CCR for postpetition fees and expenses incurred in connection with these bankruptcy cases and (v) any Claim or Demand by an EL Insurer or Hercules Insurer or any of their reinsurers for premium, indemnity, reimbursement, contribution, fees, expenses or otherwise in connection with their respective policies or Asbestos Personal Injury Claims. Notwithstanding the foregoing, Asbestos Personal Injury Claims shall not include Bonded Asbestos Personal Injury Claims or the CCR Bond Claim, but shall include the unsecured deficiency, if any, of any Bonded Asbestos Personal Injury Claim or the CCR Bond Claim. For purposes of this Section 1.1.20 only, the term non-Debtor Affiliates shall mean Affiliates of the Debtors on or prior to the Effective Date that are not Debtors.

1.1.21. *Asbestos Personal Injury Demand or Demand* means a demand as such term is used and defined in Section 524(g)(5) of the Bankruptcy Code, including a demand for payment, present or future, that (i) was not a Claim prior to the Effective Date; (ii) arises out of the same or similar conduct or events that gave rise to an Asbestos Personal Injury Claim or the Claims addressed by the Supplemental Injunction, the Third Party Injunction or the Asbestos Insurance Entity Injunction; and (iii) pursuant to the Plan, is to be satisfied exclusively by the Trust.

1.1.22. *Asbestos Personal Injury Expenses* means all costs, taxes and expenses of or imposed on the Trust attributable or allocable to Asbestos Personal Injury Claims, including, but not limited to, trustee compensation, employee compensation, insurance premiums, legal, accounting and other professional fees and expenses, overhead, disbursements, and expenses relating to the implementation of the Asbestos Personal Injury Trust Distribution Procedures, but excluding payments to holders of Asbestos Personal Injury Claims on account of such Claims or Demands, or reimbursements of such payments.

1.1.23. *Asbestos Personal Injury Trust Distribution Procedures* means the Asbestos Personal Injury Trust Distribution Procedures substantially in the form attached to the Trust Agreement, or as subsequently modified or amended.

1.1.24. *Asbestos Property Damage Claim* means a liquidated or unliquidated Claim against, or any debt, obligation or liability of one or more of the Debtors, arising under the laws of any jurisdiction, whether in the nature of or sounding in tort, contract, warranty or any other theory of law, equity or admiralty, for, attributable to or arising by reason of, directly or indirectly, property damages, including, but not limited to, diminution in the value thereof, or environmental damage or economic loss caused or allegedly caused, directly or indirectly, by asbestos - including, but not limited to, asbestos-containing products, automotive or industrial parts and components, equipment, manufacturing processes, improvements to real property or materials manufactured, sold, supplied, produced, specified, selected, distributed or in any way marketed by one or more of the Debtors or their predecessors – and arising or allegedly arising, directly or indirectly, from acts or omissions of one or more of the Debtors, or their predecessors, including, but not limited to, all claims, debts, obligations or liabilities for compensatory and punitive damages, and also including, without limitation, any claim for contribution, reimbursement, subrogation or indemnity, whether contractual or implied by law, attributable to Asbestos Property Damage Claims. Asbestos Property Damage Claims shall exclude all Asbestos Personal Injury Claims.

1.1.25. *Asbestos Property Damage Claimants Committee* means the Official Committee of Asbestos Property Damage Claimants appointed in the Reorganization Cases by the United States Trustee.

1.1.26. *Avoidance Litigation* means the adversary proceeding filed or to be filed which seeks or will seek to, among other things, avoid the Liens securing the Surety Claims.

1.1.27. *Bank Claims* means any and all obligations, rights, claims or interests, whether secured or unsecured, matured or unmatured, fixed or contingent, including, but not limited to, principal, accrued and unpaid interest, charges, costs, breakage fees, counsel fees, contingent reimbursement obligations under unfunded or partially drawn letters of credit, and any and all other rights to payment of money arising under, based upon or related to the Bank Credit Agreement.

1.1.28. *Bank Credit Agreement* means that certain Fourth Amended and Restated Credit Agreement and related Loan Documents as therein defined, dated as of December 29, 2000, as such Agreement has been amended, supplemented or otherwise modified from time to time thereafter among Federal-Mogul Corporation, certain Affiliate Debtors and non-Debtor Affiliates, a syndicate of lenders and the Administrative Agent.

1.1.29. *Bankruptcy Code* means title 11 of the United States Code, 11 U.S.C. §§ 101, et seq., as in effect on the Petition Date, together with all amendments and modifications thereto that were subsequently made applicable to the Reorganization Cases.

1.1.30. *Bankruptcy Court* means the United States Bankruptcy Court for the District of Delaware.

1.1.31. *Bankruptcy Rules* means the Federal Rules of Bankruptcy Procedure and the local rules of the Bankruptcy Court, as in effect on the Petition Date, together with all

amendments and modifications thereto that were subsequently made applicable to the Reorganization Cases.

1.1.32. *Bonded Asbestos Personal Injury Claim* means an Asbestos Personal Injury Claim evidenced by a judgment as to which, but only to the extent that, a supersedeas bond or equivalent form of payment assurance was posted by a Debtor as security for such Claim, and only to the extent that the Bankruptcy Court or other court of competent jurisdiction determines by Final Order, or the applicable Reorganized Debtor and the holder of such Bonded Asbestos Personal Injury Claim agree, that such holder is entitled to some or all of the proceeds of the supersedeas bond or other payment assurance. Bonded Asbestos Personal Injury Claims shall not include the CCR Bond Claim.

1.1.33. *Bonded Claim* means any Bonded Asbestos Personal Injury Claim, Bonded Non-Asbestos Claim or the CCR Bond Claim, but shall not include the unsecured deficiency, if any, of any such Claims.

1.1.34. *Bonded Non-Asbestos Claim* means any Claim, other than an Asbestos Personal Injury Claim or a CCR Bond Claim, evidenced by a judgment as to which, but only to the extent that, a supersedeas bond or equivalent form of payment assurance was posted by a Debtor as security for such Claim, and only to the extent that the Bankruptcy Court or other court of competent jurisdiction determines by Final Order, or the applicable Reorganized Debtor and the holder of such Bonded Non-Asbestos Claim agree, that such holder is entitled to some or all of the proceeds of the supersedeas bond or other payment assurance.

1.1.35. *Business Day* means any day other than a Saturday, Sunday or legal holiday (as such term is defined in Bankruptcy Rule 9006(a)) or any public holiday in the U.K.

1.1.36. *Cash* means lawful currency of the United States of America and its equivalents as to the U.S. Debtors, and pounds sterling and its equivalents as to the U.K. Debtors.

1.1.37. *CCR* means the Center for Claims Resolution, a Delaware non-profit corporation.

1.1.38. *CCR Bond Claim* means any claim in favor of CCR as obligee under or with respect to the CCR Surety Bonds, but only to the extent that the Bankruptcy Court or other court of competent jurisdiction determines by Final Order, or the applicable Debtors or Reorganized Debtors, CCR and the Plan Proponents agree that CCR is entitled to some or all of the proceeds of the CCR Surety Bonds.

1.1.39. *CCR Litigation* means Adversary Proceeding 01-8885 and the claims asserted therein to, among other things, determine the CCR's rights, if any, to draw on the CCR Surety Bonds.

1.1.40. *CCR Surety Bonds* means Performance Bond No. 6066092 issued by Safeco in favor of CCR, Performance Bond Nos. 103529126 and 103529229 REL issued by Travelers in favor of CCR, and Performance Bond No. 929182983 issued by National Fire in favor of CCR.

1.1.41. *Claim* shall have the meaning ascribed to such term in Section 101(5) of the Bankruptcy Code, and shall include, but not be limited to, Asbestos Personal Injury Claims and interests other than Equity Interests.

1.1.42. *Class* means a category of Claims or Equity Interests pursuant to the Plan, as such term is used and described in Section 1122 of the Bankruptcy Code.

1.1.43. *Collateral Trustee* means the Persons serving as trustees of collateral pledged as security for the Bank Claims, Noteholder Claims and Surety Claims, as applicable, pursuant to, among other things, the Bank Credit Agreement and related documents.

1.1.44. *Company Specific Distribution Ratio* means, with respect to a U.K. Debtor, a ratio, the numerator of which shall be: (i) the value of the referenced U.K. Debtor's assets as estimated on Exhibit L of the Disclosure Statement if the Consensual Marketing Procedures are not performed for the referenced U.K. Debtor or (ii) the Market Value of the referenced U.K. Debtor's assets if the Consensual Marketing Procedures are performed for the referenced U.K. Debtor, and the denominator of which shall be the tort system value (as reflected in the Asbestos Personal Injury Trust Distribution Procedures) of all Asbestos Personal Injury Claims against the referenced U.K. Debtor and the Allowed Amount of all other Claims against the referenced U.K. Debtor.

1.1.45. *Confirmation or Confirmation of the Plan* means the entry of an order approving the Plan in accordance with Section 1129 of the Bankruptcy Code.

1.1.46. *Confirmation Date* means the date on which the Confirmation Order is entered on the docket of the Bankruptcy Court.

1.1.47. *Confirmation Hearing* means the hearing(s) which will be held before the Bankruptcy Court and/or District Court, as applicable, in which the Plan Proponents will seek Confirmation of the Plan.

1.1.48. *Confirmation Order* means the order confirming the Plan pursuant to Section 1129 and other applicable sections of the Bankruptcy Code.

1.1.49. *Consensual Marketing Procedures* means the process by which Federal-Mogul Corporation, by agreement with the Administrators, shall retain those businesses and/or assets of the U.K. Debtors that are valuable to Federal-Mogul Corporation and its customers and by which those businesses and/or assets of the U.K. Debtors that are not valuable to Federal-Mogul Corporation and its customers may be marketed and sold to third-party purchasers as more fully described in Section 8.16.1 of the Plan.

1.1.50. *Convertible Subordinated Debentures* means the 7% Convertible Junior Subordinated Debentures due 2027 in the original aggregate principal amount of \$575,000,000 issued by Federal-Mogul Corporation on December 1, 1997, and sold to Federal-Mogul Financing Trust, the indenture trustee for which is currently The Bank of New York.

1.1.51. *CRU* means the Compensation Recovery Unit under the U.K. Social Security (Recovery of Benefits) Act 1997.

1.1.52. *Dan=Loc Deed of Guarantee* means that certain Deed of Guarantee, dated as of April 11, 1997, by and among T&N plc, and Dan=Loc Corporation, Dan=Loc, Inc., Dan=Loc Limited, Delta 72 Unternehmenswerwaltungs GmbH, Frederique s.r.o., Dan=Loc (Canada) Ltd., Dan=Loc Investments, Inc. and Dan=Loc Transitional, L.P.

1.1.53. *Dan=Loc Deed of Special Indemnity* means that certain Deed of Special Indemnity, dated as of April 11, 1997, by and among T&N plc, Flexitallic Limited, Flexitallic Sealing Materials Ltd., Flexitallic, Inc., Goetze Vermögenswerwaltungs, GmbH, Flexitallic Canada Ltd., Ferodo a.s., Dan=Loc Corporation, Dan=Loc Limited, Delta 72 Unternehmenswerwaltungs GmbH, Frederique s.r.o., Dan=Loc (Canada) Ltd. and Dan=Loc Transitional, L.P.

1.1.54. *Dan=Loc Group* means Dan=Loc Corporation and its subsidiaries or affiliates and their respective successors, including but not limited to, The Flexitallic Group, Inc. and its subsidiaries and affiliates.

1.1.55. *Dan=Loc Indemnified Indirect Asbestos Personal Injury Claims and Demands* means any Asbestos Personal Injury Claim or Demand that is both: (A)(i) based upon exposure, occurring at any time, to an asbestos containing product which was manufactured, distributed, or sold prior to April 11, 1997 by GHI or any other Debtor, that has been, is or could be asserted against the Dan=Loc Group or (ii) based upon exposure, prior to April 11, 1997, to asbestos present in the internal or external fabric of any building owned or leased by GHI or any other Debtor and which was acquired or leased by the Dan=Loc Group from GHI or any other Debtor under the terms of the 1997 Flexitallic Asset Purchase Agreement, that has been, is or could be asserted against the Dan=Loc Group; and (B) is an "Asbestos Related Claim" (as such term is defined in the Dan=Loc Deed of Special Indemnity) subject to indemnification by GHI under Section 2.2 of the Dan=Loc Deed of Special Indemnity and Section 2.2 of the Dan=Loc Deed of Guarantee (copies of which are attached hereto as Exhibit 1.1.55). Dan=Loc/GHI Indemnified Asbestos Personal Injury Claims and Demands shall also include any Asbestos Personal Injury Claims and Demands asserted in connection with any asbestos containing product manufactured, distributed or sold by GHI or any other Debtor prior to April 11, 1997, which Asbestos Personal Injury Claim also alleges exposure to any asbestos containing product manufactured, distributed or sold by the Dan=Loc Group on or after April 11, 1997, and which Asbestos Personal Injury Claim is based upon exposure to asbestos from such product during a period of time both prior to and after April 11, 1997, but only to the extent of the percentage allocable to GHI or any other Debtor pursuant to and in accordance with the sharing provisions set forth in Section 2.5 of the Dan=Loc Deed of Special Indemnity; provided, however, that in no event shall Dan=Loc Indemnified Indirect Asbestos Personal Injury Claims and Demands include any Claims or Demands made against the Dan=Loc Group at any time after April 11, 2024.

1.1.56. *Debtors* means Federal-Mogul Corporation and its affiliated U.S. Debtors and U.K. Debtors (or any of them as the context may require).

1.1.57. *Debtors in Possession* means the Debtors (or any of them as the context may require) in their capacities as debtors in possession in the Reorganization Cases.

1.1.58. *DIP Facility* means that certain Revolving Credit, Term Loan and Guaranty Agreement, by, between and among the U.S. Debtors and a syndicate of lenders, with The Chase Manhattan Bank as administrative agent, and those certain Tranche C Loans (as defined in the Final Order approving the DIP Facility), which the Bankruptcy Court authorized through a Final Order issued on November 21, 2001, and as amended and restated on or about August 7, 2003.

1.1.59. *Disbursing Agent* means Reorganized Federal-Mogul or any Person selected by Reorganized Federal-Mogul (with approval of the Bankruptcy Court) to hold and distribute the consideration to be distributed to the holders of Allowed Claims (other than Allowed Asbestos Personal Injury Claims) or Allowed Equity Interests under the Plan. Disbursing Agent does not include any Indenture Trustee relating to the Notes or the Indentures.

1.1.60. *Discharge Injunction* means the injunction described in Section 1141 of the Bankruptcy Code and contained in Section 9.1.2 of the Plan.

1.1.61. *Disclosure Statement* means the Disclosure Statement Describing Third Amended Joint Plan Of Reorganization, dated May __, 2004, including all exhibits, appendices, schedules and annexes attached thereto, as submitted by the Plan Proponents pursuant to Section 1125 of the Bankruptcy Code and approved by the Bankruptcy Court, as such Disclosure Statement may be further amended, supplemented or modified from time to time.

1.1.62. *Distribution Date* when used with respect to an Allowed Claim (other than an Asbestos Personal Injury Claim that is not a Bonded Asbestos Personal Injury Claim), means the date which is as soon as reasonably practicable after the later of: (a) the Effective Date, and (b) the first Business Day of the next calendar quarter after the date upon which the Claim becomes Allowed, unless the Claim becomes Allowed within fifteen Business Days before the first Business Day of the next calendar quarter, in which case the Distribution Date shall be the first Business Day of the next succeeding calendar quarter.

1.1.63. *District Court* means the United States District Court for the District of Delaware, or the unit thereof having jurisdiction over the matter in question.

1.1.64. *Effective Date* means, and shall occur on, the first Business Day immediately following the first day upon which all of the conditions precedent to occurrence of the Effective Date contained in Article 7.2 of the Plan have been satisfied or waived, and on which date all acts, events, terms and conditions contemplated under the Plan to occur on the Effective Date or as soon as practicable thereafter shall be deemed to have occurred simultaneously.

1.1.65. *EL Coverage* means insurance policies held on account of the ELA that afford or may afford T&N Limited and any applicable U.K. Debtors with rights of indemnity or insurance coverage with respect to, among other things, any Asbestos Personal Injury Claim asserted by an employee or former employee relating to exposure to asbestos in the course of such individual's employment.

1.1.66. *EL Coverage Expiry Date* has the meaning set forth in Section 4.5.1 of the Plan (but subject to Section 8.16.3).

1.1.67. *EL Insurer* means any insurer with respect to the EL Coverage.

1.1.68. *EL Policy* means any insurance policy with respect to EL Coverage.

1.1.69. *ELA* means the Employers Liability Act 1969 of the United Kingdom, as amended from time to time.

1.1.70. *Employee Benefit Plan* means any employment, compensation, pension, healthcare (including, but not limited to, medical, surgical, hospital, dental and counseling), bonus, incentive compensation, sick leave and other leaves (including, but not limited to, jury duty, child-bearing and military service), vacation pay, expense reimbursement, dependent care, retirement, savings, workers compensation, life insurance, disability, dependent care, dependent healthcare, education, car allowance, miscellaneous executive benefits, severance or other benefit plan or arrangement for the benefit of the directors, officers or employees (whether salaried or hourly, active or retired) of the applicable Debtor, but excluding (i) the New Employment Agreements and (ii) that portion of the Debtors' non-tax qualified pension plans giving rise to Excluded Non-Qualified Pension Claims.

1.1.71. *Entity* means any Person, estate, trust, Governmental Unit, or the United States Trustee.

1.1.72. *Environmental Claim* means any Claim, other than an Asbestos Personal Injury Claim, asserted by any Governmental Unit or Person, arising out of, related to, or based upon any Environmental Law, including, but not limited to, any Claim (a) to restrict or enjoin, or recover damages, costs or expenses to remedy any release or threatened release of any environmental pollution, contamination or nuisance or to require the Debtors or their non-debtor Affiliates to remedy or to reimburse, pay or incur costs to remedy any release or threatened release of any environmental pollution, contamination or any nuisance; (b) to remedy, reimburse, compensate or pay any damage, penalty, fine or forfeiture for, or to restrict or enjoin any violation of, or alleged violation of, any Environmental Law; (c) to pay any contractual claim with respect to any Environmental Law; or (d) to pay or reimburse any such Entity for personal injury (including workers compensation, sickness, disease or death), tangible or intangible property damage or natural resource damage arising out of, relating to, or based upon any release or threatened release of any environmental pollution, contamination or nuisance, whether or not contemplated in subsections (a) through (c) above, including, but not limited to, any related Asbestos Property Damage Claim. For purposes of the Plan, prepetition Environmental Claims fall into one of two categories – (x) Claims arising from or related to property either never owned or occupied, or formerly but no longer owned or occupied by the Debtors (“Off-Site Environmental Claims”), and (y) Claims arising from or related to property currently owned or occupied, and that will continue to be owned or occupied by the Debtors after Confirmation of the Plan, excluding, however, any Claims arising from or relating to wastes or other materials which were shipped or were arranged to be shipped for disposal to a site that was never owned or occupied, or was formerly owned or occupied but is no longer owned or occupied by the Debtors

(“On-Site Environmental Claims”). A schedule of all known On-Site Environmental Claims is set forth in Exhibit 1.1.72 to the Plan.

1.1.73. *Environmental Laws* means (a) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C., §§ 9601, et seq., (b) the Resource Conservation and Recovery Act, as amended by the Hazardous and Solid Waste Amendment of 1984, 42 U.S.C. §§ 6901, et seq., (c) the Clean Air Act, 42 U.S.C. §§ 7401, et seq., (d) the Clean Water Act of 1977, 33 U.S.C. §§ 1251, et seq., (e) the Toxic Substances Control Act, 15 U.S.C. §§ 2601, et seq., (f) the Environmental Protection Act of 1990, the Environment Act 1995, the Control of Pollution Act 1974, the Planning (Hazardous Substances) Act 1990, the Radioactive Substances Act 1993, the Clean Air Act 1993, the Water Resources Act 1991, the Water Industry Act 1991, the Health and Safety at Work, etc. Act 1974 and the Public Health Act 1936 (all of the United Kingdom) as the same may from time to time be amended or reenacted, and all orders and regulations from time to time made thereunder, (g) all statutes, laws, rules or regulations issued or promulgated by any Governmental Unit or court (including, without limitation, the common law), as they may be amended from time to time, relating to the protection and/or prevention of harm, contamination or pollution of or to the environment (including, without limitation, ecological systems and living organisms including humans and the following media whether alone or in combination: air (including air within buildings), water (including water under or within land or in pipe or sewage systems), land, buildings and soil) and (h) the ordinances, rules, regulations, orders, notices of violation, requests, demands and requirements issued or promulgated by any Governmental Unit in connection with such statutes or laws.

1.1.74. *Equity Committee* means the Official Committee of Equity Security Holders of Federal-Mogul Corporation appointed in the Reorganization Cases by the United States Trustee.

1.1.75. *Equity Interest* means any equity interest in the Debtors represented by (a) existing Federal-Mogul common or preferred stock as classified in Classes 1M and 1O below or (b) shares of capital stock in the remaining Debtors, whether or not issued.

1.1.76. *Estate* means, as to each Debtor, the estate created for that Debtor under Section 541 of the Bankruptcy Code upon the commencement of its Reorganization Case.

1.1.77. *Excluded Non-Qualified Pension Claims* means any Claims based upon or arising out of the Debtors’ non-tax qualified pension plans in which the existing or prior employee was entitled to receive more than \$3,500 per month, but for which such employee has received or will receive only \$3,500 per month pursuant to the Bankruptcy Court’s order entered on April 30, 2002 (Docket No. 1655), all of which Claims shall be classified and treated as Unsecured Claims; provided, however, that the claims of James Zamoyski, Wilhelm Schmelzer and Richard Randazzo, respectively, based upon the Supplemental Key Executive Pension Plan of Federal-Mogul Corporation shall not be subject to the aforementioned \$3,500 per month limitation as provided in the Bankruptcy Court’s order entered on August 9, 2002 (Docket No. 582591721).

1.1.78. *Exit Facilities* means the agreements described in Section 8.12 below providing for one or more credit facilities in an amount not to exceed \$1 billion, exclusive of amounts used, if any, to refinance the Tranche C portion of the DIP Facility including, without limitation, amounts on any draws prior to the Effective Date on letters of credit outstanding under the Tranche C Loans, which shall be used to repay obligations under the DIP Facility on the Effective Date, make cash payments required under the Plan and/or provide working capital for the business operations of the Reorganized Debtors.

1.1.79. *Final Order* means an order or judgment of any court of competent jurisdiction, the implementation, operation or effect of which has not been stayed and as to which order (or any revision, modification or amendment thereof) the time to appeal or seek review, rehearing or writ of certiorari has expired and as to which no appeal or petition for review, rehearing or certiorari has been taken and is pending.

1.1.80. *FM Ignition Pension Plan* means the pension scheme known as the Champion Pension Scheme, a defined benefit plan operated by Federal-Mogul Ignition (U.K.) Limited for eligible employees.

1.1.81. *FM Ignition Pension Plan Trustees* means the trustees for the time being of the FM Ignition Pension Plan and, as of the date hereof, being Ann Hearn Associates Limited, Joseph Breitenbeck, Ian Emery, Christine Goffogg, Nigel Reid and Richard Green.

1.1.82. *Future Claimants Representative* means Eric D. Green (or any court-appointed successor) who was appointed by the Bankruptcy Court in the Reorganization Cases pursuant to an Order dated February 11, 2002 as the legal representative of any and all persons described in Section 524(g)(4)(B)(i) of the Bankruptcy Code who may assert demands for asbestos-related personal injuries, as that term is defined in Section 524(g)(5) of the Bankruptcy Code.

1.1.83. *GHI* means Gasket Holdings Inc. (f/k/a Flexitallic, Inc.).

1.1.84. *Governmental Unit* means any domestic, foreign, provincial, federal, state, local or municipal (a) government, or (b) governmental agency, commission, department, bureau, ministry or other governmental entity.

1.1.85. *Hercules Insurance Recoveries* means all such amounts as are referred to in clauses (b) and (c) of the definition of "Hercules Policy Expiry Date".

1.1.86. *Hercules Insurers* means Curzon Insurance Limited in its capacity as insurer under the Hercules Policy.

1.1.87. *Hercules Policy* means the Asbestos Liability Policy number CZ 7/96 ASB/096 dated December 30, 1996 and made among T&N Limited (then known as "T&N plc") and Curzon Insurance Limited.

1.1.88. *Hercules Policy Expiry Date* means (subject to Section 8.16.3) the date that is the earlier of (i) the date that (a) the £690 million retention has been satisfied, (b) the £500 million layer of coverage under the Hercules Policy has been exhausted or is otherwise

determined by agreement, judicial proceedings or otherwise, to be unavailable and (c) all other amounts under or with respect to the Hercules Policy including, without limitation, amounts recoverable as a result of any breach by the Hercules Insurers of their obligations under or with respect to the Hercules Policy, to the extent they exceed the £500 million layer of coverage, are recovered or are otherwise determined to be unavailable, or (ii) the date that the Hercules Policy ceases to have effect, whether by commutation or otherwise.

1.1.89. *Hercules-Protected Entities* means (a) Reorganized T&N Limited, (b) the Debtors listed as subsidiaries or subsidiary undertakings of T&N Limited in Schedule B to the Hercules Policy as reorganized under and pursuant to the Plan and (c) the non-Debtor companies listed as subsidiaries or subsidiary undertakings of T&N Limited in Schedule B to the Hercules Policy. Reorganized Hercules-Protected Entities means the companies identified in (a) and (b) above and Non-Debtor Hercules-Protected Entities means the companies identified in (c) above.

1.1.90. *IA 1986* means the Insolvency Act 1986 of the United Kingdom, as amended from time to time.

1.1.91. *Inactive Debtor Subsidiaries* means the affiliated Debtors listed on Exhibit 1.1.91 to the Plan, which may, at the discretion of their respective boards of directors and corporate parent companies, be liquidated, dissolved, wound-up, struck off and/or left in existence after Confirmation.

1.1.92. *Indenture Trustees* means the Persons serving as trustees under the Indentures for the Notes and for the Convertible Subordinated Debentures.

1.1.93. *Indentures* means the indenture agreements entered into between and among Federal-Mogul Corporation, the Indenture Trustees and certain other parties relating to each series of Notes and to the Convertible Subordinated Debentures, as amended, modified or supplemented from time to time.

1.1.94. *Indirect Asbestos Personal Injury Claim* means any Asbestos Personal Injury Claim for contribution, reimbursement, subrogation or indemnity, whether contractual or implied by law (as those terms are defined by the applicable non-bankruptcy law of the relevant jurisdiction), and any other derivative or indirect Asbestos Personal Injury Claim of any kind whatsoever, whether in the nature of or sounding in contract, tort, warranty or any other theory of law, equity or admiralty, whatsoever. Without limitation, Indirect Asbestos Personal Injury Claims include (i) Claims or Demands held or asserted by CCR against the Debtors or their Affiliates on its own behalf or on behalf of current or former members of CCR with respect to Asbestos Personal Injury Claims; (ii) Claims or Demands held or asserted by current or former members of CCR with respect to Asbestos Personal Injury Claims; (iii) Claims or Demands with respect to asbestos personal injury claims arising from or attributable to the 1998 acquisition by Federal-Mogul Products, Inc. ("F-M Products") of the stock of Moog Automotive, Inc. from Cooper Industries, Inc. ("Cooper"), and F-M Products' assumption of Cooper's pre-existing indemnity obligation in favor of Pneumo Abex Corporation in connection with such acquisition; (iv) Dan=Loc Indemnified Indirect Asbestos Personal Injury Claims and

Demands; (v) Claims or Demands held or asserted by any EL Insurer or the Hercules Insurers or any of their reinsurers; and (vi) Claims or Demands held or asserted by the CRU.

1.1.95. *Injunctions* means the Discharge Injunction, the Supplemental Injunction, the Third Party Injunction, the Asbestos Insurance Entity Injunction and any other injunctions entered by Order of the Bankruptcy Court in the Reorganization Cases.

1.1.96. *IR 1986* means the Insolvency Rules 1986 of the United Kingdom, as amended from time to time.

1.1.97. *IRC* means the Internal Revenue Code of 1986, as amended.

1.1.98. *Lien* means, with respect to any asset or property, any mortgage, lien, pledge, charge, security interest, encumbrance or other security device of any kind pertaining to or affecting such asset or property.

1.1.99. *Market Value* means the value of certain or all of the U.K. Debtors as may be determined in accordance with the Consensual Marketing Procedures.

1.1.100. *New Employment Agreements* means collectively, the new employment agreements and/or equity-based compensation and pension plans to be implemented by the Reorganized Debtors on and after the Effective Date.

1.1.101. *Non-Priority Employee Benefit Claim* means any Claim that (i) arises from or relates to an Employee Benefit Plan or otherwise to the performance of service by an employee to the Debtors and (ii) is neither secured nor entitled to priority or preference to other Claims under the Bankruptcy Code or U.K. insolvency laws. For the avoidance of doubt, Non-Priority Employee Benefit Claims include claims described in Section 1114 of the Bankruptcy Code, except to the extent such retiree benefit claims (a) are entitled to priority under Section 503 of the Bankruptcy Code or (b) arise in connection with the termination or modification of any retiree benefit plan in accordance with Section 1114 of the Bankruptcy Code. Non-Priority Employee Benefit Claims shall not include: (w) Excluded Non-Qualified Pension Claims, (x) Non-Priority T&N Pension Plan Employee Benefit Claims, (y) Non-Priority FM Ignition Pension Plan Employee Benefit Claims or (z) any Claims arising out of the rejection of a collective bargaining agreement in accordance with Section 1113 of the Bankruptcy Code.

1.1.102. *Non-Priority FM Ignition Pension Plan Employee Benefit Claim* means any Claim that arises from or relates to the FM Ignition Pension Plan and is neither secured nor entitled to priority or preference to other Claims under the Bankruptcy Code or U.K. insolvency laws. For the avoidance of doubt, Non-Priority FM Ignition Employee Benefit Claims include claims described in Section 1114 of the Bankruptcy Code except to the extent such retiree benefit claim is entitled to priority under Section 503 of the Bankruptcy Code.

1.1.103. *Non-Priority T&N Pension Plan Employee Benefit Claim* means any Claim that arises from or relates to the T&N Pension Plan and is neither secured nor entitled to priority or preference to other Claims under the Bankruptcy Code or U.K. insolvency laws. For the avoidance of doubt, Non-Priority T&N Pension Plan Employee Benefit Claims include

claims described in Section 1114 of the Bankruptcy Code except to the extent such retiree benefit claim is entitled to priority under Section 503 of the Bankruptcy Code.

1.1.104. *Noteholder* means each Person holding or having a beneficial interest in any of the Notes as of the Record Date.

1.1.105. *Noteholder Claims* means all Claims of the Noteholders against Federal-Mogul Corporation arising under or evidenced by the Notes or the Indentures for the Notes and related documents. Notwithstanding the foregoing, Noteholder Claims shall not include any Convertible Subordinated Debenture Claims or Subordinated Securities Claims.

1.1.106. *Notes* means Federal-Mogul Corporation's 7.5% Notes due 2009, 7.375% Notes due 2006, 7.75% Notes due 2006, 7.875% Notes due 2010, 7.5% Notes due 2004, 8.8% Senior Notes due 2007, 8.37% Medium Term Notes due 2001, 8.25% Medium Term Notes due 2005, 8.33% Medium Term Notes due 2001, 8.12% Medium Term Notes due 2003, 8.16% Medium Term Notes due 2003 and 8.46% Medium Term Notes due 2002.

1.1.107. *Official Committees* means the Asbestos Claimants Committee, the Unsecured Creditors Committee, the Asbestos Property Damage Claimants Committee and the Equity Committee (or, in the singular, any of them).

1.1.108. *Other U.K. Claim* means Asbestos Property Damage Claims, if any, and any other Claims asserted against a U.K. Debtor other than an Administrative Claim, an Administration Claim, an Asbestos Personal Injury Claim, Bank Claims, Noteholder Claims and any Secured portion of the Surety Claims.

1.1.109. *Person* means any person, individual, partnership, corporation, limited liability company, joint venture company, association or other entity or being of whatever kind, whether or not operating or existing for profit, including, but not limited to, any "person" as such term is defined in Section 101(41) of the Bankruptcy Code, but excluding any Governmental Unit.

1.1.110. *Petition Date* means October 1, 2001 for all of the Debtors; provided, however, that for purposes of determining Administration Claims in the administration of T&N Investments Limited, or under such Debtor's Scheme of Arrangement and/or Voluntary Arrangement, Petition Date shall mean April 5, 2002.

1.1.111. *PIK Notes Trustee* means, as the context requires, the trustee or trustees under those certain Indentures of Trust pursuant to which the Reorganized Federal-Mogul Junior Secured PIK Notes and/or Junior Secured Surety PIK Notes are to be issued.

1.1.112. *Plan* means this Third Amended Joint Plan of Reorganization filed by the Plan Proponents, as the same may be amended or modified from time to time pursuant to Section 1127 of the Bankruptcy Code.

1.1.113. *Plan Documents* means all documents, attachments and exhibits related to the Plan, including, but not limited to, the Trust Documents, that aid in effectuating the

Plan, which documents, attachments and exhibits shall be filed by the Plan Proponents with the Bankruptcy Court on or before the Plan Documents Filing Date.

1.1.114. *Plan Documents Repository* means the offices of Sidley Austin Brown & Wood LLP, counsel to the Debtors, at the address set forth in Section 1.4 of the Plan, at which any party in interest may review all of the Plan Documents after such Plan Documents have been filed with the Bankruptcy Court.

1.1.115. *Plan Documents Filing Date* means the date for the filing of the Plan Documents (or any of them) which shall be either (a) the date, as determined by the Plan Proponents, that is as soon as practicable, but in no event later than 14 Business Days before the deadline for filing objections to Confirmation of the Plan or (b) such other date (or dates) as determined by the Bankruptcy Court.

1.1.116. *Plan Proponents* means, collectively, the Debtors, the Unsecured Creditors Committee, the Asbestos Claimants Committee, the Future Claimants Representative, the Administrative Agent and the Equity Committee.

1.1.117. *Preferential Claims* means, with respect to each U.K. Debtor, all Claims and liabilities which would have been preferential under Section 386 of and schedule 6 to the IA 1986, had an order for the compulsory winding-up of the Debtor been made on the Petition Date. To the extent that a Priority Tax Claim against a U.K. Debtor is included within the definition of Preferential Claims, such Claim or portion thereof, shall be treated as a Preferential Claim.

1.1.118. *Priority Claim* means any Claim (other than an Administrative Claim or a Priority Tax Claim) to the extent such Claim is entitled to a priority in payment under Section 507(a) of the Bankruptcy Code.

1.1.119. *Priority Tax Claim* means any Claim to the extent that such Claim is entitled to a priority in payment under Section 507(a)(8) of the Bankruptcy Code.

1.1.120. *Pro Rata* means the proportion that a Claim in a particular Class bears to the aggregate amount of all Claims in such Class except in cases where Pro Rata is used in reference to multiple classes in which case Pro Rata means the proportion that a Claim in a particular Class bears to the aggregate amount of all Claims in such multiple Classes.

1.1.121. *Proof of Claim* means any proof of claim filed with the Bankruptcy Court or its duly appointed claims agent with respect to the Debtors pursuant to Bankruptcy Rules 3001 or 3002, unless and to the extent that the Bankruptcy Court has ordered the use of a special or customized form for the particular type of claim at issue, and in such case, the special or customized form proof of claim.

1.1.122. *Protected Party* means any and all of the following parties:

1.1.122.1 the Debtors, their non-Debtor Affiliates (excluding, however, any person or Entity that may qualify as an Affiliate, but that is not commonly owned or controlled by the Debtors), the Affiliated Subsidiaries, Reorganized Federal-Mogul and the other

Reorganized Debtors and all of their respective past and present officers, directors and employees;

1.1.122.2 the Noteholders and the holders of Bank Claims, together with their respective successors, past and present officers, directors and employees;

1.1.122.3 any Entity which, pursuant to the Plan or after the Effective Date, becomes a direct or indirect transferee of, or successor to, any assets of the Debtors, Reorganized Federal-Mogul or the Trust, but only to the extent that a claim or liability is asserted against such Entity on account of its status as such transferee or successor;

1.1.122.4 any Entity that, pursuant to the Plan or after the Effective Date, makes a loan to the Debtors, Reorganized Federal-Mogul, or the Trust, or to a successor to, or transferee of, any assets of the Debtors, Reorganized Federal-Mogul, or the Trust, but only to the extent that liability is asserted to exist by reason of such lending relationship or to the extent any Lien created in connection with such a loan is sought to be challenged or impaired;

1.1.122.5 each Settling Asbestos Insurance Company named in the Confirmation Order and each contributor of funds, proceeds or other consideration to the Trust, but only to the extent specified in the Confirmation Order; and

1.1.122.6 the Dan=Loc Group, but only to the extent specified in the Confirmation Order.

1.1.123. *Record Date* means the date that is five business days after the entry of the Bankruptcy Court's order approving the Disclosure Statement with respect to the Plan.

1.1.124. *Released Party* means each of (a) the Debtors, their non-Debtor Affiliates (excluding, however, any person or Entity that may qualify as an Affiliate, but that is not commonly owned or controlled by the Debtors), the Affiliated Subsidiaries, the Reorganized Debtors, and their respective present and former agents, attorneys, accountants, financial advisors, restructuring consultants and investment bankers (but specifically excluding Rothschild Inc.) and their respective successors or assigns, (b) the officers and directors of the Debtors, their non-Debtor Affiliates (excluding, however, any person or Entity that may qualify as an Affiliate, but that is not commonly owned or controlled by the Debtors), and the Affiliated Subsidiaries, who were serving as officers or directors on or after the Petition Date, (c) the Official Committees and their respective members, agents, attorneys, accountants, financial advisors, restructuring consultants and investment bankers, (d) the Future Claimants Representative and his agents, attorneys, accountants, financial advisors, restructuring consultants and investment bankers and (e) the holders of Noteholder Claims, holders of Bank Claims and the Administrative Agent, together in each case with all of their respective successors, officers, directors, employees, agents, attorneys, accountants, financial advisors, restructuring consultants and investment bankers.

1.1.125. *Reorganization Cases* means the cases currently pending under Chapter 11 of the Bankruptcy Code of Federal-Mogul Corporation and its affiliated Debtors before the Bankruptcy Court.

1.1.126. *Reorganized Federal-Mogul* means Federal-Mogul Corporation on and after the Effective Date, as reorganized pursuant to the Plan. ***Reorganized Debtor*** or ***Reorganized [name of Debtor]*** shall have the same meaning with reference to the particular Debtor identified. In each instance, and unless a successor entity is specified, the Reorganized Debtor shall consist of the same legal entity as the corresponding Debtor, but subject to the terms and conditions of the Plan, including, without limitation, the discharge, release and Injunctions under Article IX of the Plan, and, except as provided in Article IV of the Plan, each Reorganized Debtor shall have and incur no successor liability with respect to Claims or Demands that may have existed prior to Confirmation of the Plan.

1.1.127. *Reorganized Federal-Mogul Class A Common Stock* shall have the meaning set forth in the Amended and Restated Certificate of Incorporation of Federal-Mogul Corporation which is attached as Exhibit 8.3.9(1) to the Plan.

1.1.128. *Reorganized Federal-Mogul Class B Common Stock* shall have the meaning set forth in the Amended and Restated Certificate of Incorporation of Federal-Mogul Corporation which is attached as Exhibit 8.3.9(1) to the Plan.

1.1.129. *Reorganized Federal-Mogul Common Stock* means the shares of Reorganized Federal-Mogul Class A Common Stock and Reorganized Federal-Mogul Class B Common Stock to be distributed pursuant to the Plan.

1.1.130. *Reorganized Federal-Mogul Junior Secured PIK Notes* means the junior secured PIK notes to be issued by Reorganized Federal-Mogul pursuant to the Plan on account of the Allowed Class B Bank Claims, in the original principal amount of \$300,000,000.00. The principal terms and conditions of the Reorganized Federal-Mogul Junior Secured PIK Notes are set forth in Exhibit 1.1.130 to the Plan.

1.1.131. *Reorganized Federal-Mogul Secured Term Loan Agreement* means the loan agreement among Reorganized Federal-Mogul, the holders of Allowed Class 1B Bank Claims and the Administrative Agent, in the principal amount of (i) \$1,303,897,117.90 (as adjusted as of the Effective Date to convert any foreign currencies to U.S. dollars) plus the amount of any draws prior to the Effective Date on letters of credit outstanding under the Bank Credit Agreement and (ii) the amount, if any, of the Tranche C portion of the DIP Facility restructured pursuant to Section 2.2 of the Plan. The principal terms and conditions of the Reorganized Federal-Mogul Secured Term Loan Agreement are set forth in Exhibit 1.1.131 of the Plan. A form of the Reorganized Federal-Mogul Secured Term Loan Agreement shall be filed with the Bankruptcy Court prior to the hearing on the adequacy of Disclosure Statement.

1.1.132. *Schedules* means the Schedules, Statements and Lists filed by the Debtors with the Bankruptcy Court pursuant to Bankruptcy Rule 1007, as they have been and may be amended or supplemented from time to time.

1.1.133. *Scheme of Arrangement* means the Section 425 Scheme or Section 425 Schemes relating to those of the U.K. Debtors that are listed in Exhibit 1.1.133, together with any modifications thereof which are approved by the U.K. Court.

1.1.134. *Section 425 Scheme* means any scheme of arrangement under Section 425 of the Companies Act 1985 of the United Kingdom.

1.1.135. *Secured* means, with respect to any Claim, including, without limitation, Bank Claims and Surety Claims, a Claim that is (a) secured in whole or in part as of the Petition Date, by a Lien which is valid, perfected and enforceable under applicable law and is not subject to avoidance under the Bankruptcy Code, the IA 1986 or other applicable law, or (b) subject to setoff under Section 553 of the Bankruptcy Code or other applicable law, but, with respect to both (a) and (b) above, only to the extent of the value of the holder of such Claim's interest in the particular Estate's interest in the property securing any such Claim or the amount subject to setoff, as the case may be.

1.1.136. *Secured Surety Notes and Junior Secured Surety PIK Notes* means the secured notes and junior secured PIK notes, if any, to be issued by Reorganized Federal-Mogul pursuant to the Plan on account of Allowed Surety Claims. The principal terms and conditions of the Secured Surety Notes and Junior Secured Surety PIK Notes are set forth in Exhibit 1.1.136. The Secured Surety Notes, Junior Secured Surety PIK Notes and any related documents will be filed with the Bankruptcy Court on or before the earlier of (i) 30 days before the deadline for casting votes on the Plan or (ii) 45 days before the deadline for filing objections to confirmation of the Plan.

1.1.137. *Settling Asbestos Insurance Company* means any Asbestos Insurance Company that enters into an Asbestos Insurance Settlement Agreement that is sufficiently comprehensive in the determination of the Plan Proponents.

1.1.138. *Small Company* means a U.K. Debtor with assets having a value, as set forth in Exhibit L to the Disclosure Statement, of less than £1,000,000 or liabilities to unaffiliated creditors (excluding holders of Asbestos Personal Injury Claims other than those that have been asserted in lawsuits filed in the United Kingdom on or before the date this Plan was filed with the Bankruptcy Court) having a value of less than £1,000,000.

1.1.139. *Small Company Specific Distribution Ratio* means, with respect to a Small Company, a ratio, the numerator of which shall be (i) the value of the referenced Small Company's assets as estimated on Exhibit L to the Disclosure Statement if the Consensual Marketing Procedures are not performed or (ii) the Market Value of the referenced U.K. Debtor's assets if the Marketing Procedures are performed and the denominator of which shall be the Allowed Claims against the referenced U.K. Debtor excluding Asbestos Personal Injury Claims other than those that have been asserted in lawsuits filed in the United Kingdom on or before April 22, 2004.

1.1.140. *Stock Repayment Obligation* shall have the meaning set forth in Section 4.5.2.

1.1.141. *Subordinated Securities Claim* means a Claim subject to subordination under Section 510(b) of the Bankruptcy Code, including, without limitation, any Claim that arises from the rescission of a purchase or sale of a security of any of the Debtors (including, without limitation, the Notes and the existing Federal-Mogul common and preferred

stock classified below in Classes 1M and 1O), or for damages arising from the purchase or sale of such a security, or for reimbursement, indemnification, or contribution allowed under Section 502 of the Bankruptcy Code on account of such Claim.

1.1.142. *Subordination Deed* means an agreement wherein certain of the Debtors or their Affiliates holding Affiliate Claims against a U.K. Debtor consensually agree to (i) subordinate their Claims so that the legal right and priority of payment on their Claim is subordinate to all non-Affiliate Claims against the applicable U.K. Debtor, (ii) extinguish and discharge their Claims in whole or in part or (iii) leave unaltered the legal, equitable and contractual rights to which such Claims entitled the holder; provided, however, that prior to such discharge and extinguishment such Affiliate Claims may be contributed to capital, transferred, setoff or subject to any other arrangement at the option of the Plan Proponents. The Subordination Deed shall be filed with the Bankruptcy Court at least 30 days prior to the deadline for casting votes on the Plan.

1.1.143. *Supersedes Bond Action* means any rights, defenses, counterclaims or affirmative causes of action of the Debtors, Reorganized Federal-Mogul, or the other Reorganized Debtors with respect to a Bonded Claim, or with respect to any supersedeas bond or other form of security or payment assurance issued in connection with a Bonded Claim, or against the issuer or insurer of any payment assurance issued in connection with a Bonded Claim.

1.1.144. *Supplemental Injunction* means the injunction described in Section 9.3.1 of the Plan.

1.1.145. *Sureties* means Travelers Casualty and Surety Company of America (“Travelers”), SAFECO Insurance Company of America (“Safeco”) and National Fire Insurance Company of Hartford and Continental Casualty Company (“National Fire”) as issuers of the CCR Surety Bonds.

1.1.146. *Surety Claims* means the secured, unsecured (as in the cases of T&N Limited, Gasket Holdings, Inc. and their respective Estates), or partially secured and unsecured contingent reimbursement obligations arising under and related to any indemnity contract or guarantee between certain of the Debtors signatory thereto and the Sureties relating to the CCR Surety Bonds issued by the Sureties in favor of CCR.

1.1.147. *T&N Distribution Ratio 1* means a ratio, the numerator of which shall be 79% of the value of the Reorganized Federal-Mogul Class B Common Stock as determined at the Confirmation Hearing and the denominator of which shall be the tort system value (as reflected in the Asbestos Personal Injury Trust Distribution Procedures) of all Asbestos Personal Injury Claims against T&N Limited.

1.1.148. *T&N Distribution Ratio 2* means a ratio, the numerator of which shall be the value of T&N Limited's assets as determined at the Confirmation Hearing either in accordance with the Consensual Marketing Procedures or as otherwise determined by the Court and the denominator of which shall be the sum of (i) the tort system value (as reflected in the Asbestos Personal Injury Trust Distribution Procedures) of all Asbestos Personal Injury Claims

against T&N Limited and (ii) the Allowed Amount of all other Claims against T&N Limited including, without limitation, Affiliate Claims against T&N Limited.

1.1.149. *T&N Pension Plan* means the T&N Retirement Benefits Scheme (1989), a defined benefit plan operated by certain of the U.K. Debtors for eligible employees.

1.1.150. *T&N Pension Plan Trustees* means the trustees for the time being of the T&N Pension Plan and, as of the date hereof, being Alexander Forbes Trustee Services Limited and T&N Pension Trustee Limited.

1.1.151. *Third Party Injunction* means the injunction described in Section 9.3.2 of the Plan.

1.1.152. *Trust* means the trust or trusts established pursuant to the Trust Agreement and in accordance with Section 524(g) of the Bankruptcy Code, which is a "qualified settlement fund" pursuant to Section 468B of the IRC and the regulations issued pursuant thereto.

1.1.153. *Trust Advisory Committee or TAC* means that committee appointed and serving in accordance with Section 4.10.1 of the Plan and having the powers, duties and obligations set forth in the Trust Agreement.

1.1.154. *Trust Agreement* means that certain Asbestos Personal Injury Trust Agreement, effective as of the Confirmation of the Plan, substantially in the form of Exhibit 1.1.154 to the Plan.

1.1.155. *Trust Assets* means the following assets and any income, profits and proceeds derived from such assets subsequent to the transfer of such assets to the Trust: (a) the Reorganized Federal-Mogul Class B Common Stock to be distributed to the Trust pursuant to the Plan, (b) the Asbestos Insurance Actions and the Asbestos Insurance Action Recoveries attributable to any Asbestos Personal Injury Claims, (c) the Asbestos Insurance Settlement Agreements attributable to any Asbestos Personal Injury Claims, other than such agreements attributable to the Hercules Policy, (d) the Trust Causes of Action and (e) any and all other funds, proceeds or other consideration otherwise contributed to the Trust pursuant to the Confirmation Order.

1.1.156. *Trust Causes of Action* means any and all of the actions, claims, rights, defenses, counterclaims, suits and causes of action of the Debtors (other than, prior to the Hercules Policy Expiry Date, the Hercules-Protected Entities and other than any such actions, claims, rights, defenses, counterclaims, suits and causes of action with respect to the EL Coverage), whether known or unknown, in law, at equity or otherwise, whenever and wherever arising under the laws of any jurisdiction attributable to: (a) all defenses to any Asbestos Personal Injury Claim, including, but not limited to, all defenses under Section 502 of the Bankruptcy Code, (b) with respect to any Asbestos Personal Injury Claim, all rights of setoff, recoupment, contribution, reimbursement, subrogation or indemnity (as those terms are defined by the non-bankruptcy law of any relevant jurisdiction) and any other indirect claim of any kind whatsoever, whenever and wherever arising or asserted, and (c) subject to the provisions of the Plan, any other claims or rights with respect to Asbestos Personal Injury Claims that the Debtors

(other than, prior to the Hercules Policy Expiry Date, the Hercules-Protected Entities and other than any such claims or rights with respect to the EL Coverage) would have had under applicable law if the Reorganization Cases had not occurred and the holder of such Asbestos Personal Injury Claim had asserted it by initiating civil litigation against any such Debtor. Notwithstanding the foregoing, Trust Assets and Trust Causes of Action shall not include (x) any of the Debtors' rights arising under or attributable to the Supersedeas Bond Actions (y) the property, rights or assets, if any, of the Debtors which were previously used to secure or obtain a supersedeas bond with respect to any Allowed Bonded Claim and which are recoverable or recovered by the Debtors after the full satisfaction of such claim or (z) any claim, cause of action, or right of the Debtors or any of them, under the laws of any jurisdiction, for reimbursement, indemnity, contribution, breach of contract or otherwise arising from or relating to any payments made by the Debtors on account of Asbestos Personal Injury Claims prior to the Petition Date.

1.1.157. *Trust Claim* shall have the meaning set forth in Section 4.5.4.

1.1.158. *Trust Documents* means the Trust Agreement, the Asbestos Personal Injury Trust Distribution Procedures and all other agreements, instruments and documents governing the establishment, administration and operation of the Trust, which shall be substantially in the form set forth in the Plan, as they may be amended or modified from time to time in accordance with the Plan and the Trust Agreement.

1.1.159. *Trust Expenses* means any Asbestos Personal Injury Expenses and any other liabilities, costs or expenses of, or imposed upon, or in respect of, the Trust (except for payments to holders of Asbestos Personal Injury Claims on account of such Claims). Trust Expenses shall also expressly include (a) any and all liabilities, costs and expenses incurred subsequent to the Confirmation of the Plan in connection with any and all Asbestos Insurance Actions, or any similar claim, cause of action or right of Reorganized T&N against the Hercules Insurers, or of the Trust against the EL Insurers, in each case whether or not any such action results in a recovery for the Trust and (b) any and all liabilities, costs and expenses incurred by the Reorganized Debtors in taking any action on behalf of or at the direction of the Trustees, if any, including, without limitation, any costs and expenses incurred by the Reorganized Debtors in being named as a defendant in any Asbestos Insurance Action or other actions relating to the Hercules Policy or any EL Policy.

1.1.160. *Trustees* means the Persons appointed pursuant to Section 4.9 of the Plan for the purpose of acting as trustees of the Trust in accordance with the terms and conditions contained in the Trust Documents, the Plan and the Confirmation Order.

1.1.161. *U.K. Court* means any court of competent jurisdiction in any part of the United Kingdom.

1.1.162. *U.K. Debtors* means those Debtors so listed in footnote 1 of the Plan.

1.1.163. *United States Trustee* means the Office of the United States Trustee for the District of Delaware.

1.1.164. *Unsecured Claim* means any Claim (regardless of whether such Claim is covered by insurance), not specifically included in a separately identified Class of Claims or Equity Interests, and to the extent that such Claim is neither secured nor entitled to priority under applicable law. Unsecured Claims shall expressly include, without limitation, (a) any claim arising from the rejection of an executory contract or unexpired lease under Section 365 of the Bankruptcy Code, (b) any portion of a Claim to the extent the value of the holder's interest in the applicable Estate's interest in the property securing such Claim is less than the amount of the Claim, or to the extent that the amount of the Claim subject to setoff is less than the amount of the Claim, as determined pursuant to Section 506(a) of the Bankruptcy Code, (c) Surety Claims against T&N Limited and/or Gasket Holdings Inc., (d) Other U.K. Claims (including, specifically, Off-Site Environmental Claims and Asbestos Property Damage Claims against any U.K. Debtors to the extent that the Allowed Amounts of such Claims are not otherwise satisfied by any applicable insurance coverage), (e) any unsecured deficiency claims held by the holders of Bonded Non-Asbestos Claims and/or Surety Claims, (f) Asbestos Property Damage Claims against any U.S. Debtors to the extent that the Allowed Amounts of such Claims are not otherwise satisfied by any applicable insurance coverage, and to the extent that such Claims are not Bonded Claims; (g) Excluded Non-Qualified Pension Claims, (h) Off-Site Environmental Claims, (i) Claims arising from the provision of goods or services to the Debtors prior to the Petition Date, including the Claims of commercial trade creditors and (j) Affiliate Claims against the U.K. Debtors which are not subject to the Subordination Deed. Unless otherwise specifically provided in an applicable provision of the Plan, Unsecured Claims shall not include (i) Administrative Claims, (ii) Administration Claims, (iii) Priority Claims, (iv) Preferential Claims, (v) Secured Bank Claims, (vi) Secured Surety Claims, (vii) Noteholder Claims, (viii) Other Secured Claims, (ix) On-Site Environmental Claims, (x) Non-Priority Employee Benefit Claims, (xi) Asbestos Personal Injury Claims, (xii) Bonded Claims, (xiii) Affiliate Claims against U.K. Debtors which are subject to the Subordination Deed and (xiv) Equity Interests.

1.1.165. *Unsecured Creditors Committee* means the Official Committee of Unsecured Creditors of the Debtors appointed in the Reorganization Cases by the United States Trustee.

1.1.166. *U.S. Debtors* means those Debtors so listed in footnote 1 of the Plan.

1.1.167. *Valuation Proceedings* means the contested matter to be initiated, if necessary, under Section 506(a) of the Bankruptcy Code and Rule 3012 of the Federal Rules of Bankruptcy Procedure for the purpose of determining the Allowed Amount of the Secured portions of the Surety Claims.

1.1.168. *Voluntary Arrangement* means the company voluntary arrangement or company voluntary arrangements proposed under Part I of the IA 1986 and Part I of the IR 1986 relating to those of the U.K. Debtors that are listed in Exhibit 1.1.168 to the Plan and any modifications thereto which may be approved by the requisite proportion of creditors of the relevant U.K. Debtor.

1.1.169. *Voluntary Arrangement Supervisors* means, in relation to a U.K. Debtor, the joint supervisors of the Voluntary Arrangement over the U.K. Debtor or their duly appointed successors.

1.1.170. *Warrants* means the warrants for the purchase of Reorganized Federal-Mogul Common Stock which are to be issued by Reorganized Federal-Mogul pursuant to the Plan and the warrant agreement attached hereto as Exhibit 1.1.170 to the Plan.

1.2. Other Terms. Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural, and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, feminine and neuter. The word "herein," "hereof," "hereto," "hereunder," and other words of similar import refer to the Plan as a whole and are not limited to any particular article, section, subsection, or clause contained in the Plan. Any capitalized term used herein that is not defined herein shall have the meaning ascribed to such term, if any, in the Bankruptcy Code, unless the context shall otherwise require. The rules of construction set forth in Section 102 of the Bankruptcy Code shall also apply in construing and interpreting the provisions of the Plan.

1.3. Deemed Acts. Whenever an act or event is expressed under the Plan to have been deemed done or to have occurred, it shall be deemed to have been done or to have occurred without any further act by any party, by virtue of the Plan and the Confirmation Order.

1.4. Exhibits. All Plan Documents, to the extent not annexed hereto, shall be contained in a separate Appendix of Plan Documents, which shall be filed with the Clerk of the Bankruptcy Court not later than the Plan Documents Filing Date. The Plan Documents shall be made available for review, inspection, and copying at the expense of the party in interest, either (a) through posting on an appropriate website or (b) during normal business hours at the office of Debtors' counsel, as follows:

Sidley Austin Brown & Wood LLP
10 South Dearborn Street
Chicago, Illinois 60603
Telephone: (312) 853-7000

ARTICLE II TREATMENT OF ADMINISTRATIVE CLAIMS, ADMINISTRATION CLAIMS AND PRIORITY TAX CLAIMS

2.1. Allowed Administrative Claims and Administration Claims. Except to the extent that any holder agrees to different treatment, on the Distribution Date, each holder of an Allowed Administrative Claim or an Allowed Administration Claim against any of the Debtors shall receive Cash equal to the Allowed Amount of its Administrative Claim, or, as the case may be, Administration Claim, in full satisfaction, settlement, release, extinguishment and discharge of such Claim; provided, however, that Allowed Administrative Claims or Allowed Administration Claims representing (a) liabilities incurred on or after the Petition Date in the ordinary course of business by the Debtors and (b) postpetition contractual liabilities arising

under loans or advances to the Debtors, including, but not limited to the DIP Facility, whether or not incurred in the ordinary course of business, shall be paid by Reorganized Federal-Mogul or the applicable Reorganized Debtor, in accordance with the terms and conditions of the particular transactions relating to such liabilities and any agreements relating thereto, subject to the provisions set forth in Section 2.2 of the Plan. Each Allowed Administrative Claim or Allowed Administration Claim shall 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, and thereafter to the extent of any insufficiency, from funds advanced to the relevant Debtor by the Estate of Federal-Mogul Corporation. To the extent that an Administrative Claim or Administration Claim is Allowed against the Estate of more than one Debtor, there shall be only a single recovery on account of such Allowed Claim.

2.2. Treatment of Tranche C Portion of DIP Facility. On the Effective Date, the Tranche C Loans portion of the DIP Facility consisting of (a) loans in the approximate amount of \$328.1 million plus (b) the amount of any draws prior to the Effective Date on letters of credit outstanding under the Tranche C Loans portion of the DIP Facility shall either be refinanced, in whole or in part, as part of the Exit Facilities or, for any non-refinanced portion, if any, restructured on market terms as a separate tranche of (and secured by liens senior to the liens securing the balance of the obligations to be evidenced by) the Reorganized Federal-Mogul Secured Term Loan Agreement; provided, however, the Debtors shall use their reasonable best efforts to seek to refinance the Tranche C Loans portion of the DIP Facility as part of the Exit Facilities.

2.3. Priority Tax Claims. Except to the extent that any holder agrees to different treatment, each holder of an Allowed Priority Tax Claim shall receive on account of such Claim deferred cash payments, over a period not exceeding six years after the date of assessment of each such Claim, of a value, as of the Effective Date of the Plan, equal to the Allowed amount of such Priority Tax Claim. Each Allowed Priority Tax Claim shall be paid from, and to the extent of available assets of, the respective Debtor's Estate against which such Claim is asserted, and thereafter to the extent of any insufficiency, from funds advanced to the relevant Debtor by the Estate of Federal-Mogul Corporation; provided, however, the Estate of Federal-Mogul Corporation shall not be obligated to advance funds for the payment of Priority Tax Claims, if any, of any of the Inactive Debtor Subsidiaries.

ARTICLE III CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

Summary. Pursuant to Sections 1122 and 1123 of the Bankruptcy Code, Claims and Equity Interests are classified for all purposes, including, without express or implied limitation, voting, confirmation and distribution pursuant to the Plan, as set forth herein below. A Claim or Equity Interest shall be deemed classified in a particular Class only to the extent that the Claim or Equity 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 Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is in a particular Class only to the extent that such Claim or Equity Interest is Allowed in that Class and has not been

paid or otherwise settled prior to the Effective Date. **NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE PLAN, NO RATIO WHICH IS TO BE CALCULATED AS PROVIDED HEREIN FOR THE PURPOSES OF DETERMINING DISTRIBUTIONS TO HOLDERS OF CLAIMS OR EQUITY INTERESTS SHALL BE GREATER THAN 1.0 TO 1.**

THE PLAN PROPONENTS RESERVE THE RIGHT TO SEEK AT OR PRIOR TO THE CONFIRMATION HEARING TO HAVE THE ESTATES OF THE DEBTORS OBLIGATED ON THE SURETY CLAIMS (EXCLUDING T&N LIMITED) SUBSTANTIVELY CONSOLIDATED FOR PLAN CLASSIFICATION, TREATMENT, VOTING AND CONFIRMATION PURPOSES ONLY. IF THE PLAN PROPONENTS DO NOT ELECT TO SEEK TO HAVE THE ESTATES OF SUCH DEBTORS SUBSTANTIVELY CONSOLIDATED, THEN NONE OF THE DEBTORS' ESTATES SHALL BE SUBSTANTIVELY CONSOLIDATED FOR PLAN PURPOSES OR OTHERWISE.

TO THE EXTENT THAT THE ESTATES OF ANY DEBTORS ARE NOT SUBSTANTIVELY CONSOLIDATED PURSUANT TO THE PLAN, ALLOWED CLAIMS HELD AGAINST ONE DEBTOR WILL BE SATISFIED SOLELY FROM THE CASH AND ASSETS OF SUCH DEBTOR AND ITS ESTATE, PROVIDED THAT, TO THE EXTENT OF ANY INSUFFICIENCY, FUNDS MAY BE ADVANCED TO THE RELEVANT DEBTORS BY THE ESTATE OF FEDERAL-MOGUL CORPORATION. EXCEPT AS SPECIFICALLY SET FORTH HEREIN, NOTHING IN THE PLAN 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. A CLAIM AGAINST MULTIPLE DEBTORS, TO THE EXTENT ALLOWED IN EACH DEBTOR'S CASE, WILL BE TREATED AS A SEPARATE CLAIM AGAINST EACH DEBTOR'S ESTATE FOR ALL PURPOSES (INCLUDING, BUT NOT LIMITED TO, VOTING AND DISTRIBUTION, PROVIDED, HOWEVER, THAT THERE SHALL BE ONLY A SINGLE RECOVERY ON ACCOUNT OF SUCH CLAIMS AND ANY DISTRIBUTION FROM A DEBTOR ON ACCOUNT OF SUCH CLAIMS SHALL TAKE INTO ACCOUNT THE DISTRIBUTIONS TO BE MADE BY OTHER DEBTORS ON ACCOUNT OF SUCH CLAIMS PURSUANT TO THE PLAN), AND SUCH CLAIMS WILL BE ADMINISTERED AND TREATED IN THE MANNER PROVIDED IN THE PLAN.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE PLAN, ALL DISTRIBUTIONS ON ACCOUNT OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE U.K. DEBTORS SHALL BE SUBJECT TO SECTION 8.16 OF THE PLAN, INCLUDING, WITHOUT LIMITATION, SUBSECTIONS 8.16.3, 8.16.4 AND 8.16.5 OF THE PLAN.

The classification and treatment of Claims against and Equity Interests in the primary five (5) U.S. Debtors and fifteen (15) U.K. Debtors that are contemplated to have ongoing business operations after Confirmation of the Plan are set forth in detail in the text of the Plan which follows. For purposes of brevity and convenience, but with the same legal force and

effect as if set forth at length herein, the classification and treatment of Claims against and Equity Interests in all remaining U.S. Debtors and U.K. Debtors is set forth in Exhibit 3.21 to the Plan and the explanatory notes accompanying Exhibit 3.21.²

3.1. Federal-Mogul Corporation (Classes 1A through 1O)

3.1.1. Class 1A – Priority Claims.

(a) Classification: Class 1A consists of all Priority Claims against Federal-Mogul Corporation.

(b) Treatment: On the Distribution Date, each holder of a Class 1A Allowed Priority Claim shall receive either (I) Cash equal to the Allowed Amount of such Priority Claim or (II) such other treatment as may be agreed upon in writing by such holder and Reorganized Federal-Mogul.

(c) Voting: Class 1A is impaired and each holder of an Allowed Class 1A Claim is entitled to vote to accept or reject the Plan.

3.1.2. Class 1B – Secured Bank Claims.

(a) Classification: Class 1B consists of all Secured Bank Claims against Federal-Mogul Corporation.

(b) In full and complete satisfaction of the Allowed Class 1B Claims, including, without limitation, any subordination or turnover rights relating to the Convertible Subordinated Debentures, the holders of such Claims shall receive the following treatment:

(i) Claims arising under the Bank Credit Agreement (including certain letter of credit obligations) shall be deemed fully Secured and Allowed in the amount of \$1,646,681,464.00 (as adjusted as of the Effective Date to convert any foreign currencies to U.S. dollars);

(ii) Reorganized Federal-Mogul shall (y) enter into, execute and deliver the Reorganized Federal-Mogul Secured Term Loan Agreement which shall provide for, among other things, the issuance to the holders of Allowed Class 1B Claims, in accordance with each such holder's rights under the Bank Credit Agreement, of term loans in the aggregate principal amount of (A) \$1,303,897,117.90 (as adjusted as of the Effective Date to convert any foreign currencies to U.S. dollars) plus the amount of any draws prior to the Effective Date on letters of credit outstanding under the Bank Credit Agreement and (B) the amount, if any, of the Tranche C portion of the DIP Facility restructured pursuant to Section 2.2 of the Plan and (z) replace with the Exit Facilities any letters of credit not drawn as of the Effective Date;

² One of the fifteen U.K. Debtors listed in this Article III of the Plan is TBA Industrial Products Limited ("TBA-IP"). TBA-IP's assets were sold during the course of these Reorganization Cases and, as a result, TBA no longer has any material operations. Due to the timing of these events, however, TBA remains classified as Debtor 19 in Article III of the Plan and has not been moved to Exhibit 3.21 of the Plan.

(iii) Reorganized Federal-Mogul shall issue and deliver to the PIK Notes Trustee, for ultimate distribution to the holders of Allowed Class 1B Claims in accordance with each such holder's rights under the Bank Credit Agreement, the Reorganized Federal-Mogul Junior Secured PIK Notes in the amount of \$300,000,000.00; and

(iv) All adequate protection payments to the holders of Bank Claims authorized under the Final Order approving the DIP Facility shall continue until and cease on the Effective Date and all accrued and unpaid adequate protection payments as of the Effective Date will be paid in Cash on the Effective Date. The holders of Bank Claims shall retain all adequate protection payments made during these Reorganization Cases without any diminution of the treatment set forth above.

All Claims arising under the Bank Credit Agreement are deemed fully Secured. As a result, there are no unsecured Bank Claims and the holders of Bank Claims do not have or hold any Class H Unsecured Claims against any of the Debtors.

(c) Voting: Class 1B is impaired and each holder of an Allowed Class 1B Claim is entitled to vote to accept or reject the Plan.

3.1.3. Class 1C – Secured Surety Claims

(a) Classification: Class 1C consists of all Secured Surety Claims against Federal-Mogul Corporation.

(b) Treatment: All Claims and interests arising under and related to any indemnity contract or guarantee between Federal-Mogul Corporation and the Sureties relating to the CCR Surety Bonds, and all Liens on any property of Federal-Mogul Corporation in favor of the Sureties shall be released, extinguished and discharged, and the following shall occur:

(i) On account of that portion of the Surety Claims that is determined, as a result of the CCR Litigation, the Avoidance Litigation and/or the Valuation Proceedings, to constitute Allowed Secured Surety Claims, the holders of Surety Claims shall receive the Secured Surety Notes and Junior Secured Surety PIK Notes that (x) shall have principal amounts, collectively, equal to the amount of the Allowed Secured Surety Claims, (y) are secured by Liens on the same property that secured the Allowed Secured Surety Claims prior to the Petition Date (subject to the liens securing the Exit Facilities) and (z) provide deferred cash payments, collectively, of a present value, as of the Effective Date, equal to the Allowed Amount of the Allowed Secured Surety Claims; and

(ii) On account of that portion of the Surety Claims that is determined, as a result of the CCR Litigation, the Avoidance Litigation and/or the Valuation Proceedings, not to constitute Allowed Secured Surety Claims, the holders of Surety Claims shall hold an Allowed Unsecured Claim against Federal-Mogul Corporation and the other Debtors, if any, obligated on the Allowed Surety Claims; or

(iii) Such other treatment as agreed to by the Sureties and the Plan Proponents or as otherwise required to obtain confirmation of the Plan over the objection of the Sureties.

(c) Adequate Protection Payments: All adequate protection payments to the Sureties authorized under the Final Order approving the DIP Facility shall cease on the Effective Date. If the amount of the Allowed Surety Claims exceeds the value, as of the Confirmation Date, of all non-avoidable collateral securing such Claims, then the amount of the adequate protection payments paid to the Sureties during these Reorganization Cases shall be offset against and reduce the amounts to be distributed to the Sureties pursuant to the Plan on account of the Allowed Surety Claims. If, however, the amount of the Allowed Surety Claims is less than the value, as of the Confirmation Date, of all non-avoidable collateral securing such Claims, then (i) the Sureties shall retain the adequate protection payments, if any, up to the amount by which the value of the non-avoidable collateral exceeds the amount of the Allowed Surety Claims without any diminution of the treatment set forth above and (ii) the amount of any additional adequate protection payments shall be offset against and reduce the amounts to be distributed to the Sureties pursuant to the Plan.

(d) Voting: Class 1C is impaired, and each holder of an Allowed Class 1C Claim is entitled to vote to accept or reject the Plan.

3.1.4. Class 1D – Noteholder Claims.

(a) Classification: Class 1D consists of all secured and unsecured Noteholder Claims against Federal-Mogul Corporation, which shall be deemed Allowed as follows:

(1) Claims arising under Federal-Mogul Corporation's 7.5% Notes due 2009 shall be deemed Allowed in the aggregate amount of \$572,812,500.00;

(2) Claims arising under Federal-Mogul Corporation's 7.375% Notes due 2006 shall be deemed Allowed in the aggregate amount of \$401,069,010.50;

(3) Claims arising under Federal-Mogul Corporation's 7.75% Notes due 2006 shall be deemed Allowed in the aggregate amount of \$399,595,000.10;

(4) Claims arising under Federal-Mogul Corporation's 7.875% Notes due 2010 shall be deemed Allowed in the aggregate amount of \$347,713,437.50;

(5) Claims arising under Federal-Mogul Corporation's 7.5% Notes due 2004 shall be deemed Allowed in the aggregate amount of \$244,500,000.00;

(6) Claims arising under Federal-Mogul Corporation's 8.8% Senior Notes due 2007 shall be deemed Allowed in the aggregate amount of \$107,663,379.80;

(7) Claims arising under Federal-Mogul Corporation's 8.37% Medium Term Notes due 2001 shall be deemed Allowed in the aggregate amount of \$32,788,640.00;

(8) Claims arising under Federal-Mogul Corporation's 8.25% Medium Term Notes due 2005 shall be deemed Allowed in the aggregate amount of \$15,364,375.00;

(9) Claims arising under Federal-Mogul Corporation's 8.33% Medium Term Notes due 2001 shall be deemed Allowed in the aggregate amount of \$12,294,326.67;

(10) Claims arising under Federal-Mogul Corporation's 8.12% Medium Term Notes due 2003 shall be deemed Allowed in the aggregate amount of \$10,239,088.89;

(11) Claims arising under Federal-Mogul Corporation's 8.16% Medium Term Notes due 2003 shall be deemed Allowed in the aggregate amount of \$10,240,266.67;

(12) Claims arising under Federal-Mogul Corporation's 8.46% Medium Term Notes due 2002 shall be deemed Allowed in the aggregate amount of \$5,124,550.00.

(b) Treatment: On the Distribution Date, the Disbursing Agent shall issue and deliver to the indenture trustees for the Notes, to be allocated Pro Rata among those indenture trustees based upon the deemed Allowed Amounts of the Claims in Class 1D as set forth above, and for ultimate distribution to or for the account of each Person holding an Allowed Class 1D Claim in accordance with such holder's rights and interests under the applicable Notes and their respective indentures, a Pro Rata portion of the Reorganized Federal-Mogul Class A Common Stock. Such Pro Rata portion to be distributed to each particular indenture trustee shall be determined by multiplying the total number of shares representing such Class A Common Stock times a fraction, the numerator of which equals the Allowed Amount of all Class 1D Claims represented by a particular indenture pertaining to the Notes, and the denominator of which equals the Allowed Amount of all Class 1D and 1F Claims. If Classes 1D and 1J vote to accept the Plan, and at least one of Classes 1M, 1N or 1O votes to accept the Plan, then Class 1D shall also receive 50% of the Warrants to be issued and distributed under the Plan; provided, however, Class 1D has agreed to distribute any and all such Warrants to the holders of Class 1M, 1N and/or 1O Claims and/or interests in accordance with Sections 3.1.13, 3.1.14 and 3.1.15 of the Plan; provided, further, however, the distribution of the Warrants shall be subject to the requirements of Section 8.3.5 of the Plan.

(c) Adequate Protection Payments: All adequate protection payments to the holders of Class 1D Noteholder Claims authorized under the Final Order approving the DIP Facility shall continue until and cease on the Effective Date and any such adequate protection payments that are unpaid as of the Effective Date will be paid in Cash on the Effective Date. The holders of Class 1D Noteholder Claims shall retain any and all such adequate protection payments made and/or authorized in connection with the DIP Facility without any diminution of the treatment set forth above.

(d) Voting: Class 1D is impaired and each holder of an Allowed Class 1D Claim is entitled to vote to accept or reject the Plan.

3.1.5. Class 1E – Other Secured Claims

(a) Classification: Class 1E consists of all Secured Claims other than Bank Claims, Surety Claims, Noteholder Claims or Bonded Claims. Each Secured Claim shall

constitute a separate sub-class (designated, for example, as Class 1E-1) for purposes of voting and distribution.

(b) Treatment: At the option of the Debtor or the Reorganized Debtor and in accordance with Section 1124 of the Bankruptcy Code, all Allowed Secured Claims in Class 1E, and each sub-class thereof, will be treated pursuant to one of the following alternatives: (I) the Plan will leave unaltered the legal, equitable and contractual rights to which each Secured Claim in Class 1E entitles the holder; (II) the Debtor shall cure any default that occurred before or after the Petition Date; the maturity of such Secured Claim shall be reinstated as such maturity existed prior to any such default; the holder of such Secured Claim shall be compensated for any damages incurred as a result of any reasonable reliance by the holder on any right to accelerate its claim; and the legal, equitable and contractual rights of such holder will not otherwise be altered; (III) an Allowed Secured Claim shall receive such other treatment as the Debtor and the holder shall agree; or (IV) all of the collateral for such Secured Claim will be surrendered by the Debtor to the holder of such Claim on the Effective Date or as soon as practicable thereafter.

(c) Voting: To the extent any Allowed Secured Claims are treated in the manner set forth in clauses (I), (II), (III) or (IV) of the immediately preceding subsection, Class 1E or the particular sub-class is unimpaired and such holders are not entitled to vote to accept or reject the Plan.

3.1.6. Class 1F - Convertible Subordinated Debenture Claims

(a) Classification: Class 1F consists of all Allowed Claims arising under, evidenced by, or based upon the Convertible Subordinated Debentures, which shall be deemed Allowed in the total amount of \$211,042,367.00; provided, however, to the extent that holders of Convertible Subordinated Debentures convert such securities to Federal-Mogul Corporation common stock on or before the Record Date or are deemed to have so converted such securities pursuant to Section 8.3.2, then such holders will be treated as holders of Class 1O Federal-Mogul Corporation common stock and receive the distribution, if any, to be made on account of such Class 1O Equity Interests under the Plan.

(b) Treatment: On the Distribution Date, in full and complete satisfaction of the Allowed Class 1F Claims (including, without limitation, any guarantees related to or arising from the Convertible Subordinated Debentures) the Disbursing Agent shall issue and deliver to the indenture trustee for the Convertible Subordinated Debentures, a Pro Rata portion of the Reorganized Federal-Mogul Class A Common Stock, which portion shall be determined by multiplying the total number of shares representing such Class A Common Stock times a fraction, the numerator of which equals the Allowed Amount of all Class 1F Claims, and the denominator of which equals the Allowed Amount of all Class 1D and 1F Claims, provided, however, to the extent necessary to comply with the contractual subordination provisions in the indentures for the Convertible Subordinated Debentures, the Disbursing Agent shall hold in trust and cause all distributions allocable to the Allowed Convertible Subordinated Debenture Claims to be paid directly to the applicable Indenture Trustees on behalf of the Allowed Class 1D Noteholder Claims in accordance with the formula set forth in Section 3.1.4.(b). Solely for purposes of the Declaration of Trust of Federal-Mogul Financing Trust regarding the Convertible Subordinated Debentures, the bankruptcy of Federal-Mogul Corporation shall be deemed to have

occurred on the Effective Date, and the Federal-Mogul Financing Trust shall thereupon be deemed dissolved as provided in such Declaration of Trust.

(c) Voting: Class 1F is impaired and each holder of an Allowed Class 1F Claim is entitled to vote to accept or reject the Plan.

3.1.7. Class 1G – On-Site Environmental Claims

(a) Classification: Class 1G consists of all On-Site Environmental Claims against Federal-Mogul Corporation.

(b) Treatment: Each holder of an Allowed On-Site Environmental Claim in Class 1G shall retain unaltered, the legal, equitable and contractual rights to which such Allowed On-Site Environmental Claim entitles the holder.

(c) Voting: Class 1G is unimpaired and holders of Class 1G Claims are thus not entitled to vote to accept or reject the Plan.

3.1.8. Class 1H – Unsecured Claims

(a) Classification: Class 1H consists of all Unsecured Claims against Federal-Mogul Corporation, other than any unsecured portion of Noteholder Claims, any unsecured portion of Bonded Asbestos Personal Injury Claims, the Convertible Subordinated Debenture Claims or other Claims specifically included in any other Class.

(b) Treatment: Subject to Section 8.17 of the Plan, each holder of an Allowed Class 1H Unsecured Claim shall receive a total Cash payment equal to 35% of such holder's Allowed Unsecured Claim, with such total amount to be paid in three equal, annual installments, the first of which shall be paid on the Distribution Date and the second and third on the first and second anniversaries of the Distribution Date, respectively.

(c) Voting: Class 1H is impaired and each holder of an Allowed Class 1H Claim is entitled to vote to accept or reject the Plan.

3.1.9. Class 1I – Non-Priority Employee Benefit Claims

(a) Classification: Class 1I consists of all Non-Priority Employee Benefit Claims against Federal-Mogul Corporation.

(b) Treatment: On the Effective Date, Reorganized Federal-Mogul shall continue, automatically and without further act, deed or Court order, the Employee Benefit Plans maintained by Federal-Mogul Corporation, and each holder of an Allowed Non-Priority Employee Benefit Claim shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Non-Priority Employee Benefit Claim entitles such holder.

(c) Voting: Class 1I is unimpaired and holders of Class 1I Claims are thus not entitled to vote to accept or reject the Plan.

3.1.10. Class 1J – Asbestos Personal Injury Claims

(a) Classification: Class 1J consists of all Asbestos Personal Injury Claims against Federal-Mogul Corporation.

(b) Treatment: As of the Effective Date, liability for all Class 1J Asbestos Personal Injury Claims shall be automatically and without further act, deed or Court order, transferred to, vested in and assumed by the Trust. Each Asbestos Personal Injury Claim in Class 1J shall be addressed (i.e., Allowed or disallowed, and if Allowed, then paid) solely by the Trust pursuant to and in accordance with the Asbestos Personal Injury Trust Distribution Procedures. If Classes 1D and 1J vote to accept the Plan, and at least one of Classes 1M, 1N or 1O votes to accept the Plan, then Class 1J shall also receive 50% of the Warrants to be issued and distributed under the Plan; provided, however, Class 1J has agreed to distribute any and all such Warrants to the holders of Class 1M, 1N and/or 1O Claims and/or interests in accordance with Sections 3.1.13 , 3.1.14 and 3.1.15 of the Plan; provided, further, however, the distribution of the Warrants shall be subject to the requirements of Section 8.3.5 of the Plan.

(c) Voting: Class 1J is impaired and each holder of an Allowed Class 1J Claim is entitled to vote to accept or reject the Plan.

3.1.11. Class 1K – Bonded Claims

(a) Classification: Class 1K consists of all Bonded Claims against Federal-Mogul Corporation.

(b) Treatment: Each holder of an Allowed Bonded Claim in Class 1K shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Bonded Claim entitles the holder.

(c) Voting: Class 1K is unimpaired and holders of Class 1K Claims are thus not entitled to vote to accept or reject the Plan.

3.1.12. Class 1L - Affiliate Claims

(a) Classification: Class 1L consists of all Affiliate Claims against Federal-Mogul Corporation.

(b) Treatment: On the Effective Date, at the option of the Plan Proponents, all Affiliate Claims in Class 1L shall either be (a) reinstated, in full or in part, or (b) discharged and extinguished, in full 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 portion under the Plan; provided, however, that prior to such discharge and extinguishment such Affiliate Claims may be contributed to capital, transferred, setoff or subject to any other arrangement at the option of the Plan Proponents. If any such Class 1L Claim is reinstated, in full or in part, such reinstated Claim may, at the option of the Plan Proponents, be subordinated in legal right and priority of payment to all non-Affiliate Claims against Federal-Mogul Corporation. Any and all Class 1L Claims, or portions thereof,

being reinstated and, to the extent, if any, that such Claims are being subordinated to non-Affiliate Claims, are set forth in Exhibit 3.1.12.

(c) Voting: Class 1L is impaired and each holder of an Allowed Class 1L Claim is entitled to vote to accept or reject the Plan.

3.1.13. Class 1M - Federal-Mogul Corporation Preferred Stock

(a) Classification: Class 1M consists of all shares of the Series C ESOP Convertible Preferred Stock of Federal-Mogul Corporation, having a liquidation preference of \$63.75 per share, of which there are 439,937 shares outstanding.

(b) Treatment: All existing shares of outstanding Federal-Mogul Corporation preferred stock and all rights related to such stock shall be cancelled, annulled and extinguished on the Effective Date. If Classes 1D, 1J and 1M all vote to accept the Plan, then each holder of Class 1M interest shall receive, in exchange for and in full satisfaction of its Class 1M interest, Warrants calculated as follows: for each outstanding share of Federal-Mogul Corporation preferred stock held as of the Record Date, the holder shall receive Warrants in an amount equal to (A)(i) two, divided by (ii) the sum of (a) two times the total number of outstanding shares of Federal-Mogul Corporation preferred stock plus (b) the total number of shares of Federal-Mogul Corporation common stock deemed held by holders of Allowed Class 1N Claims (but only if Class 1N accepts the Plan) plus (c) the total number of outstanding shares of Federal-Mogul Corporation common stock, including any shares deemed issued pursuant to Section 8.3.2 (but only if Class 1O accepts the Plan), times (B) the total number of Warrants. If Class 1M rejects the Plan, then no distributions shall be made on account of Class 1M interests. Notwithstanding the foregoing or anything to the contrary in this Plan, the distribution of the Warrants shall be subject to the requirements of Section 8.3.5 of the Plan.

(c) Voting: Class 1M is impaired and each holder of an allowed Class 1M Equity Interest is entitled to vote to accept or reject the Plan.

3.1.14. Class 1N - Subordinated Securities Claims

(a) Classification: Class 1N consists of all Subordinated Securities Claims, if any, against Federal-Mogul Corporation.

(b) Treatment: If Classes 1D, 1J and 1N all vote to accept the Plan, each holder of a Subordinated Securities Claim shall receive, in exchange for and in full satisfaction of its Class 1N Subordinated Securities Claim, its Pro Rata share of any applicable insurance and, with respect to any deficiency, the holder shall receive Warrants calculated as follows: for each share of Federal-Mogul Corporation common stock deemed held, the holder shall receive Warrants in an amount equal to (A)(i) one, divided by (ii) the sum of (a) two times the total number of outstanding shares of Federal-Mogul Corporation preferred stock (but only if Class 1M accepts the Plan) plus (b) the total number of shares of Federal-Mogul Corporation common stock deemed held by holders of Allowed Class 1N Claims plus (c) the total number of outstanding shares of Federal-Mogul Corporation common stock, including any shares deemed issued pursuant to Section 8.3.2 (but only if Class 1O accepts the Plan), times (B) the total number of Warrants. For purposes of calculating such distributions of Warrants, the holder of a

Subordinated Securities Claim shall be deemed to hold one share of Federal-Mogul Corporation common stock for each \$28.00 of (i) its Subordinated Securities Claim minus (ii) any insurance proceeds actually received in respect of such Subordinated Securities Claim. If, however, Class 1N rejects the Plan, then no distributions of Warrants shall be made on account of such Class 1N Claims. Notwithstanding the foregoing or anything to the contrary in this Plan, the distribution of the Warrants shall be subject to the requirements of Section 8.3.5 of the Plan.

(c) Voting: Class 1N is impaired and each holder of an allowed Class 1N Subordinated Securities Claim is entitled to vote to accept or reject the Plan.

3.1.15. Class 1O – Federal-Mogul Corporation Common Stock

(a) Classification: Class 1O consists of all outstanding shares of Federal-Mogul common stock, of which there were 87,131,298 shares outstanding as of November 3, 2003, and shall also include up to 4,097,910 additional shares which may be deemed to be issued pursuant to Section 8.3.2.

(b) Treatment: All existing shares of outstanding Federal-Mogul Corporation common stock and all rights related to such stock shall be cancelled, annulled and extinguished on the Effective Date. If Classes 1D, 1J, and 1O all vote to accept the Plan, then each holder of a Class 1O interest shall receive, in exchange for and in full satisfaction of its Class 1O interest, Warrants calculated as follows: for each outstanding share of Federal-Mogul common stock held as of the Record Date, the holder shall receive Warrants in an amount equal to (A)(i) one, divided by (ii) the sum of (a) two times the total number of outstanding shares of Federal-Mogul Corporation preferred stock (but only if Class 1M accepts the Plan) plus (b) the total number of shares of Federal-Mogul Corporation common stock deemed held by holders of Allowed Class 1N Claims (but only if Class 1N accepts the Plan) plus (c) the total number of outstanding shares of Federal-Mogul Corporation common stock, including shares deemed issued pursuant to 8.3.2, times (B) the total number of Warrants. If Class 1O rejects the Plan, then no distribution shall be made on account of Class 1O interests. Notwithstanding the foregoing or anything to the contrary in this Plan, the distribution of the Warrants shall be subject to the requirements of Section 8.3.5 of the Plan.

(c) Voting: Class 1O is impaired and each holder of an Allowed Class 1O Equity Interest is entitled to vote to accept or reject the Plan.

3.2. Federal-Mogul Piston Rings, Inc. ("FMPRI") (Classes 2A through 2P)

3.2.1. Class 2A – Priority Claims

(a) Classification: Class 2A consists of all Priority Claims against FMPRI.

(b) Treatment: On the Distribution Date, each holder of a Class 2A Allowed Priority Claim shall receive either (I) Cash equal to the Allowed Amount of such Priority Claim or (II) such other treatment as may be agreed upon in writing by such holder and Reorganized FMPRI.

(c) Voting: Class 2A is impaired and the each holder of an Allowed Class 2A Claim is entitled to vote to accept or reject the Plan.

3.2.2. Class 2B – Secured Bank Claims

(a) Classification: Class 2B consists of all Secured Bank Claims against FMPRI.

(b) Treatment: In full and complete satisfaction of all Allowed Class 2B Claims, Claims arising under the Bank Credit Agreement (including certain letter of credit obligations) shall be deemed Allowed in the amount of \$1,646,681,464.00 (as adjusted as of the Effective Date to convert any foreign currencies to U.S. dollars) and FMPRI shall guarantee on a secured basis Reorganized Federal-Mogul's obligations under (y) the Reorganized Federal-Mogul Secured Term Loan Agreement and (z) the Reorganized Federal-Mogul Junior Secured PIK Notes.

(c) Voting: Class 2B is impaired and each holder of an Allowed Class 2B Claim is entitled to vote to accept or reject the Plan.

3.2.3. Class 2C – Secured Surety Claims

(a) Classification: Class 2C consists of all Secured Surety Claims against FMPRI.

(b) Treatment: On the Effective Date, all Claims and interests arising under and related to any indemnity contract or guarantee between FMPRI and any of the Sureties relating to the CCR Surety Bonds, if any, and all Liens on any property of FMPRI in favor of the Sureties, shall be released, extinguished and discharged. In full and complete satisfaction of all such Class 2C Claims, FMPRI shall guarantee on a secured basis Reorganized Federal-Mogul's obligations, if any, under the Secured Surety Notes and Junior Secured Surety PIK Notes.

(c) Voting: Class 2C is impaired and each holder of an Allowed Class 2C Claim is entitled to vote to accept or reject the Plan.

3.2.4. Class 2D – Noteholder Claims

(a) Classification: Class 2D consists of all secured and unsecured Noteholder Claims against FMPRI.

(b) Treatment: In full and complete satisfaction of all Class 2D Noteholder Claims, the holders of Class 2D Noteholder Claims shall receive 100 percent of the equity of Reorganized FMPRI; provided, however, in consideration of the treatment accorded to Noteholder Claims elsewhere in this Plan, the holders of Class 2D Noteholder Claims shall be deemed to have automatically transferred 100 percent of the common stock of Reorganized FMPRI to Reorganized Federal-Mogul Powertrain, Inc. as of the Effective Date.

(c) Voting: Class 2D is impaired and each holder of an Allowed Class 2D Claim is entitled to vote to accept or reject the Plan.

3.2.5. Class 2E – Other Secured Claims

(a) Classification: Class 2E consists of all Secured Claims against FMPRI, other than Bank Claims, Surety Claims, Noteholder Claims or Bonded Claims. Each Secured Claim shall constitute a separate sub-class (designated, for example, as Class 2E-1) for purposes of voting and distribution.

(b) Treatment: At the option of the Debtor or the Reorganized Debtor and in accordance with Section 1124 of the Bankruptcy Code, all Allowed Secured Claims in Class 2E, and each sub-class thereof, will be treated pursuant to one of the following alternatives: (I) the Plan will leave unaltered the legal, equitable and contractual rights to which each Secured Claim in Class 2E entitles the holder; (II) the Debtor shall cure any default that occurred before or after the Petition Date; the maturity of such Secured Claim shall be reinstated as such maturity existed prior to any such default; the holder of such Secured Claim shall be compensated for any damages incurred as a result of any reasonable reliance by the holder on any right to accelerate its claim; and the legal, equitable and contractual rights of such holder will not otherwise be altered; (III) an Allowed Secured Claim shall receive such other treatment as the Debtor and the holder shall agree; or (IV) all of the collateral for such Secured Claim will be surrendered by the Debtor to the holder of such Claim on the Effective Date or as soon as practicable thereafter.

(c) Voting: To the extent any Allowed Secured Claims are treated in the manner set forth in clauses (I), (II), (III) or (IV) of the immediately preceding subsection, Class 2E or the particular sub-class is unimpaired and such holders are not entitled to vote to accept or reject the Plan.

3.2.6. Class 2G – On-Site Environmental Claims

(a) Classification: Class 2G consists of all On-Site Environmental Claims against FMPRI.

(b) Treatment: Each holder of an Allowed On-Site Environmental Claim in Class 2G shall retain unaltered, the legal, equitable and contractual rights to which such Allowed On-Site Environmental Claim entitles the holder.

(c) Voting: Class 2G is unimpaired and holders of Class 2G Claims are thus not entitled to vote to accept or reject the Plan.

3.2.7. Class 2H – Unsecured Claims

(a) Classification: Class 2H consists of all Unsecured Claims against FMPRI, other than any unsecured portion of Noteholder Claims, any unsecured portion of Bonded Asbestos Personal Injury Claims or other Claims specifically included in any other Class.

(b) Treatment: Subject to Section 8.17 of the Plan, each holder of an Allowed Class 2H Unsecured Claim shall receive a total Cash payment equal to 35% of such holder's Allowed Unsecured Claim, with such total amount to be paid in three equal, annual installments, the first of which shall be paid on the Distribution Date and the second and third on the first and second anniversaries of the Distribution Date, respectively.

(c) Voting: Class 2H is impaired and each holder of an Allowed Class 2H Claim is entitled to vote to accept or reject the Plan.

3.2.8. Class 2I – Non-Priority Employee Benefit Claims

(a) Classification: Class 2I consists of all Non-Priority Employee Benefit Claims against FMPRI.

(b) Treatment: On the Effective Date, Reorganized FMPRI shall continue, automatically and without further act, deed or Court order, the Employee Benefit Plans maintained by FMPRI, and each holder of an Allowed Class 2I Non-Priority Employee Benefit Claim shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Non-Priority Employee Benefit Claim entitles such holder.

(c) Voting: Class 2I is unimpaired and holders of Class 2I Claims are thus not entitled to vote to accept or reject the Plan.

3.2.9. Class 2K – Bonded Claims

(a) Classification: Class 2K consists of all Bonded Claims against FMPRI.

(b) Treatment: Each holder of an Allowed Bonded Claim in Class 2K shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Bonded Claim entitles the holder.

(c) Voting: Class 2K is unimpaired and holders Class 2K Claims are thus not entitled to vote to accept or reject the Plan.

3.2.10. Class 2L - Affiliate Claims

(a) Classification: Class 2L consists of all Affiliate Claims against FMPRI.

(b) Treatment: On the Effective Date, at the option of the Plan Proponents, all Affiliate Claims in Class 2L shall either be (a) reinstated, in full or in part, or (b) discharged and extinguished, in full 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 portion under the Plan; provided, however, that prior to such discharge and extinguishment such Affiliate Claims may be contributed to capital, transferred, setoff or subject to any other arrangement at the option of the Plan Proponents. If any such Class 2L Claim is reinstated, in full or in part, such reinstated Claim may, at the option of the Plan Proponents, be subordinated in legal right and priority of payment to all non-Affiliate Claims against FMPRI. Any and all Class 2L Claims, or portions thereof, being reinstated and, to the extent, if any, that such Claims are being subordinated to non-Affiliate Claims, are set forth in Exhibit 3.1.12.

(c) Voting: Class 2L is impaired and each holder of an Allowed Class 2L Claim is entitled to vote to accept or reject the Plan.

3.2.11. Class 2N – Subordinated Securities Claims

(a) Classification: Class 2N consists of all Subordinated Securities Claims against FMPRI.

(b) Treatment: No distributions shall be made on account of Subordinated Securities Claims against FMPRI. All such Claims against FMPRI shall be discharged and extinguished on the Effective Date.

(c) Voting: Class 2N is impaired and does not receive or retain any Property under the Plan. Accordingly, the holders of Class 2N Claims are conclusively presumed to reject this Plan and the votes of such holders will not be solicited.

3.2.12. Class 2P – Equity Interests

(a) Classification: Class 2P consists of all Equity Interests in FMPRI.

(b) Treatment: No distributions shall be made on account of Equity Interests in FMPRI. All Equity Interests in FMPRI shall be cancelled, annulled and extinguished on the Effective Date.

(c) Voting: Class 2P is impaired and does not receive or retain any Property under the Plan. Accordingly, the holders of Class 2P Equity Interests are conclusively presumed to reject this Plan and the votes of such holders will not be solicited.

3.3. Federal-Mogul Powertrain, Inc. (“FMPI”) (Classes 3A through 3P)

3.3.1. Class 3A – Priority Claims

(a) Classification: Class 3A consists of all Priority Claims against FMPI.

(b) Treatment: On the Distribution Date, each holder of a Class 3A Allowed Priority Claim shall receive either (I) Cash equal to the Allowed Amount of such Priority Claim or (II) such other treatment as may be agreed upon in writing by such holder and Reorganized FMPI.

(c) Voting: Class 3A is impaired and each holder of an Allowed Class 3A Claim is entitled to vote to accept or reject the Plan.

3.3.2. Class 3B – Secured Bank Claims

(a) Classification: Class 3B consists of all Secured Bank Claims against FMPI.

(b) In full and complete satisfaction of the Allowed Class 3B Claims, Claims arising under the Bank Credit Agreement (including certain letter of credit obligations) shall be deemed Allowed in the amount of \$1,646,681,464.00 (as adjusted as of the Effective Date to convert any foreign currencies to U.S. dollars) and FMPI shall guarantee on a secured basis

Reorganized Federal-Mogul's obligations under (y) the Reorganized Federal-Mogul Secured Term Loan Agreement and (z) the Reorganized Federal-Mogul Junior Secured PIK Notes.

(c) Voting: Class 3B is impaired and each holder of an Allowed Class 3B Claim is entitled to vote to accept or reject the Plan.

3.3.3. Class 3C – Secured Surety Claims

(a) Classification: Class 3C consists of all Secured Surety Claims against FMPI.

(b) Treatment: On the Effective Date, all Claims and interests arising under and related to any indemnity contract or guarantee between FMPI and any of the Sureties relating to the CCR Surety Bonds, if any, and all Liens on any property of FMPI in favor of the Sureties, shall be released, extinguished and discharged. In full and complete satisfaction of all such Class 3C Claims, FMPI shall guarantee on a secured basis Reorganized Federal-Mogul's obligations, if any, under the Secured Surety Notes and Junior Secured Surety PIK Notes.

(c) Voting: Class 3C is impaired and each holder of an Allowed Class 3C Claim is entitled to vote to accept or reject the Plan.

3.3.4. Class 3D – Noteholder Claims

(a) Classification: Class 3D consists of all secured and unsecured Noteholder Claims against FMPI.

(b) Treatment: On the Distribution Date, all Claims arising under FMPI's Guaranty of the Noteholder Claims shall be released, extinguished and discharged. In consideration of the treatment accorded Class 1D, holders of Class 3D Noteholder Claims shall receive no additional distribution under the Plan on account of such Class 3D Noteholder Claims.

(c) Voting: Class 3D is impaired and each holder of an Allowed Class 3D is entitled to vote to accept or reject the Plan.

3.3.5. Class 3E – Other Secured Claims

(a) Classification: Class 3E consists of all Secured Claims against FMPI, other than Bank Claims, Surety Claims, Noteholder Claims or Bonded Claims. Each Secured Claim shall constitute a separate sub-class (designated, for example, as Class 3E-1) for purposes of voting and distribution.

(b) Treatment: At the option of the Debtor or the Reorganized Debtor and in accordance with Section 1124 of the Bankruptcy Code, all Allowed Secured Claims in Class 3E, and each sub-class thereof, will be treated pursuant to one of the following alternatives: (I) the Plan will leave unaltered the legal, equitable and contractual rights to which each Secured Claim in Class 3E entitles the holder; (II) the Debtor shall cure any default that occurred before or after the Petition Date; the maturity of such Secured Claim shall be reinstated as such maturity existed

prior to any such default; the holder of such Secured Claim shall be compensated for any damages incurred as a result of any reasonable reliance by the holder on any right to accelerate its claim; and the legal, equitable and contractual rights of such holder will not otherwise be altered; (III) an Allowed Secured Claim shall receive such other treatment as the Debtor and the holder shall agree; or (IV) all of the collateral for such Secured Claim will be surrendered by the Debtor to the holder of such Claim on the Effective Date or as soon as practicable thereafter.

(c) Voting: To the extent any Allowed Secured Claims are treated in the manner set forth in clauses (I), (II), (III) or (IV) of the immediately preceding subsection, Class 3E or the particular sub-class is unimpaired and such holders are not entitled to vote to accept or reject the Plan.

3.3.6. Class 3G – On-Site Environmental Claims

(a) Classification: Class 3G consists of all On-Site Environmental Claims against FMPI.

(b) Treatment: Each holder of an Allowed On-Site Environmental Claim in Class 3G shall retain unaltered, the legal, equitable and contractual rights to which such Allowed On-Site Environmental Claim entitles the holder.

(c) Voting: Class 3G is unimpaired and holders of Class 3G Claims are thus not entitled to vote to accept or reject the Plan.

3.3.7. Class 3H – Unsecured Claims

(a) Classification: Class 3H consists of all Unsecured Claims against FMPI, other than any unsecured portion of Noteholder Claims, any unsecured portion of Bonded Asbestos Personal Injury Claims, or other Claims specifically included in any other Class.

(b) Treatment: Subject to Section 8.17 of the Plan, each holder of an Allowed Class 3H Unsecured Claim shall receive a total Cash payment equal to 35% of such holder's Allowed Unsecured Claim, with such total amount to be paid in three equal, annual installments, the first of which shall be paid on the Distribution Date and the second and third on the first and second anniversaries of the Distribution Date, respectively.

(c) Voting: Class 3H is impaired and each holder of an Allowed Class 3H Claim is entitled to vote to accept or reject the Plan.

3.3.8. Class 3I – Non-Priority Employee Benefit Claims

(a) Classification: Class 3I consists of all Non-Priority Employee Benefit Claims against FMPI.

(b) Treatment: On the Effective Date, Reorganized FMPI shall continue, automatically and without further act, deed or Court order, the Employee Benefit Plans maintained by FMPI, and each holder of an Allowed Class 3I Non-Priority Employee Benefit

Claim shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Non-Priority Employee Benefit Claim entitles such holder.

(c) Voting: Class 3I is unimpaired and holders of Class 3I Claims are thus not entitled to vote to accept or reject the Plan.

3.3.9. Class 3K – Bonded Claims

(a) Classification: Class 3K consists of all Bonded Claims against FMPI.

(b) Treatment: Each holder of an Allowed Bonded Claim in Class 3K shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Bonded Claim entitles the holder.

(c) Voting: Class 3K is unimpaired and holders of Class 3K Claims are thus not entitled to vote to accept or reject the Plan.

3.3.10. Class 3L - Affiliate Claims

(a) Classification: Class 3L consists of all Affiliate Claims against FMPI.

(b) Treatment: On the Effective Date, at the option of the Plan Proponents, all Affiliate Claims in Class 3L shall either be (a) reinstated, in full or in part, or (b) discharged and extinguished, in full 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 portion under the Plan; provided, however, that prior to such discharge and extinguishment such Affiliate Claims may be contributed to capital, transferred, setoff or subject to any other arrangement at the option of the Plan Proponents. If any such Class 3L Claim is reinstated, in full or in part, such reinstated Claim may, at the option of the Plan Proponents, be subordinated in legal right and priority of payment to all non-Affiliate Claims against FMPI. Any and all Class 3L Claims, or portions thereof, being reinstated and, to the extent, if any, that such Claims are being subordinated to non-Affiliate Claims, are set forth in Exhibit 3.1.12.

(c) Voting: Class 3L is impaired and each holder of an Allowed Class 3L Claim is entitled to vote to accept or reject the Plan.

3.3.11. Class 3P – Equity Interests

(a) Classification: Class 3P consists of all Equity Interests in FMPI.

(b) Treatment: Each holder of an Allowed Equity Interest in Class 3P shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Equity Interest entitles the holder.

(c) Voting: Class 3P is unimpaired and holders of Class 3P Equity Interests are thus not entitled to vote to accept or reject the Plan.

3.4. Federal-Mogul Ignition Company (“FMIC”) (Classes 4A through 4P)

3.4.1. Class 4A – Priority Claims

(a) Classification: Class 4A consists of all Priority Claims against FMIC.

(b) Treatment: On the Distribution Date, each holder of a Class 4A Allowed Priority Claim shall receive either (I) Cash equal to the Allowed Amount of such Priority Claim or (II) such other treatment as may be agreed upon in writing by such holder and Reorganized FMIC.

(c) Voting: Class 4A is impaired and each holder of an Allowed Class 4A Claim is entitled to vote to accept or reject the Plan.

3.4.2. Class 4B – Secured Bank Claims

(a) Classification: Class 4B consists of all Secured Bank Claims against FMIC.

(b) In full and complete satisfaction of all Allowed Class 4B Claims, Claims arising under the Bank Credit Agreement (including certain letter of credit obligations) shall be deemed Allowed in the amount of \$1,646,681,464.00 (as adjusted as of the Effective Date to convert any foreign currencies to U.S. dollars) and FMIC shall guarantee on a secured basis Reorganized Federal-Mogul’s obligations under (y) the Reorganized Federal-Mogul Secured Term Loan Agreement and (z) the Reorganized Federal-Mogul Junior Secured PIK Notes.

(c) Voting: Class 4B is impaired and each holder of an Allowed Class 4B Claim is entitled to vote to accept or reject the Plan.

3.4.3. Class 4C – Secured Surety Claims

(a) Classification: Class 4C consists of all Secured Surety Claims against FMIC.

(b) Treatment: On the Effective Date, all Claims and interests arising under and related to any indemnity contract or guarantee between FMIC and any of the Sureties relating to the CCR Surety Bonds, if any, and all Liens on any property of FMIC in favor of the Sureties, shall be released, extinguished and discharged. In full and complete satisfaction of all such Class 4C Claims, FMIC shall guarantee on a secured basis Reorganized Federal-Mogul’s obligations, if any, under the Secured Surety Notes and Junior Secured Surety PIK Notes.

(c) Voting: Class 4C is impaired and each holder of an Allowed Class 4C Claim is entitled to vote to accept or reject the Plan.

3.4.4. Class 4D – Noteholder Claims

(a) Classification: Class 4D consists of all secured and unsecured Noteholder Claims against FMIC.

(b) Treatment: On the Distribution Date, all Claims arising under FMIC's Guaranty of the Noteholder Claims shall be released, extinguished and discharged. In consideration of the treatment accorded Class 1D, holders of Class 4D Noteholder Claims shall receive no additional distribution under the Plan on account of such Class 4D Noteholder Claims.

(c) Voting: Class 4D is impaired and each holder of an Allowed Class 4D Claim is entitled to vote to accept or reject the Plan.

3.4.5. Class 4E – Other Secured Claims

(a) Classification: Class 4E consists of all Secured Claims against FMIC, other than Bank Claims, Surety Claims, Noteholder Claims or Bonded Claims. Each Secured Claim shall constitute a separate sub-class (designated, for example, as Class 4E-1) for purposes of voting and distribution.

(b) Treatment: At the option of the Debtor or the Reorganized Debtor and in accordance with Section 1124 of the Bankruptcy Code, all Allowed Secured Claims in Class 4E, and each sub-class thereof, will be treated pursuant to one of the following alternatives: (I) the Plan will leave unaltered the legal, equitable and contractual rights to which each Secured Claim in Class 4E entitles the holder; (II) the Debtor shall cure any default that occurred before or after the Petition Date; the maturity of such Secured Claim shall be reinstated as such maturity existed prior to any such default; the holder of such Secured Claim shall be compensated for any damages incurred as a result of any reasonable reliance by the holder on any right to accelerate its claim; and the legal, equitable and contractual rights of such holder will not otherwise be altered; (III) an Allowed Secured Claim shall receive such other treatment as the Debtor and the holder shall agree; or (IV) all of the collateral for such Secured Claim will be surrendered by the Debtor to the holder of such Claim on the Effective Date or as soon as practicable thereafter.

(c) Voting: To the extent any Allowed Secured Claims are treated in the manner set forth in clauses (I), (II), (III) or (IV) of the immediately preceding subsection, Class 4E or the particular sub-class is unimpaired and such holders are not entitled to vote to accept or reject the Plan.

3.4.6. Class 4G – On-Site Environmental Claims

(a) Classification: Class 4G consists of all On-Site Environmental Claims against FMIC.

(b) Treatment: Each holder of an Allowed On-Site Environmental Claim in Class 4G shall retain unaltered, the legal, equitable and contractual rights to which such Allowed On-Site Environmental Claim entitles the holder.

(c) Voting: Class 4G is unimpaired and holders of Class 4G Claims are thus not entitled to vote to accept or reject the Plan.

3.4.7. Class 4H – Unsecured Claims

(a) Classification: Class 4H consists of all Unsecured Claims against FMIC, other than any unsecured portion of Noteholder Claims, any unsecured portion of Bonded Asbestos Personal Injury Claims, or other Claims specifically included in any other Class.

(b) Treatment: Subject to Section 8.17 of the Plan, each holder of an Allowed Class 4H Unsecured Claim shall receive a total Cash payment equal to 35% of such holder's Allowed Unsecured Claim, with such total amount to be paid in three equal, annual installments, the first of which shall be paid on the Distribution Date and the second and third on the first and second anniversaries of the Distribution Date, respectively.

(c) Voting: Class 4H is impaired and each holder of an Allowed Class 4H Claim is entitled to vote to accept or reject the Plan.

3.4.8. Class 4I – Non-Priority Employee Benefit Claims

(a) Classification: Class 4I consists of all Non-Priority Employee Benefit Claims against FMIC.

(b) Treatment: On the Effective Date, Reorganized FMIC shall continue, automatically and without further act, deed or Court order, the Employee Benefit Plans maintained by FMIC, and each holder of an Allowed Class 4I Non-Priority Employee Benefit Claim shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Non-Priority Employee Benefit Claim entitles such holder.

(c) Voting: Class 4I is unimpaired and holders of Class 4I Claims are thus not entitled to vote to accept or reject the Plan.

3.4.9. Class 4K – Bonded Claims

(a) Classification: Class 4K consists of all Bonded Claims against FMIC.

(b) Treatment: Each holder of an Allowed Bonded Claim in Class 4K shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Bonded Claim entitles the holder.

(c) Voting: Class 4K is unimpaired and holders of Class 4K Claims are thus not entitled to vote to accept or reject the Plan.

3.4.10. Class 4L - Affiliate Claims

(a) Classification: Class 4L consists of all Affiliate Claims against FMIC.

(b) Treatment: On the Effective Date, at the option of the Plan Proponents, all Affiliate Claims in Class 4L shall either be (a) reinstated, in full or in part, or (b) discharged and extinguished, in full 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 portion under the Plan; provided, however, that prior to such discharge and extinguishment such Affiliate Claims may be contributed to capital, transferred, setoff or subject to any other arrangement at the option of the Plan Proponents. If any such Class 4L Claim is reinstated, in full or in part, such reinstated Claim may, at the option of the Plan Proponents, be subordinated in legal right and priority of payment to all non-Affiliate Claims against FMIC. Any and all Class 4L Claims, or portions thereof, being reinstated and, to the extent, if any, that such Claims are being subordinated to non-Affiliate Claims, are set forth in Exhibit 3.1.12.

(c) Voting: Class 4L is impaired and each holder of an Allowed Class 4L Claim is entitled to vote to accept or reject the Plan.

3.4.11. Class 4P – Equity Interests

(a) Classification: Class 4P consists of all Equity Interests in FMIC.

(b) Treatment: Each holder of an Allowed Equity Interest in Class 4P shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Equity Interest entitles the holder.

(c) Voting: Class 4P is unimpaired and holders of Class 4K Equity Interests are thus not entitled to vote to accept or reject the Plan.

3.5. Federal-Mogul Products, Inc. (“F-M Products”) (Classes 5A through 5P)

3.5.1. Class 5A – Priority Claims

(a) Classification: Class 5A consists of all Priority Claims against F-M Products.

(b) Treatment: On the Distribution Date, each holder of a Class 5A Allowed Priority Claim shall receive either (I) Cash equal to the Allowed Amount of such Priority Claim or (II) such other treatment as may be agreed upon in writing by such holder and Reorganized F-M Products.

(c) Voting: Class 5A is impaired and each holder of an Allowed Class 5A Claim is entitled to vote to accept or reject the Plan.

3.5.2. Class 5B – Secured Bank Claims

(a) Classification: Class 5B consists of all Secured Bank Claims against F-M Products.

(b) In full and complete satisfaction of all Allowed Class 5B Bank Claims, Claims arising under the Bank Credit Agreement (including certain letter of credit obligations) shall be deemed Allowed in the amount of \$1,646,681,464.00 (as adjusted as of the Effective Date to convert any foreign currencies to U.S. dollars) and F-M Products shall guarantee on a secured basis Reorganized Federal-Mogul’s obligations under (y) the Reorganized

Federal-Mogul Secured Term Loan Agreement and (z) the Reorganized Federal-Mogul Junior Secured PIK Notes.

(c) Voting: Class 5B is impaired and each holder of an Allowed Class 5B Claim is entitled to vote to accept or reject the Plan.

3.5.3. Class 5C - Secured Surety Claims

(a) Classification: Class 5C consists of all Secured Surety Claims against F-M Products.

(b) Treatment: On the Effective Date, all Claims and interests arising under and related to any indemnity contract or guarantee between F-M Products and any of the Sureties relating to the CCR Surety Bonds, if any, and all Liens on any property of F-M Products in favor of the Sureties, shall be released, extinguished and discharged. In full and complete satisfaction of all such Class 5C Claims, F-M Products shall guarantee on a secured basis Reorganized Federal-Mogul's obligations, if any, under the Secured Surety Notes and Junior Secured Surety PIK Notes.

(c) Voting: Class 5C is impaired and each holder of an Allowed Class 5C Claim is entitled to vote to accept or reject the Plan.

3.5.4. Class 5D – Noteholder Claims

(a) Classification: Class 5D consists of all secured and unsecured Noteholder Claims against F-M Products.

(b) Treatment: On the Distribution Date, all Claims arising under FM Product's Guaranty of the Noteholder Claims shall be released, extinguished and discharged. In consideration of the treatment accorded Class 1D, holders of Class 5D Noteholder Claims shall receive no additional distribution under the Plan on account of such Class 5D Noteholder Claims.

(c) Voting: Class 5D is impaired and each holder of an Allowed Class 5C Claim is entitled to vote to accept or reject the Plan.

3.5.5. Class 5E – Other Secured Claims

(a) Classification: Class 5E consists of all Secured Claims against FM Products, other than Bank Claims, Surety Claims, Noteholder Claims or Bonded Claims. Each Secured Claim shall constitute a separate sub-class (designated, for example, as Class 5E-1) for purposes of voting and distribution.

(b) Treatment: At the option of the Debtor or the Reorganized Debtor and in accordance with Section 1124 of the Bankruptcy Code, all Allowed Secured Claims in Class 5E, and each sub-class thereof, will be treated pursuant to one of the following alternatives: (I) the Plan will leave unaltered the legal, equitable and contractual rights to which each Secured Claim in Class 5E entitles the holder; (II) the Debtor shall cure any default that occurred before or after

the Petition Date; the maturity of such Secured Claim shall be reinstated as such maturity existed prior to any such default; the holder of such Secured Claim shall be compensated for any damages incurred as a result of any reasonable reliance by the holder on any right to accelerate its claim; and the legal, equitable and contractual rights of such holder will not otherwise be altered; (III) an Allowed Secured Claim shall receive such other treatment as the Debtor and the holder shall agree; or (IV) all of the collateral for such Secured Claim will be surrendered by the Debtor to the holder of such Claim on the Effective Date or as soon as practicable thereafter.

(c) Voting: To the extent any Allowed Secured Claims are treated in the manner set forth in clauses (I), (II), (III) or (IV) of the immediately preceding subsection, Class 5E or the particular sub-class is unimpaired and such holders are not entitled to vote to accept or reject the Plan.

3.5.6. Class 5G – On-Site Environmental Claims

(a) Classification: Class 5G consists of all On-Site Environmental Claims against F-M Products.

(b) Treatment: Each holder of an Allowed On-Site Environmental Claim in Class 5G shall retain unaltered, the legal, equitable and contractual rights to which such Allowed On-Site Environmental Claim entitles the holder.

(c) Voting: Class 5G is unimpaired and holders of Class 5G Claims are thus not entitled to vote to accept or reject the Plan.

3.5.7. Class 5H – Unsecured Claims

(a) Classification: Class 5H consists of all Unsecured Claims against F-M Products, other than any unsecured portion of Noteholder Claims, any unsecured portion of Bonded Asbestos Personal Injury Claims or other Claims specifically included in any other Class.

(b) Treatment: Subject to Section 8.17 of the Plan, each holder of an Allowed Class 5H Unsecured Claim shall receive a total Cash payment equal to 35% of such holder's Allowed Unsecured Claim, with such total amount to be paid in three equal, annual installments, the first of which shall be paid on the Distribution Date and the second and third on the first and second anniversaries of the Distribution Date, respectively.

(c) Voting: Class 5H is impaired and each holder of an Allowed Class 5H Claim is entitled to vote to accept or reject the Plan.

3.5.8. Class 5I – Non-Priority Employee Benefit Claims

(a) Classification: Class 5I consists of all Non-Priority Employee Benefit Claims against F-M Products.

(b) Treatment: On the Effective Date, Reorganized F-M Products shall continue, automatically and without further act, deed or Court order, the Employee Benefit Plans

maintained by F-M Products, and each holder of an Allowed Class 5I Non-Priority Employee Benefit Claim shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Non-Priority Employee Benefit Claim entitles such holder.

(c) Voting: Class 5I is unimpaired and holders of Class 5I Claims are thus not entitled to vote to accept or reject the Plan.

3.5.9. Class 5J – Asbestos Personal Injury Claims

(a) Classification: Class 5J consists of all Asbestos Personal Injury Claims against F-M Products.

(b) Treatment: As of the Effective Date, liability for all Class 5J Asbestos Personal Injury Claims shall be automatically and without further act, deed or Court order, transferred to, vested in and assumed by the Trust. Each Asbestos Personal Injury Claim in Class 5J shall be addressed (i.e., Allowed or disallowed, and if Allowed, then paid) solely by the Trust pursuant to and in accordance with the Asbestos Personal Injury Trust Distribution Procedures.

(c) Voting: Class 5J is impaired and each holder of an Allowed Class 5J Claim is entitled to vote to accept or reject the Plan.

3.5.10. Class 5K – Bonded Claims

(a) Classification: Class 5K consists of all Bonded Claims against F-M Products.

(b) Treatment: Each holder of an Allowed Bonded Claim in Class 5K shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Bonded Claim entitles the holder.

(c) Voting: Class 5K is unimpaired and holders of Class 5K Claims are thus not entitled to vote to accept or reject the Plan.

3.5.11. Class 5L - Affiliate Claims

(a) Classification: Class 5L consists of all Affiliate Claims against F-M Products.

(b) Treatment: On the Effective Date, at the option of the Plan Proponents, all Affiliate Claims in Class 5L shall either be (a) reinstated, in full or in part, or (b) discharged and extinguished, in full 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 portion under the Plan; provided, however, that prior to such discharge and extinguishment such Affiliate Claims may be contributed to capital, transferred, setoff or subject to any other arrangement at the option of the Plan Proponents. If any such Class 5L Claim is reinstated, in full or in part, such reinstated Claim may, at the option of the Plan Proponents, be subordinated in legal right and priority of payment to all non-Affiliate

Claims against F-M Products. Any and all Class 5L Claims, or portions thereof, being reinstated and, to the extent, if any, that such Claims are being subordinated to non-Affiliate Claims, are set forth in Exhibit 3.1.12.

(c) Voting: Class 5L is impaired and each holder of an Allowed Class 5L Claim is entitled to vote to accept or reject the Plan.

3.5.12. Class 5P – Equity Interests

(a) Classification: Class 5P consists of all Equity Interests in F-M Products.

(b) Treatment: Each holder of an Allowed Equity Interest in Class 5P shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Equity Interest entitles the holder.

(c) Voting: Class 5P is unimpaired and holders of Class 5P Equity Interests are thus not entitled to vote to accept or reject the Plan.

3.6. T&N Limited (“T&N”) (Classes 6A – 6P)

3.6.1. Class 6A – Priority and Preferential Claims

(a) Classification: Class 6A consists of all Priority and Preferential Claims against T&N. Class 6A Priority and Preferential Claims shall include, without limitation, all Priority and Preferential Claims against other U.K. Debtors for which T&N is liable under applicable non-bankruptcy law as a result of agency agreements entered into with such Affiliate prior to the Petition Date; provided, however, to ensure that there shall be no double recovery to any holder on account of the inclusion in Class 6A of any Priority or Preferential Claim against T&N as a result of such agency agreements, such holder shall be required to make an election as to whether such Priority or Preferential Claim shall be asserted against T&N as principal, or against the relevant Affiliate of T&N which was acting as the agent of T&N.

(b) Treatment: Each holder of a Class 6A Allowed Claim shall retain unaltered the legal, equitable and contractual rights to which such Claim entitles the holder.

(c) Voting: Class 6A is unimpaired and holders of Class 6A Claims are thus not entitled to vote to accept or reject the Plan.

3.6.2. Class 6E – Other Secured Claims

(a) Classification: Class 6E consists of all Secured Claims against T&N, other than Bonded Claims. Each Secured Claim shall constitute a separate sub-class (designated, for example, as Class 6C-1) for purposes of Voting and distribution.

(b) Treatment: In accordance with Section 1124 of the Bankruptcy Code, the Plan will leave unaltered the legal, equitable and contractual rights to which each Allowed Secured Claim in Class 6E entitles the holder.

(c) Voting: Class 6E or the particular sub-class is unimpaired, and holders of Claims in such Class or sub-class are thus not entitled to vote to accept or reject the Plan.

3.6.3. Class 6H – Unsecured Claims

(a) Classification: Class 6H consists of all Unsecured Claims against T&N other than any Claims that are specifically included in any other Class. Class 6H shall expressly include, without limitation, all Surety Claims against T&N. Class 6H shall also expressly include, without limitation, all Unsecured Claims against other U.K. Debtors or non-Debtor Affiliates of T&N for which T&N is liable under applicable non-bankruptcy law as a result of agency agreements entered into with such Affiliate prior to the Petition Date; provided that, to ensure that there shall be no double recovery to any holder on account of the inclusion in Class 6H of any Claim against T&N as a result of such agency agreements, such holder shall be required to make an election as to whether such Claim shall be asserted against T&N as principal, or against the relevant Affiliate of T&N which was acting as the agent of T&N. Additionally, if the T&N Pension Plan Trustees do not vote in favor of acceptance of all of the Plans for the U.K. Debtors that have obligations under or relating to the T&N Pension Plan and have not given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote in favor of approving any relevant Voluntary Arrangements for such U.K. Debtors and/or if the Consensual Marketing Procedures are performed with respect to T&N, then Class 6H shall also include all Class 6I Non-Priority T&N Pension Plan Employee Benefit Claims against T&N.

(b) Treatment: Each holder of an Allowed Class 6H Claim shall receive, on the Distribution Date, a Cash payment equal to the Allowed Amount of such holder's Class 6H Claim multiplied by: (i) T&N Distribution Ratio 1 if the Consensual Marketing Procedures have not been performed or (ii) T&N Distribution Ratio 2 if the Consensual Marketing Procedures have been performed.

(c) Voting: Class 6H is impaired and each holder of an Allowed Class 6H Claim is entitled to vote to accept or reject the Plan.

3.6.4. Class 6I – Non-Priority T&N Pension Plan Employee Benefit Claims

(a) Classification: Class 6I consists of all Non-Priority T&N Pension Plan Employee Benefit Claims against T&N.

(b) Treatment A: If the T&N Pension Plan Trustees vote in favor of acceptance of all of the Plans of the U.K. Debtors that have any obligations under or relating to the T&N Pension Plan and have given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote to approve any relevant Voluntary Arrangements for such U.K. Debtors and if the Consensual Marketing Procedures are not performed with respect to T&N, then the following shall occur in full satisfaction of all Non-Priority T&N Pension Plan Employee Benefit Claims.

(i) The T&N Pension Plan shall continue as modified herein.

(ii) The T&N Pension Plan contribution rate from the Effective Date to April 30, 2012 shall be limited to the annual maintenance cost with respect to services rendered after the Effective Date by current active employees and participants of T&N and other U.K. Debtors with obligations under or relating to the T&N Pension Plan that choose to remain in the T&N Pension Plan (provided such amount is lower than the current annual funding). No annual contributions will be made to the T&N Pension Plan to amortize the underfunding that relates to prior service by retired, deferred, current and active members.

(iii) To moderate the impact of post-Effective Date redundancies on the T&N Pension Plan, T&N shall pay an amount -- over a period of not more than two years after a redundancy action -- equal to the additional liability crystallized by each redundancy action (job elimination of less than twenty people at a given site in any one year will be disregarded).

(iv) Reorganized T&N shall have the right to terminate the T&N Pension Plan at any time on and after April 30, 2012. If Reorganized T&N does so terminate the T&N Pension Plan, then the T&N Pension Plan Trustees shall receive a Cash payment equal to the Allowed Amount of the Non-Priority T&N Pension Plan Employee Benefit Claims against all U.K. Debtors calculated as of the Petition Date multiplied by T&N Distribution Ratio 1 plus interest at market rate from the Effective Date through the date the T&N Pension Plan is terminated. Such treatment shall be in full and complete satisfaction of all Non-Priority T&N Pension Plan Employee Benefit Claims against all U.K. Debtors having obligations under or relating to the T&N Pension Plan.

(v) The contingent obligation of Reorganized T&N to pay the dividend set forth above will be embodied in either, at the option of the Plan Proponents, a contingent promissory note from Reorganized T&N or an amendment to the Trust Deed of the T&N Pension Plan. The note will be delivered to the T&N Pension Plan Trustee or, if applicable, the amendment to the Trust Deed shall take effect on the Effective Date.

(vi) The T&N Pension Plan Trustees shall, to the extent permitted by applicable law, continue the current investment strategy in consultation with Reorganized T&N and shall not change such investment strategy without approval of Reorganized T&N.

(vii) As an alternative to (i) through (vi) above, such other treatment as may be agreed to by the T&N Pension Plan Trustees and the Plan Proponents.

(c) Treatment B: If the conditions for Treatment A as set forth above are not met, then all obligations with respect to the T&N Pension Plan shall be compromised and discharged and all Class 6I Non-Priority T&N Pension Plan Employee Benefit Claims shall be included with and treated as Class 6H Claims.

(d) Voting: Class 6I is impaired and each holder of an Allowed Class 6I Claim is entitled to vote to accept or reject the Plan.

3.6.5. Class 6J – Asbestos Personal Injury Claims

(a) Classification: Class 6J consists of all Asbestos Personal Injury Claims against T&N, and shall also include, without limitation, all Asbestos Personal Injury Claims against other U.K. Debtors or non-Debtor Affiliates of T&N for which T&N is liable under applicable non-bankruptcy law as a result of agency agreements entered into with such Affiliates before the Petition Date, to the extent that the holders of such Claims against the Affiliates of T&N so elect. To ensure that there shall be no double recovery to any holder on account of the inclusion in Class 6J of any Asbestos Personal Injury Claim against T&N as a result of such agency agreements, each holder of such Claim against a T&N Affiliate shall be required to make an election as to whether such Asbestos Personal Injury Claim shall be asserted against T&N as principal, or against the relevant Affiliate of T&N which was acting as the agent of T&N.

(b) Treatment: As of the Effective Date, liability for all Class 6J Asbestos Personal Injury Claims shall automatically and without further act, deed or Court order, be assumed by the Trust in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan and the provisions relating to the Hercules Policy and any EL Policy. Additionally, on the Effective Date, the liability of Reorganized T&N for each Class 6J Claim shall continue but recourse to the assets of Reorganized T&N in respect of such liability shall, by operation of the Plan, the Scheme of Arrangement and/or the Voluntary Arrangement and the Confirmation Order, be limited in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan and the provisions relating to the Hercules Policy and any EL Policy. Upon the Hercules Policy Expiry Date and/or the EL Coverage Expiry Date, Reorganized T&N shall be, without further order of Court, released and discharged from Class 6J Asbestos Personal Injury Claims in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan.

(c) Voting: Class 6J is impaired and each holder of an Allowed Class 6J Claim is entitled to vote to accept or reject the Plan.

3.6.6. Class 6L - Affiliate Claims

(a) Classification: Class 6L consists of all Affiliate Claims against T&N which are subject to the Subordination Deed. Class 6L Affiliate Claims shall include, without limitation, all Affiliate Claims against other U.K. Debtors or non-Debtor Affiliates of T&N which are subject to the Subordination Deed and for which T&N is liable under applicable non-bankruptcy law as a result of agency agreements entered into with such Affiliate prior to the Petition Date; provided that, to ensure that there shall be no double recovery to any holder on account of the inclusion in Class 6L of any Affiliate Claim against T&N as a result of such agency agreements, such holder shall be required to make an election as to whether such Affiliate Claim shall be asserted against T&N as principal, or against the relevant Affiliate of T&N which was acting as the agent of T&N.

(b) Treatment: All Affiliate Claims in Class 6L shall be subject to the Subordination Deed which shall become effective on the Effective Date, but not as a result of the provisions of the Plan, the Confirmation Order, the Voluntary Arrangement and/or the Scheme of Arrangement or the order of the U.K. Court sanctioning the Scheme of Arrangement.

(c) Voting: Class 6L is unimpaired and holders of Class 6L Claims are thus not entitled to vote to accept or reject the Plan.

3.6.7. Class 6P – Equity Interests

(a) Classification: Class 6P consists of all Equity Interests in T&N.

(b) Treatment: Each holder of an Allowed Equity Interest in Class 6P shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Equity Interest entitles the holder.

(c) Voting: Class 6P is unimpaired and holders of Class 6P Equity Interests are thus not entitled to vote to accept or reject the Plan.

3.7. Federal-Mogul Ignition (U.K.) Limited (“FM Ignition”)(Classes 7A – 7P)

3.7.1. Class 7A - Priority and Preferential Claims

(a) Classification: Class 7A consists of all Priority and Preferential Claims against FM Ignition.

(b) Treatment: Each holder of a Class 7A Allowed Claim shall retain unaltered the legal, equitable and contractual rights to which such Claim entitles the holder.

(c) Voting: Class 7A is unimpaired and holders of Class 7A Claims are thus not entitled to vote to accept or reject the Plan.

3.7.2. Class 7H – Unsecured Claims

(a) Classification: Class 7H consists of all Unsecured Claims against FM Ignition other than any Claims that are specifically included in any other Class. Additionally, if the FM Ignition Pension Plan Trustees do not vote in favor of acceptance of the Plan for FM Ignition and have not given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote in favor of approving any relevant Voluntary Arrangement for FM Ignition and/or if the Consensual Marketing Procedures are performed with respect to FM Ignition, then Class 7H shall also include all Class 7I Non-Priority FM Ignition Pension Plan Employee Benefit Claims against FM Ignition.

(b) Treatment: Each holder of an Allowed Class 7H Claim shall receive, on the Distribution Date, a Cash payment equal to the greater of (i) the Allowed Amount of such holder’s Class 7H Claim multiplied by either (y) T&N Distribution Ratio 1 if the Consensual Marketing Procedures are not performed or (z) T&N Distribution Ratio 2 if the Consensual

Marketing Procedures are performed and (ii) the Allowed Amount of such holder's Class 7H Claim multiplied by the Company Specific Distribution Ratio for FM Ignition.

(c) Voting: Class 7H is impaired and each holder of an Allowed Class 7H Claim is entitled to vote to accept or reject the Plan.

3.7.3. Class 7I – Non-Priority FM Ignition Pension Plan Employee Benefit Claims

(a) Classification: Class 7I consists of all Non-Priority FM Ignition Pension Plan Employee Benefit Claims against FM Ignition.

(b) Treatment A: If the FM Ignition Pension Plan Trustees vote in favor of acceptance of the Plan for FM Ignition and have given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote to approve any relevant Voluntary Arrangement for FM Ignition and if the Consensual Marketing Procedures are not performed with respect to FM Ignition, then the FM Ignition Pension Plan Trustee may elect either the "Let It Run" treatment or the "Alternate Payout" treatment, each as described below.

1. The following shall occur if the FM Ignition Pension Plan Trustees elect the "Let It Run" Treatment:

(A) The FM Ignition Pension Plan shall continue as modified herein. Current active employees who are part of the FM Ignition Pension Plan shall be offered a choice with respect to pension benefits relating to services performed post-Effective Date.

(B) The FM Ignition contribution rate from the Effective Date to April 30, 2012 shall be limited to the annual maintenance cost with respect to services rendered after the Effective Date by current active employee participants of the FM Ignition Pension Plan that choose to remain in the FM Ignition Pension Plan (provided such amount is lower than the current annual funding). No annual contributions will be made to the FM Ignition Pension Plan to amortize the underfunding that relates to prior service by retired, deferred, current and active members.

(C) Reorganized FM Ignition shall have the right to elect to terminate the FM Ignition Pension Plan at any time on and after April 30, 2012. If Reorganized FM Ignition does so terminate the FM Ignition Pension Plan, then the FM Ignition Pension Plan Trustees shall receive a Cash Payment equal to the Allowed Amount of the Non-Priority FM Ignition Pension Plan Employee Benefit Claims calculated as of the Petition Date multiplied by the greater of T&N Distribution Ratio 1 and the Company Specific Distribution Ratio plus interest at market rate from the Effective Date through the date the FM Ignition Pension Plan is terminated. Such treatment shall be in full and complete satisfaction of all Non-Priority FM Ignition Pension Plan Employee Benefit Claims.

(D) The contingent obligation of Reorganized FM Ignition to pay the dividend set forth above will be embodied in either, at the option of the Plan Proponents, a contingent promissory note from Reorganized FM Ignition or an amendment to the Trust Deed for the FM Ignition Pension Plan. The note will be delivered to the FM Ignition Pension Trustee or, if applicable, the amendment to the Trust Deed shall take effect on the Effective Date.

(E) The FM Ignition Pension Plan Trustees shall, to the extent permitted by applicable law, continue the current investment strategy in consultation with Reorganized FM Ignition and shall not change such investment strategy without approval from Reorganized FM Ignition.

2. The following shall occur if the FM Ignition Pension Plan Trustees elect the "Alternate Payout" treatment:

(A) On the Effective Date, the FM Ignition Pension Plan shall pay the FM Ignition Pension Plan Trustees an amount sufficient to purchase annuities to secure the benefits of all participants retired and currently receiving pension payments.

(B) Actuarially equivalent transfer values would be provided to non-pensioner participants (assuming no cost of living adjustments). Actuarial assumptions will be the same as used in that certain August 2003 Transfer Value change assumption calculation.

(C) Contributions by Reorganized FM Ignition to fund (A) and (B) above shall be limited to no more than £9 million.

(c) Treatment B: If the conditions for Treatment A as set forth above are not met, then all obligations with respect to the FM Ignition Pension Plan shall be compromised and discharged and all Class 7I Non-Priority FM Ignition Pension Plan Employee Benefit Claims shall be included with and treated as Class 7H Claims.

(d) Voting: Class 7I is impaired and each holder of an Allowed Class 7I Claim is entitled to vote to accept or reject the Plan.

3.7.4. Class 7J - Asbestos Personal Injury Claims

(a) Classification: Class 7J consists of all Asbestos Personal Injury Claims against FM Ignition as to which the holder has not made an election to assert such Claim against T&N as principal and to have such Claim included in Class 6J.

(b) Treatment: As of the Effective Date, liability for all Class 7J Asbestos Personal Injury Claims shall automatically and without further act, deed or Court order, be assumed by the Trust in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan and the provisions relating to the Hercules Policy and any EL Policy. Additionally, on the Effective Date, the liability of Reorganized FM Ignition for each Class 7J Claim shall continue but recourse to the assets of

Reorganized FM Ignition in respect of such liability shall, by operation of the Plan, the Scheme of Arrangement and/or the Voluntary Arrangement and the Confirmation Order, be limited in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan and the provisions relating to the Hercules Policy and any EL Policy. Upon the Hercules Policy Expiry Date and/or the EL Coverage Expiry Date, Reorganized FM Ignition shall be, without further order of Court, released and discharged from Class 7J Asbestos Personal Injury Claims in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan.

(c) Voting: Class 7J is impaired and each holder of an Allowed Class 7J Claim is entitled to vote to accept or reject the Plan.

3.7.5. Class 7L - Affiliate Claims

(a) Classification: Class 7L consists of all Affiliate Claims against FM Ignition which are subject to the Subordination Deed.

(b) Treatment: All Affiliate Claims in Class 7L shall be subject to the Subordination Deed which shall become effective on the Effective Date, but not as a result of the provisions of the Plan, the Confirmation Order, the Voluntary Arrangement and/or the Scheme of Arrangement or the order of the U.K. Court sanctioning the Scheme of Arrangement.

(c) Voting: Class 7L is unimpaired and holders of Class 7L Claims are thus not entitled to vote to accept or reject the Plan.

3.7.6. Class 7P – Equity Interests

(a) Classification: Class 7P consists of all Equity Interests in FM Ignition.

(b) Treatment: Each holder of an Allowed Equity Interest in Class 7P shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Equity Interest entitles the holder.

(c) Voting: Class 7P is unimpaired and holders of Class 7P Equity Interests are thus not entitled to vote to accept or reject the Plan.

3.8. Federal-Mogul Systems Protection Group Limited (FMSPG”) (Classes 8A - 8P)

3.8.1. Class 8A - Priority and Preferential Claims

(a) Classification: Class 8A consists of all Priority and Preferential Claims against FMSPG other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6A.

(b) Treatment: Each holder of a Class 8A Allowed Claim shall retain unaltered the legal, equitable and contractual rights to which such Claim entitles the holder.

(c) Voting: Class 8A is unimpaired and holders of Class 8A Claims are thus not entitled to vote to accept or reject the Plan.

3.8.2. Class 8H – Unsecured Claims

(a) Classification: Class 8H consists of all Unsecured Claims against FMSPG other than any Claims that are specifically included in any other Class and other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6H. Additionally, if the T&N Pension Plan Trustees do not vote in favor of acceptance of all of the Plans for the U.K. Debtors that have obligations under or relating to the T&N Pension Plan and have not given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote in favor of approving any relevant Voluntary Arrangements for such U.K. Debtors and/or if the Consensual Marketing Procedures are performed with respect to T&N, then Class 8H shall also include all Class 8I Non-Priority T&N Pension Plan Employee Benefit Claims against FMSPG.

(b) Treatment: Each holder of an Allowed Class 8H Claim shall receive, on the Distribution Date, a Cash payment equal to the greater of: (i) the Allowed Amount of such holder's Class 8H Claim multiplied by either (y) T&N Distribution Ratio 1 if the Consensual Marketing Procedures are not performed or (z) T&N Distribution Ratio 2 if the Consensual Marketing Procedures are performed; (ii) the Allowed Amount of such holder's Class 8H Claim multiplied by the Company Specific Distribution Ratio for FMSPG; or (iii) if FMSPG is a Small Company, the Allowed Amount of such holder's Class 8H Claim multiplied by the Small Company Specific Distribution Ratio for FMSPG.

(c) Voting: Class 8H is impaired and each holder of an Allowed Class 8H Claim is entitled to vote to accept or reject the Plan.

3.8.3. Class 8I – Non-Priority T&N Pension Plan Employee Benefit Claims

(a) Classification: Class 8I consists of all Non-Priority T&N Pension Plan Employee Benefit Claims against FMSPG.

(b) Treatment A: If the T&N Pension Plan Trustees vote in favor of acceptance of all of the Plans of the U.K. Debtors that have any obligations under or relating to the T&N Pension Plan and have given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote to approve any relevant Voluntary Arrangements for such U.K. Debtors and if the Consensual Marketing Procedures are not performed with respect to T&N, then the Class 8I Claims shall be deemed fully satisfied by virtue of the treatment afforded to the Non-Priority T&N Pension Plan Employee Benefit Claims in Class 6I.

(c) Treatment B: If the conditions for Treatment A as set forth above are not met, then all obligations with respect to the T&N Pension Plan will be compromised and discharged and all Class 8I Non Priority T&N Pension Plan Employee Benefit Claims against FMSPG shall be included in and treated as Class 8H Claims.

(d) Voting: Class 8I is impaired and each holder of an Allowed Class 8I Claim is entitled to vote to accept or reject the Plan.

3.8.4. Class 8L - Affiliate Claims

(a) Classification: Class 8L consists of all Affiliate Claims against FMSPG which are subject to the Subordination Deed, other than any such Affiliate Claims in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6L.

(b) Treatment: All Affiliate Claims in Class 8L shall be subject to the Subordination Deed which shall become effective on the Effective Date, but not as a result of the provisions of the Plan, the Confirmation Order, the Voluntary Arrangement and/or the Scheme of Arrangement or the order of the U.K. Court sanctioning the Scheme of Arrangement.

(c) Voting: Class 8L is unimpaired and holders of Class 8L Claims are thus not entitled to vote to accept or reject the Plan.

3.8.5. Class 8P – Equity Interests

(a) Classification: Class 8P consists of all Equity Interests in FMSPG.

(b) Treatment: Each holder of an Allowed Equity Interest in Class 8P shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Equity Interest entitles the holder.

(c) Voting: Class 8P is unimpaired and holders of Class 8P Equity Interests are thus not entitled to vote to accept or reject the Plan.

3.9. Federal-Mogul Aftermarket UK Limited (“FMAUK”)(Classes 9A – 9P)

3.9.1. Class 9A - Priority and Preferential Claims

(a) Classification: Class 9A consists of all Priority and Preferential Claims against FMAUK other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6A.

(b) Treatment: Each holder of a Class 9A Allowed Claim shall retain unaltered the legal, equitable and contractual rights to which such Claim entitles the holder.

(c) Voting: Class 9A is unimpaired and holders of Class 9A Claims are thus not entitled to vote to accept or reject the Plan.

3.9.2. Class 9H – Unsecured Claims

(a) Classification: Class 9H consists of all Unsecured Claims against FMAUK other than any Claims that are specifically included in any other Class and other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as

principal, under Class 6H. Additionally, if the T&N Pension Plan Trustees do not vote in favor of acceptance of all of the Plans for the U.K. Debtors that have obligations under or relating to the T&N Pension Plan and have not given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote in favor of approving any relevant Voluntary Arrangements for such U.K. Debtors and/or if the Consensual Marketing Procedures are performed with respect to T&N, then Class 9H shall also include all Class 9I Non-Priority T&N Pension Plan Employee Benefit Claims against FMAUK.

(b) Treatment: Each holder of an Allowed Class 9H Claim shall receive, on the Distribution Date, a Cash payment equal to the greater of: (i) the Allowed Amount of such holder's Class 9H Claim multiplied by either (y) T&N Distribution Ratio 1 if the Consensual Marketing Procedures are not performed or (z) T&N Distribution Ratio 2 if the Consensual Marketing Procedures are performed; (ii) the Allowed Amount of such holder's Class 9H Claim multiplied by the Company Specific Distribution Ratio for FMAUK; or (iii) if FMAUK is a Small Company, the Allowed Amount of such holder's Class 9H Claim multiplied by the Small Company Specific Distribution Ratio for FMAUK.

(c) Voting: Class 9H is impaired and each holder of an Allowed Class 9H Claim is entitled to vote to accept or reject the Plan.

3.9.3. Class 9I – Non-Priority T&N Pension Plan Employee Benefit Claims

(a) Classification: Class 9I consists of all Non-Priority T&N Pension Plan Employee Benefit Claims against FMAUK.

(b) Treatment A: If the T&N Pension Plan Trustees vote in favor of acceptance of all of the Plans of the U.K. Debtors that have any obligations under or relating to the T&N Pension Plan and have given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote to approve any relevant Voluntary Arrangements for such U.K. Debtors and if the Consensual Marketing Procedures are not performed with respect to T&N, then the Class 9I Claims shall be deemed fully satisfied by virtue of the treatment afforded to the Non-Priority T&N Pension Plan Employee Benefit Claims in Class 6I.

(c) Treatment B: If the conditions for Treatment A as set forth above are not met, then all obligations with respect to the T&N Pension Plan will be compromised and discharged and all Class 9I Non Priority T&N Pension Plan Employee Benefit Claims against FMAUK shall be included in and treated as Class 9H Claims.

(d) Voting: Class 9I is impaired and each holder of an Allowed Class 9I Claim is entitled to vote to accept or reject the Plan.

3.9.4. Class 9L - Affiliate Claims

(a) Classification: Class 9L consists of all Affiliate Claims against FMAUK which are subject to the Subordination Deed, other than any such Affiliate Claims in respect of which the holder has elected to assert the Claim against T&N, as principal, under Class 6L.

(b) Treatment: All Affiliate Claims in Class 9L shall be subject to the Subordination Deed which shall become effective on the Effective Date, but not as a result of the provisions of the Plan, the Confirmation Order, the Voluntary Arrangement and/or the Scheme of Arrangement or the order of the U.K. Court sanctioning the Scheme of Arrangement.

(c) Voting: Class 9L is unimpaired and holders of Class 9L Claims are thus not entitled to vote to accept or reject the Plan.

3.9.5. Class 9P – Equity Interests

(a) Classification: Class 9P consists of all Equity Interests in FMAUK.

(b) Treatment: Each holder of an Allowed Equity Interest in Class 9P shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Equity Interest entitles the holder.

(c) Voting: Class 9P is unimpaired and holders of Class 9P Equity Interests are thus not entitled to vote to accept or reject the Plan.

3.10. Federal-Mogul Sintered Products Limited (“FMSP”) (Classes 10A – 10P)

3.10.1. Class 10A - Priority and Preferential Claims

(a) Classification: Class 10A consists of all Priority and Preferential Claims against FMSP, other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6A.

(b) Treatment: Each holder of a Class 10A Allowed Claim shall retain unaltered the legal, equitable and contractual rights to which such Claim entitles the holder.

(c) Voting: Class 10A is unimpaired and holders of Class 10A Claims are thus not entitled to vote to accept or reject the Plan.

3.10.2. Class 10H – Unsecured Claims

(a) Classification: Class 10H consists of all Unsecured Claims against FMSP other than any Claims that are specifically included in any other Class and other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6H. Additionally, if the T&N Pension Plan Trustees do not vote in favor of acceptance of all of the Plans for the U.K. Debtors that have obligations under or relating to the T&N Pension Plan and have not given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote in favor of approving any relevant Voluntary

Arrangements for such U.K. Debtors and/or if the Consensual Marketing Procedures are performed with respect to T&N, then Class 10H shall also include all Class 10I Non-Priority T&N Pension Plan Employee Benefit Claims against FMSP.

(b) Treatment: Each holder of an Allowed Class 10H Claim shall receive, on the Distribution Date, a Cash payment equal to the greater of: (i) the Allowed Amount of such holder's Class 10H Claim multiplied by either (y) T&N Distribution Ratio 1 if the Consensual Marketing Procedures are not performed or (z) T&N Distribution Ratio 2 if the Consensual Marketing Procedures are performed; (ii) the Allowed Amount of such holder's Class 10H Claim multiplied by the Company Specific Distribution Ratio for FMSP; or (iii) if FMSP is a Small Company, the Allowed Amount of such holder's Class 10H Claim multiplied by the Small Company Specific Distribution Ratio for FMSP.

(c) Voting: Class 10H is impaired and each holder of an Allowed Class 10H Claim is entitled to vote to accept or reject the Plan.

3.10.3. Class 10I – Non-Priority T&N Pension Plan Employee Benefit Claims

(a) Classification: Class 10I consists of all Non-Priority T&N Pension Plan Employee Benefit Claims against FMSP.

(b) Treatment A: If the T&N Pension Plan Trustees vote in favor of acceptance of all of the Plans of the U.K. Debtors that have any obligations under or relating to the T&N Pension Plan and have given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote to approve any relevant Voluntary Arrangements for such U.K. Debtors and if the Consensual Marketing Procedures are not performed with respect to T&N, then the Class 10I Claims shall be deemed fully satisfied by virtue of the treatment afforded to the Non-Priority T&N Pension Plan Employee Benefit Claims in Class 6I.

(c) Treatment B: If the conditions for Treatment A as set forth above are not met, then all obligations with respect to the T&N Pension Plan will be compromised and discharged and all Class 10I Non Priority T&N Pension Plan Employee Benefit Claims against FMSP shall be included in and treated as Class 10H Claims.

(d) Voting: Class 10I is impaired and each holder of an Allowed Class 10I Claim is entitled to vote to accept or reject the Plan.

3.10.4. Class 10L - Affiliate Claims

(a) Classification: Class 10L consists of all Affiliate Claims against FMSP which are subject to the Subordination Deed, other than any such Affiliate Claim in respect of which the holder has made an election to assert the Claim against T&N, as principal, under Class 6L.

(b) Treatment: All Affiliate Claims in Class 10L shall be subject to the Subordination Deed which shall become effective on the Effective Date, but not as a result of the provisions of the Plan, the Confirmation Order, the Voluntary Arrangement and/or the Scheme of Arrangement or the order of the U.K. Court sanctioning the Scheme of Arrangement.

(c) Voting: Class 10L is unimpaired and holders of Class 10L Claims are thus not entitled to vote to accept or reject the Plan.

3.10.5. Class 10P – Equity Interests

(a) Classification: Class 10P consists of all Equity Interests in FMSP.

(b) Treatment: Each holder of an Allowed Equity Interest in Class 10P shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Equity Interest entitles the holder.

(c) Voting: Class 10P is unimpaired and holders of Class 10P Equity Interests are thus not entitled to vote to accept or reject the Plan.

3.11. Federal-Mogul Sealing Systems (Slough) Limited (“FMSS-Slough”) (Classes 11A – 11P)

3.11.1. Class 11A - Priority and Preferential Claims

(a) Classification: Class 11A consists of all Priority and Preferential Claims against FMSS-Slough, other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6A.

(b) Treatment: Each holder of a Class 11A Allowed Claim shall retain unaltered the legal, equitable and contractual rights to which such Claim entitles the holder.

(c) Voting: Class 11A is unimpaired and holders of Class 11A Claims are thus not entitled to vote to accept or reject the Plan.

3.11.2. Class 11G -- On-Site Environmental Claims

(a) Classification: Class 11G consists of all On-Site Environmental Claims against FMSS-Slough.

(b) Treatment: Each holder of an Allowed On-Site Environmental Claim in Class 11G shall retain unaltered, the legal, equitable and contractual rights to which such Allowed On-Site Environmental Claim entitles the holder.

(c) Voting: Class 11G is unimpaired and holders of Class 11G Claims are thus not entitled to vote to accept or reject the Plan.

3.11.3. Class 11H – Unsecured Claims

(a) Classification: Class 11H consists of all Unsecured Claims against FMSS-Slough other than any Claims that are specifically included in any other Class and other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6H. Additionally, if the T&N Pension Plan Trustees do not vote in favor of acceptance of all of the Plans for the U.K. Debtors that have obligations under or relating to the T&N Pension Plan and have not given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote in favor of approving any relevant Voluntary Arrangements for such U.K. Debtors and/or if the Consensual Marketing Procedures are performed with respect to T&N, then Class 11H shall also include all Class 11I Non-Priority T&N Pension Plan Employee Benefit Claims against FMSS-Slough.

(b) Treatment: Each holder of an Allowed Class 11H Claim shall receive, on the Distribution Date, a Cash payment equal to the greater of: (i) the Allowed Amount of such holder's Class 11H Claim multiplied by either (y) T&N Distribution Ratio 1 if the Consensual Marketing Procedures are not performed or (z) T&N Distribution Ratio 2 if the Consensual Marketing Procedures are performed; (ii) the Allowed Amount of such holder's Class 11H Claim multiplied by the Company Specific Distribution Ratio for FMSS-Slough; or (iii) if FMSS-Slough is a Small Company, the Allowed Amount of such holder's Class 11H Claim multiplied by the Small Company Specific Distribution Ratio for FMSS-Slough.

(c) Voting: Class 11H is impaired and each holder of an Allowed Class 11H Claim is entitled to vote to accept or reject the Plan.

3.11.4. Class 11I – Non-Priority T&N Pension Plan Employee Benefit Claims

(a) Classification: Class 11I consists of all Non-Priority T&N Pension Plan Employee Benefit Claims against FMSS-Slough.

(b) Treatment A: If the T&N Pension Plan Trustees vote in favor of acceptance of all of the Plans of the U.K. Debtors that have any obligations under or relating to the T&N Pension Plan and have given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote to approve any relevant Voluntary Arrangements for such U.K. Debtors and if the Consensual Marketing Procedures are not performed with respect to T&N, then the Class 11I Claims shall be deemed fully satisfied by virtue of the treatment afforded to the Non-Priority T&N Pension Plan Employee Benefit Claims in Class 6I.

(c) Treatment B: If the conditions for Treatment A as set forth above are not met, then all obligations with respect to the T&N Pension Plan will be compromised and discharged and all Class 11I Non Priority T&N Pension Plan Employee Benefit Claims against FMSS-Slough shall be included in and treated as Class 11H Claims.

(d) Voting: Class 11I is impaired and each holder of an Allowed Class 11I Claim is entitled to vote to accept or reject the Plan.

3.11.5. Class 11J - Asbestos Personal Injury Claims

(a) Classification: Class 11J consists of all Asbestos Personal Injury Claims against FMSS-Slough as to which the holder has not made an election to assert such Claim against T&N as principal and to have such Claim included in Class 6J.

(b) Treatment: As of the Effective Date, liability for all Class 11J Asbestos Personal Injury Claims shall automatically and without further act, deed or Court order, be assumed by the Trust in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan and the provisions relating to the Hercules Policy and any EL Policy. Additionally, on the Effective Date, the liability of Reorganized FMSS-Slough for each Class 11J Claim shall continue but recourse to the assets of Reorganized FMSS-Slough in respect of such liability shall, by operation of the Plan, the Scheme of Arrangement and/or the Voluntary Arrangement and the Confirmation Order, be limited in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan and the provisions relating to the Hercules Policy and any EL Policy. Upon the Hercules Policy Expiry Date and/or the EL Coverage Expiry Date, Reorganized FMSS-Slough shall be, without further order of Court, released and discharged from Class 11J Asbestos Personal Injury Claims in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan.

(c) Voting: Class 11J is impaired and each holder of an Allowed Class 11J Claim is entitled to vote to accept or reject the Plan.

3.11.6. Class 11L - Affiliate Claims.

(a) Classification: Class 11L consists of all Affiliate Claims against FMSS-Slough which are subject to the Subordination Deed, other than any such Affiliate Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6L.

(b) Treatment: All Affiliate Claims in Class 11L shall be subject to the Subordination Deed which shall become effective on the Effective Date, but not as a result of the provisions of the Plan, the Confirmation Order, the Voluntary Arrangement and/or the Scheme of Arrangement or the order of the U.K. Court sanctioning the Scheme of Arrangement.

(c) Voting: Class 11L is unimpaired and holders of Class 11L Claims are thus not entitled to vote to accept or reject the Plan.

3.11.7. Class 11P – Equity Interests

(a) Classification: Class 11P consists of all Equity Interests in FMSS-Slough.

(b) Treatment: Each holder of an Allowed Equity Interest in Class 11P shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Equity Interest entitles the holder.

(c) Voting: Class 11P is unimpaired and holders of Class 11P Equity Interests are thus not entitled to vote to accept or reject the Plan.

3.12. Federal-Mogul Friction Products Limited ("FMFP") (Classes 12A – 12P)

3.12.1. Class 12A - Priority and Preferential Claims

(a) Classification: Class 12A consists of all Priority and Preferential Claims against FMFP, other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6A.

(b) Treatment: Each holder of a Class 12A Allowed Claim shall retain unaltered the legal, equitable and contractual rights to which such Claim entitles the holder.

(c) Voting: Class 12A is unimpaired and holders of Class 12A Claims are thus not entitled to vote to accept or reject the Plan.

3.12.2. Class 12G -- On-Site Environmental Claims

(a) Classification: Class 12G consists of all On-Site Environmental Claims against FMFP.

(b) Treatment: Each holder of an Allowed On-Site Environmental Claim in Class 12G shall retain unaltered, the legal, equitable and contractual rights to which such Allowed On-Site Environmental Claim entitles the holder.

(c) Voting: Class 12G is unimpaired and holders of Class 12G Claims are thus not entitled to vote to accept or reject the Plan.

3.12.3. Class 12H – Unsecured Claims

(a) Classification: Class 12H consists of all Unsecured Claims against FMFP other than any Claims that are specifically included in any other Class and other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6H. Additionally, if the T&N Pension Plan Trustees do not vote in favor of acceptance of all of the Plans for the U.K. Debtors that have obligations under or relating to the T&N Pension Plan and have not given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote in favor of approving any relevant Voluntary Arrangements for such U.K. Debtors and/or if the Consensual Marketing Procedures are performed with respect to T&N, then Class 12H shall also include all Class 12I Non-Priority T&N Pension Plan Employee Benefit Claims against FMFP.

(b) Treatment: Each holder of an Allowed Class 12H Claim shall receive, on the Distribution Date, a Cash payment equal to the greater of: (i) the Allowed Amount of such holder's Class 12H Claim multiplied by either (y) T&N Distribution Ratio 1 if the Consensual Marketing Procedures are not performed or (z) T&N Distribution Ratio 2 if the Consensual Marketing Procedures are performed; (ii) the Allowed Amount of such holder's Class 12H Claim multiplied by the Company Specific Distribution Ratio for FMFP; or (iii) if FMFP is a Small

Company, the Allowed Amount of such holder's Class 12H Claim multiplied by the Small Company Specific Distribution Ratio for FMFP.

(c) Voting: Class 12H is impaired and each holder of an Allowed Class 12H Claim is entitled to vote to accept or reject the Plan.

3.12.4. Class 12I – Non-Priority T&N Pension Plan Employee Benefit Claims

(a) Classification: Class 12I consists of all Non-Priority T&N Pension Plan Employee Benefit Claims against FMFP.

(b) Treatment A: If the T&N Pension Plan Trustees vote in favor of acceptance of all of the Plans of the U.K. Debtors that have any obligations under or relating to the T&N Pension Plan and have given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote to approve any relevant Voluntary Arrangements for such U.K. Debtors and if the Consensual Marketing Procedures are not performed with respect to T&N, then the Class 12I Claims shall be deemed fully satisfied by virtue of the treatment afforded to the Non-Priority T&N Pension Plan Employee Benefit Claims in Class 6I.

(c) Treatment B: If the conditions for Treatment A as set forth above are not met, then all obligations with respect to the T&N Pension Plan will be compromised and discharged and all Class 12I Non Priority T&N Pension Plan Employee Benefit Claims against FMFP shall be included in and treated as Class 12H Claims.

(d) Voting: Class 12I is impaired and each holder of an Allowed Class 12I Claim is entitled to vote to accept or reject the Plan.

3.12.5. Class 12J – Asbestos Personal Injury Claims

(a) Classification: Class 12J consists of all Asbestos Personal Injury Claims against FMFP as to which the holder has not made an election to assert such Claim against T&N as principal and to have such Claim included in Class 6J.

(b) Treatment: As of the Effective Date, liability for all Class 12J Asbestos Personal Injury Claims shall automatically and without further act, deed or Court order, be assumed by the Trust in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan and the provisions relating to the Hercules Policy and any EL Policy. Additionally, on the Effective Date, the liability of Reorganized FMFP for each Class 12J Claim shall continue but recourse to the assets of Reorganized FMFP in respect of such liability shall, by operation of the Plan, the Scheme of Arrangement and/or the Voluntary Arrangement and the Confirmation Order, be limited in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan and the provisions relating to the Hercules Policy and any EL Policy. Upon the Hercules Policy Expiry Date and/or the EL Coverage Expiry Date, Reorganized FMFP shall be, without further order of Court, released and discharged from Class

12J Asbestos Personal Injury Claims in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan.

(c) Voting: Class 12J is impaired and each holder of an Allowed Class 12J Claim is entitled to vote to accept or reject the Plan.

3.12.6. Class 12L - Affiliate Claims

(a) Classification: Class 12L consists of all Affiliate Claims against FMFP which are subject to the Subordination Deed, other than any such Affiliate Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6L.

(b) Treatment: All Affiliate Claims in Class 12L shall be subject to the Subordination Deed which shall become effective on the Effective Date, but not as a result of the provisions of the Plan, the Confirmation Order, the Voluntary Arrangement and/or the Scheme of Arrangement or the order of the U.K. Court sanctioning the Scheme of Arrangement.

(c) Voting: Class 12L is unimpaired and holders of Class 12L Claims are thus not entitled to vote to accept or reject the Plan.

3.12.7. Class 12P – Equity Interests

(a) Classification: Class 12P consists of all Equity Interests in FMFP.

(b) Treatment: Each holder of an Allowed Equity Interest in Class 12P shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Equity Interest entitles the holder.

(c) Voting: Class 12P is unimpaired and holders of Class 12P Equity Interests are thus not entitled to vote to accept or reject the Plan.

3.13. Federal-Mogul Sealing Systems (Rochdale) Limited (“FMSS-Rochdale”) (Classes 13A – 13P)

3.13.1. Class 13A - Priority and Preferential Claims

(a) Classification: Class 13A consists of all Priority and Preferential Claims against FMSS-Rochdale, other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6A.

(b) Treatment: Each holder of a Class 13A Allowed Claim shall retain unaltered the legal, equitable and contractual rights to which such Claim entitles the holder.

(c) Voting: Class 13A is unimpaired and holders of Class 13A Claims are thus not entitled to vote to accept or reject the Plan.

3.13.2. Class 13H – Unsecured Claims

(a) **Classification:** Class 13H consists of all Unsecured Claims against FMSS-Rochdale other than any Claims that are specifically included in any other Class and other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6H. Additionally, if the T&N Pension Plan Trustees do not vote in favor of acceptance of all of the Plans for the U.K. Debtors that have obligations under or relating to the T&N Pension Plan and have not given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote in favor of approving any relevant Voluntary Arrangements for such U.K. Debtors and/or if the Consensual Marketing Procedures are performed with respect to T&N, then Class 13H shall also include all Class 13I Non-Priority T&N Pension Plan Employee Benefit Claims against FMSS-Rochdale.

(b) **Treatment:** Each holder of an Allowed Class 13H Claim shall receive, on the Distribution Date, a Cash payment equal to the greater of: (i) the Allowed Amount of such holder's Class 13H Claim multiplied by either (y) T&N Distribution Ratio 1 if the Consensual Marketing Procedures are not performed or (z) T&N Distribution Ratio 2 if the Consensual Marketing Procedures are performed; (ii) the Allowed Amount of such holder's Class 13H Claim multiplied by the Company Specific Distribution Ratio for FMSS-Rochdale; or (iii) if FMSS-Rochdale is a Small Company, the Allowed Amount of such holder's Class 13H Claim multiplied by the Small Company Specific Distribution Ratio for FMSS-Rochdale.

(c) **Voting:** Class 13H is impaired and each holder of an Allowed Class 13H Claim is entitled to vote to accept or reject the Plan.

3.13.3. Class 13I – Non-Priority T&N Pension Plan Employee Benefit Claims

(a) **Classification:** Class 13I consists of all Non-Priority T&N Pension Plan Employee Benefit Claims against FMSS-Rochdale.

(b) **Treatment A:** If the T&N Pension Plan Trustees vote in favor of acceptance of all of the Plans of the U.K. Debtors that have any obligations under or relating to the T&N Pension Plan and have given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote to approve any relevant Voluntary Arrangements for such U.K. Debtors and if the Consensual Marketing Procedures are not performed with respect to T&N, then the Class 13I Claims shall be deemed fully satisfied by virtue of the treatment afforded to the Non-Priority T&N Pension Plan Employee Benefit Claims in Class 6I.

(c) **Treatment B:** If the conditions for Treatment A as set forth above are not met, then all obligations with respect to the T&N Pension Plan will be compromised and discharged and all Class 13I Non Priority T&N Pension Plan Employee Benefit Claims against FMSS-Rochdale shall be included in and treated as Class 13H Claims.

(d) **Voting:** Class 13I is impaired and each holder of an Allowed Class 13I Claim is entitled to vote to accept or reject the Plan.

3.13.4. Class 13J - Asbestos Personal Injury Claims

(a) Classification: Class 13J consists of all Asbestos Personal Injury Claims against FMSS-Rochdale as to which the holder has not made an election to assert such Claim against T&N as principal and to have such Claim included in Class 6J.

(b) Treatment: As of the Effective Date, liability for all Class 13J Asbestos Personal Injury Claims shall automatically and without further act, deed or Court order, be assumed by the Trust in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan and the provisions relating to the Hercules Policy and any EL Policy. Additionally, on the Effective Date, the liability of Reorganized FMSS-Rochdale for each Class 13J Claim shall continue but recourse to the assets of Reorganized FMSS-Rochdale in respect of such liability shall, by operation of the Plan, the Scheme of Arrangement and/or the Voluntary Arrangement and the Confirmation Order, be limited in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan and the provisions relating to the Hercules Policy and any EL Policy. Upon the Hercules Policy Expiry Date and/or the EL Coverage Expiry Date, Reorganized FMSS-Rochdale shall be, without further order of Court, released and discharged from Class 13J Asbestos Personal Injury Claims in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan.

(c) Voting: Class 13J is impaired and each holder of an Allowed Class 13J Claim is entitled to vote to accept or reject the Plan.

3.13.5. Class 13L - Affiliate Claims

(a) Classification: Class 13L consists of all Affiliate Claims against FMSS-Rochdale which are subject to the Subordination Deed, other than any such Affiliate Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6L.

(b) Treatment: All Affiliate Claims in Class 13L shall be subject to the Subordination Deed which shall become effective on the Effective Date, but not as a result of the provisions of the Plan, the Confirmation Order, the Voluntary Arrangement and/or the Scheme of Arrangement or the order of the U.K. Court sanctioning the Scheme of Arrangement.

(c) Voting: Class 13L is unimpaired and holders of Class 13L Claims are thus not entitled to vote to accept or reject the Plan.

3.13.6. Class 13P – Equity Interests

(a) Classification: Class 13P consists of all Equity Interests in FMSS-Rochdale.

(b) Treatment: Each holder of an Allowed Equity Interest in Class 13P shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Equity Interest entitles the holder.

(c) Voting: Class 13P is unimpaired and holders of Class 13P Equity Interests are thus not entitled to vote to accept or reject the Plan.

3.14. Federal-Mogul Camshaft Castings Limited (“FMCC”) (Classes 14A – 14P)

3.14.1. Class 14A - Priority and Preferential Claims

(a) Classification: Class 14A consists of all Priority and Preferential Claims against FMCC, other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6A.

(b) Treatment: Each holder of a Class 14A Allowed Claim shall retain unaltered the legal, equitable and contractual rights to which such Claim entitles the holder.

(c) Voting: Class 14A is unimpaired and holders of Class 14A Claims are thus not entitled to vote to accept or reject the Plan.

3.14.2. Class 14H – Unsecured Claims

(a) Classification: Class 14H consists of all Unsecured Claims against FMCC other than any Claims that are specifically included in any other Class and other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6H. Additionally, if the T&N Pension Plan Trustees do not vote in favor of acceptance of all of the Plans for the U.K. Debtors that have obligations under or relating to the T&N Pension Plan and have not given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote in favor of approving any relevant Voluntary Arrangements for such U.K. Debtors and/or if the Consensual Marketing Procedures are performed with respect to T&N, then Class 14H shall also include all Class 14I Non-Priority T&N Pension Plan Employee Benefit Claims against FMCC.

(b) Treatment: Each holder of an Allowed Class 14H Claim shall receive, on the Distribution Date, a Cash payment equal to the greater of: (i) the Allowed Amount of such holder’s Class 14H Claim multiplied by either (y) T&N Distribution Ratio 1 if the Consensual Marketing Procedures are not performed or (z) T&N Distribution Ratio 2 if the Consensual Marketing Procedures are performed; (ii) the Allowed Amount of such holder’s Class 14H Claim multiplied by the Company Specific Distribution Ratio for FMCC; or (iii) if FMCC is a Small Company, the Allowed Amount of such holder’s Class 14H Claim multiplied by the Small Company Specific Distribution Ratio for FMCC.

(c) Voting: Class 14H is impaired and each holder of an Allowed Class 14H Claim is entitled to vote to accept or reject the Plan.

3.14.3. Class 14I – Non-Priority T&N Pension Plan Employee Benefit Claims

(a) Classification: Class 14I consists of all Non-Priority T&N Pension Plan Employee Benefit Claims against FMCC.

(b) Treatment A: If the T&N Pension Plan Trustees vote in favor of acceptance of all of the Plans of the U.K. Debtors that have any obligations under or relating to the T&N Pension Plan and have given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote to approve any relevant Voluntary Arrangements for such U.K. Debtors and if the Consensual Marketing Procedures are not performed with respect to T&N, then the Class 14I Claims shall be deemed fully satisfied by virtue of the treatment afforded to the Non-Priority T&N Pension Plan Employee Benefit Claims in Class 6I.

(c) Treatment B: If the conditions for Treatment A as set forth above are not met, then all obligations with respect to the T&N Pension Plan will be compromised and discharged and all Class 14I Non Priority T&N Pension Plan Employee Benefit Claims against FMCC shall be included in and treated as Class 14H Claims.

(d) Voting: Class 14I is impaired and each holder of an Allowed Class 14I Claim is entitled to vote to accept or reject the Plan.

3.14.4. Class 14J - Asbestos Personal Injury Claims

(a) Classification: Class 14J consists of all Asbestos Personal Injury Claims against FMCC as to which the holder has not made an election to assert such Claim against T&N as principal and to have such Claim included in Class 6J.

(b) Treatment: As of the Effective Date, liability for all Class 14J Asbestos Personal Injury Claims shall automatically and without further act, deed or Court order, be assumed by the Trust in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan and the provisions relating to the Hercules Policy and any EL Policy. Additionally, on the Effective Date, the liability of Reorganized FMCC for each Class 14J Claim shall continue but recourse to the assets of Reorganized FMCC in respect of such liability shall, by operation of the Plan, the Scheme of Arrangement and/or the Voluntary Arrangement and the Confirmation Order, be limited in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan and the provisions relating to the Hercules Policy and any EL Policy. Upon the Hercules Policy Expiry Date and/or the EL Coverage Expiry Date, Reorganized FMCC shall be, without further order of Court, released and discharged from Class 14J Asbestos Personal Injury Claims in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan.

(c) Voting: Class 14J is impaired and each holder of an Allowed Class 14J Claim is entitled to vote to accept or reject the Plan.

3.14.5. Class 14L - Affiliate Claims

(a) Classification: Class 14L consists of all Affiliate Claims against FMCC which are subject to the Subordination Deed, other than any such Affiliate Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6L.

(b) Treatment: All Affiliate Claims in Class 14L shall be subject to the Subordination Deed which shall become effective on the Effective Date, but not as a result of the provisions of the Plan, the Confirmation Order, the Voluntary Arrangement and/or the Scheme of Arrangement or the order of the U.K. Court sanctioning the Scheme of Arrangement.

(c) Voting: Class 14L is unimpaired and holders of Class 14L Claims are thus not entitled to vote to accept or reject the Plan.

3.14.6. Class 14P – Equity Interests

(a) Classification: Class 14P consists of all Equity Interests in FMCC.

(b) Treatment: Each holder of an Allowed Equity Interest in Class 14P shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Equity Interest entitles the holder.

(c) Voting: Class 14P is unimpaired and holders of Class 14P Equity Interests are thus not entitled to vote to accept or reject the Plan.

3.15. Federal-Mogul Bradford Limited (“Bradford”) (Classes 15A – 15P)

3.15.1. Class 15A - Priority and Preferential Claims

(a) Classification: Class 15A consists of all Priority and Preferential Claims against Bradford, other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6A.

(b) Treatment: Each holder of a Class 15A Allowed Claim shall retain unaltered the legal, equitable and contractual rights to which such Claim entitles the holder.

(c) Voting: Class 15A is unimpaired and holders of Class 15A Claims are thus not entitled to vote to accept or reject the Plan.

3.15.2. Class 15H – Unsecured Claims

(a) Classification: Class 15H consists of all Unsecured Claims against Bradford other than any Claims that are specifically included in any other Class and other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6H. Additionally, if the T&N Pension Plan Trustees do not vote in favor of acceptance of all of the Plans for the U.K. Debtors that have obligations under or relating to the T&N Pension Plan and have not given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote in favor of approving any relevant Voluntary Arrangements for such U.K. Debtors and/or if the Consensual Marketing Procedures are performed with respect to T&N, then Class 15H shall also include all Class 15I Non-Priority T&N Pension Plan Employee Benefit Claims against Bradford.

(b) Treatment: Each holder of an Allowed Class 15H Claim shall receive, on the Distribution Date, a Cash payment equal to the greater of: (i) the Allowed Amount of such

holder's Class 15H Claim multiplied by either (y) T&N Distribution Ratio 1 if the Consensual Marketing Procedures are not performed or (z) T&N Distribution Ratio 2 if the Consensual Marketing Procedures are performed; (ii) the Allowed Amount of such holder's Class 15H Claim multiplied by the Company Specific Distribution Ratio for Bradford; or (iii) if Bradford is a Small Company, the Allowed Amount of such holder's Class 15H Claim multiplied by the Small Company Specific Distribution Ratio for Bradford.

(c) Voting: Class 15H is impaired and each holder of an Allowed Class 15H Claim is entitled to vote to accept or reject the Plan.

3.15.3. Class 15I – Non-Priority T&N Pension Plan Employee Benefit Claims

(a) Classification: Class 15I consists of all Non-Priority T&N Pension Plan Employee Benefit Claims against Bradford.

(b) Treatment A: If the T&N Pension Plan Trustees vote in favor of acceptance of all of the Plans of the U.K. Debtors that have any obligations under or relating to the T&N Pension Plan and have given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote to approve any relevant Voluntary Arrangements for such U.K. Debtors and if the Consensual Marketing Procedures are not performed with respect to T&N, then the Class 15I Claims shall be deemed fully satisfied by virtue of the treatment afforded to the Non-Priority T&N Pension Plan Employee Benefit Claims in Class 6I.

(c) Treatment B: If the conditions for Treatment A as set forth above are not met, then all obligations with respect to the T&N Pension Plan will be compromised and discharged and all Class 15I Non Priority T&N Pension Plan Employee Benefit Claims against Bradford shall be included in and treated as Class 15H Claims.

(d) Voting: Class 15I is impaired and each holder of an Allowed Class 15I Claim is entitled to vote to accept or reject the Plan.

3.15.4. Class 15J - Asbestos Personal Injury Claims

(a) Classification: Class 15J consists of all Asbestos Personal Injury Claims against Bradford as to which the holder has not made an election to assert such Claim against T&N as principal and to have such Claim included in Class 6J.

(b) Treatment: As of the Effective Date, liability for all Class 15J Asbestos Personal Injury Claims shall automatically and without further act, deed or Court order, be assumed by the Trust in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan and the provisions relating to the Hercules Policy and any EL Policy. Additionally, on the Effective Date, the liability of Reorganized Bradford for each Class 15J Claim shall continue but recourse to the assets of Reorganized Bradford in respect of such liability shall, by operation of the Plan, the Scheme of Arrangement and/or the Voluntary Arrangement and the Confirmation Order, be limited in accordance with and to the extent set forth in Article IV of the Plan, including specifically,

without limitation, Section 4.5 of the Plan and the provisions relating to the Hercules Policy and any EL Policy. Upon the Hercules Policy Expiry Date and/or the EL Coverage Expiry Date, Reorganized Bradford shall be, without further order of Court, released and discharged from Class 15J Asbestos Personal Injury Claims in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan.

(c) Voting: Class 15J is impaired and each holder of an Allowed Class 15J Claim is entitled to vote to accept or reject the Plan.

3.15.5. Class 15L - Affiliate Claims

(a) Classification: Class 15L consists of all Affiliate Claims against Bradford which are subject to the Subordination Deed, other than any such Affiliate Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6L.

(b) Treatment: All Affiliate Claims in Class 15L shall be subject to the Subordination Deed which shall become effective on the Effective Date, but not as a result of the provisions of the Plan, the Confirmation Order, the Voluntary Arrangement and/or the Scheme of Arrangement or the order of the U.K. Court sanctioning the Scheme of Arrangement.

(c) Voting: Class 15L is unimpaired and holders of Class 15L Claims are thus not entitled to vote to accept or reject the Plan.

3.15.6. Class 15P – Equity Interests

(a) Classification: Class 15P consists of all Equity Interests in Bradford.

(b) Treatment: Each holder of an Allowed Equity Interest in Class 15P shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Equity Interest entitles the holder.

(c) Voting: Class 15P is unimpaired and holders of Class 15P Equity Interests are thus not entitled to vote to accept or reject the Plan.

3.16. Federal-Mogul Camshafts Limited (“FM Camshafts”) (Classes 16A – 16P)

3.16.1. Class 16A - Priority and Preferential Claims

(a) Classification: Class 16A consists of all Priority and Preferential Claims against FM Camshafts, other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6A.

(b) Treatment: Each holder of a Class 16A Allowed Claim shall retain unaltered the legal, equitable and contractual rights to which such Claim entitles the holder.

(c) Voting: Class 16A is unimpaired and holders of Class 16A Claims are thus not entitled to vote to accept or reject the Plan.

3.16.2. Class 16H – Unsecured Claims

(a) Classification: Class 16H consists of all Unsecured Claims against FM Camshafts other than any Claims that are specifically included in any other Class and other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6H. Additionally, if the T&N Pension Plan Trustees do not vote in favor of acceptance of all of the Plans for the U.K. Debtors that have obligations under or relating to the T&N Pension Plan and have not given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote in favor of approving any relevant Voluntary Arrangements for such U.K. Debtors and/or if the Consensual Marketing Procedures are performed with respect to T&N, then Class 16H shall also include all Class 16I Non-Priority T&N Pension Plan Employee Benefit Claims against FM Camshafts.

(b) Treatment: Each holder of an Allowed Class 16H Claim shall receive, on the Distribution Date, a Cash payment equal to the greater of: (i) the Allowed Amount of such holder's Class 16H Claim multiplied by either (y) T&N Distribution Ratio 1 if the Consensual Marketing Procedures are not performed or (z) T&N Distribution Ratio 2 if the Consensual Marketing Procedures are performed; (ii) the Allowed Amount of such holder's Class 16H Claim multiplied by the Company Specific Distribution Ratio for FM Camshafts; or (iii) if FM Camshafts is a Small Company, the Allowed Amount of such holder's Class 16H Claim multiplied by the Small Company Specific Distribution Ratio for FM Camshafts.

(c) Voting: Class 16H is impaired and each holder of an Allowed Class 16H Claim is entitled to vote to accept or reject the Plan.

3.16.3. Class 16I – Non-Priority T&N Pension Plan Employee Benefit Claims

(a) Classification: Class 16I consists of all Non-Priority T&N Pension Plan Employee Benefit Claims against FM Camshafts.

(b) Treatment A: If the T&N Pension Plan Trustees vote in favor of acceptance of all of the Plans of the U.K. Debtors that have any obligations under or relating to the T&N Pension Plan and have given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote to approve any relevant Voluntary Arrangements for such U.K. Debtors and if the Consensual Marketing Procedures are not performed with respect to T&N, then the Class 16I Claims shall be deemed fully satisfied by virtue of the treatment afforded to the Non-Priority T&N Pension Plan Employee Benefit Claims in Class 6I.

(c) Treatment B: If the conditions for Treatment A as set forth above are not met, then all obligations with respect to the T&N Pension Plan will be compromised and discharged and all Class 16I Non Priority T&N Pension Plan Employee Benefit Claims against FM Camshafts shall be included in and treated as Class 16H Claims.

(d) Voting: Class 16I is impaired and each holder of an Allowed Class 16I Claim is entitled to vote to accept or reject the Plan.

3.16.4. Class 16L - Affiliate Claims

(a) Classification: Class 16L consists of all Affiliate Claims against FM Camshafts which are subject to the Subordination Deed, other than any such Affiliate Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6L.

(b) Treatment: All Affiliate Claims in Class 16L shall be subject to the Subordination Deed which shall become effective on the Effective Date, but not as a result of the provisions of the Plan, the Confirmation Order, the Voluntary Arrangement and/or the Scheme of Arrangement or the order of the U.K. Court sanctioning the Scheme of Arrangement.

(c) Voting: Class 16L is unimpaired and holders of Class 16L Claims are thus not entitled to vote to accept or reject the Plan.

3.16.5. Class 16P – Equity Interests

(a) Classification: Class 16P consists of all Equity Interests in FM Camshafts.

(b) Treatment: Each holder of an Allowed Equity Interest in Class 16P shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Equity Interest entitles the holder.

(c) Voting: Class 16P is unimpaired and holders of Class 16P Equity Interests are thus not entitled to vote to accept or reject the Plan.

3.17. Federal-Mogul Eurofriction Limited (“FMEL”) (Classes 17A – 17P)

3.17.1. Class 17A - Priority and Preferential Claims

(a) Classification: Class 17A consists of all Priority and Preferential Claims against FMEL, other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6A.

(b) Treatment: Each holder of a Class 17A Allowed Claim shall retain unaltered the legal, equitable and contractual rights to which such Claim entitles the holder.

(c) Voting: Class 17A is unimpaired and holders of Class 17 Claims are thus not entitled to vote to accept or reject the Plan.

3.17.2. Class 17G -- On-Site Environmental Claims

(a) Classification: Class 17G consists of all On-Site Environmental Claims against FMEL.

(b) Treatment: Each holder of an Allowed On-Site Environmental Claim in Class 17G shall retain unaltered, the legal, equitable and contractual rights to which such Allowed On-Site Environmental Claim entitles the holder.

(c) Voting: Class 17G is unimpaired and holders of Class 17G Claims are thus not entitled to vote to accept or reject the Plan.

3.17.3. Class 17H – Unsecured Claims

(a) Classification: Class 17H consists of all Unsecured Claims against FMEL other than any Claims that are specifically included in any other Class and other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6H. Additionally, if the T&N Pension Plan Trustees do not vote in favor of acceptance of all of the Plans for the U.K. Debtors that have obligations under or relating to the T&N Pension Plan and have not given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote in favor of approving any relevant Voluntary Arrangements for such U.K. Debtors and/or if the Consensual Marketing Procedures are performed with respect to T&N, then Class 17H shall also include all Class 17I Non-Priority T&N Pension Plan Employee Benefit Claims against FMEL.

(b) Treatment: Each holder of an Allowed Class 17H Claim shall receive, on the Distribution Date, a Cash payment equal to the greater of: (i) the Allowed Amount of such holder's Class 17H Claim multiplied by either (y) T&N Distribution Ratio 1 if the Consensual Marketing Procedures are not performed or (z) T&N Distribution Ratio 2 if the Consensual Marketing Procedures are performed; (ii) the Allowed Amount of such holder's Class 17H Claim multiplied by the Company Specific Distribution Ratio for FMEL; or (iii) if FMEL is a Small Company, the Allowed Amount of such holder's Class 17H Claim multiplied by the Small Company Specific Distribution Ratio for FMEL.

(c) Voting: Class 17H is impaired and each holder of an Allowed Class 17H Claim is entitled to vote to accept or reject the Plan.

3.17.4. Class 17I – Non-Priority T&N Pension Plan Employee Benefit Claims

(a) Classification: Class 17I consists of all Non-Priority T&N Pension Plan Employee Benefit Claims against FMEL.

(b) Treatment A: If the T&N Pension Plan Trustees vote in favor of acceptance of all of the Plans of the U.K. Debtors that have any obligations under or relating to the T&N Pension Plan and have given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote to approve any relevant Voluntary Arrangements for such U.K. Debtors and if the Consensual Marketing Procedures are not performed with respect to T&N, then the Class 17I Claims shall be deemed fully satisfied by virtue of the treatment afforded to the Non-Priority T&N Pension Plan Employee Benefit Claims in Class 6I.

(c) Treatment B: If the conditions for Treatment A as set forth above are not met, then all obligations with respect to the T&N Pension Plan will be compromised and discharged and all Class 17I Non Priority T&N Pension Plan Employee Benefit Claims against FMEL shall be included in and treated as Class 17H Claims.

(d) Voting: Class 17I is impaired and each holder of an Allowed Class 17I Claim is entitled to vote to accept or reject the Plan.

3.17.5. Class 17J– Asbestos Personal Injury Claims

(a) Classification: Class 17J consists of all Asbestos Personal Injury Claims against FMEL as to which the holder has not made an election to assert such Claim against T&N as principal and to have such Claim included in Class 6J.

(b) Treatment: As of the Effective Date, liability for all Class 17J Asbestos Personal Injury Claims shall automatically and without further act, deed or Court order, be assumed by the Trust in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan and the provisions relating to the Hercules Policy and any EL Policy. Additionally, on the Effective Date, the liability of Reorganized FMEL for each Class 17J Claim shall continue but recourse to the assets of Reorganized FMEL in respect of such liability shall, by operation of the Plan, the Scheme of Arrangement and/or the Voluntary Arrangement and the Confirmation Order, be limited in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan and the provisions relating to the Hercules Policy and any EL Policy. Upon the Hercules Policy Expiry Date and/or the EL Coverage Expiry Date, Reorganized FMEL shall be, without further order of Court, released and discharged from Class 17J Asbestos Personal Injury Claims in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan.

(c) Voting: Class 17J is impaired and each holder of an Allowed Class 17J Claim is entitled to vote to accept or reject the Plan.

3.17.6. Class 17L - Affiliate Claims

(a) Classification: Class 17L consists of all Affiliate Claims against FMEL which are subject to the Subordination Deed, other than any such Affiliate Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6L.

(b) Treatment: All Affiliate Claims in Class 17L shall be subject to the Subordination Deed which shall become effective on the Effective Date, but not as a result of the provisions of the Plan, the Confirmation Order, the Voluntary Arrangement and/or the Scheme of Arrangement or the order of the U.K. Court sanctioning the Scheme of Arrangement.

(c) Voting: Class 17L is unimpaired and holders of Class 17L Claims are thus not entitled to vote to accept or reject the Plan.

3.17.7. Class 17P – Equity Interests

(a) Classification: Class 17P consists of all Equity Interests in FMEL.

(b) Treatment: Each holder of an Allowed Equity Interest in Class 17P shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Equity Interest entitles the holder.

(c) Voting: Class 17P is unimpaired and holders of Class 17P Equity Interests are thus not entitled to vote to accept or reject the Plan.

**3.18. Federal-Mogul Powertrain Systems International Limited (“Powertrain”)
(Classes 18A – 18P)**

3.18.1. Class 18A - Priority and Preferential Claims

(a) Classification: Class 18A consists of all Priority and Preferential Claims against Powertrain, other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6A.

(b) Treatment: Each holder of a Class 18A Allowed Claim shall retain unaltered the legal, equitable and contractual rights to which such Claim entitles the holder.

(c) Voting: Class 18A is unimpaired and holders of Class 18A Claims are thus not entitled to vote to accept or reject the Plan.

3.18.2. Class 18H – Unsecured Claims

(a) Classification: Class 18H consists of all Unsecured Claims against Powertrain other than any Claims that are specifically included in any other Class and other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6H. Additionally, if the T&N Pension Plan Trustees do not vote in favor of acceptance of all of the Plans for the U.K. Debtors that have obligations under or relating to the T&N Pension Plan and have not given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote in favor of approving any relevant Voluntary Arrangements for such U.K. Debtors and/or if the Consensual Marketing Procedures are performed with respect to T&N, then Class 18H shall also include all Class 18I Non-Priority T&N Pension Plan Employee Benefit Claims against Powertrain.

(b) Treatment: Each holder of an Allowed Class 18H Claim shall receive, on the Distribution Date, a Cash payment equal to the greater of: (i) the Allowed Amount of such holder’s Class 18H Claim multiplied by either (y) T&N Distribution Ratio 1 if the Consensual Marketing Procedures are not performed or (z) T&N Distribution Ratio 2 if the Consensual Marketing Procedures are performed; (ii) the Allowed Amount of such holder’s Class 18H Claim multiplied by the Company Specific Distribution Ratio for Powertrain; or (iii) if Powertrain is a Small Company, the Allowed Amount of such holder’s Class 18H Claim multiplied by the Small Company Specific Distribution Ratio for Powertrain.

(c) Voting: Class 18H is impaired and each holder of an Allowed Class 18H Claim is entitled to vote to accept or reject the Plan

3.18.3. Class 18I – Non-Priority T&N Pension Plan Employee Benefit Claims

(a) Classification: Class 18I consists of all Non-Priority T&N Pension Plan Employee Benefit Claims against Powertrain.

(b) Treatment A: If the T&N Pension Plan Trustees vote in favor of acceptance of all of the Plans of the U.K. Debtors that have any obligations under or relating to the T&N Pension Plan and have given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote to approve any relevant Voluntary Arrangements for such U.K. Debtors and if the Consensual Marketing Procedures are not performed with respect to T&N, then the Class 18I Claims shall be deemed fully satisfied by virtue of the treatment afforded to the Non-Priority T&N Pension Plan Employee Benefit Claims in Class 6I.

(c) Treatment B: If the conditions for Treatment A as set forth above are not met, then all obligations with respect to the T&N Pension Plan will be compromised and discharged and all Class 18I Non Priority T&N Pension Plan Employee Benefit Claims against Powertrain shall be included in and treated as Class 18H Claims.

(d) Voting: Class 18I is impaired and each holder of an Allowed Class 18I Claim is entitled to vote to accept or reject the Plan.

3.18.4. Class 18L - Affiliate Claims

(a) Classification: Class 18L consists of all Affiliate Claims against Powertrain which are subject to the Subordination Deed, other than such Affiliate Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6L.

(b) Treatment: All Affiliate Claims in Class 18L shall be subject to the Subordination Deed which shall become effective on the Effective Date, but not as a result of the provisions of the Plan, the Confirmation Order, the Voluntary Arrangement and/or the Scheme of Arrangement or the order of the U.K. Court sanctioning the Scheme of Arrangement.

(c) Voting: Class 18L is unimpaired and holders of Class 18L Claims are thus not entitled to vote to accept or reject the Plan.

3.18.5. Class 18P – Equity Interests

(a) Classification: Class 18P consists of all Equity Interests in Powertrain.

(b) Treatment: Each holder of an Allowed Equity Interest in Class 18P shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Equity Interest entitles the holder.

(c) Voting: Class 18P is unimpaired and holders of Class 18P Equity Interests are thus not entitled to vote to accept or reject the Plan.

3.19. TBA Industrial Products Limited (“TBA-IP”) (Classes 19A – 19P)

3.19.1. Class 19A - Priority and Preferential Claims

(a) Classification: Class 19A consists of all Priority and Preferential Claims against TBA-IP, other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6A.

(b) Treatment: Each holder of a Class 19A Allowed Claim shall retain unaltered the legal, equitable and contractual rights to which such Claim entitles the holder.

(c) Voting: Class 19A is unimpaired and holders of Class 19A Claims are thus not entitled to vote to accept or reject the Plan.

3.19.2. Class 19H – Unsecured Claims.

(a) Classification: Class 19H consists of all Unsecured Claims against TBA-IP other than any Claims that are specifically included in any other Class and other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6H. Additionally, if the T&N Pension Plan Trustees do not vote in favor of acceptance of all of the Plans for the U.K. Debtors that have obligations under or relating to the T&N Pension Plan and have not given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote in favor of approving any relevant Voluntary Arrangements for such U.K. Debtors and/or if the Consensual Marketing Procedures are performed with respect to T&N, then Class 19H shall also include all Class 19I Non-Priority T&N Pension Plan Employee Benefit Claims against TBA-IP.

(b) Treatment: Each holder of an Allowed Class 19H Claim shall receive, on the Distribution Date, a Cash payment equal to the greater of: (i) the Allowed Amount of such holder’s Class 19H Claim multiplied by either (y) T&N Distribution Ratio 1 if the Consensual Marketing Procedures are not performed or (z) T&N Distribution Ratio 2 if the Consensual Marketing Procedures are performed; (ii) the Allowed Amount of such holder’s Class 19H Claim multiplied by the Company Specific Distribution Ratio for TBA-IP; or (iii) if TBA-IP is Small Company, the Allowed Amount of such holder’s Class 19H Claim multiplied by the Small Company Specific Distribution Ratio for TBA-IP.

(c) Voting: Class 19H is impaired and each holder of an Allowed Class 19H Claim is entitled to vote to accept or reject the Plan.

3.19.3. Class 19I – Non-Priority T&N Pension Plan Employee Benefit Claims

(a) Classification: Class 19I consists of all Non-Priority T&N Pension Plan Employee Benefit Claims against TBA-IP.

(b) Treatment A: If the T&N Pension Plan Trustees vote in favor of acceptance of all of the Plans of the U.K. Debtors that have any obligations under or relating to the T&N Pension Plan and have given an irrevocable undertaking at least 14 Business Days before the Confirmation Hearing that they will vote to approve any relevant Voluntary Arrangements for such U.K. Debtors and if the Consensual Marketing Procedures are not performed with respect to T&N, then the Class 19I Claims shall be deemed fully satisfied by virtue of the treatment afforded to the Non-Priority T&N Pension Plan Employee Benefit Claims in Class 6I.

(c) Treatment B: If the conditions for Treatment A as set forth above are not met, then all obligations with respect to the T&N Pension Plan will be compromised and discharged and all Class 19I Non Priority T&N Pension Plan Employee Benefit Claims against TBA-IP shall be included in and treated as Class 19H Claims.

(d) Voting: Class 19I is impaired and each holder of an Allowed Class 19I Claim is entitled to vote to accept or reject the Plan.

3.19.4. Class 19J – Asbestos Personal Injury Claims

(a) Classification: Class 19J consists of all Asbestos Personal Injury Claims against TBA-IP as to which the holder has not made an election to assert such Claim against T&N as principal and to have such Claim included in Class 6J.

(b) Treatment: As of the Effective Date, liability for all Class 19J Asbestos Personal Injury Claims shall automatically and without further act, deed or Court order, be assumed by the Trust in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan and the provisions relating to the Hercules Policy and any EL Policy. Additionally, on the Effective Date, the liability of Reorganized TBA-IP for each Class 19J Claim shall continue but recourse to the assets of Reorganized TBA-IP in respect of such liability shall, by operation of the Plan, the Scheme of Arrangement and/or the Voluntary Arrangement and the Confirmation Order, be limited in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan and the provisions relating to the Hercules Policy and any EL Policy. Upon the Hercules Policy Expiry Date and/or the EL Coverage Expiry Date, Reorganized TBA-IP shall be, without further order of Court, released and discharged from Class 19J Asbestos Personal Injury Claims in accordance with and to the extent set forth in Article IV of the Plan, including specifically, without limitation, Section 4.5 of the Plan.

(c) Voting: Class 19J is impaired and each holder of an Allowed Class 19J Claim is entitled to vote to accept or reject the Plan.

3.19.5. Class 19L - Affiliate Claims

(a) Classification: Class 19L consists of all Affiliate Claims against TBA-IP which are subject to the Subordination Deed, other than any such Affiliate Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6L.

(b) Treatment: All Affiliate Claims in Class 19L shall be subject to the Subordination Deed which shall become effective on the Effective Date, but not as a result of the provisions of the Plan, the Confirmation Order, the Voluntary Arrangement and/or the Scheme of Arrangement or the order of the U.K. Court sanctioning the Scheme of Arrangement.

(c) Voting: Class 19L is unimpaired and holders of Class 19L Claims are thus not entitled to vote to accept or reject the Plan.

3.19.6. Class 19P – Equity Interests

(a) Classification: Class 19P consists of all Equity Interests in TBA-IP.

(b) Treatment: Each holder of an Allowed Equity Interest in Class 19P shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Equity Interest entitles the holder.

(c) Voting: Class 19P is unimpaired and holders of Class 19P Equity Interests are thus not entitled to vote to accept or reject the Plan.

3.20. Federal-Mogul Export Services Limited (“FM Export”) (Classes 20A – 20P)

3.20.1. Class 20A - Priority and Preferential Claims

(a) Classification: Class 20A consists of all Priority and Preferential Claims against FM Export, other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6A.

(b) Treatment: Each holder of a Class 20A Allowed Claim shall retain unaltered the legal, equitable and contractual rights to which such Claim entitles the holder.

(c) Voting: Class 20A is unimpaired and holders of Class 20A Claims are thus not entitled to vote to accept or reject the Plan.

3.20.2. Class 20H – Unsecured Claims.

(a) Classification: Class 20H consists of all Unsecured Claims against FM Export other than any Claims that are specifically included in any other Class and other than any Claim in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6H.

(b) Treatment: Each holder of an Allowed Class 20H Claim shall receive, on the Distribution Date, a Cash payment equal to the greater of: (i) the Allowed Amount of such holder’s Class 20H Claim multiplied by either (y) T&N Distribution Ratio 1 if the Consensual Marketing Procedures are not performed or (z) T&N Distribution Ratio 2 if the Consensual Marketing Procedures are performed; (ii) the Allowed Amount of such holder’s Class 20H Claim multiplied by the Company Specific Distribution Ratio for FM Export; or (iii) if FM-Export is a Small Company, the Allowed Amount of such holder’s Class 20H Claim multiplied by the Small Company Specific Distribution Ratio for FM-Export.

(c) Voting: Class 20H is impaired and each holder of an Allowed Class 20H Claim is entitled to vote to accept or reject the Plan.

3.20.3. Class 20L - Affiliate Claims

(a) Classification: Class 20L consists of all Affiliate Claims against FM Export which are subject to the Subordination Deed, other than any such Affiliate Claims in respect of which the holder has made an election to assert such Claim against T&N, as principal, under Class 6L.

(b) Treatment: All Affiliate Claims in Class 20L shall be subject to the Subordination Deed which shall become effective on the Effective Date, but not as a result of the provisions of the Plan, the Confirmation Order, the Voluntary Arrangement and/or the Scheme of Arrangement or the order of the U.K. Court sanctioning the Scheme of Arrangement.

(c) Voting: Class 20L is unimpaired and holders of Class 20L Claims are thus not entitled to vote to accept or reject the Plan.

3.20.4. Class 20P – Equity Interests

(a) Classification: Class 20P consists of all Equity Interests in FM Export.

(b) Treatment: Each holder of an Allowed Equity Interest in Class 20P shall retain unaltered, the legal, equitable and contractual rights to which such Allowed Equity Interest entitles the holder.

(c) Voting: Class 20P is unimpaired and holders of Class 20P Equity Interests are thus not entitled to vote to accept or reject the Plan.

3.21. Remaining Debtors

The remaining U.S. Debtors and U.K. Debtors not listed above in Sections 3.1 through 3.20, inclusive, of the Plan, are either holding companies or Inactive Debtor Subsidiaries. Accordingly, in the interest of brevity and convenience, the Classification of Claims against and Equity Interests in such remaining Debtors, as well as the treatment of such claims and interests, are set forth in summary fashion in Exhibit 3.21 to the Plan with the same legal force and effect as if such Classification and Treatment terms and provisions were set forth at length herein.

ARTICLE IV THE TRUST

4.1. Establishment Of Trust. On the Effective Date, the Trust shall be established pursuant to Section 524(g) of the Bankruptcy Code. The provisions of Sections 4.2, 4.3 and 4.4 hereof which follow shall take effect subject to, and only to the extent not inconsistent with, the provisions of Section 4.5 hereof.

4.2. Purpose of Trust. The Trust shall on the Effective Date assume liability for all Asbestos Personal Injury Claims. The Trust shall, in accordance with the Trust Documents, hold

and administer the Trust Assets, liquidate such Claims, and make distributions to holders of Allowed Asbestos Personal Injury Claims from the Trust Assets. The Trust is a “qualified settlement fund” within the meaning of Section 468B of the IRC and the regulations promulgated thereunder. The Asbestos Personal Injury Trust Distribution Procedures provide, among other things, for the allowance and payment, or disallowance, of Asbestos Personal Injury Claims pursuant to the terms of the Trust Documents, and that resolution of an Asbestos Personal Injury Claim by the Trust will result in a full release of such Claim against the Trust. The Trust shall pay Allowed Asbestos Personal Injury Claims in accordance with the Trust Documents. While Indirect Asbestos Personal Injury Claims against the Debtors may be disallowed pursuant to Section 502(e)(1)(B) of the Bankruptcy Code, any right of a holder of such disallowed Claim under applicable non-bankruptcy law, to setoff payments by the Trust against such holder’s liability to an asbestos personal injury claimant, shall be preserved. Additionally, the Trust shall advocate in any and all actions and proceedings brought against the Debtors and/or Reorganized Debtors which involve Asbestos Personal Injury Claims, that Asbestos Personal Injury Claims shall be channeled to the Trust, and the Trust Documents shall provide that the Trust shall cooperate with the Debtors and/or Reorganized Debtors in any and all such actions and proceedings.

4.3. Receipt Of Trust Assets. On the Effective Date, all Trust Assets shall be automatically and without further act or deed, transferred to, vested in and assumed by the Trust, subject to the notification requirements contained in Sections 10.3 and 10.5 of the Plan; provided, however, that to the extent that certain Trust Assets, because of their nature or because such assets will accrue or become transferable subsequent to the Effective Date, cannot be transferred to, vested in and assumed by the Trust on the Effective Date, such Trust Assets shall be automatically, and without further act or deed, transferred to, vested in and assumed by the Trust as soon as practicable after the Effective Date.

4.4. Discharge Of Liabilities To Holders Of Asbestos Personal Injury Claims. Except as provided in the Plan (including, without limitation, the exceptions provided in Section 4.5 hereof and Sections 9.3.1(b)(v) and 9.3.2(b)(v) of the Plan concerning non-Debtor Affiliates), the transfer to, vesting in and assumption by the Trust of the Trust Assets as contemplated by the Plan shall, as of the Effective Date, discharge all obligations and liabilities of and bar recovery or any action against the Released Parties and their respective estates, Affiliates and subsidiaries, for or in respect of all Asbestos Personal Injury Claims and Demands, including, but not limited to, all Indirect Asbestos Personal Injury Claims and Demands, against the Debtors, the Reorganized Debtors, and their respective Estates, Affiliates and subsidiaries (and the Confirmation Order shall so provide for such discharge). Except as provided in Section 4.5 hereof, the Trust shall as of the Effective Date assume sole and exclusive responsibility and liability for all Asbestos Personal Injury Claims, including, but not limited to, Indirect Asbestos Personal Injury Claims, against the Debtors, the Reorganized Debtors, and their respective Estates, Affiliates and subsidiaries and such Claims, to the extent Allowed, shall be paid solely by the Trust from the Trust Assets. Additionally, the Trust shall indemnify and hold the Reorganized Debtors and their non-Debtor Affiliates harmless from and against any and all Asbestos Personal Injury Claims, as well as all associated costs and expenses, to the extent set forth in Section 4.11 below; provided, however, any indemnity by the Trust in favor of the Hercules-Protected Entities shall only apply after the later of (a) the Hercules Policy Expiry Date and (b) the EL Coverage Expiry Date; provided, further, however, pending the occurrence of the

later of such two dates, Reorganized Federal-Mogul shall be conclusively deemed to have suffered a loss in the amount of indemnity that would have come due to the Reorganized Hercules-Protected Entities under Section 4.11 of the Plan but for the immediately preceding provision and the Trust shall indemnify Reorganized Federal-Mogul in respect of such loss to the extent set forth in Section 4.11 below. Additionally, notwithstanding the foregoing and anything to the contrary in the Plan or the Trust Documents, Reorganized Federal-Mogul shall also be conclusively deemed to have suffered a loss (y) in the amount of any and all fees, costs and expenses incurred by the Reorganized Hercules-Protected Entities in defending against Asbestos Personal Injury Claims (to the extent such fees, costs and expenses are not recovered by the Hercules-Protected Entities from the Hercules Insurers under the Hercules Policy) and (z) in the amount of any fees, costs, expenses, indemnity payments, reimbursement amounts, additional premiums or other amounts paid by the Hercules-Protected Entities related to the Hercules Policy or the EL Coverage and the Trust shall indemnify Reorganized Federal-Mogul in respect of such loss in full (without regard to any limitation in Section 4.11 below) on a semi-annual basis in Cash or more frequently as may be reasonably requested by Reorganized Federal-Mogul.

4.5. Special Provisions Applicable to the Reorganized Debtors that are Hercules-Protected Entities. Notwithstanding any other provisions of the Plan to the contrary, the following provisions regarding the Trust and certain Asbestos Personal Injury Claims shall apply to the Reorganized Debtors that are Hercules-Protected Entities.

4.5.1. On the Effective Date, the Trust will assume all liability for Asbestos Personal Injury Claims against the Reorganized Hercules-Protected Entities in excess of both (i) the £690 million retention and the £500 million layer of coverage under the Hercules Policy and (ii) all other sums as are attributable to or otherwise represent the Hercules Insurance Recoveries to the extent such amounts exceed the £500 million layer of coverage; provided, however, the Trust shall not assume liability for Asbestos Personal Injury Claims to the extent such Claims are covered by the indemnity provisions of the EL Coverage. From and after the Hercules Policy Expiry Date, the Trust will assume sole and exclusive liability for all remaining Asbestos Personal Injury Claims against the Reorganized Hercules-Protected Entities (other than Claims covered by the indemnity provisions of the EL Coverage, to the extent so covered) and the Reorganized Hercules-Protected Entities shall be discharged and released from any and all liability with respect to Asbestos Personal Injury Claims (other than Claims covered by the indemnity provisions of the EL Coverage, to the extent so covered). From and after the Hercules Policy Expiry Date, all rights of the Reorganized Hercules-Protected Entities to assert any defenses, counterclaims, offsets, rights of contribution or similar rights and remedies for the purpose of reducing or defeating any Asbestos Personal Injury Claim (other than Claims covered by the indemnity provisions of the EL Coverage, to the extent so covered) shall be transferred from the Reorganized Hercules-Protected Entities to the Trust. From and after the date on which all of the obligations of the EL Insurers with respect to all Asbestos Personal Injury Claims cease to have effect, whether by commutation or otherwise (the "EL Coverage Expiry Date"), the Trust will assume sole and exclusive liability for all remaining Asbestos Personal Injury Claims against the Reorganized Hercules-Protected Entities in excess of both (i) the £690 million retention and the £500 million layer of coverage under the Hercules Policy and (ii) all other sums as are attributable to or otherwise represent the Hercules Insurance Recoveries to the extent such amounts exceed the £500 million layer of coverage, and the Reorganized Hercules-Protected Entities shall be discharged and released from any and all liability with respect to Asbestos

Personal Injury Claims in excess of both (i) the £690 million retention and the £500 million layer of coverage under the Hercules Policy and (ii) all other sums as are attributable to or otherwise represent the Hercules Insurance Recoveries to the extent such amounts exceed the £500 million layer of coverage. Upon the occurrence of the later of (i) the EL Coverage Expiry Date and (ii) the Hercules Policy Expiry Date, all rights of the Reorganized Hercules-Protected Entities to assert any defenses, counterclaims, offsets, rights of contribution, or similar rights and remedies for the purpose of reducing or defeating any Asbestos Personal Injury Claim shall be transferred from the Reorganized Hercules-Protected Entities to the Trust.

4.5.2. On the Effective Date, the Trust will subscribe for 72% of the Reorganized Federal-Mogul Class B Common Stock for the subscription price of £361,802,160.00, such sum being left outstanding as a debt owing by the Trust to Reorganized Federal-Mogul. Immediately following such subscription and the issue to the Trust (specifically, the T&N Worldwide Fund within the Trust), Reorganized Federal-Mogul shall be deemed to have assigned and transferred to Reorganized T&N by way of capital contribution all of its right, title and interest in and to such debt (the "Stock Repayment Obligation"). The Stock Repayment Obligation shall be payable by offset, in whole or in part, as provided in Section 4.5.7 hereof, upon notice by Reorganized T&N to the Trust, or otherwise payable 20 years after the Effective Date.

4.5.3. Subject to Section 4.5.8 hereof, the Hercules Policy and the EL Coverage shall remain in full force and effect following the Effective Date. On and from the Effective Date, the liability of the Reorganized Hercules-Protected Entities for Asbestos Personal Injury Claims and for any costs and interest awarded in relation thereto shall continue in full, but recourse to the assets of the respective Reorganized Debtors in respect of such liability shall, automatically and by operation of the Plan, the Scheme of Arrangement and/or Voluntary Arrangement and the Confirmation Order, be limited in and to (i) all amounts actually recovered by Reorganized T&N under or with respect to the Hercules Policy (including all amounts actually recovered to the extent of the £500m layer of coverage under the Hercules Policy), (ii) the outstanding amount of the Stock Repayment Obligation and (iii) such sums as may have been provided to the relevant Reorganized Hercules-Protected Entity by the Trust or any other person, whether by loan or otherwise, for the purpose of enabling Asbestos Personal Injury Claims to be paid, and shall otherwise be without recourse as to the applicable Reorganized Hercules-Protected Entities and all of their property and interests in property. From and after the Hercules Policy Expiry Date, the discharge of T&N Limited and the other Debtors that are Hercules-Protected Entities under Article IX of the Plan shall automatically and without further order of Court become full and complete (other than with respect to Claims covered by the indemnity provisions of the EL Coverage and for which indemnity is actually recoverable under the EL Coverage, to the extent so recoverable).

4.5.4. On the Effective Date, and pursuant to the Plan, the Scheme of Arrangement and/or the Voluntary Arrangement, each holder of an Asbestos Personal Injury Claim will be deemed to have assigned to the Trust his/her rights to the proceeds of his/her Asbestos Personal Injury Claim. Similarly, on the Effective Date, each holder of an Asbestos Personal Injury Claim will be deemed to have assigned to (i) Reorganized T&N, any rights respecting the Hercules Policy, and (ii) the Trust any rights respecting the EL Coverage, in each case being rights transferred to him/her by operation of law under the Third Parties (Rights

Against Insurers) Act 1930 of the United Kingdom. For the avoidance of doubt, no such holder will be entitled after the Effective Date to commence or continue any proceedings against the Hercules Insurers or the EL Insurers in exercise or purported exercise of its rights under the Third Parties (Rights Against Insurers) Act 1930 of the United Kingdom. Reorganized T&N shall hold the benefit of this undertaking on trust for itself and for the Hercules Insurers and the Trust shall hold the benefit of this undertaking on trust for itself and for the relevant EL Insurers such that the Hercules Insurers or the relevant EL Insurers (as the case may be) shall be entitled to enforce this undertaking directly against each of such holders. In consideration of the assignments deemed to have been made by the holder of each Asbestos Personal Injury Claim pursuant to this Section 4.5.4 and the appointment and undertaking contained in Section 4.5.5 hereof, such holder shall be entitled to a claim against the Trust (a "Trust Claim") which shall be separate and distinct from the Asbestos Personal Injury Claim itself (which, subject to Section 4.5.1 hereof, is a claim against the relevant Reorganized Hercules-Protected Entity). The Trust Claim shall confer on the holder thereof the right to elect either (i) to receive any payment that is offered by the Trust in satisfaction of the Trust Claim or (ii) to pursue alternative remedies against the Trust in respect of the Trust Claim in either case in accordance with and subject to the terms of the Asbestos Personal Injury Trust Distribution Procedures and the other Trust Documents. The Trust Claim shall be a sum payable by the Trust for the right to assert, as the agent of the relevant asbestos personal injury claimant, Asbestos Personal Injury Claims against the Reorganized Hercules-Protected Entities and for the right of the claimant to assert claims under the Third Parties (Rights Against Insurers) Act 1930 of the United Kingdom against the EL Insurers.

4.5.5. From and after the Effective Date, each holder of an Asbestos Personal Injury Claim irrevocably appoints the Trust as its agent, in the name of such holder or otherwise, to assert such Asbestos Personal Injury Claim against the Reorganized Hercules-Protected Entities in any appropriate forum, and such holder shall not be entitled to assert such Asbestos Personal Injury Claim except through the agency of the Trust (unless the Trust otherwise agrees). The Trust shall indemnify each holder of an Asbestos Personal Injury Claim against any costs that may be awarded against such holder in any legal proceedings brought by the Trust on behalf of such holder. The Trust Claim shall be separate and distinct from the Asbestos Personal Injury Claim. Accordingly, if the holder of an Asbestos Personal Injury Claim against the Reorganized Hercules-Protected Entity elects to receive any payment that is offered by the Trust in satisfaction of the Trust Claim, or elects to pursue alternative remedies against the Trust in respect of the Trust Claim in accordance with the terms of the Asbestos Personal Injury Trust Distribution Procedures and the other Trust Documents as mentioned in Section 4.5.4 hereof, such process shall be separate and distinct from and without prejudice to the Trust's assertion on behalf of the claimant of his/her rights against the applicable Reorganized Hercules-Protected Entity in respect of that claimant's particular Asbestos Personal Injury Claim, and no sum received in respect of a Trust Claim shall reduce or extinguish the liability of the applicable Reorganized Hercules-Protected Entity in respect of the Asbestos Personal Injury Claim. Subject to the claims handling rights of the Hercules Insurers (whatever they may be), the Reorganized Hercules-Protected Entities shall retain the right to assert any defenses, counterclaims, offsets, rights of contribution or similar rights and remedies for the purpose of reducing or defeating their liability on any Asbestos Personal Injury Claim; provided, however, that none of the Reorganized Hercules-Protected Entities shall assert a defense to a claim based upon the Trust's prosecution of such claim as an agent of the holder of the Asbestos

Personal Injury Claim or based upon the assignment of the rights to the proceeds of any such claim as provided in Section 4.5.4 hereof. In recognition of the Hercules Insurers' asserted claim handling rights: (i) the Reorganized Hercules-Protected Entities will, to the extent required by the Hercules Policy, refer Asbestos Personal Injury Claims to the Hercules Insurers or their appointed claims handling designee for their further administration, defense and disposition and the Hercules Insurers will be entitled to exercise all claims handling rights under the Hercules Policy in relation to such proceedings, including defense or settlement of the Claim; and (ii) the claimant's action against the Reorganized Hercules-Protected Entities shall be allowed to proceed to judgment or settlement, but the claimant will not be permitted to enforce any judgment or settlement except in accordance with the provisions of this Section 4.5 hereof, including the claimant's assignment of his/her rights to proceeds from such claim to the Trust. The rights of the holder of an Asbestos Personal Injury Claim to payment from the Trust in respect of a Trust Claim shall be determined solely under and in accordance with the Asbestos Personal Injury Trust Distribution Procedures and other Trust Documents.

4.5.6. An Asbestos Personal Injury Claim is established for the purpose of this Section 4.5 when it is established as owing by a Reorganized Hercules-Protected Entity by final judgment or award of a court or arbitrator of competent jurisdiction or when (to the extent required by the Hercules Policy, with the consent of the Hercules Insurers) an agreement is entered into between the claimant and the applicable Reorganized Hercules-Protected Entity under which the Asbestos Personal Injury Claim is so established.

4.5.7. Once an Asbestos Personal Injury Claim has been established as set forth in Section 4.5.6, the liability of any Reorganized Hercules-Protected Entity concerned in respect of that Claim, if and to the extent not recovered from an EL Insurer under an EL Policy, may be satisfied and discharged by payment or deemed payment to the Trust as agent of the holder of the Claim, as follows: (a) (at the option of either the Trust or Reorganized T&N, and notwithstanding that the obligation to the Trust is in its capacity as agent of the holder of that Claim against the Hercules-Protected Entity) by setting off against that liability an equivalent amount of the Stock Repayment Obligation (and for this purpose Reorganized T&N shall be deemed, if necessary, to have assigned, for no consideration at the time the option is exercised, to the applicable Reorganized Hercules-Protected Entity an equivalent amount of the Stock Repayment Obligation); (b) by the Trust repaying part of the Stock Repayment Obligation to Reorganized T&N for the purpose of enabling Reorganized T&N to satisfy, or arrange for the relevant Hercules-Protected Entity to satisfy, the liability (any such sum to be received and held by Reorganized T&N in trust for that purpose), (c) by payment by Reorganized T&N out of funds received under the Hercules Policy or (d) by payment by Reorganized T&N or the relevant Reorganized Hercules-Protected Entity out of funds made available, by loan or otherwise, for the specific purpose of satisfying Asbestos Personal Injury Claims, by the Trust, Reorganized T&N or any third party. To the extent that any Asbestos Personal Injury Claim has been established and is payable to the Trust in a currency other than British Pounds Sterling, and that liability is to be satisfied by setting off the sum due against the outstanding Stock Repayment Obligation, such Asbestos Personal Injury Claim shall be converted at the London Spot Mid-Point Rate prevailing on the date when the set-off is made or, if such date is not a business day, on the previous business day, as published in the Financial Times of London. Any loan made by the Trust to a Reorganized Hercules-Protected Entity shall be free of interest and recourse to that Reorganized Hercules-Protected Entity in respect of such loan shall be limited to 94.25% of the amount

recovered in respect of the relevant Asbestos Personal Injury Claim under the Hercules Policy (disregarding for this purpose any reduction in that amount caused by the Hercules Insurers setting off any sum to which they are entitled from Reorganized T&N under any other agreement).

4.5.8. Reorganized T&N will hold any amount received from the Hercules Insurers in respect of an established Asbestos Personal Injury Claim (including any amount received by virtue of the reassignment to it of the holder's rights under the Third Parties (Rights Against Insurers) Act 1930 of the United Kingdom pursuant to Section 4.5.4 hereof) in trust to meet any claims handling costs or expenses incurred by or on behalf of Reorganized T&N or any other Reorganized Hercules Protected Entity. Subject to that, Reorganized T&N will hold all amounts received from the Hercules Insurers in respect of an Asbestos Personal Injury Claim in trust to repay to the Trust the amount borrowed by Reorganized T&N or other Reorganized Hercules-Protected Entity to fund the payment of that Asbestos Personal Injury Claim pursuant to Section 4.5.7 hereof. Reorganized T&N will hold any balance of the amounts received from the Hercules Insurers in trust, at the direction of the Trust, to pay further Asbestos Personal Injury Claims established by settlement or judgment. Until the Hercules Policy Expiry Date, all such amounts received from the Hercules Insurers under the Hercules Policy shall be kept in a separately designated bank account in the name of Reorganized T&N pending application in accordance with the trusts established under this Section 4.5.8. Upon (i) the occurrence of the Hercules Policy Expiry Date and (ii) satisfaction of the payments to be made under the foregoing trusts established under this Section 4.5.8, Reorganized T&N shall be entitled to any outstanding balance received from the Hercules Insurers absolutely; in that event Reorganized T&N will pay to the Trust a sum equivalent to the amount of the outstanding balance retained by Reorganized T&N (but without creating any trust affecting such outstanding balance). Any payment by the Hercules Insurers under the Hercules Policy or by any EL Insurer under an EL Policy to the holder of an Asbestos Personal Injury Claim pursuant to judgment or settlement of a Claim shall be held by the holder of the relevant Claim in trust for the sole and exclusive benefit of (in the case of a payment by the Hercules Insurers under the Hercules Policy) Reorganized T&N and (in the case of a payment by any EL Insurers under an EL Policy) the Trust (specifically, the T&N Worldwide Fund as defined within the Trust Documents), and paid to Reorganized T&N or, as the case may be, the Trust at its request, and the holder's recovery against the Trust shall be determined solely under and in accordance with the Asbestos Personal Injury Trust Distribution Procedures and other Trust Documents.

4.5.9. Notwithstanding anything to the contrary in this Plan or the Trust Documents, to the extent that any Non-Debtor Hercules-Protected Entity is sued or otherwise pursued on a liability or alleged liability for which coverage is provided under the Hercules Policy or any EL Policy, Reorganized T&N shall be entitled to seek and obtain coverage for such liability under or with respect to the Hercules Policy or any EL Policy and retain any and all proceeds, if any, paid on account of such liability by the Hercules Insurers or any EL Insurer.

4.6. Investment Guidelines. Pursuant to Section 3.2 of the Trust Agreement, all monies held in the Trust shall be invested, subject to the investment limitations and provisions enumerated in the Trust Agreement, and shall not be limited to the types of investments described in Section 345 of the Bankruptcy Code.

4.7. Excess Trust Assets. To the extent there are any Trust Assets remaining at such time as the Trust is terminated, such excess Trust Assets shall be transferred to such charitable purposes as the Trustees, in their reasonable discretion, shall determine, provided that, if practicable, the charity or charities to which such excess Trust Assets are transferred shall be related to the treatment of, research on, or the relief of suffering of individuals suffering from asbestos-related lung disorders.

4.8. Trust Expenses. The Trust shall pay all Trust Expenses from the Trust Assets, including proceeds of applicable Asbestos Insurance Policies. Neither the Debtors' Estates nor the Reorganized Debtors shall have any obligation to pay any Trust Expenses. Additionally, the Trust shall promptly pay all Trust Expenses of Reorganized Debtors for any and all liabilities, costs or expenses incurred in taking any action on behalf of or at the direction of the Trustees.

4.9. Selection Of The Initial Trustees. The three initial Trustees of the Trust shall be the persons identified in the Trust Agreement. All successor Trustees shall be appointed in accordance with the terms of the Trust Agreement. For purposes of performing their duties and fulfilling their obligations under the Trust Agreement and the Plan, each Trustee shall be deemed to be (and the Confirmation Order shall so provide) a "party in interest" within the meaning of Section 1109(b) of the Bankruptcy Code.

4.10. Advising The Trust

4.10.1. The Trust Advisory Committee. The Trust Advisory Committee shall be established pursuant to the Trust Agreement. The TAC shall have four members and shall have the functions, duties and rights provided in the Trust Agreement. On or before the Confirmation Date, the four initial members of the TAC shall be selected by the Asbestos Claimants Committee.

4.10.2. Successor Committee Members. Each member of the Trust Advisory Committee shall serve in accordance with the terms and conditions contained in the Trust Agreement.

4.10.3. Future Claimants Representative. From and after the Effective Date, the Future Claimants Representative shall continue to serve in that capacity as an advisor to the Trust.

4.10.4. U.K. Legal Advisors. As required by the Trust Agreement, the Trustees shall retain U.K. legal advisors and consult with such advisors with respect to issues involving those aspects of U.K. law that would affect the processing, liquidation or payment of U.K. claims. Such U.K. legal advisors shall include at least one expert in English law and one expert in Scottish law.

4.11. Trust Indemnity Obligations. Notwithstanding anything to the contrary in the Trust Documents, the Trust shall have the indemnification obligations set forth in Article IV of the Plan, including, without limitation, the indemnification obligations set forth below.

4.11.1. Except as provided in 4.11.2 below with respect to Non-Debtor Asbestos Claims, if, on or after the Effective Date, the Reorganized Debtors and/or any of their

non-Debtor Affiliates are held liable for any Asbestos Personal Injury Claim that is not successfully channeled to the Trust, for any reason, whether such Asbestos Personal Injury Claim is asserted in the U.S., the U.K. or anywhere else in the world, the Trust shall indemnify the Reorganized Debtors and/or any of their non-Debtor Affiliates, as applicable, in an amount equal to (i) the value of such Asbestos Personal Injury Claim as determined by settlement or judgment times (ii) the applicable payment percentage under the Asbestos Personal Injury Trust Distribution Procedures. For purposes of determining the amount of indemnification due under this Section 4.11 and only for such purpose, the value of such Asbestos Personal Injury Claim as set forth in (i) shall be the amount of any settlement or judgment plus all costs of defenses and expenses related to such Asbestos Personal Injury Claim. Notwithstanding anything to the contrary, if the Asbestos Personal Injury Claim for which indemnity is due under this Section 4.11 is an Other Asbestos Disease (Disease Level I – Cash Discount Payment) as defined in the Asbestos Personal Injury Trust Distribution Procedures, then the Trust shall indemnify the Reorganized Debtors and/or any of their non-Debtor Affiliates, as applicable, in an amount equal to the Scheduled Value for such Asbestos Personal Injury Claim.

4.11.2. If, on or after the Effective Date, the Reorganized Debtors and/or any of their non-Debtor Affiliates are held liable for any claim attributable to, directly or indirectly, injuries or other damages caused or allegedly caused by the presence of, or exposure to, asbestos and arising or allegedly arising, in whole or in part, directly or indirectly, from acts or omissions of one or more of the non-Debtor Affiliates, whether such claim is asserted in the U.S., the U.K. or anywhere else in the world (a “Non-Debtor Asbestos Claim”), the Trust shall indemnify the Reorganized Debtors and/or any of their non-Debtor Affiliates in an amount equal to the lesser of (i) the amount actually paid on such Non-Debtor Asbestos Claim by the Reorganized Debtors and/or the non-Debtor Affiliates, as applicable, plus fees and costs related to such Non-Debtor Asbestos Claim, times the applicable payment percentage under the Asbestos Personal Injury Trust Distribution Procedures and (ii) what the holder of such Non-Debtor Asbestos Claim would have received from the applicable sub-fund if the Non-Debtor Asbestos Claim had been channeled to the Trust and did not proceed to judgment. In the event the Asbestos Personal Injury Trust Distribution Procedures do not contain a matrix for any such Non-Debtor Asbestos Claim, the amount of indemnity due under this Section 4.11.2 shall be determined by using the T&N/U.S. Claims matrix set forth in the Asbestos Personal Injury Trust Distribution Procedures.

4.11.3. Notwithstanding Sections 4.11.1 and 4.11.2 above, if, on or after the Effective Date, the Reorganized Debtors and/or any of their non-Debtor Affiliates are sued on account of an Asbestos Personal Injury Claim or a Non-Debtor Asbestos Claim that relates to a stream of liability for which there is no applicable payment percentage and such Asbestos Personal Injury Claims and/or Non-Debtor Asbestos Claims may be tendered to an insurance company for handling and payment, the applicable Reorganized Debtor and/or non-Debtor Affiliate shall tender such Asbestos Personal Injury Claim or Non-Debtor Asbestos Claim, as applicable, to the Trust so the Trust can properly access any available insurance. The Trust shall use its best efforts to have such Asbestos Personal Injury Claim and/or Non-Debtor Asbestos Claim paid by any applicable insurance and, if the Trust obtains any insurance proceeds on account of such claims, the Trust shall remit such proceeds to the applicable Reorganized Debtor and/or non-Debtor Affiliate.

4.11.4. The Trust shall indemnify Reorganized Federal-Mogul on an after-tax basis for all and any adverse tax consequences suffered by any of the Hercules - Protected Entities arising (either directly or indirectly) as a result of or attributable to the implementation of Article IV of the Plan. For this purpose, Reorganized Federal-Mogul shall be conclusively deemed to have suffered a loss in an amount equal to the adverse tax consequences suffered by the relevant Hercules-Protected Entity.

4.11.5. Notwithstanding anything in the Trust Agreement, including, without limitation, Section 3.1 of the Trust Agreement, the Trust shall (i) be obligated to pay the indemnification as required under the Plan without regard to which stream of asbestos liability the indemnification relates to and (ii) pay such indemnification from any and all available assets in any of the Funds (as such term is defined in the Trust Agreement) without regard to which Fund or stream of asbestos liability such indemnification relates to.

4.11.6. For the avoidance of doubt, any indemnity due to the Hercules-Protected Entities under this Section 4.11 shall be subject to the limitations set forth in Section 4.4 above.

4.11.7. Notwithstanding anything to the contrary in the Plan or the Trust Documents, the Trust shall not assume any agency obligation with respect to any Asbestos Personal Injury Claims against the Reorganized Debtors on behalf of the EL Insurers, the Hercules Insurers and/or the CRU and these Entities may only assert any such Asbestos Personal Injury Claims they may hold, if any, against the Trust. Additionally, if the EL Insurers, the Hercules Insurers and/or the CRU assert any Claim against the Reorganized Debtors and such Claim is not successfully channeled to the Trust, then the Trust shall indemnify the Reorganized Debtors the full amount of any and all damages, losses, fees and expenses incurred with respect to such Claim.

ARTICLE V EXECUTORY CONTRACTS AND UNEXPIRED LEASES

5.1. Assumption And Rejection Of Unexpired Leases And Executory Contracts

5.1.1. Assumption. All unexpired leases and executory contracts that (a) have not been expressly rejected by the U.S. Debtors with approval of the Bankruptcy Court on or prior to the Effective Date or (b) are not rejected pursuant to Section 5.1.2. below shall, as of the Effective Date (and subject to the occurrence of the Effective Date), be assumed by the Debtors. Not later than ninety (90) days prior to the scheduled date for the Confirmation Hearing, the Debtors will file with the Bankruptcy Court an exhibit (the "Cure Exhibit") setting forth those unexpired leases and executory contracts which are being assumed by the U.S. Debtors and as to which the U.S. Debtors believe that cure amounts are owing, together with the respective cure amounts due for each such assumed lease or executory contract. With respect to any unexpired leases or executory contracts which are being assumed by the U.S. Debtors but as to which the U.S. Debtors contend that no cure amounts are due, such unexpired leases and executory contracts will not be included on the Cure Exhibit. The U.S. Debtors may modify,

supplement or amend the Cure Exhibit up to and including the Confirmation Date. Not later than the earlier of (i) sixty (60) days prior to the scheduled Confirmation Hearing or (ii) if the proposed cure amount for any particular unexpired lease or executory contract is amended by any U.S. Debtor following the filing of the initial Cure Exhibit, thirty (30) days after such amendment is filed by the U.S. Debtors with the Bankruptcy Court, the non-Debtor party to any such unexpired lease or executory contract which the U.S. Debtors propose to assume may dispute the cure amount, if any, set forth by the U.S. Debtors with respect to the assumption of such unexpired lease or executory contract by filing an appropriate objection with the Bankruptcy Court.

5.1.2. Rejection. Notwithstanding Section 5.1.1 above, the U.S. Debtors shall reject each and all of the executory contracts and unexpired leases designated in the list of rejected contracts (as such list may be amended or supplemented up to and including the Confirmation Date) that will be included in Exhibit 5.1.2 of the Plan filed with the Bankruptcy Court prior to the Plan Confirmation hearing.

5.1.3. Reservation. Notwithstanding Sections 5.1.1 and 5.1.2 above, Section 5.2 shall not apply to any unexpired lease or executory contract that is specifically identified and dealt with otherwise under the Plan.

5.2. Rejected Unexpired Leases And Executory Contracts. Notwithstanding anything to the contrary set forth in Section 5.1 hereof, the U.S. Debtors hereby expressly reject, pursuant to Section 365 of the Bankruptcy Code, the following executory contracts and unexpired leases: (a) all product warranties, indemnity agreements and similar agreements of the U.S. Debtors (including any obligation of the U.S. Debtors to pay any costs or expenses related to such product warranties) which relate to asbestos or asbestos-related products that were made, mined, manufactured, produced, distributed, sold, marketed or supplied by the U.S. Debtors, whether or not the liabilities or obligations resulting thereunder constitute or will be treated as Asbestos Personal Injury Claims pursuant to the Plan; (b) all product warranties of the U.S. Debtors (including any obligation to pay any costs or expenses related to such warranties), which relate to products no longer made, manufactured, produced, distributed, sold, marketed or supplied by the U.S. Debtors; and (c) the Dan=Loc Deed of Special Indemnity and the Dan=Loc Deed of Guarantee except as set forth in Section 8.20 of the Plan.

5.3. Continuation Of Product Warranties. The Reorganized U.S. Debtors may elect to honor any product warranty as to non-asbestos products rejected pursuant to Section 5.2 of the Plan if honoring such product warranty would, in the judgment of the Reorganized U.S. Debtors confer a reasonably comparable benefit upon the Reorganized U.S. Debtors.

5.4. Collective Bargaining Agreements and Retiree Benefit Plans. Notwithstanding any other provisions of the Plan or of this Article V, the Plan Proponents reserve the right to seek to reject, modify and or terminate any collective bargaining agreements with respect to which any of the Debtors is a party in accordance with Section 1113 of the Bankruptcy Code, any retiree benefit plans of any or all of the Debtors in accordance with Section 1114 of the Bankruptcy Code and any other employee benefit programs in accordance with applicable law.

5.5. Damages Upon Rejection. The Bankruptcy Court shall determine the dollar amount, if any, of the Claim of the non-Debtor party for damages resulting from the rejection of any executory contract or unexpired lease; provided, however, that any such Entity that holds or asserts a Claim against a U.S. Debtor or its Estate, must file a Proof of Claim with the Bankruptcy Court within thirty (30) calendar days following the Confirmation Date, or as otherwise ordered by the Bankruptcy Court. To the extent any such Claim is Allowed by the Bankruptcy Court by Final Order, such Claim shall become, and shall be treated for all purposes under the Plan as an Unsecured Claim, or, as applicable, an Asbestos Personal Injury Claim, in the Reorganization Case of the particular U.S. Debtor which is a party to such contract or lease, and the holder thereof shall receive distributions under the Plan as a holder of an Allowed Unsecured Claim or Asbestos Personal Injury Claim. The Plan shall constitute notice to Entities which may assert a Claim for damages from the rejection of an executory contract or unexpired lease of the bar date for filing a Proof of Claim in connection therewith; provided, however, that the U.S. Debtors shall have no obligation to notify such Entities that Confirmation has occurred.

5.6. Corporate Indemnities

5.6.1 Prepetition Indemnification and Reimbursement Obligations. For purposes of the Plan, the respective obligations of Federal-Mogul and its Affiliated Debtors to indemnify and reimburse Persons who are or were directors, officers or employees of the Debtors on the Petition Date or at any time thereafter, against and for any obligations pursuant to the articles of incorporation, codes of regulation, bylaws (including, without limitation, the obligations of Federal-Mogul Corporation pursuant to Article IV of the By-Laws of Federal-Mogul Corporation), applicable state or non-bankruptcy law, or specific agreement or any combination of the foregoing, shall survive confirmation of the Plan, remain unaffected thereby, and not be discharged under Section 1141 of the Bankruptcy Code, irrespective of whether indemnification or reimbursement is owed in connection with any event occurring before, on or after the Petition Date. In furtherance of, and to implement the foregoing, the Reorganized Debtors shall maintain insurance (also referred to as tail coverage) for the benefit of each and all of the above-indemnified directors, officers and employees, at levels no less favorable than those existing as of the date of entry of the Confirmation Order, and for a period of no less than three years following the Effective Date.

5.6.2. Plan Indemnity. In addition to the matters set forth in Section 5.5.1 and not by way of limitation thereof, the Reorganized Debtors shall indemnify and hold harmless all Persons who are or were officers or directors of the Debtors on the Petition Date or thereafter on account of and with respect to any claim, cause of action, liability, judgment, settlement, cost or expense (including attorney's fees) on account of claims or causes of action threatened or asserted by any third party against such officers or directors that seek contribution, indemnity, equitable indemnity, or any similar claim, based upon or as the result of the assertion of primary claims against such third party by any representative of the Debtors' Estates.

5.6.3. Limitation on Indemnification. Notwithstanding anything to the contrary set forth in this Plan or elsewhere, the Reorganized Debtors shall not be obligated to indemnify and hold harmless any Person or Entity for any claim, cause of action, liability, judgment, settlement, cost or expense that results primarily from such Person's or Entity's bad faith, gross negligence or willful misconduct.

ARTICLE VI ACCEPTANCE OR REJECTION OF THE PLAN

6.1. Each Impaired Class Entitled To Vote Separately. The holders of Claims or Equity Interests in each impaired Class of Claims or Equity Interests that receive or retain property pursuant to the Plan shall be entitled to vote separately to accept or reject the Plan; provided, however, holders of Claims in impaired Classes against multiple Debtors must vote the same way with respect to each Debtor.

6.2. Acceptance By Impaired Classes Of Claims. Pursuant to Section 1126(c) of the Bankruptcy Code, but subject to Section 6.3 below, an impaired Class of Claims shall have accepted the Plan if, after excluding any Claims held by any holder 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 the Plan, and (b) more than one-half in number of such Allowed Claims actually voting in such Class have voted to accept the Plan.

6.3. Acceptance Pursuant To Section 524 Of The Bankruptcy Code. Pursuant to Section 524(g)(2)(B)(ii)(IV)(bb) of the Bankruptcy Code, the respective Classes of Asbestos Personal Injury Claims shall have accepted the Plan only if the holders of at least 75 percent of the Claims entitled to vote in such Classes have voted to accept the Plan.

6.4. Presumed Acceptance Of Plan. Classes of Claims or Equity Interests designated as unimpaired are conclusively presumed to have voted to accept the Plan pursuant to Section 1126(f) of the Bankruptcy Code.

6.5. Presumed Rejection Of Plan. Impaired Classes of Claims or Equity Interests that do not receive or retain any property under the Plan are conclusively presumed to have voted to reject the Plan pursuant to Section 1126(g) of the Bankruptcy Code.

6.6. Votes With Respect to U.K. Debtors. In addition to voting on the Plan as set forth in Section 6.1 above, holders of Claims against the U.K. Debtors shall also determine whether to demand that the Administrators summon meetings of creditors of the U.K. Debtors pursuant to Section 17(3) of IA 1986 for the purposes of considering and voting on the following resolutions: (a) that the Administrators (i) immediately propose Schemes of Arrangement and/or Voluntary Arrangements substantially similar to the forms attached to the Disclosure Statement and take all necessary steps to summon meetings of creditors and members to consider and vote on such Schemes of Arrangement and/or Voluntary Arrangements or (ii) apply to the U.K. Court for discharge of the U.K. administration orders and give the Plan Proponents fourteen (14) days notice of such application; and (b) that the expenses of summoning and holding any such meetings of creditors are to be payable out of the estates of the U.K. Debtors as an expense of the

administration proceedings (collectively, "the Resolutions"). The holders of Claims against the U.K. Debtors shall also be entitled to appoint [Joseph F. Rice] or in the alternative [Steven Kazan] to be the agent and proxy holder of such holders at the meetings of creditors or at any adjournment of those meetings to vote in favor of the Resolutions or any modifications with respect thereto that the agent and proxy holder deems appropriate. Additionally, the Plan Proponents shall be authorized, as agents of the holders of Claims voting in favor of making the demand set forth above, to take all steps that the Plan Proponents consider necessary or desirable in order to facilitate the Consensual Marketing Procedures including, without limitation, issuing proceedings and/or making applications to the U.K. Court.

6.7. Confirmability And Severability Of The Plan.

6.7.1. Consensual Confirmation. The Confirmation requirements of Section 1129(a) of the Bankruptcy Code must be satisfied separately with respect to each Debtor. Therefore, notwithstanding the combination of the separate plans of reorganization of all U.S. Debtors and U.K. Debtors in this Plan for purposes of, among other things, economy and efficiency, the Plan shall be deemed a separate Chapter 11 plan for each such Debtor.

6.7.2. Cramdown. With respect to any impaired Class of Claims or Equity Interests that fails to accept the Plan in accordance with Section 1129(a) of the Bankruptcy Code, including such classes as may be created pursuant to amendments to the Plan, the Plan Proponents request that the Court confirm the Plan in accordance with Section 1129(b) of the Bankruptcy Code with respect to such non-accepting classes, in which case or cases, the Plan shall constitute a motion for such relief.

6.7.3. Reservation of Rights

(a) The Plan Proponents reserve the right to modify or withdraw the Plan, any other plan, or the Plan in its entirety, for any reason, including, without limitation, in the event that any separate plan for a particular Debtor is not confirmed. In addition, should the Plan, or any individual Debtor's plan, fail to be accepted by the requisite number and amount of Claims and Equity Interests voting, as required to satisfy Sections 524(g) (in the case of any Debtor subject to Asbestos Personal Injury Claims) and 1129 of the Bankruptcy Code, and notwithstanding any other provision of the Plan to the contrary, the Plan Proponents reserve the right to amend, modify or withdraw such plan or the Plan in its entirety. Also, in the event the Plan of a U.K. Debtor is confirmed over the objection of a Class of creditors of such U.K. Debtor pursuant to Section 1129(b) of the Bankruptcy Code but the Scheme of Arrangement and/or Voluntary Arrangement for such U.K. Debtor is not approved, the Plan Proponents reserve the right to seek the dismissal of the U.K. administration proceedings for such U.K. Debtor or to have the Confirmation Order recognized by the U.K. Court as a matter of comity.

(b) In the event that the conditions to effectiveness set out in Sections 7.2.5 and 7.2.6 are not satisfied in relation to all or any of the U.K. Debtors, the Plan Proponents may waive each of the conditions in whole or in part, and/or impose any new condition or conditions to the effectiveness of the Plan, and, in any such event, the Plan Proponents reserve the right to amend or modify the Plan and/or to propose any substitute Section 425 Scheme and/or Voluntary Arrangement.

ARTICLE VII
CONDITIONS TO CONFIRMATION AND EFFECTIVENESS

7.1. Conditions To Confirmation. Confirmation of the Plan shall not occur unless each of the following conditions has been satisfied or waived by the Plan Proponents. These conditions to confirmation, which are designed, among other things, to ensure that the Injunctions, releases and discharges set forth in Article IX shall be effective, binding and enforceable, are as follows:

7.1.1. Findings of Fact. The Bankruptcy Court and/or the District Court, as applicable, shall have made the following findings in substantially the following form:

(a) The Supplemental Injunction, the Third Party Injunction and the Asbestos Insurance Entity Injunction are to be implemented in connection with the Trust;

(b) As of the Petition Date, certain of the Debtors had been named as defendants in personal injury, wrongful death or property damage actions seeking recovery for damages allegedly caused by the presence of, or exposure to, asbestos or asbestos-containing products;

(c) Subject to Article IV of the Plan, upon Confirmation, the Trust shall assume the liabilities of the Debtors with respect to Asbestos Personal Injury Claims;

(d) The Trust will be funded in part by the Reorganized Federal-Mogul Class B Common Stock, and all rights to receive dividends or other distributions on account of such Class B Common Stock;

(e) On the Effective Date, the Trust will own a majority of the voting shares of Reorganized Federal-Mogul;

(f) The Trust will use its assets or income to pay Asbestos Personal Injury Claims;

(g) The Debtors are likely to be subject to substantial future Demands for payment arising out of the same or similar conduct or events that gave rise to the Asbestos Personal Injury Claims, that are addressed by the Supplemental Injunction, the Third Party Injunction and the Asbestos Insurance Entity Injunction;

(h) The actual amounts, numbers and timing of future Demands cannot be determined;

(i) Pursuit of Asbestos Personal Injury Claims, including Demands, outside the procedures prescribed by the Plan is likely to threaten the Plan's purpose to deal equitably with Claims and future Demands;

(j) The terms of the Supplemental Injunction, the Third Party Injunction and the Asbestos Insurance Entity Injunction, including any provisions barring actions against third parties, are set out in conspicuous language in the Plan and in the Disclosure Statement;

(k) Pursuant to court orders or otherwise, the Trust shall operate through mechanisms such as structured, periodic or supplemental payments, Pro Rata distributions, matrices or periodic review of estimates of the numbers and values of Asbestos Personal Injury Claims or other comparable mechanisms, that provide reasonable assurance that the Trust will value, and be in a financial position to pay, present Asbestos Personal Injury Claims and future Asbestos Personal Injury Claims and Demands that involve similar Claims in substantially the same manner;

(l) The Future Claimants Representative was appointed by the Bankruptcy Court as part of the proceedings leading to the issuance of the Supplemental Injunction, the Third Party Injunction and the Asbestos Insurance Entity Injunction for the purpose of, among other things, protecting the rights of persons that might subsequently assert Demands of the kind that are addressed in the Supplemental Injunction, the Third Party Injunction and the Asbestos Insurance Entity Injunction, and transferred to and assumed by the Trust;

(m) The inclusion of each Debtor or beneficiary within the protection afforded by the Supplemental Injunction, the Third Party Injunction and the Asbestos Insurance Entity Injunction, as applicable, is fair and equitable with respect to the persons that might subsequently assert Demands against each such Debtor or beneficiary in light of the benefits provided, or to be provided, to the Trust on behalf of such Debtor or such beneficiary;

(n) The Plan complies with Section 524(g) of the Bankruptcy Code in all respects;

(o) The receipt of Trust Assets in accordance with Article IV of the Plan does not violate any obligation of the Debtors or breach any terms, obligations, or duties under any applicable Asbestos Insurance Policy, including any obligation of the Debtors to cooperate, any management of claims provisions, any consent to assignment provisions, or any consent to settlement in any provision of any Asbestos Insurance Policy;

(p) The assignment of rights under the Asbestos Insurance Policies to the Trust do not materially increase any Asbestos Insurance Company's risk in providing coverage for Asbestos Personal Injury Claims compared to the risk that was otherwise being borne by the Asbestos Insurance Companies prior to the Effective Date;

(q) Upon confirmation and consummation of this Plan, the Trust shall have access to the Asbestos Insurance Policies for the purpose of meeting the Trust's obligations to defend, resolve, and satisfy Asbestos Personal Injury Claims and to satisfy existing or future obligations of the Trust for Asbestos Personal Injury Claims in the same manner the Debtors have had access to the Asbestos Insurance Policies to respond to Asbestos Personal Injury Claims prior to the Effective Date; and

(r) The Supplemental Injunction, the Third Party Injunction and the Asbestos Insurance Entity Injunction are essential to this Plan and the Debtors' reorganization efforts.

7.1.2. Confirmation Order. The Bankruptcy Court and/or District Court, as applicable, shall have made such findings and determinations regarding the Plan as shall enable

the entry of the Confirmation Order and any other order entered in conjunction therewith in form and substance acceptable to the Plan Proponents.

7.1.3. Exit Facilities. The Debtors shall have obtained a binding commitment(s) for the Exit Facilities on terms reasonably acceptable to the Plan Proponents.

7.2. Conditions To Effectiveness. Notwithstanding any other provision of the Plan or the Confirmation Order, the Effective Date of the Plan shall not occur unless and until each of the following conditions has been satisfied or waived by the Plan Proponents:

7.2.1. Confirmation Order. The Confirmation Order shall have been issued or affirmed by the District Court, and the Confirmation Order shall have become a Final Order; provided, however, that the Effective Date may occur at a point in time when the Confirmation Order is not a Final Order at the sole option of the Plan Proponents unless the effectiveness of the Confirmation Order has been stayed or vacated, in which case the Effective Date may be, again at the sole option of the Plan Proponents, the first Business Day immediately following the expiration or other termination of any stay of effectiveness of the Confirmation Order.

7.2.2. Trust. The Trust Assets shall have been transferred to, vested in and assumed by the Trust in accordance with Section 4.3 of the Plan, other than any Trust Assets to be transferred to, vested in and assumed by the Trust after the Effective Date.

7.2.3. Corporate Documents. The Trust Documents and the other applicable corporate documents necessary or appropriate to implement the Plan shall have been executed, delivered and, where applicable, filed with the appropriate governmental authorities.

7.2.4. United States Trustee's Fees. The fees of the United States Trustee then owing by the Debtors shall have been paid in full.

7.2.5. Sanctioning of Scheme of Arrangement. If and to the extent that the Plan Proponents determine that there should be a Scheme of Arrangement in respect of all or any of the U.K. Debtors, (i) the U.K. Court shall have sanctioned the Scheme(s) of Arrangement, and an office copy of the Order of the U.K. Court sanctioning the Scheme(s) of Arrangement shall have been delivered for registration to the Registrar of Companies as required by Section 425(3) of the Companies Act 1985 of the United Kingdom and (ii) all of the conditions to such Scheme(s) of Arrangement shall have been satisfied in accordance with the terms of the respective Scheme(s) of Arrangement except with respect to any conditions relating to the effectiveness of the Plan, provided however, in respect of any or all of the U.K. Debtors, if the relevant Scheme of Arrangement fails to be sanctioned in accordance with the provisions set out above, the Plan Proponents shall have the right to waive this provision in its entirety or in relation to any individual U.K. Debtor.

7.2.6. Approval of Voluntary Arrangement. If and to the extent that the Plan Proponents determine that there should be a Voluntary Arrangement in respect of all or any of the U.K. Debtors, (i) the requisite approval for the Voluntary Arrangement(s) (in accordance with the IA 1986 and the IR 1986), if applicable, shall have been obtained, the chairperson of the relevant meetings shall have reported the results of the meetings to the U.K. Court pursuant to Section 4(6) of the IA 1986 and, within the period of 28 days beginning with the first day on

which such reports are made to the U.K. Court, no challenge or appeal shall have been made against the decision of the chairperson of the relevant meetings under Rule 1.17 of the IR 1986 or against the Voluntary Arrangement(s) under Section 6 of the IA 1986 and (ii) all conditions to such Voluntary Arrangement(s) have been satisfied in accordance with the terms of the respective Voluntary Arrangement, except with respect to any conditions relating to the effectiveness of the Plan, provided however, that with respect to any or all of the U.K. Debtors, if the relevant Voluntary Arrangement fails to be approved in accordance with the provisions set forth above, the Plan Proponents shall have the right to waive this provision in its entirety or in relation to any such individual U.K. Debtor.

7.2.7. Other Assurances. The Plan Proponents shall have obtained tax rulings, decisions, opinions or other assurances regarding certain tax consequences of the Plan, as they deem satisfactory.

7.2.8. Exit Facilities. The Reorganized Debtors shall have entered into agreements with respect to the Exit Facilities and the Closing Date, as to be defined in the Exit Facilities, shall have occurred.

ARTICLE VIII IMPLEMENTATION OF THE PLAN

8.1. Matters Involving U.K. Debtors

8.1.1. Schemes of Arrangement and/or Voluntary Arrangements. Attached to the Disclosure Statement as Exhibits D and E thereto are forms of Schemes of Arrangement and/or Voluntary Arrangements that parallel, to the extent possible under English and/or Scottish law, the provisions of the Plan with respect to the classification and treatment of certain Claims against the U.K. Debtors listed in Exhibits 1.1.133 and 1.1.168 to the Plan. In the event the Administrators propose the Schemes of Arrangement and/or Voluntary Arrangements, the Administrators will seek approval of such Schemes of Arrangement and/or Voluntary Arrangements in accordance with English and/or Scottish insolvency laws. If the Administrators do not propose, or in the opinion of the Plan Proponents are unlikely to propose, the Schemes of Arrangement or Voluntary Arrangements, then the Plan Proponents will attempt to reach an agreement on Consensual Marketing Procedures with the Administrators in accordance with and as set forth in Section 8.16.1 of the Plan. In the event no agreement with the Administrators can be reached, then one or more of the following may occur with respect to each U.K. Debtor: (a) meetings of creditors shall be convened in accordance with the demands of creditors given pursuant to Section 6.6 of the Plan in order to resolve, pursuant to the proxies given pursuant to Section 6.6 of the Plan, that the Administrators either (i) propose Schemes of Arrangement and/or Voluntary Arrangements substantially similar to the forms attached to the Disclosure Statement and summon meetings of creditors and members to consider and vote on such Schemes of Arrangements and/or Voluntary Arrangements or (ii) seek the discharge of the U.K. administration orders so that the Schemes of Arrangement and/or Voluntary Arrangements can thereafter be proposed by the U.K. Debtors as appropriate; (b) the U.K. Debtors and the Plan Proponents may ask the U.K. Court to approve the Plan with respect to the U.K. Debtors as a

matter of comity; or (c) the Non-Consensual Marketing Procedures set forth in Section 8.16.3 of the Plan may be performed.

8.1.2. Chapter 11 Plans of Reorganization. While Confirmation of the Plan is not conditioned upon sanctioning each Scheme of Arrangement by the U.K. Court and/or approval of each Voluntary Arrangement, the Effective Date of the Plan shall not occur unless and until the U.K. Court has sanctioned the applicable Schemes of Arrangement as set out in Section 7.2.5 and/or the conditions set out in Section 7.2.6 in relation to the applicable Voluntary Arrangements have been fulfilled, subject to the right of the Plan Proponents to waive these requirements as set forth in Section 6.7.3(b). Conversely, confirmation of the Plan is a condition precedent to effectiveness of the Schemes of Arrangement and/or Voluntary Arrangements, subject, however, to the right of the Plan Proponents to waive this condition.

8.2. Continued Corporate Existence. Each of the Reorganized Debtors, other than such Inactive Debtor Subsidiaries as may be dissolved, liquidated, wound-up and/or struck off, shall continue to exist after the Effective Date as a separate corporate entity in accordance with the applicable law in the jurisdiction in which it is incorporated, under its respective certificate of incorporation and bylaws or other organizational documents in effect before the Effective Date, except as its certificate of incorporation, bylaws or other organizational documents are amended by the Plan.

8.3. Federal-Mogul Corporation Securities and Corporate Governance

8.3.1. Cancellation Of Existing Stock In Federal-Mogul Corporation. On the Effective Date, the Federal-Mogul common and preferred stock classified in Classes 1M and 1O, and all unexercised rights, warrants and options relating to such stock and any other rights attached to the ownership of any equity securities of Federal-Mogul Corporation, shall be deemed cancelled and of no further force and effect. The holders of such cancelled instruments, securities and other documentation shall have no rights arising from or relating to such instruments, securities or other documentation or the cancellation thereof, except the rights provided pursuant to the Plan.

8.3.2. Conversion of Convertible Subordinated Debentures. On the Effective Date, all holders of Convertible Subordinated Debentures, except those who have affirmatively elected not do so in connection with their vote on the Plan, will be deemed to have exercised their rights to convert their Convertible Subordinated Debentures into Federal-Mogul common stock on the terms provided for in the indenture governing those debentures. For purposes of the classification and treatment of Claims and Equity Interests under the Plan, such conversion shall be deemed to have occurred on the Record Date, and the resulting common stock interests arising from such conversion shall be included in and treated as Equity Interests under Class 1O.

8.3.3. Cancellation of Notes, Other Debt Securities and Indentures. On the Effective Date, (i) the Notes, the Convertible Subordinated Debentures and any other debt securities issued by the Debtors shall be deemed cancelled and of no further force and effect and (ii) the obligations of the Debtors under any agreements governing such Notes, the Convertible Subordinated Debentures or other debt securities, including, without limitation, the Indentures,

shall be cancelled and discharged. Except as provided in this section and the Plan, the holders of any such cancelled instruments, debt securities and related documentation shall have no rights arising from or relating to such instruments, securities or other documentation or the cancellation thereof. Notwithstanding the foregoing, each Indenture and Note shall continue in effect solely for the purposes of (a) allowing the Indenture Trustees to make distributions on account of Noteholder Claims under the Plan and (b) permitting the Indenture Trustees to maintain any rights or Liens they may have for unpaid fees, costs and expenses under such Indentures; provided, however, such rights and Liens are limited to the distributions, if any, to Noteholders. Notwithstanding the preceding sentence, clauses (a) and (b) of this section shall not represent exceptions to the discharge of the Debtors' liabilities under the Bankruptcy Code and the Confirmation Order. Additionally, upon payment in full of the fees and expenses of the Indenture Trustees pursuant to Section 8.15.6 of the Plan, any such rights or Liens of the Indenture Trustees shall terminate.

8.3.4. Issuance Of Reorganized Federal-Mogul Common Stock. On the Effective Date, Reorganized Federal-Mogul shall issue 49.9 million shares of Reorganized Federal-Mogul Class A Common Stock and 50.1 million shares of Reorganized Federal-Mogul Class B Common Stock. Concurrently with such issuance, Reorganized Federal-Mogul shall distribute (i) all of the shares of the Class B Common Stock (less the shares of Class B Common Stock issued pursuant to Section 4.5 hereof) to the Trustees of the Trust as part of the consideration to be paid for the Trust's assumption of all Asbestos Personal Injury Claims (which shall then be allocated to the sub-Trusts created under the Trust Documents as provided therein), (ii) the Class B Common Stock issued under Section 4.5 of the Plan to the Trustees of the Trust and (iii) all of the shares of the Class A Common Stock to the Disbursing Agent for further distribution Pro Rata to the holders of Allowed Noteholder Claims and Allowed Convertible Subordinated Debenture Claims. For the purpose of distributions to the holders of Allowed Noteholder Claims, the Indenture Trustee under each series of Notes shall be deemed to be the sole holder of the Allowed Noteholder Claim for all Allowed Noteholder Claims for such series of Notes. Accordingly, all distributions of Reorganized Federal-Mogul Class A Common Stock on account of Allowed Noteholder Claims shall be distributed to the Indenture Trustees for further distribution to the Noteholders pursuant to the terms of the respective Indentures. Distribution of such Reorganized Federal-Mogul Class A Common Stock shall be deemed complete upon delivery of one or more share certificates representing such shares to the Indenture Trustees, on behalf of the Noteholders. The Disbursing Agent shall not be entitled to vote any shares of Reorganized Federal-Mogul Class A Common Stock.

8.3.5. Issuance of Warrants

8.3.5.1. Subject to Section 8.3.5.2 below, on the Effective Date, if Classes 1D and 1J have both voted to accept the Plan, and if at least one of Classes 1M, 1N or 1O has also voted to accept the Plan, Reorganized Federal-Mogul shall issue Warrants for the purchase of shares of Reorganized Federal-Mogul Class A Common Stock in an amount calculated in accordance with Sections 3.1.13, 3.1.14 and/or 3.1.15, as applicable. Concurrently with such issuance, Reorganized Federal-Mogul shall distribute such warrants to the Disbursing Agent for further distribution consistent with the terms and provisions of the Plan. The Disbursing Agent shall not be entitled to exercise any of the Warrants.

8.3.5.2. If the Bankruptcy Court and/or District Court, as applicable, holds, determines or rules that the Plan is not confirmable due to the gifting, issuance or distribution of the Warrants, then (a) no Warrants shall be issued or distributed pursuant to the Plan and (b) Classes 1M, 1N and 1O shall receive no distributions under the Plan.

8.3.6. Surrender of Securities or Instruments. On or before the Effective Date, or as soon as practicable thereafter, each holder of an instrument (a "Certificate") evidencing the Notes, the Convertible Subordinated Debentures or any other debt securities (but excluding securities representing Bank Claims) shall surrender such Certificate to the Disbursing Agent, or, with respect to indebtedness that is governed by an Indenture, to the Indenture Trustee. The surrender of any global certificate held by an Indenture Trustee shall constitute surrender of the Notes or other debt securities pertaining to such global certificate for purposes of this provision. No distribution of property hereunder shall be made to or on behalf of any such holder unless and until such Certificate is received by the Disbursing Agent or the respective Indenture Trustee, or evidence of the loss, theft, mutilation or destruction of such Certificate is established to the reasonable satisfaction of the Disbursing Agent or the respective Indenture Trustee. Any such holder who fails to (a) surrender or cause to be surrendered such Certificate, or (b) execute and deliver an affidavit of loss, theft, mutilation or destruction and indemnity to the reasonable satisfaction of the Disbursing Agent or the respective Indenture Trustee prior to the second anniversary of the Effective Date, (i) shall be deemed to have forfeited all rights and Claims or interests in respect of such Certificate, (ii) shall not participate in any distribution hereunder, and (iii) all property in respect of such forfeited distribution, including interest accrued thereon, shall be distributed Pro Rata to and among holders of the same securities, and in accordance with legal rights and priorities of, those holders who properly surrendered such Certificates pursuant to the Plan.

8.3.7. Registration of Certain Reorganized Federal-Mogul Securities. On the Effective Date, Reorganized Federal-Mogul shall execute and deliver registration rights agreements substantially in the form set forth in Exhibit 8.3.7 hereto obligating Reorganized Federal-Mogul to register for resale, to the extent required by federal and state securities laws, the Reorganized Federal-Mogul Common Stock, the Reorganized Federal-Mogul Junior Secured PIK Notes and the Warrants under the Securities Act of 1933 in accordance with the terms set forth in such registration rights agreements. The holders of Reorganized Federal-Mogul Common Stock, Reorganized Federal-Mogul Junior Secured PIK Notes and Warrants entitled to enter into such registration rights agreements are those that (i) are issued 10% or more of the Reorganized Federal-Mogul Common Stock, (ii) would otherwise qualify as an "underwriter" as defined in Section 1145(b) of the Bankruptcy Code or (iii) reasonably request to do so.

8.3.8. Transfer Restrictions. On the Effective Date, Reorganized Federal-Mogul, the Trust and certain Noteholders shall enter into a Lockup Agreement substantially in the form set forth in Exhibit 8.3.8 hereto. The Trust and such Noteholders shall be bound by certain restrictions on transfer of their shares of Reorganized Federal-Mogul Common Stock as set forth in such Lockup Agreement.

8.3.9. Certificate Of Incorporation and Bylaws. The Certificate of Incorporation of Reorganized Federal-Mogul shall, as of the Effective Date, be amended in its entirety substantially in the form set forth in Exhibit 8.3.9(1) hereto, and the Bylaws of

Reorganized Federal-Mogul shall be amended in their entirety substantially in the form set forth in Exhibit 8.3.9(2) hereto. Consistent with Section 1123(a)(6) of the Bankruptcy Code, the amended Certificate of Incorporation of Reorganized Federal-Mogul shall, among other things, prohibit the issuance of non-voting equity securities. The amended Certificate of Incorporation of Reorganized Federal-Mogul shall provide that the board of directors of Reorganized Federal-Mogul shall consist of seven members, that the holders of Reorganized Federal-Mogul Class A Common Stock shall initially be entitled to nominate four directors and the holders of Reorganized Federal-Mogul Class B Common Stock shall initially be entitled to nominate three directors. Additionally, the amended Certificate of Incorporation shall provide that certain major transactions by Reorganized Federal-Mogul shall require the approval of a majority of both the directors elected by the holders of Reorganized Federal-Mogul Class A Common Stock and the directors elected by the holders of Reorganized Federal-Mogul Class B Common Stock.

8.3.10. Initial Board of Directors of Reorganized Federal-Mogul. On and after the Effective Date, the business and affairs of Reorganized Federal-Mogul shall become the general responsibility of its board of directors, subject to, and in accordance with, the Certificate of Incorporation and the Bylaws of Reorganized Federal-Mogul. The initial board of directors shall consist of the seven individuals identified in Exhibit 8.3.10 hereto.

8.3.11. New Employment Agreements. The New Employment Agreements shall be implemented by Reorganized Federal-Mogul on the Effective Date and shall become binding, effective and operative as of the Effective Date.

8.4. Ownership and Management of Affiliated Debtors

8.4.1. Except as provided in 8.4.2 below, from and after the Effective Date, each Debtor shall retain its Equity Interest in any other Debtor. The boards of directors of the Affiliated Debtors shall be established by Reorganized Federal-Mogul. The initial boards of directors for the Affiliated Debtors are set forth in Exhibit 8.4.1 hereto.

8.4.2. On the Effective Date, all outstanding common stock of Debtor Federal-Mogul Piston Rings, Inc. and any other equity securities in, or claims of entitlement to, or rights attached to the ownership of, any equity securities of Federal-Mogul Piston Rings, Inc., shall be deemed cancelled and of no further force or effect. The holders of such cancelled securities, rights or claims shall not receive or retain under the Plan any property on account thereof or on account of the cancellation thereof. On the Effective Date, Reorganized Federal-Mogul Piston Rings, Inc. shall issue 1,000 shares of Reorganized Federal-Mogul Piston Rings, Inc. common stock and shall distribute such shares to Reorganized Federal-Mogul Powertrain, Inc., on account of the Noteholder Claims and as the deemed transferee of the holders of Allowed Class 2D Noteholder Claims, as provided in Section 3.2.4 of the Plan.

8.5. Dissolution Of Inactive Debtor Subsidiaries. On or subsequent to the Effective Date, in the discretion of the new board of directors, Reorganized Federal-Mogul, or the applicable parent company, may take such actions as may be necessary or appropriate to effect the liquidation, dissolution, winding-up, striking off, or other disposition, if any, of some or all of the Inactive Debtor Subsidiaries.

8.6. Corporate Action. All matters provided for under the Plan involving the corporate structure of the Debtors, or any corporate action to be taken by, or required of the Debtors, shall be deemed to have occurred and be effective as provided herein, and shall be authorized and approved in all respects without any requirement for further action or vote by the stockholders or directors of any of such entities.

8.7. Vesting of Assets. On the Effective Date, all property of the estate of each Debtor shall revert in the applicable Reorganized Debtor free and clear of all Claims, Liens, encumbrances and other interests, except as provided in the Plan and the Confirmation Order. As of the Effective Date, each Reorganized Debtor may operate its business, and may use, acquire, and dispose of property free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and the Confirmation Order.

8.8. Preservation of Rights Of Action. Except for the Trust Causes of Action and except as provided in Section 11.5 of the Plan or as otherwise provided in the Plan or the Confirmation Order, the Reorganized Debtors shall retain and have the exclusive right, in their sole discretion, to enforce, sue on, settle, or compromise (or decline to do any of the foregoing) all claims, rights, causes of action, suits and proceedings, including rights and causes of action arising under the Bankruptcy Code which are commenced prior to the closing of the Reorganization Cases, that the Debtors or their Estates may hold against any Entity. Notwithstanding any other provision of the Plan to the contrary and without limiting the foregoing, the Reorganized Debtors, with the consent of the Trustees, may retain, prosecute and enforce any Asbestos Insurance Action in their own name, for the benefit of the Trust and the holders of Asbestos Personal Injury Claims, provided that any costs and expenses to be incurred by the Reorganized Debtors in any such Asbestos Insurance Action shall be reimbursed to the Reorganized Debtors by the Trust as Trust Expenses as soon as practically possible.

8.9. Setoffs. Each Reorganized Debtor (or the Trust to the extent it pertains to an Asbestos Personal Injury Claim) may, pursuant to the applicable provisions of the Bankruptcy Code, the IA 1986 or applicable non-bankruptcy law, setoff against any applicable Allowed Claim (before any distribution is made on account of such Claim) any and all claims, rights, causes of action, debts or liabilities of any nature that the applicable Reorganized Debtor (or the Trust to the extent it pertains to an Asbestos Personal Injury Claim) may hold against the holder of such Allowed Claim; provided, however, that the failure to effect such a setoff shall not constitute a waiver or release of any such claims, rights, causes of action, debts or liabilities.

8.10. Reorganized Federal-Mogul Secured Term Loan Agreement. On the Effective Date Reorganized Federal-Mogul, as borrower, the other Reorganized U.S. Debtors and F-M UK Holding Limited, as guarantors, the holders of Class 1B Bank Claims, as lenders, and JPMorgan Chase Bank, as Administrative Agent for the lenders, shall become parties to the Reorganized Federal-Mogul Secured Term Loan Agreement regardless of whether any such party actually executes the Reorganized Federal-Mogul Secured Term Loan Agreement. The Reorganized Federal-Mogul Secured Term Loan Agreement shall provide for, among other things, the issuance to the holders of Allowed Class 1B Bank Claims, in accordance with each such holder's previously existing rights under the Bank Credit Agreement, of term loans in the principal amount of \$1,303,897,117.90 (as adjusted as of the Effective Date to convert any

foreign currencies to U.S. dollars) plus the amount of any draws prior to the Effective Date on letters of credit outstanding under the Bank Credit Agreement (but excluding draws prior to the Effective Date on letters of credit outstanding under the Tranche C Loans portion of the DIP Facility), repayable in periodic installments maturing six and a half years after the Effective Date, at a rate of interest based on rates in the London interbank market or, at Reorganized Federal-Mogul's option, an alternate base rate. The obligations of the Reorganized U.S. Debtors with respect to the Reorganized Federal-Mogul Secured Term Loan Agreement shall be secured by Liens on substantially all domestic assets of the Reorganized U.S. Debtors and on 65% of the equity in the first tier foreign subsidiaries owned by the Reorganized U.S. Debtors and Reorganized F-M UK Holding Limited. Except as otherwise provided in the Reorganized Federal-Mogul Secured Term Loan Agreement, such Liens shall be junior only to the Liens securing the Exit Facilities and the portion, if any, of the Tranche C Loans restructured pursuant to Section 2.2 of the Plan, and shall be pari passu with the Liens that secure the Secured Surety Notes, if any.

8.11. Issuance of Reorganized Federal-Mogul Junior Secured PIK Notes. On the Effective Date, Reorganized Federal-Mogul shall issue and distribute to the PIK Notes Trustee, on behalf of all holders of Class 1B Bank Claims, and for ultimate distribution to each such holder in accordance with such holder's previously existing rights under the Bank Credit Agreement, the Reorganized Federal-Mogul Junior Secured PIK Notes. The Federal-Mogul Junior Secured PIK Notes shall have an aggregate original principal amount of \$300,000,000.00, shall mature on the eleventh anniversary of the Effective Date and shall bear interest at a fixed rate, initially payable partially in cash and partially in kind. The obligations of Reorganized Federal-Mogul with respect to the Reorganized Federal-Mogul Junior Secured PIK Notes shall be secured by Liens on substantially all domestic assets of the Reorganized U.S. Debtors and on 65% of the equity in foreign subsidiaries owned by the Reorganized U.S. Debtors and Reorganized F-M UK Holding Limited. Except as otherwise provided in the indenture for the Reorganized Federal-Mogul Junior Secured PIK Notes, such Liens shall be junior only to the Liens securing the Exit Facilities, the portion, if any, of the Tranche C Loans restructured pursuant to Section 2.2 of the Plan, the Reorganized Federal-Mogul Secured Term Loan Agreement and the Secured Surety Notes, if any, and shall be pari passu with the Liens securing the Junior Secured Surety PIK Notes, if any.

8.12. Exit Facilities. On the Effective Date, Reorganized Federal-Mogul shall enter into the Exit Facilities. The proceeds of the Exit Facilities shall be used to (a) repay obligations under the DIP Facility on the Effective Date, (b) make cash payments required under the Plan and/or (c) provide working capital for the business operations and general corporate purposes of the Reorganized Debtors.

8.13. Issuance of Secured Surety Notes, Junior Secured Surety PIK Notes and Related Guarantees. If and to the extent required under Section 3.1.3 of the Plan, Reorganized Federal-Mogul shall issue the Secured Surety Notes and Junior Secured Surety PIK Notes. If and as required under the applicable Surety Claims treatment sections of the Plan, and if the applicable guarantees or liens are not avoided as a result of the Avoidance Litigation, the Reorganized Debtors that were parties to any guarantee with any of the Sureties relating to the CCR Surety Bonds and that pledged any of their assets to secure their obligations under such agreements shall issue guarantees of Reorganized Federal-Mogul's obligations under the Secured

Surety Notes and Junior Secured Surety PIK Notes, if any, and grant Liens in favor of the Sureties to collateralize such guarantees on the same or substantially all of the collateral that secured their prepetition obligations under their respective agreements with the Sureties. The Liens securing the obligations under the Secured Surety Notes shall be pari passu with the Liens securing the Reorganized Federal-Mogul Secured Term Loan Agreement, and the Liens securing the Junior Secured Surety PIK Notes shall be pari passu with the Liens securing the Reorganized Federal-Mogul Junior Secured PIK Notes.

8.14. Effectuating Documents And Further Transactions. The Chief Executive Officer, President, or any Vice President of each Debtor shall be authorized to execute, deliver, file or record such contracts, instruments, releases and other agreements or documents and take or direct such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

8.15. Distributions Under the Plan

8.15.1. General Matters. The Disbursing Agent shall make all distributions required under the Plan (other than distributions to holders of Asbestos Personal Injury Claims). Distributions shall be made on the Distribution Date (unless otherwise provided herein or ordered by the Bankruptcy Court) with respect to all Claims except Asbestos Personal Injury Claims. Distributions with respect to Asbestos Personal Injury Claims shall be made in accordance with the Asbestos Personal Injury Trust Distribution Procedures. Distributions to be made on the Distribution Date shall be deemed actually made on the Distribution Date if made either (a) on the Distribution Date or (b) as soon as practicable thereafter, but in no event later than ten Business Days after the Distribution Date, except as otherwise provided for herein, or except as may be ordered by the Bankruptcy Court. Except where the Plan contemplates deferred payment or delivery of property or securities, payments to be made by the Disbursing Agent pursuant to the Plan shall be made in Cash or by check drawn on a domestic bank or by wire transfer from a domestic bank.

8.15.2. Withholding Of Taxes. The Disbursing Agent or the Trust, as applicable, shall withhold from any assets or property distributed under the Plan any assets or property which must be withheld for foreign, federal, state and local taxes payable with respect thereto or payable by the Person entitled to such assets to the extent required by applicable law.

8.15.3. Allocation of Consideration. 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 tax purposes, be allocated to the principal amount of the Claim first and then, to the extent the consideration exceeds the principal amount of the Claim, to accrued but unpaid interest.

8.15.4. Unclaimed Property. Except as provided in Section 8.3.4 of the Plan with respect to distributions of Reorganized Federal-Mogul Class A Common Stock to or for the benefit of Noteholders, and Sections 8.3.3 and 8.10 of the Plan with respect to distributions on account of Bank Claims, any Cash, assets, and other property to be distributed under the Plan, but excluding any distributions from the Trust, that remain unclaimed (including by an Entity's failure to negotiate a check issued to such Entity) or otherwise not deliverable to the Entity

entitled thereto before the later of (a) one year after the Distribution Date, or (b) six months after an order allowing such Entity's Claim becomes a Final Order, shall become vested in, and shall be transferred to, the applicable Reorganized Debtor whose Estate owed or paid the Claim, notwithstanding state or other escheat or similar laws to the contrary. In such event, such Entity's Claim shall no longer be deemed to be Allowed and such Entity shall be deemed to have waived its rights to such payments or distributions under the Plan pursuant to Section 1143 of the Bankruptcy Code, shall have no further Claim in respect of such distribution and shall not participate in any further distributions under the Plan with respect to such Claim.

8.15.5. Transfer Taxes. Pursuant to Section 1146 of the Bankruptcy Code, and to the fullest extent permitted by law, no stamp tax, transfer tax or other similar tax shall be imposed or assessed by any taxing authority on account of (i) the issuance, transfer or exchange of any securities issued under the Plan; (ii) the transfer of any assets or property pursuant to the Plan, or (iii) the making or delivery of an instrument of transfer under the Plan.

8.15.6. Indenture Trustee Compensation. The Indenture Trustees shall receive reasonable compensation and reimbursement of actual and necessary expenses pursuant to the Indentures and pursuant to the procedures set forth herein.

8.15.6.1. Not later than five (5) days after the Confirmation Date, the Indenture Trustees shall submit to Reorganized Federal-Mogul reasonably detailed statements of the fees and expenses incurred by the Indenture Trustees through such date along with any estimated fees and expenses for services to be rendered after such date in effectuating the distribution of Reorganized Federal-Mogul Class A Common Stock to the Noteholders and the surrender and cancellation of the Notes as contemplated by the Plan (the "Statements").

8.15.6.2. Reorganized Federal-Mogul shall pay all undisputed Statements submitted by the Indenture Trustees in Cash on the Effective Date. If Reorganized Federal-Mogul disputes any Statement, Reorganized Federal-Mogul shall notify the applicable Indenture Trustee of the basis for the dispute in writing on or prior to ten (10) days after the Effective Date. Such notice shall also set forth the amount Reorganized Federal-Mogul believes is due and owing, if any, to the applicable Indenture Trustee. If the applicable Indenture Trustee and Reorganized Federal-Mogul thereafter reach an agreement with regard to the disputed Statement, Reorganized Federal-Mogul shall promptly pay the agreed-upon amount to the applicable Indenture Trustee. If the parties are unable to reach an agreement as to any disputed Statement, the applicable Indenture Trustee shall file a request for allowance and payment of an Administrative Expense with the Bankruptcy Court on or before thirty (30) days after the Effective Date (the "Request"). If no Request is filed by such date, the applicable Indenture Trustee shall be deemed to have consented to the amount of fees and expenses agreed to by Reorganized Federal-Mogul. Reorganized Federal-Mogul shall be given notice and an opportunity to respond to any and all Requests. Upon the entry of a Final Order with respect to any Request, Reorganized Federal-Mogul shall pay the applicable Indenture Trustee the amount allowed in such Final Order in Cash.

8.15.6.3. Upon payment of the Indenture Trustees' fees and expenses in accordance with the foregoing paragraphs, the charging liens of the Indenture Trustees upon distributions to the Noteholders, if any, will be discharged.

8.15.7. Record Ownership Date. Only Persons who hold Notes, Convertible Subordinated Debentures or Equity Interests of record as of the Record Date will be entitled to receive distributions payable on account of such Claims or Equity Interests under the Plan. The Disbursing Agent and any transfer or distribution agent shall be entitled to treat the record holder of a registered security as the sole holder of any Equity Interest evidenced thereby for purposes of all notices, payments or distributions under the Plan. No notice of any transfer of any such security shall be binding on the Disbursing Agent or any transfer or distribution agent unless such transfer has been properly registered in accordance with the provisions of the governing indenture or agreement at least ten Business Days prior to any Distribution Date. If there is any dispute regarding the identity of the Entity entitled to receive a distribution in respect of a Claim or Equity Interest under the Plan, no distribution need be made in respect of such Claim or Equity Interest until such dispute has been resolved.

8.15.8. Transfer of Claim. In the event that the holder of any Claim shall transfer such Claim on or after the Effective Date, it shall immediately advise the Disbursing Agent or the Trust, as the case may be, in writing of such transfer. The Disbursing Agent or the Trust, as the case may be, shall be entitled to assume that no transfer of any Claim has been made by any holder unless and until written notice of a transfer has been actually received by the Disbursing Agent or the Trust. Each transferee of any Claim shall take such Claim subject to the provisions of the Plan, and, except as provided in a notice of transfer, the Disbursing Agent or the Trust, as the case may be, shall be entitled to assume conclusively that the transferee named in any notice of transfer shall thereafter be vested with all rights and powers of the transferor of such Claim. The provisions of this Section 8.15.8 shall not apply to holders or transferees of Bank Claims or Noteholder Claims.

8.15.9. Cash Payments. Cash payments on account of Allowed Claims of creditors of the U.S. Debtors located in the United States of America shall be paid in U.S. dollars. Cash payments on account of Allowed Claims of creditors of the U.S. Debtors located outside the United States of America, and cash payments on account of Allowed Claims of the U.K. Debtors, shall be paid under the currency in which the Claim is denominated in the invoice or under the currency in which the Claim is otherwise payable under applicable non-bankruptcy law.

8.16. The Administrators, Possible Marketing Procedures with Respect to Certain U.K. Businesses/Assets and Claims Against and Equity Interests in the U.K. Debtors.

8.16.1. Efforts to Reach Agreement with the Administrators. The Administrators have not agreed to recommend the Schemes of Arrangement and Voluntary Arrangements that parallel the Plan. The Plan Proponents, however, are working towards an agreement with the Administrators to recommend parallel Schemes of Arrangement and Voluntary Arrangements. Alternatively, if such an agreement cannot be achieved, the Plan Proponents will work towards an agreement on Consensual Marketing Procedures with the Administrators to retain those U.K. businesses that are valuable to Federal-Mogul Corporation and its customers and to jointly market those U.K. businesses that are not valuable to Federal-Mogul Corporation and its customers (this process is similar to what Federal-Mogul Corporation has been doing for several years now as it integrates the acquisitions that it has accomplished over the last several years).

8.16.2. Directions to the Administrators. In case negotiations with the Administrators to reach an agreement as set forth in Section 8.16.1 above do not result in a consensual resolution, the Plan Proponents are, contemporaneously with soliciting votes on the Plan and conducting such negotiations with the Administrators, implementing the procedures described in Sections 6.6 and 8.1.1 of the Plan so as to be able, if necessary, to direct the Administrators to recommend the parallel Schemes of Arrangement and Voluntary Arrangements or discharge the U.K. administration proceedings.

8.16.3. Non-Consensual Marketing Procedures. If the Plan Proponents are not able to reach agreement with the Administrators either to recommend parallel Schemes of Arrangement and Voluntary Arrangements or on Consensual Marketing Procedures as discussed in Section 8.16.1 above, and if the efforts to direct the Administrators to recommend the parallel Schemes of Arrangement and Voluntary Arrangements or discharge the U.K. administration proceedings as set forth in Section 8.16.2 above are not successful, then Federal-Mogul Corporation shall bid for those U.K. businesses and assets that are valuable to Federal-Mogul Corporation and its customers. Additionally, Federal-Mogul Corporation and any actual or deemed transfer of businesses and/or assets to Federal-Mogul Corporation in connection therewith shall be entitled to the benefits and protections of the Injunctions and other provisions of the Plan, including, without limitation, the injunction pursuant to Section 524(g) of the Bankruptcy Code, and any and all Claims and Demands against Federal-Mogul Corporation and its Affiliates relating to such businesses and assets shall be channeled to the Trust to the extent set forth and in accordance with Article IV of the Plan. Any remaining assets shall be liquidated. If Federal-Mogul Corporation is not the successful bidder, the Injunctions and other protective provisions of the Plan shall not apply to the purchaser of any such assets and Claims and Demands against such purchaser shall not be transferred and channeled to the Trust.

8.16.4. Distributions on Account of Claims Against and Equity Interests in U.K. Debtors. In the event that Federal-Mogul Corporation bids and purchases some or all of the assets or businesses of the U.K. Debtors as provided in Section 8.16.3 above, then Federal-Mogul Corporation shall pay to the relevant U.K. Debtors only that portion of the bid that is to be distributed to holders of Claims against the U.K. Debtors other than holders of Asbestos Personal Injury Claims against the U.K. Debtors. In such event, notwithstanding anything to the contrary in the Plan, the holders of Claims against and Equity Interests in the U.K. Debtors, other than holders of Asbestos Personal Injury Claims, shall receive no distributions under the Plan, but instead shall receive any and all distributions on account of their respective Claims and/or Equity Interests pursuant to the U.K. administration proceedings in accordance with U.K. insolvency laws. Additionally, all of the Reorganized Federal-Mogul Class B Common Stock will, as provided in the Plan, be delivered to the Trust to fund distributions to the holders of Asbestos Personal Injury Claims in accordance with the Plan and the Asbestos Personal Injury Trust Distribution Procedures. If, however, Federal-Mogul Corporation is required to pay the full amount of its bid to the relevant U.K. Debtors, then all distributions to be paid to the holders of Asbestos Personal Injury Claims in, or arising out of, the U.K. administration proceedings shall be paid to the Trust and the Trust shall remit all such recoveries (other than insurance recoveries) to Federal-Mogul Corporation or Reorganized Federal-Mogul, as applicable. Any other distributions which are available to be paid to the holders of Asbestos Personal Injury Claims in, or arising out of, the U.K. administration proceedings shall also be paid to the Trust and the Trust shall also remit all such recoveries

(other than insurance recoveries) to Federal-Mogul Corporation or Reorganized Federal-Mogul, as applicable. Neither the Hercules Policy Expiry Date nor the EL Coverage Expiry Date shall occur until all such distributions have been made. Additionally, notwithstanding anything to the contrary in this Plan, in the event the non-consensual marketing procedures set forth in this Section 8.16 of the Plan are implemented and Federal-Mogul Corporation is required to pay the full amount of any bid in connection therewith, neither the issuance of the Reorganized Federal-Mogul Class B Common Stock to the Trust nor any distributions made by the Trust to holders of Asbestos Personal Injury Claims against the U.K. Debtors shall relieve or otherwise limit the obligations of the U.K. Debtors on account of such Claims in the U.K. administration proceedings or any subsequent insolvency proceedings under applicable U.K. law.

8.16.5. Affiliate Claims Against the U.K. Debtors. If the Plan Proponents do not reach an agreement with the Administrators as set forth in 8.16.1 above and the procedures set forth in Sections 6.6 and 8.1.1 of the Plan do not result in approval of the Schemes of Arrangement and/or Voluntary Arrangements for the U.K. Debtors, then the U.S. Debtors shall assert any and all Affiliate Claims against the U.K. Debtors, including, without limitation, claims for reimbursement, indemnification and/or contribution with respect to Asbestos Personal Injury Claims, in the U.K. administration proceedings.

8.17. Distributions to Holders of Unsecured Claims Against U.S. Debtors and F-M UK Holding Limited. In the event that the total amount of Allowed Unsecured Claims against the U.S. Debtors and FM U-K Holding Limited is determined by the Plan Proponents or by the Reorganized Debtors, as applicable, to be in excess of \$258.0 million, then the amount of the Cash distributions to holders of Allowed Unsecured Claims against such Debtors will be adjusted so that each such holder will receive, on account of its Allowed Unsecured Claim, total Cash payments equal to such holder's Pro Rata portion of \$90.3 million. In the event the Claims allowance and reconciliation process for Unsecured Claims against the U.S. Debtors and F-M UK Holding Limited is not completed on or prior to the second anniversary of the Distribution Date, then Reorganized Federal-Mogul shall make a determination as to whether it is likely that such Claims will exceed \$258.0 million. If it is determined that such Claims will exceed \$258.0 million, then Reorganized Federal-Mogul shall adjust all remaining payments to be made on account of such Claims so that the holders of such Claims will receive a Pro Rata portion of \$90.3 million and Reorganized Federal-Mogul shall take any and all necessary steps to facilitate the distributions in accordance with this Section 8.17 including, without limitation, setting reasonable reserves, if necessary, and withholding portions of any distributions pending the completion of the Claims allowance and reconciliation process for the applicable Debtors.

8.18. Implementation of Federal-Mogul Bradford Limited Plan. The Plan, as it relates to Federal-Mogul Bradford Limited ("Bradford"), will be implemented in part pursuant to an agreement dated as of December 17, 2003, by and among T&N Limited, Bradford, the T&N Administrators, the Bradford Administrators, Federal-Mogul Gorzyce, S.A. ("F-M Gorzyce") and Federal-Mogul Holding Deutschland GmbH, which agreement provides for (i) the lease of certain of Bradford's plant, tooling and machinery and (ii) the license of certain of Bradford's know-how utilized in its piston-manufacturing operations to F-M Gorzyce, a non-Debtor Affiliate of the Debtors located in Poland. That agreement further provides for the sale of such leased and licensed assets, together with Bradford's customer goodwill, to F-M Gorzyce pursuant to a purchase option to be exercised by F-M Gorzyce through the Plan, pursuant to

Section 524(g)(3)(A)(ii) of the Bankruptcy Code. Accordingly, the Confirmation Order shall provide that F-M Gorzyce shall exercise the purchase option described in this paragraph as part of the implementation of the Plan and that pursuant to Section 524(g)(3)(A)(ii) of the Bankruptcy Code F-M Gorzyce shall have no liability with respect to any Asbestos Personal Injury Claim or Demand that may be made against it by reason of its status as the transferee of and/or successor to the assets of Bradford.

8.19. Objections to Claims. After the Effective Date, only the applicable Reorganized Debtor against whose Estate a Claim was filed or deemed filed, or the Trust in the case of Asbestos Personal Injury Claims, may object to the allowance of any Claim, except that the Unsecured Creditors Committee, the Asbestos Claimants Committee and the Future Claimants Representative shall also have standing and capacity to object to (i) the Administrative Expense Claims of professionals employed or retained in these Reorganization Cases and (ii) the Secured or unsecured Surety Claims. After the Effective Date, the applicable Reorganized Debtor against whose Estate a Claim was filed or deemed filed, or the Trust in the case of Asbestos Personal Injury Claims, shall be accorded the power and authority to allow or settle and compromise any Claim, except for the Administrative Expense Claims of professionals employed by or on behalf of the Estates, without notice to any other party or approval of or notice to the Bankruptcy Court. Unless otherwise ordered by the Bankruptcy Court, and except as to any (a) late-filed Claims, or (b) Asbestos Personal Injury Claims, all objections to Claims against the U.S. Debtors shall be filed with the Bankruptcy Court on or before six months following the Effective Date. Objections to late-filed Claims against the U.S. Debtors shall be filed not later than the later of (a) six months following the Effective Date or (b) sixty (60) days after the Reorganized Debtor receives actual notice of the filing of such Claim. Objections to Asbestos Personal Injury Claims shall be handled by the Trust in accordance with the Asbestos Personal Injury Trust Distribution Procedures.

8.20. Release by Dan=Loc Group. On the Effective Date, each of the Dan=Loc Deed of Special Indemnity and the Dan=Loc Deed of Guarantee shall be deemed terminated by agreement and the Dan=Loc Group shall release any and all Claims, obligations and liabilities (including, but not limited to, Environmental Claims) whatsoever against any and all of the Debtors, their non-Debtor Affiliates and the Released Parties (i) under the Deed of Special Indemnity, (ii) under the Deed of Guarantee (iii) or otherwise, except that Asbestos Property Damage Claims against the Debtors that the Dan=Loc Group had under the Dan=Loc Deed of Special Indemnity and Dan=Loc Deed of Guarantee as of the Petition Date shall, to the extent that any such Claims are Allowed, be treated as Unsecured Claims under the Plan. In addition to releasing any Environmental Claims against the Debtors, Dan=Loc is also waiving and releasing any and all claims against four non-Debtor Affiliates that are parties to the 1997 Dan=Loc Asset Purchase Agreement.

**ARTICLE IX
INJUNCTIONS, RELEASES AND DISCHARGE**

9.1. Discharge

9.1.1. Discharge of Claims and Termination of Interests

(a) As of the Effective Date, except as provided in the Plan or the Confirmation Order, the distributions and rights afforded under this Plan and the treatment of Claims and Interests under this Plan shall be in exchange for, and in complete satisfaction, discharge and release of, all Claims and satisfaction and termination of all Interests, including any interest accrued on Claims from and after the Petition Date. Accordingly, except as otherwise provided in the Plan or the Confirmation Order, Confirmation of the Plan shall, as of the Effective Date (i) discharge the Debtors from all Claims or other debts that arose before the Effective Date, and all debts of the kind specified in Sections 502(g) or 502(i) of the Bankruptcy Code, whether or not (x) a proof of claim based on such debt is filed or deemed filed pursuant to Section 501 of the Bankruptcy Code, (y) a Claim based on such debt is Allowed pursuant to Section 502 of the Bankruptcy Code, or (z) the holder of a Claim based on such debt has accepted the Plan; and (ii) satisfy, terminate or cancel all Interests and other rights of equity security holders in the Debtors.

(b) As of the Effective Date, except as provided in the Plan or the Confirmation Order, all Persons shall be precluded from asserting against the Debtors or the Reorganized Debtors, or their respective successors or property, any other or further Claims, Demands, debts, rights, causes of action, liabilities or equity interests based upon any act, omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date. In accordance with the foregoing, except as 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 such Claims and other debts and liabilities of the Debtors, pursuant to Sections 524 and 1141 of the Bankruptcy Code, and such discharge shall void and extinguish any judgment obtained against the Debtors or the Reorganized Debtors at any time, to the extent such judgment is related to a discharged Claim.

9.1.2. Discharge Injunction

(a) Except as provided in the Plan or the Confirmation Order, as of the Effective Date, all Persons that hold, have held, or may hold a Claim, Demand or other debt or liability that is discharged, or an Interest or other right of an equity security holder that is terminated pursuant to the terms of the Plan, are permanently enjoined from taking any of the following actions on account of, or on the basis of, such discharged Claims, debts or liabilities, or terminated Interests or rights: (i) commencing or continuing any action or other proceeding against the Debtors, the Reorganized Debtors, the Trust or their respective property; (ii) enforcing, attaching, collecting or recovering any judgment, award, decree or order against the Debtors, the Reorganized Debtors, the Trust or their respective property; (iii) creating, perfecting or enforcing any lien or encumbrance against the Debtors, the Reorganized Debtors, the Trust or their respective property; (iv) asserting any setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due the Debtors, the Reorganized

Debtors, the Trust or their respective property; and (v) commencing or continuing any judicial or administrative proceeding, in any forum, that does not comply with or is inconsistent with the provisions of the Plan.

(b) Except as provided in the Plan or the Confirmation Order, as of the Effective Date all Persons that hold, have held, or may hold a Claim, Demand, or other debt, right, cause of action or liability that is released pursuant to the provisions of the Plan are permanently enjoined from taking any of the following actions on account of or based upon such released Claims, Demands, debts, rights, causes of action or liabilities: (i) commencing or continuing any action or other proceeding against the Released Parties or their respective property; (ii) enforcing, attaching, collecting or recovering any judgment, award, decree or order against the Released Parties or their respective property; (iii) creating, perfecting or enforcing any lien or encumbrance against the Released Parties or their respective property; (iv) asserting any setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due the Released Parties or against their respective property; and (v) commencing or continuing any judicial or administrative proceeding, in any forum, that does not comply with or is inconsistent with the provisions of the Plan.

9.2. Releases

9.2.1. Releases by Debtors and Estates. Except as otherwise expressly provided in the Plan or the Confirmation Order, on the Effective Date the Reorganized Debtors on their own behalf and as representatives of their respective estates, release unconditionally, and are hereby deemed to release unconditionally, each and all of (i) the Debtors' and their non-Debtor Affiliates' officers and directors who were serving in such capacity on or after the Petition Date, (ii) the attorneys, accountants, investment bankers, restructuring consultants and financial advisors of each of the Debtors (but specifically excluding Rothschild Inc.), (iii) the holders of Noteholder Claims, the holders of Bank Claims, and the Administrative Agent and their respective attorneys, accountants, investment bankers and advisers of and from any and all claims, obligations, suits, judgments, damages, rights, causes of action and liabilities of any nature whatsoever (including, without limitation, those arising under the Bankruptcy Code), whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereafter arising, in law, equity, or otherwise, based in whole or in part upon any act, omission, transaction, event or other occurrence taking place before the Petition Date in connection with the Debtors or any of them, or their respective property. The releases contained in this Section shall not apply to or otherwise affect the obligations of any of Debtors' officers or directors to repay loans or advances of money or other property owed to the Debtors or their Estates.

9.2.2. Releases by Holders of Claims and Interests. Except as otherwise expressly provided in the Plan or the Confirmation Order, on the Effective Date each holder of a Claim or Interest that has voted to accept the Plan, shall be deemed to have unconditionally released each and all of (i) the non-Debtor Affiliates, (ii) the Debtors' and their non-Debtor Affiliates' officers and directors who were serving in such capacity on or after the Petition Date, (iii) the attorneys, accountants, investment bankers, restructuring consultants and financial advisors of each of the Debtors (but specifically excluding Rothschild Inc.) and (iv) the holders of Noteholder Claims, the holders of Bank Claims and the Administrative Agent and their respective successors, attorneys, accountants, investment bankers and advisers of and from any

and all claims, obligations, suits, judgments, damages, rights, causes of action and liabilities of any nature whatsoever (including, without limitation, those arising under the Bankruptcy Code), whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereafter arising, in law, equity, or otherwise, based in whole or in part upon any act, omission, transaction, event or other occurrence taking place before the Petition Date in connection with the Debtors or any of them, or their respective property; provided, however, that each holder of a Claim or Interest that has voted on the Plan may elect, by checking the appropriate box on its Ballot, not to grant the releases set forth in this Section 9.2.2.

9.3. The Supplemental Injunction, The Third Party Injunction and The Asbestos Insurance Entity Injunction. *In order to supplement the injunctive effect of the Discharge Injunction, and pursuant to Sections 524(g) and 105(a) of the Bankruptcy Code, the Confirmation Order shall provide for the following injunctions to take effect as of the Effective Date.*

9.3.1. Supplemental Injunction

(a) Terms. *In order to preserve and promote the settlements contemplated by and provided for in the Plan, and to supplement, where necessary, the injunctive effect of the discharge as provided in Sections 1141 and 524 of the Bankruptcy Code and as described in this Article, and further pursuant to the exercise of the equitable jurisdiction and power of the Bankruptcy Court under Sections 524(g) and 105(a) of the Bankruptcy Code, all Entities which have held or asserted, which hold or assert or which may in the future hold or assert any claim, demand or cause of action (including, but not limited to, any Asbestos Personal Injury Claim, or any claim or demand for or respecting any Trust Expense) against the Released Parties (or any of them) based upon, attributable to, or arising out of any Claim, Demand, or Equity Interest, whenever and wherever arising or asserted, whether in the U.S., the U.K. or anywhere else in the world, whether sounding in tort, contract, warranty or any other theory of law, equity or admiralty, shall be permanently stayed, restrained and enjoined from taking any action for the purpose of directly or indirectly collecting, recovering or receiving payments or recovery with respect to any such claim, demand or cause of action, including, but not limited to:*

(i) *commencing or continuing in any manner any action or other proceeding of any kind with respect to any such claim, demand or cause of action against any of the Released Parties, or against the property of any Released Party;*

(ii) *enforcing, attaching, collecting or recovering, by any manner or means, any judgment, award, decree or order against any of the Released Parties or against the property of any Released Party with respect to any such claim, demand or cause of action;*

(iii) *creating, perfecting or enforcing any Lien of any kind against any Released Party or the property of any Released Party with respect to any such claim, demand or cause of action;*

(iv) *except as otherwise provided in the Plan, asserting, implementing or effectuating any setoff, right of subrogation, indemnity, contribution or recoupment of any kind against any obligation due any Released Party or against the property of any Released Party with respect to any such claim, demand or cause of action; and*

(v) *taking any act, in any manner, in any place whatsoever, that does not conform to, or comply with, the provisions of the Plan, the Plan Documents or the Trust Documents relating to such claim, demand or cause of action.*

(b) *Reservations. Notwithstanding anything to the contrary in Section 9.3.1(a), this Supplemental Injunction shall not apply to or otherwise affect the assertion against the Released Parties of any claim, demand or cause of action that is not released pursuant to the provisions of Sections 9.2.1 or 9.2.2 of this Plan, and shall further not impair:*

(i) *the rights of holders of Asbestos Personal Injury Claims to assert such Asbestos Personal Injury Claims solely against the Trust or the Trust Assets in accordance with the Asbestos Personal Injury Trust Distribution Procedures;*

(ii) *the rights of holders of Asbestos Personal Injury Claims to assert such Asbestos Personal Injury Claims solely against Hercules-Protected Entities in accordance with Article IV of the Plan;*

(iii) *the rights of Entities to assert any Claim, debt, obligation or liability for payment of Trust Expenses solely against the Trust or the Trust Assets;*

(iv) *the rights of the Trust or the Reorganized Debtors to prosecute any Asbestos Insurance Action or any similar claim, cause of action or right of Reorganized T&N against the Hercules Insurers or of the Trust against the EL Insurers; or*

(v) *the rights of any Entity to assert an Asbestos Personal Injury Claim against a non-Debtor Affiliate where such Claim is based upon exposure to asbestos or asbestos-containing products resulting solely from the acts, conduct or omissions of such non-Debtor Affiliate.*

(c) *Bankruptcy Rule 3016 Compliance. The Plan Proponents' compliance with the formal requirements of Bankruptcy Rule 3016(c) shall not constitute an admission that the Plan provides for an injunction against conduct not otherwise enjoined under the Bankruptcy Code.*

9.3.2. Third Party Injunction

(a) *Terms. In order to preserve and promote the settlements contemplated by and provided for in the Plan and agreements previously or concurrently approved by the Bankruptcy Court, and pursuant to the exercise of the equitable jurisdiction and power of the Bankruptcy Court under Sections 524(g) and 105(a) of the Bankruptcy Code, all Entities which have held or asserted, which hold or assert or which may in the future hold or assert any claim, demand or cause of action (including, but not limited to, any Asbestos Personal*

Injury Claim or Demand, or any claim or demand for or respecting any Trust Expense) against the Protected Parties (or any of them) based upon, attributable to, or arising out of any Asbestos Personal Injury Claim or Demand, whenever and wherever arising or asserted, whether in the U.S., the U.K. or anywhere else in the world, whether sounding in tort, contract, warranty or any other theory of law, equity or admiralty (a "Third Party Claim"), shall be permanently stayed, restrained and enjoined, from taking any action for the purpose of directly or indirectly collecting, recovering or receiving payments or recovery with respect to any such Third Party Claim, including, but not limited to:

(i) *commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Third Party Claim against any Protected Party or against the property of any Protected Party with respect to any such Third Party Claim;*

(ii) *enforcing, attaching, collecting or recovering, by any manner or means, any judgment, award, decree or order against any Protected Party or against the property of any Protected Party with respect to any such Third Party Claim;*

(iii) *creating, perfecting or enforcing any Lien of any kind against any Protected Party or the property of any Protected Party on the basis of such Third Party Claim;*

(iv) *commencing any action or other proceeding of any kind or enforcing, attaching, collecting or recovering, by any manner or means, any judgment, award, decree or order, with respect to a Third Party Claim against a Protected Party that pursuant to the Plan or after the Effective Date makes a loan to any of the Released Parties, or challenging, upsetting or impairing any Lien granted in connection with such loan by reason of any such Third Party Claim;*

(v) *except as otherwise provided in the Plan, asserting, implementing or effectuating any setoff, right of subrogation or contribution or recoupment of any kind against any obligation due any Protected Party or against the property of any Protected Party with respect to any such Third Party Claim; and*

(vi) *taking any act relating to such Third Party Claim in any manner, and in any place whatsoever, that does not conform to, or comply with, the provisions of the Plan, the Plan Documents or the Trust Documents.*

(b) *Reservations. Notwithstanding anything to the contrary in Section 9.3.2(a) above, this Third Party Injunction shall not impair:*

(i) *the rights of holders of Asbestos Personal Injury Claims to assert such Asbestos Personal Injury Claims solely against the Trust or the Trust Assets in accordance with the Asbestos Personal Injury Trust Distribution Procedures;*

(ii) *the rights of holders of Asbestos Personal Injury Claims to assert such Asbestos Personal Injury Claims solely against Hercules-Protected Entities in accordance with Article IV of the Plan;*

(iii) *the rights of Entities to assert any Claim, debt, obligation or liability for payment of Trust Expenses solely against the Trust or the Trust Assets;*

(iv) *the rights of the Trust or the Reorganized Debtors to prosecute any Asbestos Insurance Action or any similar claim, cause of action or right of Reorganized T&N against the Hercules Insurers or of the Trust against the EL Insurers; or*

(v) *the rights of any Entity to assert an Asbestos Personal Injury Claim against a non-Debtor Affiliate where such Claim is based upon exposure to asbestos or asbestos-containing products resulting solely from the acts, conduct or omissions of such non-Debtor Affiliate.*

(c) *Bankruptcy Rule 3016 Compliance. The Plan Proponents' compliance with the formal requirements of Bankruptcy Rule 3016(c) shall not constitute an admission that the Plan provides for an injunction against conduct not otherwise enjoined under the Bankruptcy Code.*

9.3.3. Asbestos Insurance Entity Injunction

(a) *Purpose. In order to protect the Trust and to preserve the Trust Assets, pursuant to the equitable jurisdiction and power of the Bankruptcy Court under Section 105(a) of the Bankruptcy Code, the Bankruptcy Court shall issue the Asbestos Insurance Entity Injunction; provided, however, that (i) the Trust shall have the sole and exclusive authority at any time to terminate, or reduce or limit the scope of, the Asbestos Insurance Entity Injunction with respect to any Asbestos Insurance Company upon express written notice to such Asbestos Insurance Company; and (ii) the Asbestos Insurance Entity Injunction is not issued for the benefit of any Asbestos Insurance Company, and no Asbestos Insurance Company is a third-party beneficiary of the Asbestos Insurance Entity Injunction.*

(b) *Terms. Subject to the provisions of 9.3.3.(a) of this Plan, all Entities (excluding, however, the Trust, the Asbestos Insurance Companies and the Reorganized Debtors to the extent they are permitted or required to pursue claims relating to the Hercules Policy, any EL Policy, any Asbestos Insurance Actions and/or the Asbestos Insurance Action Recoveries) that have held or asserted, that hold or assert, or that may in the future hold or assert any Claim, Demand or cause of action (including any Asbestos Personal Injury Claim or Demand or any Claim or Demand for or respecting any Trust Expense) against any Asbestos Insurance Company based upon, attributable to, arising out of, or in any way connected with any such Asbestos Personal Injury Claim or Demand, whenever and wherever arising or asserted, whether in the U.S., the U.K. or anywhere else in the world, whether sounding in tort, contract, warranty, or any other theory of law, equity, or admiralty, shall be stayed, restrained, and enjoined from taking any action for the purpose of directly or indirectly collecting, recovering, or receiving payments, satisfaction, or recovery with respect to any such Claim, Demand, or cause of action including, without limitation:*

(i) *commencing, conducting, or continuing, in any manner, directly or indirectly, any suit, action, or other proceeding of any kind (including a judicial,*

arbitration, administrative, or other proceeding) in any forum with respect to any such Claim, Demand, or cause of action against any Asbestos Insurance Company, or against the property of any Asbestos Insurance Company, with respect to any such Claim, Demand, or cause of action;

(ii) enforcing, levying, attaching, collecting, or otherwise recovering, by any means or in any manner, whether directly or indirectly, any judgment, award, decree, or other order against any Asbestos Insurance Company, or against the property of any Asbestos Insurance Company, with respect to any such Claim, Demand, or cause of action;

(iii) creating, perfecting, or enforcing in any manner, directly or indirectly, any encumbrance against any Asbestos Insurance Company, or the property of any Asbestos Insurance Company, with respect to any such Claim, Demand, or cause of action; and

(iv) except as otherwise specifically provided in this Plan, asserting or accomplishing any setoff, right of subrogation, indemnity, contribution, or recoupment of any kind, directly or indirectly, against any obligation of any Asbestos Insurance Company, or against the property of any Asbestos Insurance Company, with respect to any such Claim, Demand or cause of action;

provided, however, that (a) the Asbestos Insurance Entity Injunction shall not impair in any way any actions brought by the Trust and/or the Reorganized Debtors against any Asbestos Insurance Company; (b) the Trust shall have the sole and exclusive authority at any time to terminate, or reduce or limit the scope of, the Asbestos Insurance Entity Injunction with respect to any Asbestos Insurance Company upon express written notice to such Asbestos Insurance Company; and (c) the Asbestos Insurance Entity Injunction is not issued for the benefit of any Asbestos Insurance Company, and no Asbestos Insurance Company is a third-party beneficiary of the Asbestos Insurance Entity Injunction.

(c) Reservations. Notwithstanding anything to the contrary above, this Asbestos Insurance Entity Injunction shall not enjoin:

(i) the rights of Entities to the treatment accorded them under this Plan, as applicable, including the rights of holders of Asbestos Personal Injury Claims to assert such Claims, as applicable, in accordance with the Asbestos Personal Injury Trust Distribution Procedures;

(ii) the rights of Entities to assert any claim, debt, obligation, cause of action or liability for payment of Trust Expenses against the Trust;

(iii) the rights of the Trust, and the Reorganized Debtors (to the extent permitted or required under this Plan) to prosecute any action based on or arising from the Asbestos Insurance Policies; and

(iv) *the rights of the Trust, and the Reorganized Debtors to assert any claim, debt, obligation, cause of action or liability for payment against an Asbestos Insurance Company based on or arising from the Asbestos Insurance Policies.*

9.4. Reservation Of Rights. Notwithstanding any other provision of the Plan to the contrary, the satisfaction, release and discharge and the Injunctions set forth in this Article IX, shall not be deemed or construed to satisfy, discharge, release or enjoin claims by the Trust, the Reorganized Debtors, or (subject to Article IV) any other Entity, as the case may be, against (a) the Trust for payment of Allowed Asbestos Personal Injury Claims in accordance with the Asbestos Personal Injury Trust Distribution Procedures, (b) the Trust for the payment of Trust Expenses, (c) any Asbestos Insurance Company that has not performed under an Asbestos Insurance Policy or an Asbestos Insurance Settlement Agreement, (d) the Hercules Insurers under the Hercules Policy or any settlement agreement with the Hercules Insurers relating to any Asbestos Personal Injury Claim, (e) the EL Insurers under any EL Policy or any settlement agreement with the EL Insurers relating to any Asbestos Personal Injury Claim, or (f) the issuer of a Supersedeas Bond or other assurance of payment with respect to an Allowed Bonded Asbestos Claim that has not performed thereunder.

9.5. Disallowed Claims And Disallowed Equity Interests. On and after the Effective Date, the Debtors and the Reorganized Debtors shall be fully and finally discharged of any and all liability or obligation on a disallowed Claim or a disallowed Equity Interest, and any Order disallowing a Claim or an Equity Interest which is not a Final Order as of the Effective Date solely because of an Entity's right to move for reconsideration of such Order pursuant to Section 502 of the Bankruptcy Code or Bankruptcy Rule 3008 shall nevertheless become and be deemed to be a Final Order on the Effective Date. The Confirmation Order, except as otherwise provided herein, shall constitute an Order: (a) in relation to each U.S. Debtor, disallowing all Claims (other than Asbestos Personal Injury Claims) and Equity Interests to the extent such Claims and Equity Interests are not allowable under any provision of Section 502 of the Bankruptcy Code, including, but not limited to, time-barred Claims and Equity Interests, and Claims for unmatured interest and (b) in relation to each U.S. Debtor, disallowing or subordinating to all other Claims, as the case may be, any Claims for penalties, punitive damages or any other damages not constituting compensatory damages.

9.6. Exculpation. None of the Debtors, the Reorganized Debtors, the members of the Unsecured Creditors Committee, the members of the Asbestos Claimants Committee, the Future Claimants Representative, the members of the Equity Committee, the Collateral Trustee, the holders of Noteholder Claims, the holders of Bank Claims, the Administrative Agent nor any of their respective successors, officers, directors, employees, members, agents, attorneys, accountants, investment bankers, financial advisors or restructuring professionals, nor any other professional Person employed by any of them, shall have or incur any liability to any Person or Entity for any act or omission in connection with, relating to, or arising out of the Reorganization Cases, the administration proceedings of the U.K. Debtors, the negotiation of the Plan, the Schemes of Arrangement or the Voluntary Arrangements, pursuit of confirmation of the Plan, sanction of the Schemes of Arrangement and/or approval of the Voluntary Arrangements, the administration, consummation and implementation of the Plan or Schemes of Arrangement and/or the Voluntary Arrangements or the property to be distributed under the Plan or the Schemes and/or the Voluntary Arrangements, the Disclosure Statement, the Plan Documents, the

releases and Injunctions, or the management or operation of the Debtors (except for any liability that results primarily from such Person's or Entity's bad faith or willful misconduct); provided, however, that (i) with respect to officers and directors of the Debtors, this exculpation provision shall apply only to officers or directors who were serving in such capacity on or after the Petition Date and (ii) this exculpation provision shall not apply to Rothschild Inc. In all respects each and all of such Persons, firms and Entities shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under, or in connection with, the Reorganization Cases, the Plan, the Schemes of Arrangement, the Voluntary Arrangements, the administration proceedings of the U.K. Debtors, and the administration of each of them.

ARTICLE X MATTERS INCIDENT TO PLAN CONFIRMATION

10.1. No Liability For Tax Claims. Unless a taxing authority in the United States has asserted a Claim against the Debtors prior to the bar date established therefor, no Claim of such authority shall be Allowed against the Debtors or the Reorganized Debtors for taxes, penalties, interest, additions to tax or other charges arising out of the failure, if any of the Debtors, or the non-Debtor Affiliates, or any other Entity to have paid tax or to have filed any tax return (including, but not limited to, any income tax return or franchise tax return) in or for any prior year or arising out of an audit of any return for a period before the Petition Date.

10.2. No Successor Liability. Except as otherwise expressly provided in the Plan, Reorganized Federal-Mogul and the other Reorganized Debtors do not, pursuant to the Plan or otherwise, assume, agree to perform, pay or indemnify any Entity, or otherwise have any responsibility for any liabilities or obligations of the Debtors relating to or arising out of the operations of or assets of the Debtors, whether arising prior to, on or after the Effective Date. Except as provided in Article IV of the Plan, neither the Plan Proponents, Reorganized Federal-Mogul, the other Reorganized Debtors nor the Trust is, or shall be deemed to be, a successor to any of the Debtors by reason of any theory of law or equity, and none shall have any successor or transferee liability of any kind or character; provided, however, Reorganized Federal-Mogul, the other Reorganized Debtors and the Trust shall assume and remain liable for their respective obligations specified in the Plan and the Confirmation Order.

10.3. Asbestos Insurance Actions. Any Asbestos Insurance Action, or the claims and causes of action asserted or to be asserted therein, shall be preserved for the benefit of the Trust, for prosecution either by Reorganized Federal-Mogul, the other applicable Reorganized Debtors, or the Trustees (as mutually agreed by such parties) subsequent to Confirmation of the Plan and in accordance with the Trust Agreement. As of the date subsequent to the Effective Date on which the Trustees confirm in writing to the Reorganized Debtors that the Trust is in a position to assume such responsibility, such actions, along with the rights and obligations of the Debtors and the Reorganized Debtors with respect to Asbestos Insurance Policies and claims thereunder, to the extent that such Policies and claims relate to Asbestos Personal Injury Claims but not as to any other claims covered thereby and subject to the assignability without prejudice of such claims and Policies, shall be assigned to and vested in the Trust as the representative of the Debtors' Estates, each being appointed by the Bankruptcy Court in accordance with Section 1123(b)(3) of the Bankruptcy Code without any further action by the Debtors or Reorganized Debtors, the Trust or the Bankruptcy Court. Such Asbestos Insurance Actions shall be so vested

free and clear of all Liens, security interests and other Claims or causes of action, except as otherwise provided in the Plan. Until such time as the Asbestos Insurance Actions have become vested in the Trust, Reorganized Federal-Mogul and the other Reorganized Debtors, as the case may be, shall be entitled to compromise or settle any Asbestos Insurance Action; provided, however, that any such compromise or settlement shall require the consent of the Future Claimants Representative and the Asbestos Claimants Committee or the Trust Advisory Committee, as applicable, and the approval of the Bankruptcy Court. Upon vesting in the Trust, the Asbestos Insurance Actions shall be governed by the Trust Documents. Notwithstanding anything to the contrary contained herein, the Trust shall not compromise or resolve insurance coverage under any Asbestos Insurance Policy except with respect to Asbestos Personal Injury Claims and Trust Expenses.

10.4. Supersedeas Bond Actions

10.4.1. Preserved Actions. All Supersedeas Bond Actions and the rights and claims asserted or to be asserted therein, shall be preserved and shall be prosecuted or defended, as the case may be, by the Reorganized Debtors subsequent to Confirmation of the Plan.

10.4.2. Assumption By The Trust. As of the Effective Date, the Trust shall assume, and shall have exclusive liability for, any unsecured portion of Bonded Asbestos Personal Injury Claims remaining after crediting any Supersedeas Bond proceeds or other payment assurances to which the holder of such Claim is determined by Final Order or agreement of the parties, to be entitled. To the extent that the Reorganized Debtors successfully prosecute or defend against a Supersedeas Bond Action resulting in the discharge or release of the Supersedeas Bond or other payment assurance provided in connection therewith, any such recoveries shall inure to the benefit of the Reorganized Debtors.

10.4.3. Reservation of Rights of Issuers and Insurers of Payment Assurances. Notwithstanding anything to the contrary contained herein, nothing in the Plan shall be deemed to impair, prejudice, compromise or otherwise affect any defense or counterclaim asserted by any issuer or insurer of payment assurances issued on behalf of the Debtors, or any other defendant in the Supersedeas Bond Actions, to any claim of the Debtors, including, but not limited to, any defense based upon an asserted right of setoff or recoupment, or other defense under applicable non-bankruptcy law. Any right of setoff or recoupment shall be satisfied out of the assets in the possession of the Bond Sureties/Insurers and any claims or liabilities including, but not limited to, claims for premiums for bonds provided by any such issuers or insurers.

10.4.4. Compromising and Settling. Reorganized Federal-Mogul and the other Reorganized Debtors shall be entitled to compromise or settle any Supersedeas Bond Actions; provided, however, that any such compromise or settlement shall require the consent of the Future Claimants Representative and the Asbestos Claimants Committee, to the extent the compromise or settlement results in there being any unsecured portion of the Bonded Asbestos Personal Injury Claim after applying any Supersedeas Bond proceeds or other payment assurances.

10.5. Institution And Maintenance Of Legal And Other Proceedings. As of the date subsequent to the Effective Date on which the Trustees confirm in writing to the Reorganized Debtors that the Trust is in a position to assume the responsibility, the Trust shall be empowered to initiate, prosecute, defend and resolve all legal actions and other proceedings related to any asset, liability or responsibility of the Trust, including Asbestos Insurance Actions, Indirect Asbestos Personal Injury Claims, or other Trust Causes of Action. The Trust shall be empowered to initiate, prosecute, defend and resolve all such actions in the name of Federal-Mogul Corporation, any other Debtor or any Reorganized Debtor if deemed necessary or appropriate by the Trust. The Trust shall be responsible for the payment of all damages, awards, judgments, settlements, expenses, costs, fees and other charges incurred subsequent to the Effective Date arising from or associated with any legal action or other proceeding which is the subject of this Section 10.5 and shall pay or reimburse all deductibles, retrospective premium adjustments or other charges (not constituting Indirect Asbestos Personal Injury Claims) which may arise from the receipt of any insurance proceeds by the Trust.

10.6. Retention And Enforcement Of Trust Causes Of Action. Pursuant to Section 1123(b)(3)(B) of the Bankruptcy Code, except as otherwise provided in the Plan, the Trust shall retain and have the exclusive right to enforce against any Entity any and all of the Trust Causes of Action, with the proceeds of the recoveries of any such actions to be deposited in the Trust; provided, however, that nothing herein shall alter, amend or modify the Injunctions, Releases, discharges or Supersedeas Bond Action provisions contained elsewhere in the Plan.

10.7. Preservation Of Insurance Claims. The discharge and release of the Debtors, Reorganized Debtors and the Released Parties from all Claims, and the injunctive protection provided to the Debtors, Reorganized Debtors, Released Parties and Protected Parties with respect to Demands as provided herein shall neither diminish nor impair the enforceability of any of the Asbestos Insurance Policies. Except as provided in Article IV of the Plan, the Trust shall be deemed to be the successor to the applicable Debtors with respect to all Asbestos Personal Injury Claims and the indemnitee under any Asbestos Insurance Policy to the extent there is no prejudice to coverage under such Asbestos Insurance Policies. The opportunity to participate in the resolution and defense of such Claim shall be in all respects subject to the Asbestos Personal Injury Trust Distribution Procedures provided for in the Trust Agreement and limited to contentions that the Claim should not be Allowed or should be Allowed in a lesser amount under such procedures. Except as provided in Article IV of the Plan, an Allowed Asbestos Personal Injury Claim shall be, and shall be deemed to be, a judgment against the Trust (as successor for all purposes to the liabilities of the applicable Debtors in respect of Asbestos Personal Injury Claims) in the Allowed Amount of such Claim for purposes of determining the liability of any insurer or indemnitor in respect of such Allowed Asbestos Personal Injury Claim.

ARTICLE XI MISCELLANEOUS

11.1. Jurisdiction. Until the Reorganization Cases are closed, the Bankruptcy Court shall retain the fullest and most extensive jurisdiction that is permissible, including the jurisdiction necessary to ensure that the purposes and intent of the Plan are carried out. Except as otherwise provided in the Plan or the Trust Documents, the Bankruptcy Court shall retain jurisdiction to hear and determine all Claims against and Equity Interests in the Debtors, and to

adjudicate and enforce the Asbestos Insurance Actions, the Supersedeas Bond Actions, and all other causes of action which may exist on behalf of the Debtors. Nothing contained herein shall prevent the Reorganized Debtors or the Trust from taking such action as may be necessary in the enforcement of any Asbestos Insurance Action, Supersedeas Bond Action or other cause of action which the Debtors have or may have and which may not have been enforced or prosecuted by the Debtors, which actions or other causes of action shall survive Confirmation of the Plan and shall not be affected thereby except as specifically provided herein. Nothing contained herein shall prejudice or affect the sole and exclusive jurisdiction and power of the U.K. Court in relation to the conduct of the administration of any U.K. Debtor under the laws of the relevant part of the United Kingdom and in relation to any Scheme of Arrangement or Voluntary Arrangement affecting any of the U.K. Debtors.

11.2. General Retention. Following Confirmation of the Plan, the administration of the Reorganization Cases will continue until the Reorganization Cases are closed by an Order of the Bankruptcy Court. The Bankruptcy Court shall also retain jurisdiction for the purpose of classification of any Claims and the re-examination of Claims which have been Allowed for purposes of voting, and the determination of such objections as may be filed with the Bankruptcy Court with respect to any Claims. The failure by the Plan Proponents to object to, or examine, any Claim for the purposes of voting, shall not be deemed a waiver of the rights of the Debtors, the Reorganized Debtors or the Trust, as the case may be, to object to or re-examine such Claim in whole or part.

11.3. Specific Purposes. In addition to the foregoing, the Bankruptcy Court shall retain jurisdiction for each of the following specific purposes after Confirmation of the Plan, which, in the case of the U.K. Debtors, shall be exercised subject to the concurrent jurisdiction of the U.K. Court:

11.3.1. to modify the Plan after Confirmation, pursuant to the provisions of the Bankruptcy Code and the Bankruptcy Rules, and, in the case of any U.K. Debtor, subject to corresponding modification, if necessary, of such Debtor's Scheme of Arrangement and/or Voluntary Arrangement, as applicable, in accordance with applicable law;

11.3.2. to correct any defect, cure any omission, reconcile any inconsistency or make any other necessary changes or modifications in or to the Plan, the Trust Documents or the Confirmation Order as may be necessary to carry out the purposes and intent of the Plan, including the adjustment of the date(s) of performance under the Plan in the event the Effective Date does not occur as provided herein so that the intended effect of the Plan may be substantially realized thereby;

11.3.3. to assure the performance by the Disbursing Agent and the Trust of their respective obligations to make distributions under the Plan;

11.3.4. to enforce and interpret the terms and conditions of the Plan, the Plan Documents, and the Trust Documents; to enter such orders or judgments, including, but not limited to, injunctions (i) as are necessary to enforce the title, rights and powers of the Reorganized Debtors and the Trust, and (ii) as are necessary to enable holders of Claims to

pursue their rights against any Entity that may be liable therefor pursuant to applicable law or otherwise, including, but not limited to, Court Orders;

11.3.5. to hear and determine any motions or contested matters involving taxes, tax refunds, tax attributes, tax benefits and similar or related matters, including without limitation contested matters involving the deduction of interest accrued after the Petition Date on Noteholder Claims, with respect to the Debtors, the Reorganized Debtors or the Trust arising on or prior to the Effective Date, arising on account of transactions contemplated by the Plan, or relating to the period of administration of the Reorganization Cases;

11.3.6. to hear and determine all applications for compensation of professionals and reimbursement of expenses under Sections 330, 331 or 503(b) of the Bankruptcy Code;

11.3.7. to hear and determine any causes of action arising during the period from the Petition Date through the Effective Date, or in any way related to the Plan or the transactions contemplated hereby, against the Debtors, the Reorganized Debtors, the Plan Proponents, the Trust, the Trustees, the Official Committees or the Future Claimants Representative and their respective officers, directors, stockholders, employees, members, attorneys, accountants, financial advisors, representatives and agents;

11.3.8. to determine any and all motions pending as of Confirmation for the rejection, assumption or assignment of executory contracts or unexpired leases and the allowance of any Claims resulting therefrom;

11.3.9. to determine such other matters and for such other purposes as may be provided in the Confirmation Order;

11.3.10. to determine the allowance and/or disallowance of any Claims against or Equity Interests in the Debtors or their Estates, including, without limitation, any objections to any such Claims and/or Equity Interests, and the compromise and settlement of any Claim against or Equity Interest in the Debtors or their Estates including, without limitation, any compromise or settlement of the Avoidance Litigation and the Valuation Proceedings;

11.3.11. to determine all questions and disputes regarding title to the assets of the Debtors or their Estates or the Trust;

11.3.12. to construe, enforce and resolve all questions and disputes relating to collective bargaining or employment agreements existing or approved by the Bankruptcy Court at or before Confirmation.

11.3.13. to hear and determine the Asbestos Insurance Actions, any similar claims, causes of action or rights of Reorganized T&N against the Hercules Insurers or rights of the Trust against the EL Insurers and the Supersedeas Bond Actions, to construe and take any action to enforce any Asbestos Insurance Settlement Agreement or any settlement with the Hercules Insurers or the EL Insurers or of any Supersedeas Bond Action and the releases executed and exchanged in connection therewith, and to issue such orders as may be necessary for the execution, consummation and implementation of any Asbestos Insurance Settlement

Agreement or settlement of any Supersedeas Bond Action, and to determine all questions and issues arising thereunder;

11.3.14. to hear and determine any matters related to the Trust's indemnification obligations under Article IV of the Plan and the Trust Documents;

11.3.15. to hear and determine any other matters related hereto, including the implementation and enforcement of all orders entered by the Bankruptcy Court in these Reorganization Cases; and

11.3.16. to enter in aid of implementation of the Plan such orders as are necessary, including but not limited to the implementation and enforcement of the Releases, the Injunctions and the other injunctions described herein.

11.4. Interpretation of Certain Terms. When used in the Plan, the term "Claim" shall be broadly construed to include all manner and types of claim, whenever and wherever such claim may arise, anywhere in the world, and shall include, but not be limited to, Asbestos Personal Injury Claims. Likewise, when used in the Plan, the terms "Asbestos Personal Injury Claim" and "Asbestos Property Damage Claim" shall be broadly construed and shall include, but not be limited to, claims that may or may not presently constitute "claims" within the meaning of Section 101(5) of the Bankruptcy Code, and "demands" within the meaning of Section 524(g)(5) of the Bankruptcy Code.

11.5. The Official Committees And The Future Claimants Representative. Except as set forth below, the Official Committees and the Future Claimants Representative shall continue in existence until the Effective Date; the Administrators of the U.K. Debtors shall continue in office until orders are made by the U.K. Court discharging the Administration orders. The Debtors shall pay the reasonable fees and expenses incurred by the Official Committees and the Future Claimants Representative through the Effective Date, in accordance with the fee and expense procedures promulgated during the Reorganization Cases (but only to the extent such fees and expenses are not Trust Expenses, in which case those portions of such fees and expenses shall be paid as Trust Expenses in accordance with the Trust Agreement, with the remainder to be paid by the Debtors). After the Effective Date, the rights, duties and responsibilities of the Future Claimants Representative shall be as set forth in the Trust Agreement. On the Effective Date, the Official Committees shall be dissolved (except that the Unsecured Creditors Committee, the Asbestos Claimants Committee and the Future Claimants Representative shall continue in existence and have standing and capacity to (i) prosecute the Avoidance Litigation or otherwise object to the Surety Claims and/or seek to avoid and recover some portion or all of the security for the Surety Claims; (ii) commence and prosecute the Valuation Proceedings; (iii) prosecute their pre-Effective Date intervention in any other adversary proceedings; (iv) object to any proposed modification of the Plan; (v) object to or defend the Administrative Expense Claims of professionals employed by or on behalf of the Estates; (vi) participate in any appeals of the Confirmation Order; (vii) participate as a party in interest in any proceeding involving Section 524(g) of the Bankruptcy Code and (viii) participate as a party in interest in any proceeding relating to the Trust) and the members thereof released and discharged of and from all further authority, duties, responsibilities, liabilities and obligations related to, or arising from, the Reorganization Cases. The Administrators of the U.K. Debtors shall be discharged by

order of the U.K. Court as soon as reasonably practicable after the Effective Date. The Reorganized Debtors shall pay the reasonable fees and expenses incurred by the Unsecured Creditors Committee, the Asbestos Claimants Committee and the Future Claimants Representative relating to any post-Effective Date activities authorized hereunder. Nothing in this Section 11.5 shall purport to limit or otherwise affect the rights of the United States Trustee under Section 502 of the Bankruptcy Code or otherwise to object to Claims or requests for allowance of Administrative Expenses.

11.6. Revocation Of Plan. The Plan Proponents reserve the right to revoke and withdraw the Plan as to any Debtor prior to entry of the Confirmation Order. If the Plan Proponents revoke or withdraw the Plan, or if Confirmation of the Plan as to such Debtor or Debtors does not occur, then, with respect to such Debtor or Debtors, the Plan shall be deemed null and void and nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against such Debtor or Debtors, or any other Entity (including the Plan Proponents), or to prejudice in any manner the rights of such Debtor or Debtors, or such Entity (including the Plan Proponents) in any further proceedings involving such Debtor or Debtors.

11.7. Modification Of Plan. The Plan Proponents may propose amendments to or modifications of the Plan under Section 1127 of the Bankruptcy Code at any time prior to the Confirmation Date. After Confirmation, the Plan Proponents (or, as the case may be, the Reorganized Debtors after the Effective Date) may remedy any defects or omissions or reconcile any inconsistencies in the Plan, or the Confirmation Order or any other order entered for the purpose of implementing the Plan in such manner as may be necessary to carry out the purposes and intent of the Plan, so long as the interests of the holders of Allowed Claims are not materially and adversely affected thereby, and, in the case of the U.K. Debtors, make corresponding changes, reconciliations or modifications in the Scheme of Arrangement and/or Voluntary Arrangement, as applicable, for such Debtor if required. Anything in the Plan or in any Plan Document to the contrary notwithstanding, following Confirmation, no Plan Document shall be modified, supplemented, changed or amended in any material respect except with the consent of all Plan Proponents or, in the absence of such consent, with the approval of the Bankruptcy Court on notice to all Plan Proponents and such other Entities as the Bankruptcy Court may require and a hearing. In the event of a conflict between the terms or provisions of the Plan and the Trust Documents, the terms of the Plan shall control the Trust Documents.

11.8. Certain Provisions Regarding High River Limited Partnership. High River Limited Partnership or its affiliated designee shall have the same rights and powers that the Plan Proponents are provided under the Plan or Plan Documents, including, but not limited to, with respect to any modifications or amendments to the Plan or the Plan Documents, any waiver of conditions to confirmation or consummation of the Plan, the classification and/or treatment of any creditor or equity class in the U.S. and/or U.K. proceedings and any rights regarding the U.K. Debtors (including as to Schemes of Arrangement, Voluntary Arrangements, liquidation, the Administrators, and the T&N Limited and FM Ignition pension plans), the cramdown of the Plan, the Plan's tax consequences, the corporate governance of Reorganized Federal-Mogul, the Exit Facilities and any and all other rights reserved for, or afforded to, the Plan Proponents under the Plan and Plan Documents (including as set forth in Section 6.7.3 of the Plan).

11.9. Modification Of Payment Terms. The Reorganized Debtors reserve the right to modify the treatment of any Allowed Claim, as provided in Section 1123(a)(4) of the Bankruptcy Code, at any time after the Effective Date upon the consent of the holder of such Allowed Claim.

11.10. Entire Agreement. The Plan Documents set forth the entire agreement and undertakings relating to the subject matter thereof and supersede all prior discussions, negotiations, understandings and documents. No Entity shall be bound by any terms, conditions, definitions, warranties, understandings, or representations with respect to the subject matter hereof, other than as expressly provided for in the Plan or the other Plan Documents or as may hereafter be agreed to by the affected parties in writing.

11.11. Headings. Headings are utilized in the Plan for convenience and reference only and shall not constitute a part of the Plan for any other purpose.

11.12. Administrative Claims Bar Date. Unless otherwise ordered by the Bankruptcy Court, except for Administrative Claims for amounts incurred by the U.S. Debtors in the ordinary course of business during these Reorganization Cases, the Confirmation Order shall operate to set a bar date for Administrative Claims against the U.S. Debtors (the "Administrative Claims Bar Date"), which bar date shall be the first Business Day that is at least 120 days after the Effective Date. Claimants holding Administrative Claims against the Debtors not paid prior to the Administrative Claims Bar Date may submit a Request for Payment of Administrative Expense on or before such bar date. The notice of Confirmation to be served and delivered pursuant to Bankruptcy Rules 2002 and 3020(c) will set forth such date and constitute notice of the Administrative Claims Bar Date. The Reorganized Debtors and any other party in interest will have ninety days after the Administrative Claims Bar Date to review and object to such Claims before a hearing for determination of such Administrative Claims is held by the Bankruptcy Court, provided that such ninety-day period of review may be extended by the Bankruptcy Court upon the request of any of the Plan Proponents. Nothing herein shall be deemed or construed to prejudice, or establish a bar date for, any Administrative Claim or Administration Claim against the U.K. Debtors or their Estates.

11.13. Governing Law. Except to the extent that federal law (including, but not limited to, the Bankruptcy Code and the Bankruptcy Rules) is applicable or where the Plan provides otherwise, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without giving effect to the principles of conflicts of law thereof.

11.14. No Interest. Except with respect to unimpaired Allowed Claims, or as expressly stated in the Plan or otherwise Allowed by Final Order of the Bankruptcy Court, no interest, penalty or late charge arising after the Petition Date shall be Allowed on any Claim or Equity Interest.

11.15. Limitation On Allowance. No attorneys' fees, punitive damages, penalties, exemplary damages, or interest shall be paid with respect to any Claim or Equity Interest except as specified herein or as Allowed by a Final Order of the Bankruptcy Court.

11.16. Estimated Claims. To the extent any Claim is estimated for any purpose other than for voting, then in no event shall such Claim be Allowed in an amount greater than the estimated amount.

11.17. Consent To Jurisdiction. Upon default under the Plan, the Reorganized Debtors, the Trust and the Trustees, the Future Claimants Representative, and the Trust Advisory Committee, respectively, consent to the jurisdiction of the Bankruptcy Court, or any successor thereto, and agree that it shall be the preferred forum for all proceedings relating to any such default, except for matters pertaining solely to the U.K. Debtors or their Schemes of Arrangement and/or Voluntary Arrangements, as applicable, in which respect, all such parties consent to the jurisdiction of the U.K. Court.

11.18. Successors And Assigns. The rights, duties and obligations of any Entity named or referred to in the Plan shall be binding upon, and shall inure to the benefit of, the successors and assigns of such Entity.

11.19. Non-Debtor Waiver of Rights. Non-debtor parties shall have the right to voluntarily waive any rights, benefits or protections that are afforded to them under the provisions of the Plan or any order issued in furtherance of the Plan, and such waiver shall supersede such rights, benefits or protections. Any such waiver shall only be effective if such party expressly and specifically waives in writing one or more of such rights, benefits or protections. Any such Entity which waives its rights under the Plan shall nonetheless remain subject to and bound by all other provisions of the Plan, including, but not limited to the discharge, the Releases, the Injunctions and all other injunctions thereunder.

11.20. Notices. All notices, requests and demands required or permitted to be provided to the Debtors, Reorganized Debtors or the Plan Proponents under the Plan, in order 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, to the addresses set forth below:

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ARTICLE XII POTENTIAL COMPROMISE AND SETTLEMENT WITH PNEUMO ABEX PARTIES

12.1. Introduction and Contingent Nature of Provisions Contained in this Article

XII. As set forth in this Article, the Plan may also implement, on the Effective Date, an agreement, if one is reached, between all of the Plan Proponents and the so-called Pneumo Abex Parties (the "*Pneumo Abex Transaction*") that would result in the Pneumo Abex Parties receiving the benefits of an injunction pursuant to Sections 524(g) and 105 of the Bankruptcy Code channeling Pneumo Abex Asbestos Claims to a Pneumo Abex Subfund, which would be established within the FMP Fund, which FMP Fund comprises part of the Asbestos Personal Injury Trust Distribution Procedures. This Article XII contains a number of draft potential provisions that describe, and would, if accepted, effect the proposal made to the Plan Proponents by the Pneumo Abex Parties (the "*Draft PA Transaction Proposal*").

The insertion of the provisions describing the Draft PA Transaction Proposal into this Article XII of the Plan is expressly conditioned upon, among other things, the waiver by Cooper Industries, Inc. ("*Cooper*") of any objection to Confirmation of the Plan (including any rights Cooper may have as subrogee to the rights of the Pneumo Abex Parties). The Plan Proponents understand and understood such Confirmation objection waiver to have been made by Cooper on behalf of not just Cooper but all of the other Pneumo Abex Parties in all respects; Cooper and the other Pneumo Abex Parties dispute this understanding and contention and believe that the Confirmation objection waiver was solely on behalf of Cooper (including on behalf of Cooper as subrogee to the rights of the Pneumo Abex Parties).

As of the date of solicitation of votes on the Plan, the proposed Pneumo Abex Transaction has not been accepted by the Plan Proponents and there are aspects of the Draft PA Transaction Proposal with which the Plan Proponents do not agree. Inclusion of this Article XII in the Plan shall in no way constitute agreement with or admissions respecting any of the provisions thereof on the part of any of the Plan Proponents.

In the event agreement on the Pneumo Abex Transaction between each of the Plan Proponents and the Pneumo Abex Parties is not reached at least [30] days before the Bankruptcy Court-established deadline for voting on the Plan, or if such agreement is reached but approval of

the Pneumo Abex Transaction by the required number of holders of Pneumo Abex Claims is not obtained by the Bankruptcy Court-established deadline for voting on the Plan, then none of the provisions of this Article XII of the Plan shall be effective, and such provisions shall be deemed removed from the Plan on the Confirmation Date; provided, however, that Cooper's withdrawal of any objection to Confirmation (whether on its own behalf or as subrogee to the rights of any of the Pneumo Abex Parties) shall nonetheless remain effective.

Except as set forth in the preceding paragraph, and notwithstanding any provisions in this Plan to the contrary, changes or revisions to the Plan or Disclosure Statement relating to the provisions of the Draft PA Transaction Proposal and/or the Pneumo Abex Transaction must be approved in writing by all of the Plan Proponents.

12.2. Draft PA Transaction Proposal Provisions.

12.2.1. Section 1.1.20 of the Plan would be modified to include "(vi) any Pneumo Abex Asbestos Claim."

12.2.2. The following definition would be added to the Plan: "*Pneumo Abex* means Pneumo Abex Corporation."

12.2.3. The following definition would be added to the Plan: "*Pneumo Abex Asbestos Claim* means any and all asbestos-related personal injury claims and demands (as those terms are defined in the Bankruptcy Code), including contribution and indemnity claims, whenever or however asserted, against Pneumo Abex or any other Pneumo Abex Party, whether asserted by agents or employees of any of the Pneumo Abex Parties or any other person or entity, whether in the nature of or sounding in tort, contract, warranty, conspiracy or any other theory of law, equity or admiralty, whatsoever, for, attributable to or arising under the laws of any jurisdiction, by reason of, directly or indirectly, physical, emotional or other personal injuries (including death resulting therefrom) caused, or allegedly caused, in whole or in part, directly or indirectly, by Pneumo Abex, any of its predecessors, or any of the Pneumo Abex Parties on behalf of Pneumo Abex or any of its predecessors, and due to the presence of or exposure to asbestos or asbestos-containing products manufactured, sold, supplied, produced, specified, selected, distributed or in any way marketed by Pneumo Abex or any of its predecessors, or by any actions, omissions or activities, direct or indirect, of Pneumo Abex or any of its predecessors, including all claims or demands, debts, obligations or liabilities for compensatory damages (such as, without limitation, loss of consortium or support, medical monitoring, personal or bodily injury, wrongful death, survivorship, proximate, consequential, general and special damages) and punitive damages. A holder of a Pneumo Abex Asbestos Claim shall be referred to as a "*Pneumo Abex Asbestos Claimant*.""

12.2.4. The following definition would be added to the Plan: "*Pneumo Abex Parties* means Cooper Industries, Inc., Cooper Industries, Ltd., Pneumo Abex Corporation, and certain other entities that may be named with the consent of the Plan Proponents as part of the agreement by the Plan Proponents to the Pneumo Abex Transaction, together with any of their respective past, present or future affiliates, predecessors, successors or assigns, or the past, present or future officers, directors, employees, agents, affiliates, shareholders, lenders, attorneys, accountants, financial advisors, consultants or representatives of any of the foregoing."

12.2.5. The following definition would be added to the Plan: “*Pneumo Abex Transaction* means a settlement between the Pneumo Abex Parties, on the one hand, and all of the Plan Proponents, on the other hand, as generally described in Section V.Y. of the Disclosure Statement, but only if and to the extent that such settlement is finalized and agreed to (as evidenced by definitive documentation) by all of the Plan Proponents and Pneumo Abex Parties at least [30] days prior to the Bankruptcy Court-established deadline for voting to accept or reject the Plan and approved by the requisite number of holders of Pneumo Abex Asbestos Claims no later than the Bankruptcy Court-established deadline for voting to accept or reject the Plan.”

12.2.6. The following definition would be added to the Plan: “*Pneumo Abex Subfund* means the segregated subtrust of the FMP Fund (which FMP Fund is established as part of the Asbestos Personal Injury Trust Distribution Procedures) to be established to pay Pneumo Abex Asbestos Claims if the Pneumo Abex Transaction is approved by all of the Plan Proponents and the Pneumo Abex Parties and is consummated.”

12.2.7. The following language would be added as Section 1.1.122.7: “if the Pneumo Abex Transaction is approved by all of the Plan Proponents and the Pneumo Abex Parties and is consummated, the Pneumo Abex Parties.”

12.2.8. The following language would be added to Section 1.1.155: “(f) if the Pneumo Abex Transaction is approved by all of the Plan Proponents and the Pneumo Abex Parties and is consummated, the cash, stock, insurance rights and proceeds, guarantees and other forms of financial assurances provided to the Pneumo Abex Subfund by the Pneumo Abex Parties.”

12.2.9. The following language would be added as a new Section 4.11.4 (and the remaining subsections in Section 4.11 would be renumbered accordingly): **4.11.4.** “If the Pneumo Abex Transaction is approved by all of the Plan Proponents and the Pneumo Abex Parties and is consummated, Pneumo Abex and the Pneumo Abex Subfund will jointly and severally defend, indemnify and hold harmless the Pneumo Abex Parties and Reorganized Federal-Mogul Corporation and its affiliates (as well as their respective past, present or future affiliates, predecessors, successors or assigns, or past, present or future officers, directors, employees, agents, affiliates, shareholders, lenders, attorneys, accountants, financial advisors, consultants or representatives of any of the foregoing) from any and all claims, including without limitation, attorneys’ fees, arising from or on account of any Pneumo Abex Asbestos Claims.”

12.2.10. The following language would be added as a new Section 7.1.1(n) (and the remaining subsections in Section 7.1.1 would be renumbered accordingly): **7.1.1(n).** “The Pneumo Abex Parties are alleged to be directly or indirectly liable for the Pneumo Abex Asbestos Claims for which the Pneumo Abex Parties allege F-M Products is liable and the Pneumo Abex Parties assert that such alleged liability of the Pneumo Abex Parties arises by reason of one or more of the reasons set forth in section 524(g)(4)(A)(ii) of the Bankruptcy Code.”

12.2.11. The following language would be added as a new Section 8.21:

“Subject to continued negotiations and approval by all of the Plan Proponents and the Pneumo Abex Parties, and provided that final documentation is executed, on the Effective Date, the Pneumo Abex Transaction will be consummated and the parties thereto will engage in the transactions contemplated therein.

Prior to the Confirmation Hearing, this Plan, and its incorporated Third Party Injunction, will be further modified as necessary to incorporate and implement the terms of the Pneumo Abex Transaction. In addition, the Asbestos Personal Injury Trust Distribution Procedures will be amended to create a matrix and claims resolution process for Pneumo Abex Asbestos Claims that will be similar to the matrix and claims resolution process applicable to the FMP (Wagner) Claims described in the Asbestos Personal Injury Trust Distribution Procedures. Pneumo Abex Asbestos Claims shall become "TDP Valued Claims" under the Asbestos Personal Injury Trust Distribution Procedures and claimants will be able to submit their claims for resolution via an administrative process and will not be required to liquidate the claims in the tort system (as would be the case in the absence of the implementation of the proposed transaction). The claims criteria and values for the Pneumo Abex Asbestos Claims will be similar to those set forth in the Asbestos Personal Injury Trust Distribution Procedures relative to the FMP (Wagner) Claims described therein.

IN THE EVENT THE PNEUMO ABEX TRANSACTION IS APPROVED AND THE PLAN IS CONFIRMED, THE PNEUMO ABEX PARTIES WILL BE BENEFICIARIES OF THE THIRD PARTY INJUNCTION AND THE SUPPLEMENTAL INJUNCTION CONTAINED IN THE PLAN.”

12.2.12. The following language would be added as the second sentence of Section 11.7 of the Plan: “If the proposed Pneumo Abex Transaction is approved by all of the Plan Proponents and the Pneumo Abex Parties and is documented, the Plan Proponents specifically reserve the right to incorporate in or attach to the Plan additional language or documents to implement the terms of that transaction.”

Dated: 6/4, 2004

FEDERAL-MOGUL CORPORATION (for itself and on behalf of
the Affiliated Debtors, as Debtors and Debtors in Possession)

By: *Anthony Sheri*

OFFICIAL COMMITTEE OF UNSECURED CREDITORS

By: _____

OFFICIAL COMMITTEE OF ASBESTOS CLAIMANTS

By: _____

JPMORGAN CHASE BANK, AS ADMINISTRATIVE AGENT

By: _____

ERIC D. GREEN, as THE FUTURE CLAIMANTS
REPRESENTATIVE

By: _____

OFFICIAL COMMITTEE OF EQUITY SECURITY HOLDERS


By: _____

Dated: 6/4, 2004

FEDERAL-MOGUL CORPORATION (for itself and on behalf of
the Affiliated Debtors, as Debtors and Debtors in Possession)

By: _____

OFFICIAL COMMITTEE OF UNSECURED CREDITORS

By:  _____

OFFICIAL COMMITTEE OF ASBESTOS CLAIMANTS

By: _____

JPMORGAN CHASE BANK, AS ADMINISTRATIVE AGENT

By: _____

ERIC D. GREEN, as THE FUTURE CLAIMANTS
REPRESENTATIVE

By: _____

OFFICIAL COMMITTEE OF EQUITY SECURITY HOLDERS

By: _____

Dated: 6/4, 2004

FEDERAL-MOGUL CORPORATION (for itself and on behalf of
the Affiliated Debtors, as Debtors and Debtors in Possession)

By: _____

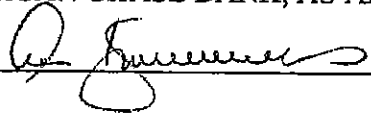
OFFICIAL COMMITTEE OF UNSECURED CREDITORS

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OFFICIAL COMMITTEE OF ASBESTOS CLAIMANTS

By: _____

JPMORGAN CHASE BANK, AS ADMINISTRATIVE AGENT

By: 

ERIC D. GREEN, as THE FUTURE CLAIMANTS
REPRESENTATIVE

By: _____

OFFICIAL COMMITTEE OF EQUITY SECURITY HOLDERS

By: _____

Dated: 6/3, 2004

FEDERAL-MOGUL CORPORATION (for itself and on behalf of
the Affiliated Debtors, as Debtors and Debtors in Possession)

By: _____

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By: E. Himon _____

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By: _____

Dated: cd4 , 2004

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the Affiliated Debtors, as Debtors and Debtors in Possession)

By: _____

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By: Joseph P. ...

JPMORGAN CHASE BANK, AS ADMINISTRATIVE AGENT

By: _____

ERIC D. GREEN, as THE FUTURE CLAIMANTS
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By: _____

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Dated: 6/14, 2004

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the Affiliated Debtors, as Debtors and Debtors in Possession)

By: _____

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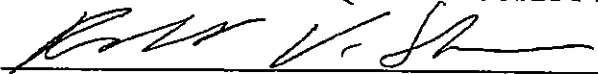
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EXHIBITS TO THE PLAN

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EXHIBIT B

EXHIBIT B TO DISCLOSURE STATEMENT

CLAIMS & EQUITY INTERESTS NOT IMPAIRED BY THE PLAN

1. Federal-Mogul Corporation

Class 1E – Other Secured Claims
Class 1G – On-Site Environmental Claims
Class 1I – Non-Priority Employee Benefit Claims
Class 1K – Bonded Claims

2. Federal-Mogul Piston Rings, Inc.

Class 2E – Other Secured Claims
Class 2G – On-Site Environmental Claims
Class 2I – Non-Priority Employee Benefit Claims
Class 2K – Bonded Claims
Class 2P – Equity Interests

3. Federal-Mogul Powertrain, Inc.

Class 3E – Other Secured Claims
Class 3G – On-Site Environmental Claims
Class 3I – Non-Priority Employee Benefit Claims
Class 3K – Bonded Claims
Class 3P – Equity Interests

4. Federal-Mogul Ignition Company

Class 4E – Other Secured Claims
Class 4G – On-Site Environmental Claims
Class 4I – Non-Priority Employee Benefit Claims
Class 4K – Bonded Claims
Class 4P – Equity Interests

5. Federal-Mogul Products, Inc.

Class 5E – Other Secured Claims
Class 5G – On-Site Environmental Claims
Class 5I – Non-Priority Employee Benefit Claims
Class 5K – Bonded Claims
Class 5P – Equity Interest

6. T&N Limited

Class 6A – Priority Claims and Preferential Liabilities
Class 6E – Other Secured Claims

Class 6L – Affiliate Claims
Class 6P – Equity Interests

7. Federal-Mogul Ignition (U.K.) Limited

Class 7A – Priority Claims and Preferential Liabilities
Class 7L – Affiliate Claims
Class 7P – Equity Interests

8. Federal-Mogul Systems Protection Group Limited

Class 8A - Priority Claims and Preferential Liabilities
Class 8L – Affiliate Claims
Class 8P – Equity Interests

9. Federal-Mogul Aftermarket UK Limited

Class 9A - Priority Claims and Preferential Liabilities
Class 9L – Affiliate Claims
Class 9P – Equity Interests

10. Federal-Mogul Sintered Products Limited

Class 10A - Priority Claims and Preferential Liabilities
Class 10L – Affiliate Claims
Class 10P – Equity Interests

11. Federal-Mogul Sealing Systems (Slough) Limited

Class 11A - Priority Claims and Preferential Liabilities
Class 11G – On-Site Environmental Claims
Class 11L – Affiliate Claims
Class 11P – Equity Interests

12. Federal-Mogul Friction Products Limited

Class 12A – Priority Claims and Preferential Liabilities

Class 12G – On-Site Environmental Claims
Class 12L – Affiliate Claims
Class 12P – Equity Interests

**13. Federal-Mogul Sealing Systems
(Rochdale) Limited**

Class 13A – Priority Claims and Preferential Liabilities

Class 13L – Affiliate Claims

Class 13P – Equity Interests

14. Federal-Mogul Camshaft Castings Limited

Class 14A – Priority Claims and Preferential Liabilities

Class 14L – Affiliate Claims

Class 14P – Equity Interests

15. Federal-Mogul Bradford Limited

Class 15A – Priority Claims and Preferential Liabilities

Class 15L – Affiliate Claims

Class 15P – Equity Interests

16. Federal-Mogul Camshafts Limited

Class 16A – Priority Claims and Preferential Liabilities

Class 16L – Affiliate Claims

Class 16P – Equity Interests

17. Federal-Mogul Eurofriction Limited

Class 17A – Priority Claims and Preferential Liabilities

Class 17G – On-Site Environmental Claims

Class 17L – Affiliate Claims

Class 17P – Equity Interests

18. Federal-Mogul Powertrain Systems International Limited

Class 18A - Priority Claims and Preferential Liabilities

Class 18L – Affiliate Claims

Class 18P – Equity Interests

19. TBA Industrial Products Limited

Class 19A - Priority Claims and Preferential Liabilities

Class 19L – Affiliate Claims

Class 19P – Equity Interests

20. Federal-Mogul Export Services Limited

Class 20A - Priority Claims and Preferential Liabilities

Class 20L – Affiliate Claims

Class 20P – Equity Interests

21. Ferodo America, Inc.

Class 21P – Equity Interests

22. Felt Products Manufacturing Co.

Class 22P – Equity Interests

23. Gasket Holdings Inc.

Class 23P – Equity Interests

24. Carter Automotive Company, Inc.

Class 24E – Other Unsecured Claims

Class 24L – Affiliate Claims

Class 24P – Equity Interests

25. Federal-Mogul Dutch Holdings Inc.

Class 25E – Other Unsecured Claims

Class 25L – Affiliate Claims

Class 25P – Equity Interests

26. Federal-Mogul Global Inc.

Class 26E – Other Unsecured Claims

Class 26L – Affiliate Claims

Class 26P – Equity Interests

27. Federal-Mogul Global Properties, Inc.

Class 27E – Other Unsecured Claims

Class 27L – Affiliate Claims

Class 27P – Equity Interests

28. Federal-Mogul Mystic, Inc.

Class 28E – Other Unsecured Claims

Class 28L – Affiliate Claims

Class 28P – Equity Interests

29. Federal-Mogul U.K. Holdings, Inc.

Class 29E – Other Unsecured Claims

Class 29L – Affiliate Claims

Class 29P – Equity Interests

30. Federal-Mogul Venture Corporation

Class 30E – Other Unsecured Claims

Class 30L – Affiliate Claims

Class 30P – Equity Interests

31. Federal-Mogul World Wide, Inc.

Class 31E – Other Unsecured Claims

Class 31G – On-Site Environmental Claims

Class 31L – Affiliate Claims

Class 31P – Equity Interests

32. McCord Sealing, Inc.

Class 32E – Other Unsecured Claims

Class 32L – Affiliate Claims

Class 32P – Equity Interests

33. T&N Industries Inc.

Class 33E – Other Unsecured Claims

Class 33G – On-Site Environmental Claims

Class 33L – Affiliate Claims

Class 33P – Equity Interests

34. F-M U.K. Holding Limited

Class 34A – Priority Claims and Preferential Liabilities

Class 34L – Affiliate Claims

Class 34P – Equity Interests

35. Federal-Mogul FX, Inc.

Class 35L – Affiliate Claims

Class 35P – Equity Interests

36. Federal-Mogul Puerto Rico, Inc.

Class 36L – Affiliate Claims

Class 36P – Equity Interests

37. Federal-Mogul Machine Tool, Inc.

Class 37L – Affiliate Claims

Class 37P – Equity Interests

38. FM International LLC

Class 38L – Affiliate Claims

Class 38P – Equity Interests

39. J.W.J. Holdings, Inc.

Class 39L – Affiliate Claims

Class 39P – Equity Interests

40. Federal-Mogul Sealing System (Cardiff) Limited

Class 40A – Priority Claims and Preferential Liabilities

Class 40L – Affiliate Claims

Class 40P – Equity Interests

41. Federal-Mogul Bridgwater Limited

Class 41A – Priority Claims and Preferential Liabilities

Class 41L – Affiliate Claims

Class 41P – Equity Interests

42. Federal-Mogul Engineering Limited

Class 42A – Priority Claims and Preferential Liabilities

Class 42L – Affiliate Claims

Class 42P – Equity Interests

43. Federal-Mogul Technology Limited

Class 43A – Priority Claims and Preferential Liabilities

Class 43L – Affiliate Claims

Class 43P – Equity Interests

44. AE Dayton Services Limited

Class 44A – Priority Claims and Preferential Liabilities

Class 44L – Affiliate Claims

Class 44P – Equity Interests

45. AE Group Machines Limited

Class 45A – Priority Claims and Preferential Liabilities

Class 45L – Affiliate Claims

Class 45P – Equity Interests

46. AE Holdings Limited

Class 46A – Priority Claims and Preferential Liabilities

Class 46L – Affiliate Claims

Class 46P – Equity Interests

47. AE International Limited

Class 47A – Priority Claims and Preferential Liabilities

Class 47L – Affiliate Claims

Class 47P – Equity Interests

48. AE Limited

Class 48A – Priority Claims and Preferential Liabilities

Class 48L – Affiliate Claims

Class 48P – Equity Interests

49. AE Piston Products Limited

Class 49A – Priority Claims and Preferential Liabilities

Class 49L – Affiliate Claims

Class 49P – Equity Interests

50. AE Sales (Africa) Limited

Class 50A – Priority Claims and Preferential Liabilities

Class 50L – Affiliate Claims

Class 50P – Equity Interests

51. Amber Supervision Limited

Class 51A – Priority Claims and Preferential Liabilities

Class 51L – Affiliate Claims

Class 51P – Equity Interests

52. Associated Engineering Group Limited

Class 52A – Priority Claims and Preferential Liabilities

Class 52L – Affiliate Claims

Class 52P – Equity Interests

53. Awncast Limited

Class 53A – Priority Claims and Preferential Liabilities

Class 53L – Affiliate Claims

Class 53P – Equity Interests

54. Bearings (North-Western) Limited

Class 54A – Priority Claims and Preferential Liabilities

Class 54L – Affiliate Claims

Class 54P – Equity Interests

55. Colvan Rubber Co. Limited

Class 55A – Priority Claims and Preferential Liabilities

Class 55L – Affiliate Claims

Class 55P – Equity Interests

56. Contact 100 Limited

Class 56A – Priority Claims and Preferential Liabilities

Class 56L – Affiliate Claims

Class 56P – Equity Interests

57. Cosmid Limited

Class 57A – Priority Claims and Preferential Liabilities

Class 57L – Affiliate Claims

Class 57P – Equity Interests

58. Cranhold Limited

Class 58A – Priority Claims and Preferential Liabilities

Class 58L – Affiliate Claims

Class 58P – Equity Interests

59. Dealings Limited

Class 59A – Priority Claims and Preferential Liabilities

Class 59L – Affiliate Claims

Class 59P – Equity Interests

60. Dumplington Services Limited

Class 60A – Priority Claims and Preferential Liabilities

Class 60L – Affiliate Claims

Class 60P – Equity Interests

61. E W Engineering Limited

Class 61A – Priority Claims and Preferential Liabilities

Class 61L – Affiliate Claims

Class 61P – Equity Interests

62. Edmunds, Walker & Co. Limited

Class 62A – Priority Claims and Preferential Liabilities

Class 62L – Affiliate Claims

Class 62P – Equity Interests

63. Engineering Components Limited

Class 63A – Priority Claims and Preferential Liabilities

Class 63L – Affiliate Claims

Class 63P – Equity Interests

64. Federal-Mogul Acquisition Company Limited

Class 64A – Priority Claims and Preferential Liabilities

Class 64L – Affiliate Claims

Class 64P – Equity Interests

65. Federal-Mogul Brake Systems Limited [Agency]

Class 65A – Priority Claims and Preferential Liabilities

Class 65L – Affiliate Claims

Class 65P – Equity Interests

66. Federal-Mogul Shoreham Limited

Class 66A – Priority Claims and Preferential Liabilities

Class 66L – Affiliate Claims

Class 66P – Equity Interests

67. Federal-Mogul U.K. Limited

Class 67A – Priority Claims and Preferential Liabilities

Class 67L – Affiliate Claims

Class 67P – Equity Interests

68. FHE Technology Limited

Class 68A – Priority Claims and Preferential Liabilities

Class 68L – Affiliate Claims

Class 68P – Equity Interests

69. FP Diesel Limited

Class 69A – Priority Claims and Preferential Liabilities

Class 69L – Affiliate Claims

Class 69P – Equity Interests

70. G.B. Tools & Components Exports Limited

Class 70A – Priority Claims and Preferential Liabilities

Class 70L – Affiliate Claims

Class 70P – Equity Interests

71. Genthope Limited

Class 71A – Priority Claims and Preferential Liabilities

Class 71L – Affiliate Claims

Class 71P – Equity Interests

72. Greet Limited

Class 72A – Priority Claims and Preferential Liabilities

Class 72L – Affiliate Claims

Class 72P – Equity Interests

73. Hepworth & Grandage Limited

Class 73A – Priority Claims and Preferential Liabilities

Class 73L – Affiliate Claims

Class 73P – Equity Interests

74. High Precision Equipment Limited

Class 74A – Priority Claims and Preferential Liabilities

Class 74L – Affiliate Claims

Class 74P – Equity Interests

75. Inblot Limited

Class 75A – Priority Claims and Preferential Liabilities

Class 75L – Affiliate Claims

Class 75P – Equity Interests

76. Instantwonder Limited

Class 76A – Priority Claims and Preferential Liabilities

Class 76L – Affiliate Claims

Class 76P – Equity Interests

77. Kings Park Housing Limited

Class 77A – Priority Claims and Preferential Liabilities

Class 77L – Affiliate Claims

Class 77P – Equity Interests

78. Lalton Limited

Class 78A – Priority Claims and Preferential Liabilities

Class 78L – Affiliate Claims

Class 78P – Equity Interests

79. Lanoth Precision Equipment Limited

Class 79A – Priority Claims and Preferential Liabilities

Class 79L– Affiliate Claims

Class 79P– Equity Interests

80. Leeds Piston Ring & Engineering Co. Limited

Class 80A – Priority Claims and Preferential Liabilities

Class 80L – Affiliate Claims

Class 80P – Equity Interests

81. M.T.A. (Kettering) Limited

Class 81A – Priority Claims and Preferential Liabilities

Class 81L– Affiliate Claims

Class 81P– Equity Interests

82. Mantro Engineering Co. Limited

Class 82A – Priority Claims and Preferential Liabilities

Class 82L – Affiliate Claims

Class 82P– Equity Interests

83. Mobile Distributing (Spares) Limited

Class 83A – Priority Claims and Preferential Liabilities

Class 83L– Affiliate Claims

Class 83P– Equity Interests

84. Moores Plastic Units Limited

Class 84A – Priority Claims and Preferential Liabilities

Class 84L– Affiliate Claims

Class 84P– Equity Interests

85. Ontall Limited

Class 85A – Priority Claims and Preferential Liabilities

Class 85L– Affiliate Claims

Class 85P– Equity Interests

86. Payen (Europe Limited)

Class 86A – Priority Claims and Preferential Liabilities

Class 86L– Affiliate Claims

Class 86P – Equity Interests

87. Pecal Limited

Class 87A – Priority Claims and Preferential Liabilities

Class 87L– Affiliate Claims

Class 87P– Equity Interests

88. Presswork-Components Limited

Class 88A – Priority Claims and Preferential Liabilities

Class 88L– Affiliate Claims

Class 88P– Equity Interests

89. Sintration Limited

Class 89A – Priority Claims and Preferential Liabilities

Class 89L– Affiliate Claims

Class 89P– Equity Interests

90. Sourcelook Limited

Class 90A – Priority Claims and Preferential Liabilities

Class 90L– Affiliate Claims

Class 90P– Equity Interests

91. Specialloid, Limited

Class 91A – Priority Claims and Preferential Liabilities

Class 91L– Affiliate Claims

Class 91P– Equity Interests

92. STS (1996) Limited

Class 92A – Priority Claims and Preferential Liabilities

Class 92L– Affiliate Claims

Class 92P– Equity Interests

93. T&N Investments Limited

Class 93A – Priority Claims and Preferential Liabilities

Class 93L – Affiliate Claims

Class 93P– Equity Interests

94. T&N Piston Products Group Limited

Class 94A – Priority Claims and Preferential Liabilities

Class 94L – Affiliate Claims

Class 94P – Equity Interests

95. T&N Properties Limited

Class 95A – Priority Claims and Preferential Liabilities

Class 95L– Affiliate Claims

Class 95P– Equity Interests

96. T&N Shelf Eight Limited

Class 96A – Priority Claims and Preferential Liabilities

Class 96L– Affiliate Claims

Class 96P– Equity Interests

97. T&N Shelf Eighteen Limited

Class 97A – Priority Claims and Preferential Liabilities

Class 97L – Affiliate Claims

Class 97P – Equity Interests

98. T&N Shelf Fifteen Limited

Class 98A – Priority Claims and Preferential Liabilities

Class 98L– Affiliate Claims

Class 98P– Equity Interests

99. T&N Shelf Five Limited

Class 99A – Priority Claims and Preferential Liabilities

Class 99L– Affiliate Claims

Class 99P– Equity Interests

100. T&N Shelf Four Limited

Class 100A – Priority Claims and Preferential Liabilities

Class 100L– Affiliate Claims

Class 100P– Equity Interests

101. T&N Shelf Fourteen Limited

Class 101A – Priority Claims and Preferential Liabilities

Class 101L– Affiliate Claims

Class 101P– Equity Interests

102. T&N Shelf Nine Limited

Class 102A – Priority Claims and Preferential Liabilities

Class 102L– Affiliate Claims

Class 102P– Equity Interests

103. T&N Shelf Nineteen Limited

Class 103A – Priority Claims and Preferential Liabilities

Class 103L – Affiliate Claims

Class 103P – Equity Interests

104. T&N Shelf Six Limited

Class 104A – Priority Claims and Preferential Liabilities

Class 104L– Affiliate Claims

Class 104P– Equity Interests

105. T&N Shelf Sixteen Limited

Class 105A – Priority Claims and Preferential Liabilities

Class 105L– Affiliate Claims

Class 105P– Equity Interests

106. T&N Shelf Ten Limited

Class 106A – Priority Claims and Preferential Liabilities

Class 106L– Affiliate Claims

Class 106P– Equity Interests

107. T&N Shelf Thirteen Limited

Class 107A – Priority Claims and Preferential Liabilities

Class 107L– Affiliate Claims

Class 107P– Equity Interests

108. T&N Shelf Thirty Limited

Class 108A – Priority Claims and Preferential Liabilities

Class 108L– Affiliate Claims

Class 108P– Equity Interests

109. T&N Shelf Thirty-One Limited

Class 109A – Priority Claims and Preferential Liabilities

Class 109L– Affiliate Claims

Class 109P– Equity Interests

110. T&N Shelf Thirty-Three Limited

Class 110A – Priority Claims and Preferential Liabilities

Class 110L– Affiliate Claims

Class 110P– Equity Interests

111. T&N Shelf Three Limited

Class 111A – Priority Claims and Preferential Liabilities
Class 111L– Affiliate Claims
Class 111P– Equity Interests

112. T&N Shelf Twenty-Eight Limited

Class 112A – Priority Claims and Preferential Liabilities
Class 112L– Affiliate Claims
Class 112P– Equity Interests

113. T&N Shelf Twenty-Five Limited

Class 113A – Priority Claims and Preferential Liabilities
Class 113L– Affiliate Claims
Class 113P– Equity Interests

114. T&N Shelf Twenty-Four Limited

Class 114A – Priority Claims and Preferential Liabilities
Class 114L– Affiliate Claims
Class 114P– Equity Interests

115. T&N Shelf Twenty-Nine Limited

Class 115A – Priority Claims and Preferential Liabilities
Class 115L– Affiliate Claims
Class 115P– Equity Interests

116. T&N Shelf Twenty-Two Limited

Class 116A – Priority Claims and Preferential Liabilities
Class 116L– Affiliate Claims
Class 116P– Equity Interests

117. T&N Shelf Two Limited

Class 117A – Priority Claims and Preferential Liabilities
Class 117L– Affiliate Claims
Class 117P– Equity Interests

118. T&N Trade Marks Limited

Class 118A – Priority Claims and Preferential Liabilities
Class 118L– Affiliate Claims
Class 118P– Equity Interests

119. T&N Welfare Trust Limited

Class 119A – Priority Claims and Preferential Liabilities
Class 119L– Affiliate Claims
Class 119P– Equity Interests

120. TBA Belting (Residual) Limited

Class 120A – Priority Claims and Preferential Liabilities
Class 120L– Affiliate Claims
Class 120P– Equity Interests

121. Telford Rubber Processors Limited

Class 121A – Priority Claims and Preferential Liabilities
Class 121L– Affiliate Claims
Class 121P– Equity Interests

122. The British Piston Ring Company Limited

Class 122A – Priority Claims and Preferential Liabilities
Class 122L– Affiliate Claims
Class 122P– Equity Interests

123. Tinblo Limited

Class 123A – Priority Claims and Preferential Liabilities
Class 123L– Affiliate Claims
Class 123P– Equity Interests

124. Touchdown Adhesive Products Limited

Class 124A – Priority Claims and Preferential Liabilities
Class 124L– Affiliate Claims
Class 124P– Equity Interests

125. Tynoda Limited

Class 125A – Priority Claims and Preferential Liabilities
Class 125L– Affiliate Claims
Class 125P– Equity Interests

126. Vanwall Cars Limited

Class 126A – Priority Claims and Preferential Liabilities

Class 126L– Affiliate Claims

Class 126P– Equity Interests

127. Wellworthy Property Developments Limited

Class 127A – Priority Claims and Preferential Liabilities

Class 127L– Affiliate Claims

Class 127P– Equity Interests

128. William C. Jones (Polymers) Limited

Class 128A – Priority Claims and Preferential Liabilities

Class 128L– Affiliate Claims

Class 128P– Equity Interests

129. Aeroplane & Motor Aluminum Castings Limited

Class 129A – Priority Claims and Preferential Liabilities

Class 129L– Affiliate Claims

Class 129P– Equity Interests

130. Ashburton Road Services Limited

Class 130A – Priority Claims and Preferential Liabilities

Class 130L – Affiliate Claims

Class 130P – Equity Interests

131. Brake Linings Limited

Class 131A – Priority Claims and Preferential Liabilities

Class 131L – Affiliate Claims

Class 131P – Equity Interests

132. Duron Limited

Class 132A – Priority Claims and Preferential Liabilities

Class 132L – Affiliate Claims

Class 132P – Equity Interests

133. Federal-Mogul Global Growth Limited

Class 133A – Priority Claims and Preferential Liabilities

Class 133L – Affiliate Claims

Class 133P – Equity Interests

134. Federal-Mogul Sealing Systems Limited

Class 134A – Priority Claims and Preferential Liabilities

Class 134L– Affiliate Claims

Class 134P– Equity Interests

135. Ferodo Caernarfon

Class 135A – Priority Claims and Preferential Liabilities

Class 135L – Affiliate Claims

Class 135P – Equity Interests

136. Ferodo Limited

Class 136A – Priority Claims and Preferential Liabilities

Class 136L – Affiliate Claims

Class 136P – Equity Interests

137. Fleetside Investments Limited

Class 137A – Priority Claims and Preferential Liabilities

Class 137L – Affiliate Claims

Class 137P – Equity Interests

138. Friction Materials Limited

Class 138A – Priority Claims and Preferential Liabilities

Class 138L – Affiliate Claims

Class 138P – Equity Interests

139. Halls Gaskets Limited

Class 139A – Priority Claims and Preferential Liabilities

Class 139L – Affiliate Claims

Class 139P – Equity Interests

140. J.W. Roberts Limited

Class 140A – Priority Claims and Preferential Liabilities

Class 140L – Affiliate Claims

Class 140P – Equity Interests

141. Lanoth Limited

Class 141A – Priority Claims and Preferential Liabilities

Class 141L – Affiliate Claims

Class 141P – Equity Interests

142. Newalls Insulation Company Limited

Class 142A – Priority Claims and Preferential Liabilities

Class 142L – Affiliate Claims

Class 142P – Equity Interests

143. T&N Holdings Limited

Class 143A – Priority Claims and Preferential Liabilities

Class 143L – Affiliate Claims

Class 143P – Equity Interests

144. T&N International Limited

Class 144A – Priority Claims and Preferential Liabilities

Class 144L – Affiliate Claims

Class 144P – Equity Interests

145. T&N Materials Research Limited

Class 145A – Priority Claims and Preferential Liabilities

Class 145L – Affiliate Claims

Class 145P – Equity Interests

146. T&N Shelf One Limited

Class 146A – Priority Claims and Preferential Liabilities

Class 146L – Affiliate Claims

Class 146P – Equity Interests

147. T&N Shelf Seven Limited

Class 147A – Priority Claims and Preferential Liabilities

Class 147L – Affiliate Claims

Class 147P – Equity Interests

148. T&N Shelf Twenty Limited

Class 148A – Priority Claims and Preferential Liabilities

Class 148L – Affiliate Claims

Class 148P – Equity Interests

149. T&N Shelf Twenty-One Limited

Class 149A – Priority Claims and Preferential Liabilities

Class 149L – Affiliate Claims

Class 149P – Equity Interests

150. T&N Shelf Twenty-Six Limited

Class 150A – Priority Claims and Preferential Liabilities

Class 150L – Affiliate Claims

Class 150P – Equity Interests

151. TAF International Limited

Class 151A – Priority Claims and Preferential Liabilities

Class 151L – Affiliate Claims

Class 151P – Equity Interests

152. TBA Belting Limited

Class 152A – Priority Claims and Preferential Liabilities

Class 152L – Affiliate Claims

Class 152P – Equity Interests

153. Telford Technology Supplies Limited

Class 153A – Priority Claims and Preferential Liabilities

Class 153L – Affiliate Claims

Class 153P – Equity Interests

154. The Washington Chemical Company Limited

Class 154A – Priority Claims and Preferential Liabilities

Class 154L – Affiliate Claims

Class 154P – Equity Interests

155. Turner & Newall Limited

Class 155A – Priority Claims and
Preferential Liabilities

Class 155L – Affiliate Claims

Class 155P – Equity Interests

**156. Turner Brothers Asbestos Company
Limited**

Class 156A – Priority Claims and
Preferential Liabilities

Class 156L – Affiliate Claims

Class 156P – Equity Interests

157. Wellworthy Limited

Class 157A – Priority Claims and
Preferential Liabilities

Class 157L – Affiliate Claims

Class 157P – Equity Interests

EXHIBIT C

EXHIBIT C TO DISCLOSURE STATEMENT

CLAIMS & EQUITY INTERESTS IMPAIRED BY THE PLAN

1. Federal-Mogul Corporation

Class 1A – Priority Claims
Class 1B – Secured Bank Claims
Class 1C – Secured Surety Claims
Class 1D – Noteholder Claims
Class 1F – Convertible Subordinated
Debenture Claims
Class 1H – Unsecured Claims
Class 1J – Asbestos Personal Injury Claims
Class 1L – Affiliate Claims

Class 1M – Federal-Mogul Preferred Stock
Interests
Class 1N – Subordinated Securities Claims
Class 1O – Federal-Mogul Common Stock
Interests

2. Federal-Mogul Piston Rings, Inc.

Class 2A – Priority Claims
Class 2B – Secured Bank Claims
Class 2C – Secured Surety Claims
Class 2D – Noteholder Claims
Class 2H – Unsecured Claims
Class 2L – Affiliate Claims
Class 2N – Subordinated Securities Claims

Class 2P – Equity Interests

3. Federal-Mogul Powertrain, Inc.

Class 3A – Priority Claims
Class 3B – Secured Bank Claims
Class 3C – Secured Surety Claims
Class 3D – Noteholder Claims
Class 3H – Unsecured Claims
Class 3L – Affiliate Claims

4. Federal-Mogul Ignition Company

Class 4A – Priority Claims
Class 4B – Secured Bank Claims
Class 4C – Secured Surety Claims
Class 4D – Noteholder Claims
Class 4H – Unsecured Claims
Class 4L – Affiliate Claims

5. Federal-Mogul Products, Inc.

Class 5A – Priority Claims
Class 5B – Secured Bank Claims
Class 5C – Secured Surety Claims
Class 5D – Noteholder Claims
Class 5H – Unsecured Claims
Class 5J – Asbestos Personal Injury Claims
Class 5L – Affiliate Claims

6. T&N Limited

Class 6H – Unsecured Claims
Class 6I – Non-Priority Employee Benefit
Claims
Class 6J – Asbestos Personal Injury Claims

7. Federal Mogul Ignition (U.K.) Limited

Class 7H – Unsecured Claims
Class 7I – Non Priority Employee Benefit
Claims
Class 7J – Asbestos Personal Injury Claims

8. Federal-Mogul Systems Protection Group Limited

Class 8H – Unsecured Claims
Class 8I – Non Priority Employee Benefit
Claims

9. Federal-Mogul Aftermarket UK Limited

Class 9H – Unsecured Claims
Class 9I – Non Priority Employee Benefit
Claims

10. Federal-Mogul Sintered Products Limited

Class 10H – Unsecured Claims
Class 10I – Non Priority Employee Benefit
Claims

**11. Federal-Mogul Sealing Systems
(Slough) Limited**

Class 11H – Unsecured Claims
Class 11I – Non Priority Employee Benefit
Claims
Class 11J – Asbestos Personal Injury Claims

**12. Federal-Mogul Friction Products
Limited**

Class 12H – Unsecured Claims
Class 12I – Non Priority Employee Benefit
Claims
Class 12J – Asbestos Personal Injury Claims

**13. Federal-Mogul Sealing Systems
(Rochdale) Limited**

Class 13H – Unsecured Claims
Class 13I – Non Priority Employee Benefit
Claims
Class 13J – Asbestos Personal Injury Claims

**14. Federal-Mogul Camshaft Castings
Limited**

Class 14H – Unsecured Claims
Class 14I – Non Priority Employee Benefit
Claims
Class 14J – Asbestos Personal Injury Claims

15. Federal-Mogul Bradford Limited

Class 15H – Unsecured Claims
Class 15I – Non Priority Employee Benefit
Claims
Class 15J – Asbestos Personal Injury Claims

16. Federal-Mogul Camshafts Limited

Class 16H – Unsecured Claims
Class 16I – Non Priority Employee Benefit
Claims

17. Federal-Mogul Eurofriction Limited

Class 17H – Unsecured Claims
Class 17I – Non Priority Employee Benefit
Claims
Class 17J – Asbestos Personal Injury Claims

**18. Federal-Mogul Powertrain Systems
International Limited**

Class 18H – Unsecured Claims
Class 18I – Non Priority Employee Benefit
Claims

19. TBA Industrial Products Limited

Class 19H – Unsecured Claims
Class 19I – Non Priority Employee Benefit
Claims
Class 19J – Asbestos Personal Injury Claims

**20. Federal-Mogul Export Services
Limited**

Class 20H – Unsecured Claims

21. Ferodo America, Inc.

Class 21A – Priority Claims
Class 21B – Secured Bank Claims
Class 21C – Secured Surety Claims
Class 21D – Noteholder Claims
Class 21H – Unsecured Claims
Class 21J – Asbestos Personal Injury Claims
Class 21L – Affiliate Claims

22. Felt Products Manufacturing Co.

Class 22A – Priority Claims
Class 22B – Secured Bank Claims
Class 22C – Secured Surety Claims
Class 22D – Noteholder Claims
Class 22H – Unsecured Claims
Class 22J – Asbestos Personal Injury Claims
Class 22L – Affiliate Claims

23. Gasket Holdings Inc.

Class 23A – Priority Claims
Class 23H – Unsecured Claims
Class 23J – Asbestos Personal Injury Claims
Class 23L – Affiliate Claims

24. Carter Automotive Company, Inc.

Class 24A – Priority Claims
Class 24B – Secured Bank Claims
Class 24C – Secured Surety Claims
Class 24D – Noteholder Claims
Class 24H – Unsecured Claims

25. Federal-Mogul Dutch Holdings Inc.

Class 25A – Priority Claims
Class 25B – Secured Bank Claims
Class 25C – Secured Surety Claims
Class 25D – Noteholder Claims
Class 25H – Unsecured Claims

26. Federal-Mogul Global Inc.

Class 26A – Priority Claims
Class 26B – Secured Bank Claims
Class 26C – Secured Surety Claims
Class 26D – Noteholder Claims
Class 26H – Unsecured Claims

27. Federal-Mogul Global Properties, Inc.

Class 27A – Priority Claims
Class 27B – Secured Bank Claims
Class 27C – Secured Surety Claims
Class 27D – Noteholder Claims
Class 27H – Unsecured Claims

28. Federal-Mogul Mystic, Inc.

Class 28A – Priority Claims
Class 28B – Secured Bank Claims
Class 28C – Secured Surety Claims
Class 28D – Noteholder Claims
Class 28H – Unsecured Claims

29. Federal-Mogul U.K. Holdings, Inc.

Class 29A – Priority Claims
Class 29B – Secured Bank Claims
Class 29C – Secured Surety Claims
Class 29D – Noteholder Claims
Class 29H – Unsecured Claims

30. Federal-Mogul Venture Corporation

Class 30A – Priority Claims
Class 30B – Secured Bank Claims
Class 30C – Secured Surety Claims
Class 30D – Noteholder Claims
Class 30H – Unsecured Claims

31. Federal-Mogul World Wide, Inc.

Class 31A – Priority Claims
Class 31B – Secured Bank Claims
Class 31C – Secured Surety Claims
Class 31D – Noteholder Claims
Class 31H – Unsecured Claims

32. McCord Sealing, Inc.

Class 32A – Priority Claims
Class 32B – Secured Bank Claims
Class 32C – Secured Surety Claims
Class 32D – Noteholder Claims
Class 32H – Unsecured Claims

33. T&N Industries Inc.

Class 33A – Priority Claims
Class 33B – Secured Bank Claims
Class 33C – Secured Surety Claims
Class 33D – Noteholder Claims
Class 33H – Unsecured Claims

34. F-M U.K. Holding Limited

Class 34B – Secured Bank Claims
Class 34C – Secured Surety Claims
Class 34D – Noteholder Claims
Class 34H – Unsecured Claims

35. Federal-Mogul FX, Inc.

Class 35A – Priority Claims
Class 35H – Unsecured Claims

36. Federal-Mogul Puerto Rico, Inc.

Class 36A – Priority Claims
Class 36H – Unsecured Claims

37. Federal-Mogul Machine Tool, Inc.

Class 37A – Priority Claims
Class 37H – Unsecured Claims

38. FM International LLC

Class 38A – Priority Claims
Class 38H – Unsecured Claims

39. J.W.J. Holdings, Inc.

Class 39A – Priority Claims
Class 39H – Unsecured Claims

40. Federal-Mogul Sealing System (Cardiff) Limited

Class 40H – Unsecured Claims

41. Federal-Mogul Bridgwater Limited

Class 41H – Unsecured Claims

Class 41I – Non Priority Employee Benefit Claims

42. Federal-Mogul Engineering Limited

Class 42H – Unsecured Claims

Class 42I – Non Priority Employee Benefit Claims

Class 42J – Asbestos Personal Injury Claims

43. Federal-Mogul Technology Limited

Class 43H – Unsecured Claims

Class 43I – Non Priority Employee Benefit Claims

44. AE Dayton Services Limited

Class 44H – Unsecured Claims

45. AE Group Machines Limited

Class 45H – Unsecured Claims

46. AE Holdings Limited

Class 46H – Unsecured Claims

47. AE International Limited

Class 47H – Unsecured Claims

48. AE Limited

Class 48H – Unsecured Claims

49. AE Piston Products Limited

Class 49H – Unsecured Claims

50. AE Sales (Africa) Limited

Class 50H – Unsecured Claims

51. Amber Supervision Limited

Class 51H – Unsecured Claims

52. Associated Engineering Group Limited

Class 52H – Unsecured Claims

53. Awncast Limited

Class 53H – Unsecured Claims

54. Bearings (North-Western) Limited

Class 54H – Unsecured Claims

55. Colvan Rubber Co. Limited

Class 55H – Unsecured Claims

Class 55I – Non Priority Employee Benefit Claims

56. Contact 100 Limited

Class 56H – Unsecured Claims

57. Cosmid Limited

Class 57H – Unsecured Claims

58. Cranhold Limited

Class 58H – Unsecured Claims

59. Dealings Limited

Class 59H – Unsecured Claims

Class 59I – Non Priority Employee Benefit Claims

60. Dumplington Services Limited

Class 60H – Unsecured Claims

Class 60I – Non Priority Employee Benefit Claims

61. E W Engineering Limited

Class 61H – Unsecured Claims

62. Edmunds, Walker & Co. Limited

Class 62H – Unsecured Claims

63. Engineering Components Limited

Class 63H – Unsecured Claims

64. Federal-Mogul Acquisition Company Limited

Class 64H – Unsecured Claims

65. Federal-Mogul Brake Systems Limited [Agency]

Class 65H – Unsecured Claims

66. Federal Mogul Shoreham Limited

Class 66H – Unsecured Claims

67. Federal-Mogul U.K. Limited

Class 67H – Unsecured Claims

68. FHE Technology Limited

Class 68H – Unsecured Claims

69. FP Diesel Limited

Class 69H – Unsecured Claims

70. G.B. Tools & Components Exports Limited

Class 70H – Unsecured Claims

71. Genthope Limited

Class 71H – Unsecured Claims

72. Greet Limited

Class 72H – Unsecured Claims

73. Hepworth & Grandage Limited

Class 73H – Unsecured Claims

74. High Precision Equipment Limited

Class 74H – Unsecured Claims

75. Inblot Limited

Class 75H – Unsecured Claims

76. Instantwonder Limited

Class 76H – Unsecured Claims

77. Kings Park Housing Limited

Class 77H – Unsecured Claims

78. Lalton Limited

Class 78H – Unsecured Claims

79. Lanoth Precision Equipment Limited

Class 79H – Unsecured Claims

80. Leeds Piston Ring & Engineering Co. Limited

Class 80H – Unsecured Claims

81. M.T.A. (Kettering) Limited

Class 81H – Unsecured Claims

82. Mantro Engineering Co. Limited

Class 82H – Unsecured Claims

83. Mobile Distributing (Spares) Limited

Class 83H – Unsecured Claims

84. Moores Plastic Units Limited

Class 84H – Unsecured Claims

85. Ontall Limited

Class 85H – Unsecured Claims

86. Payen (Europe) Limited

Class 86H – Unsecured Claims

87. Pecal Limited

Class 87H – Unsecured Claims

88. Presswork-Components Limited

Class 88H – Unsecured Claims

89. Sintration Limited

Class 89H – Unsecured Claims

90. Sourcelook Limited

Class 90H – Unsecured Claims

91. Specialloid, Limited

Class 91H – Unsecured Claims

92. STS (1996) Limited

Class 92H – Unsecured Claims

93. T&N Investments Limited

Class 93H – Unsecured Claims

94. T&N Piston Products Group Limited

Class 94H – Unsecured Claims

95. T&N Properties Limited

Class 95H – Unsecured Claims

96. T&N Shelf Eight Limited

Class 96H – Unsecured Claims

97. T&N Shelf Eighteen Limited

Class 97H – Unsecured Claims

98. T&N Shelf Fifteen Limited

Class 98H – Unsecured Claims

99. T&N Shelf Five Limited

Class 99H – Unsecured Claims

100. T&N Shelf Four Limited

Class 100H – Unsecured Claims

101. T&N Shelf Fourteen Limited

Class 101H – Unsecured Claims

102. T&N Shelf Nine Limited

Class 102H – Unsecured Claims

103. T&N Shelf Nineteen Limited

Class 103H – Unsecured Claims

104. T&N Shelf Six Limited

Class 104H – Unsecured Claims

105. T&N Shelf Sixteen Limited

Class 105H – Unsecured Claims

106. T&N Shelf Ten Limited

Class 106H – Unsecured Claims

107. T&N Shelf Thirteen Limited

Class 107H – Unsecured Claims

108. T&N Shelf Thirty Limited

Class 108H – Unsecured Claims

109. T&N Shelf Thirty-One Limited

Class 109H – Unsecured Claims

Class 109I – Non Priority Employee Benefit Claims

110. T&N Shelf Thirty-Three Limited

Class 110H – Unsecured Claims

111. T&N Shelf Three Limited

Class 111H – Unsecured Claims

112. T&N Shelf Twenty-Eight Limited

Class 112H – Unsecured Claims

113. T&N Shelf Twenty-Five Limited

Class 113H – Unsecured Claims

114. T&N Shelf Twenty-Four Limited

Class 114H – Unsecured Claims

115. T&N Shelf Twenty-Nine Limited

Class 115H – Unsecured Claims

116. T&N Shelf Twenty-Two Limited

Class 116H – Unsecured Claims

117. T&N Shelf Two Limited

Class 117H – Unsecured Claims

118. T&N Trade Marks Limited

Class 118H – Unsecured Claims

119. T&N Welfare Trust Limited

Class 119H – Unsecured Claims

120. TBA Belting (Residual) Limited

Class 120H – Unsecured Claims

121. Telford Rubber Processors Limited

Class 121H – Unsecured Claims

122. The British Piston Ring Company Limited

Class 122H – Unsecured Claims

123. Tinblo Limited

Class 123H – Unsecured Claims

124. Touchdown Adhesive Products Limited

Class 124H – Unsecured Claims

125. Tynoda Limited

Class 125H – Unsecured Claims

126. Vanwall Cars Limited

Class 126H – Unsecured Claims

127. Wellworthy Property Developments Limited

Class 127H – Unsecured Claims

128. William C. Jones (Polymers) Limited

Class 128H – Unsecured Claims

129. Aeroplane & Motor Aluminium Castings Limited

Class 129H – Unsecured Claims

Class 129J – Asbestos Personal Injury Claims

130. Ashburton Road Services Limited

Class 130H – Unsecured Claims
Class 130J – Asbestos Personal Injury Claims

131. Brake Linings Limited

Class 131H – Unsecured Claims
Class 131I – Non Priority Employee Benefit Claims
Class 131J – Asbestos Personal Injury Claims

132. Duron Limited

Class 132H – Unsecured Claims
Class 132J – Asbestos Personal Injury Claims

133. Federal Mogul Global Growth Limited

Class 133H – Unsecured Claims
Class 133J – Asbestos Personal Injury Claims

134. Federal Mogul Sealing Systems Limited

Class 134H – Unsecured Claims
Class 134J – Asbestos Personal Injury Claims

135. Ferodo Caernarfon

Class 135H – Unsecured Claims
Class 135I – Non Priority Employee Benefit Claims
Class 135J – Asbestos Personal Injury Claims

136. Ferodo Limited

Class 136H – Unsecured Claims
Class 136J – Asbestos Personal Injury Claims

137. Fleetside Investments Limited

Class 137H – Unsecured Claims
Class 137J – Asbestos Personal Injury Claims

138. Friction Materials Limited

Class 138H – Unsecured Claims
Class 138J – Asbestos Personal Injury Claims

139. Halls Gaskets Limited

Class 139H – Unsecured Claims
Class 139J – Asbestos Personal Injury Claims

140. J.W. Roberts Limited

Class 140H – Unsecured Claims
Class 140J – Asbestos Personal Injury Claims

141. Lanoth Limited

Class 141H – Unsecured Claims
Class 141J – Asbestos Personal Injury Claims

142. Newalls Insulation Company Limited

Class 142H – Unsecured Claims
Class 142J – Asbestos Personal Injury Claims

143. T&N Holdings Limited

Class 143H – Unsecured Claims
Class 143J – Asbestos Personal Injury Claims

144. T&N International Limited

Class 144H – Unsecured Claims
Class 144J – Asbestos Personal Injury Claims

145. T&N Materials Research Limited

Class 145H – Unsecured Claims
Class 145J – Asbestos Personal Injury Claims

146. T&N Shelf One Limited

Class 146H – Unsecured Claims
Class 146J – Asbestos Personal Injury Claims

147. T&N Shelf Seven Limited

Class 147H – Unsecured Claims
Class 147J – Asbestos Personal Injury
Claims

148. T&N Shelf Twenty Limited

Class 148H – Unsecured Claims
Class 148J – Asbestos Personal Injury
Claims

149. T&N Shelf Twenty-One Limited

Class 149H – Unsecured Claims
Class 149I – Non Priority Employee Benefit
Claims
Class 149J – Asbestos Personal Injury
Claims

150. T&N Shelf Twenty-Six Limited

Class 150H – Unsecured Claims
Class 150J – Asbestos Personal Injury
Claims

151. TAF International Limited

Class 151H – Unsecured Claims
Class 151J – Asbestos Personal Injury
Claims

152. TBA Belting Limited

Class 152H – Unsecured Claims
Class 152I – Non Priority Employee Benefit
Claims
Class 152J – Asbestos Personal Injury
Claims

**153. Telford Technology Supplies
Limited**

Class 153H – Unsecured Claims
Class 153J – Asbestos Personal Injury
Claims

**154. The Washington Chemical
Company Limited**

Class 154H – Unsecured Claims
Class 154J – Asbestos Personal Injury
Claims

155. Turner & Newall Limited

Class 155H – Unsecured Claims
Class 155J – Asbestos Personal Injury
Claims

**156. Turner Brothers Asbestos Company
Limited**

Class 156H – Unsecured Claims
Class 156J – Asbestos Personal Injury
Claims

157. Wellworthy Limited

Class 157H – Unsecured Claims
Class 157J – Asbestos Personal Injury
Claims

EXHIBIT D

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T&N Limited and associated companies

**AO Nos. [] to [] of 2001
CVA Nos. [] to [] of 2004**

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION**

**IN THE MATTER OF T&N LIMITED
AND ASSOCIATED COMPANIES**

**AO No. [] to [] of 2001
CVA No. [] to [] of 2004**

**IN THE COURT OF SESSION
IN THE MATTER OF T&N INVESTMENTS LIMITED**

**ADMINISTRATORS' PROPOSALS FOR COMPANY
VOLUNTARY ARRANGEMENTS**

between

T&N LIMITED

and

**THE OTHER VA COMPANIES
(as defined in the Voluntary Arrangements)**

and their respective

**VA CREDITORS
(as defined in the Voluntary Arrangements)**

1. DEFINITIONS AND INTERPRETATION

- 1.1 In these Voluntary Arrangements relating to T&N Limited and the other VA Companies as set out in Appendix I, all capitalised terms shall have the meanings set out in Appendix VII, unless inconsistent with the subject or context.
- 1.2 In these Voluntary Arrangements,
- 1.2.1 unless otherwise defined herein or inconsistent with the subject or context, capitalised terms shall have the meanings ascribed to them in the Plan;
 - 1.2.2 references to Clauses are references to clauses of the VA Document including the Proposals and references to Appendices are references to Appendices of the VA Document;
 - 1.2.3 references to the date of a document, form, notice or report mean the date shown on such document, form, notice or report as the date thereof;
 - 1.2.4 the singular includes the plural and vice versa, and masculine includes feminine and neuter;
 - 1.2.5 headings are for ease of reference only and shall not affect the interpretation of the Voluntary Arrangements;
 - 1.2.6 where any provision of the Plan is incorporated into the Voluntary Arrangements, references in the Plan to "herein", "hereof", "hereto", "hereunder", and of other words of similar import, shall be construed as referring to the VA Document as a whole and shall not be limited to any particular article, section, subsection, proposal or clause contained in the Plan or the VA Document;
 - 1.2.7 in the case of any inconsistency between any provision of the Voluntary Arrangements and any provision of the Voluntary Arrangement Explanatory Statement, the provision of the Voluntary Arrangements shall prevail;
 - 1.2.8 in the case of any inconsistency between any provision of the Voluntary Arrangements and any provision of the Plan:
 - (a) if such provision shall relate to a VA Company, the provision of the Voluntary Arrangements shall prevail; and
 - (b) in any other case, the provision of the Plan shall prevail;
 - 1.2.9 in the case of a conflict between any provision of the Trust Documents and any provision in any other VA Document, the latter shall prevail;
 - 1.2.10 the Plan and the FM Group Schemes and the Voluntary Arrangements are intended to take effect simultaneously and to operate in parallel; accordingly, subject to Clause 1.2.8, the Plan may be taken into account in construing the Voluntary Arrangements;
 - 1.2.11 wherever an act or event is expressed under the Voluntary Arrangements to

have been deemed to have been done or to have occurred, it shall be deemed to have been done or to have occurred without any further act by any party, by virtue of the Plan, the FM Group Schemes and/or the Voluntary Arrangements and the Confirmation Order; and

1.2.12 any reference to the "holder" of a Claim shall be deemed to include any person entitled to assert such Claim.

THE VOLUNTARY ARRANGEMENTS

2. PRELIMINARY

- 2.1 These Proposals contain the Administrators' Proposals under Part I of the IA 1986 and Part I of the IR 1986 for a composition in full and final settlement and satisfaction of all Relevant VA Claims (if any) against each VA Company. In relation to each VA Company the compromise or arrangement in relation to Relevant VA Claims to be entered into by such VA Company pursuant to the Voluntary Arrangements shall be entered into only with its VA Creditors holding such Claims. These Proposals also contain the Administrator's Proposals for the Asbestos Personal Injury Claims. The Proposals do not affect Secured Claims.
- 2.2 Whilst the VA Document relates to all the VA Companies, the Voluntary Arrangements shall take effect as a separate compromise or arrangement under section 4 of the IA 1986 and the IR 1986 between each VA Company and its VA Creditors.
- 2.3 Each of the VA Companies shall continue to exist after the VA Effective Date as a separate corporate entity in accordance with the laws of England and Wales under its memorandum and articles of association in effect immediately before the VA Effective Date, except to the extent that the same may be inconsistent with any provision of the Voluntary Arrangements.
- 2.4 All matters provided for under the Voluntary Arrangements involving the corporate structure of the VA Companies, or any corporate action to be taken by, or required of, the VA Companies, shall be deemed to have occurred and be effective as provided herein, and shall be authorised and approved in all respects without any requirement for further action or vote by the shareholders or directors of any such VA Companies.
- 2.5 After the VA Effective Date, the assets and liabilities of each VA Company will remain separate under the Voluntary Arrangements and will not be consolidated with the assets and liabilities of any other party, including, without limitation, any other VA Company.
- 2.6 Except as specifically set forth herein, nothing in the Voluntary Arrangements shall constitute or be deemed to constitute an admission that any of the VA Companies are subject to, or liable for, any Claim against any other member of the FM Group.
- 2.7 Subject to Clause 2.8 below, the VA Claims of VA Creditors that hold VA Claims against more than one VA Company will be treated as separate VA Claims against each VA Company for all purposes (including, but not limited to, voting and distribution, provided, however, that a VA Creditor shall not be entitled to recover

more than the amount of his VA Claim) and such VA Claims will be administered and treated in the manner provided for in these Proposals.

- 2.8 Before the making of the administration orders, the Agency Companies carried on business as undisclosed agents of T&N. VA Claims against T&N shall include (without limitation), VA Claims against any other VA Company or non-Debtor Affiliate of T&N for which T&N is liable under applicable law as a result of any agency agreement entered into with such Affiliate prior to the Petition Date, to the extent that the holders of such VA Claims against such VA Company or Affiliate so elect. To ensure that there shall be no double recovery to any holder on account of the inclusion of any VA Claim as a VA Claim against T&N as a result of such agency agreements, each holder of a VA Claim shall be required to make an election pursuant to the Voluntary Arrangements as to whether such VA Claim shall be asserted against T&N as principal, or against the relevant VA Company or Affiliate of T&N which was acting as the agent of T&N.
- 2.9 All Allowed Priority Claims, all Allowed Administrative Claims and all Allowed Administration Claims in relation to each VA Company will be satisfied by the Administrators on or before the discharge of the Administration Order made in relation to each VA Company.
- 2.10 [On the Plan Effective Date, each of the Dan=Loc Deed of Special Indemnity and the Dan=Loc Deed of Guarantee was deemed terminated by agreement and the Dan=Loc Group released any and all Claims, obligations and liabilities (including, but not limited to, Environmental Claims) whatsoever against any and all of the VA Companies, their non-Debtor Affiliates and the Released Parties (i) under the Dan=Loc Deed of Special Indemnity, (ii) under the Dan=Loc Deed of Guarantee (iii) or otherwise, except that Asbestos Property Damage Claims against the VA Companies, including T&N, T&N Shelf Twenty Limited and T&N Shelf Twenty-One Limited that the Dan=Loc Group had under the Dan=Loc Deed of Special Indemnity and Dan=Loc Deed of Guarantee as of the Petition Date shall, to the extent that any such Claims are Allowed, be treated as Unsecured Claims under the Plan and the Voluntary Arrangements. In addition to releasing any Environmental Claims against the VA Companies, Dan=Loc is also waiving and releasing any and all claims against four non-Debtor Affiliates that are parties to the 1997 Dan=Loc Asset Purchase Agreement.]¹

3. ESTABLISHMENT OF THE TRUST

- 3.1 On the Plan Effective Date, the Trust shall be established. The provisions of Clauses 3.2 and 3.3 below shall take effect in relation to the Hercules Protected Entities subject to, and only to the extent not inconsistent with, the provisions of Clause 4 below.
- 3.2 Effect shall be given to the Trust established pursuant to the Trust Agreement and to the terms of the Trust Agreement (including the Asbestos Personal Injury Trust

¹ If the Plan Effective Date has already occurred at the VA Effective Date, then this Clause should be preferred and Clause 17 deleted. If Clause 17 is deleted, corresponding renumbering will be required.

Distribution Procedures) and the provisions of the Plan and the Asbestos Creditors' Scheme and/or the Voluntary Arrangements relating thereto. The Trust shall with effect from the VA Effective Date, in accordance with the Trust Documents, hold and administer the Trust Assets, liquidate Asbestos Personal Injury Claims and make distributions to holders of Allowed Asbestos Personal Injury Claims from the Trust Assets.

- 3.3 On the VA Effective Date, all Trust Assets shall be, automatically and without any further act or deed, transferred to, vested in and assumed by, the Trust, subject to the notification requirements contained in Clauses 7.2 and 7.7; provided, however, that to the extent that certain Trust Assets, because of their nature or because such assets will accrue or become transferable subsequent to the VA Effective Date, cannot be transferred to, vested in and assumed by the Trust on the VA Effective Date, such Trust Assets shall, automatically and without any further act or deed, be transferred to, vested in and assumed by, the Trust as soon as practicable after the VA Effective Date. To the extent that any act or deed is required to be taken after the VA Effective Date by any of the VA Companies to ensure that any of the Trust Assets are effectively so transferred to, vested in or assumed by, the Trust, those VA Companies shall at their own expense and at the request in writing of the Trustees or their agents use all reasonable endeavours to do or perform that act or deed.

4. **DISCHARGE AND RELEASE OF VA COMPANIES AND ASSUMPTION OF LIABILITIES BY THE TRUST – SPECIAL PROVISIONS APPLICABLE ONLY TO HERCULES PROTECTED ENTITIES**

Application of Clauses 4.2 to 4.24 (inclusive) to Hercules-Protected Entities

- 4.1 Notwithstanding any other provisions of the Plan or the Asbestos Creditors' Scheme and/or the Voluntary Arrangements to the contrary, the following provisions of this Clause 4 regarding the Trust and certain Asbestos Personal Injury Claims shall apply to those of the VA Companies that are Hercules-Protected Entities. **Each and every one of the VA Companies is a Hercules-Protected Entity *except* for the VA Companies marked with an asterisk in Appendix I.**

Assumption of liabilities by the Trust

- 4.2 On the VA Effective Date, the Trust will assume all liability for Asbestos Personal Injury Claims against Reorganized Hercules-Protected Entities in excess of both (i) the £690 million retention and the £500 million layer of coverage under the Hercules Policy and (ii) all other sums as are attributable to or otherwise represent the Hercules Insurance Recoveries to the extent such amounts exceed the £500 million layer of coverage provided, however, that the Trust will not assume liability for Asbestos Personal Injury Claims to the extent such Claims are covered by the indemnity provisions of the EL Coverage.
- 4.3 From and after the Hercules Policy Expiry Date:
- 4.3.1 the Trust will assume sole and exclusive liability for all remaining Asbestos Personal Injury Claims against the Reorganized Hercules-Protected Entities (other than Asbestos Personal Injury Claims covered by the indemnity provisions of the EL Coverage to the extent so covered), and the Reorganized

Hercules-Protected Entities shall be discharged and released from any and all liability with respect to Asbestos Personal Injury Claims other than Claims covered by the indemnity provisions of the EL Coverage to the extent so covered; and

- 4.3.2 all rights of the Reorganized Hercules-Protected Entities to assert any defences, counterclaims, off-sets, rights of contribution or similar rights and remedies for the purpose of reducing or defeating any Asbestos Personal Injury Claim (other than Claims covered by the indemnity provisions of the EL Coverage to the extent so covered) shall be transferred from the Reorganized Hercules-Protected Entities to the Trust. From and after the date on which all of the obligations of the EL Insurers with respect to all Asbestos Personal Injury Claims cease to have effect, whether by commutation or otherwise, (the "**EL Coverage Expiry Date**"), the Trust will assume sole and exclusive liability for all remaining Asbestos Personal Injury Claims against the Reorganized Hercules-Protected Entities in excess of both (i) the £690 million retention and the £500 million layer of coverage under the Hercules Policy and (ii) all other sums as are attributable to or otherwise represent the Hercules Insurance Recoveries to the extent such amounts exceed the £500 million layer of coverage, and the Reorganized Hercules-Protected Entities shall be discharged and released from any and all liability with respect to Asbestos Personal Injury Claims in excess of both (i) the £690 million retention and the £500 million layer of coverage under the Hercules Policy and (ii) all other sums as are attributable to or otherwise represent the Hercules Insurance Recoveries to the extent such amounts exceed the £500 million layer of coverage. Upon the occurrence of the later of (i) the EL Coverage Expiry Date and (ii) the Hercules Policy Expiry Date, all rights of the Reorganized Hercules-Protected Entities to assert any defences, counterclaims, offsets, rights of contribution, or similar rights and remedies for the purpose of reducing or defeating any Asbestos Personal Injury Claim shall be transferred from the Reorganized Hercules-Protected Entities to the Trust.

The Stock Repayment Obligation

- 4.4 On the VA Effective Date, the Trust will subscribe for 72% of the Reorganized Federal-Mogul Class B Common Stock for the subscription price of £361,802,160, such sum being left outstanding as a debt owing by the Trust to Reorganized Federal-Mogul. Immediately following such subscription and the issue to the Trust (specifically, the T&N Worldwide Fund within the Trust), Reorganized Federal-Mogul shall be deemed to have assigned and transferred to Reorganized T&N by way of capital contribution all of its right, title and interest in and to such debt (the "Stock Repayment Obligation"). The Stock Repayment Obligation shall be payable by off-set, in whole or in part, as provided in Clause 4.18 hereof, upon notice by Reorganized T&N to the Trust, or otherwise payable 20 years after the VA Effective Date.

Retention of rights under the Hercules Policy

- 4.5 Subject to Clauses 4.21 to 4.23 (inclusive) below the Hercules Policy and the EL Coverage shall remain in full force and effect following the VA Effective Date.

Limited recourse liability of the Hercules Protected Entities

- 4.6 On and from the VA Effective Date, the liability of the Reorganized Hercules-Protected Entities for Asbestos Personal Injury Claims and for any costs and interest awarded in relation thereto shall continue in full but recourse to the assets of the respective Reorganized VA Company in respect of such liability shall, automatically and by operation of the Plan, the Asbestos Creditors' Scheme and/or Voluntary Arrangements and the Confirmation Order, be limited in and to:
- 4.6.1 all amounts actually recovered by Reorganized T&N under or with respect to the Hercules Policy (including all amounts actually recovered to the extent of the £500m layer of coverage under the Hercules Policy);
 - 4.6.2 the outstanding amount of the Stock Repayment Obligation; and
 - 4.6.3 such sums as may have been provided to the relevant Reorganized Hercules-Protected Entity by the Trust or any other person, whether by loan or otherwise, for the purpose of enabling Asbestos Personal Injury Claims to be paid,

and shall otherwise be without recourse to the applicable Reorganized Hercules-Protected Entities and all of their property and interests in property.

From and after the Hercules Policy Expiry Date, the discharge of T&N and the other VA Companies that are Hercules-Protected Entities under Article IX of the Plan and under the terms of the Voluntary Arrangements shall automatically and without further order of the English Court or the US Court become full and complete, (other than with respect to Claims covered by the indemnity provisions of the EL Coverage and for which indemnity is actually recoverable under the EL Coverage, to the extent so recoverable).

Assignment to Trust of proceeds of Asbestos Personal Injury Claims

- 4.7 On the VA Effective Date, and pursuant to the Plan, the Asbestos Creditors' Scheme and/or the Voluntary Arrangements, each holder of an Asbestos Personal Injury Claim will be deemed to have assigned to the Trust his/her rights to the proceeds of his/her Asbestos Personal Injury Claim.

Assignment of rights against insurers

- 4.8 Similarly, on the VA Effective Date, each holder of an Asbestos Personal Injury Claim will be deemed to have assigned to (i) Reorganized T&N any rights respecting the Hercules Policy, and (ii) the Trust any rights respecting the EL Coverage in each case being rights transferred to him/her by operation of law under the Third Parties (Rights Against Insurers) Act 1930. For the avoidance of doubt, no such holder will be entitled after the VA Effective Date to commence or continue any proceedings against Curzon or the EL Insurers in exercise or purported exercise of its rights under the Third Parties (Rights Against Insurers) Act 1930. Reorganized T&N shall hold the benefit of this undertaking on trust for itself and for Curzon and the Trust shall hold the benefit of this undertaking on trust for itself and the relevant EL Insurers such that Curzon or the relevant EL Insurers (as the case may be) shall be entitled to enforce

this undertaking directly against each of such holders.

Trust Claims

- 4.9 In consideration of the assignments deemed to have been made by the holder of each Asbestos Personal Injury Claim pursuant to Clauses 4.7 and 4.8 above and the appointment and undertaking contained in Clause 4.12 below, such holder shall be entitled to a claim against the Trust (a "**Trust Claim**") which shall be separate and distinct from the Asbestos Personal Injury Claim itself (which, subject to Clauses 4.2 to 4.3 above, is a claim against the relevant Reorganized Hercules-Protected Entity).
- 4.10 The Trust Claim shall confer on the holder thereof the right to elect either:
- 4.10.1 to receive any payment that is offered by the Trust in satisfaction of the Trust Claim; or
- 4.10.2 to pursue alternative remedies against the Trust in respect of the Trust Claim in either case in accordance with and subject to the terms of the Asbestos Personal Injury Trust Distribution Procedures and the other Trust Documents.
- 4.11 The Trust Claim shall be a sum payable by the Trust for the right to assert, as the agent of the relevant asbestos personal injury claimant, Asbestos Personal Injury Claims against the Reorganized Hercules-Protected Entities and for the right of the claimant to assert claims under the Third Parties (Rights Against Insurers) Act 1930 against the EL Insurers.

Appointment of Trust as agent

- 4.12 From and after the VA Effective Date, each holder of an Asbestos Personal Injury Claim irrevocably appoints the Trust as its agent, in the name of such holder or otherwise, to assert such Asbestos Personal Injury Claim against the Reorganized Hercules-Protected Entities in any appropriate forum, and such holder shall not be entitled to assert such Asbestos Personal Injury Claim except through the agency of the Trust (unless the Trust otherwise agrees). The Trust shall indemnify each holder of an Asbestos Personal Injury Claim against any costs that may be awarded against such holder in any legal proceedings brought by the Trust on behalf of such holder.

Distinction between Trust Claim and Asbestos Personal Injury Claim

- 4.13 The Trust Claim shall be separate and distinct from the Asbestos Personal Injury Claim. Accordingly, if the holder of an Asbestos Personal Injury Claim against the Reorganized Hercules-Protected Entity elects to receive any payment that is offered by the Trust in satisfaction of the Trust Claim, or elects to pursue alternative remedies against the Trust in respect of the Trust Claim in accordance with the terms of the Asbestos Personal Injury Trust Distribution Procedures and the other Trust Documents as mentioned in Clause 4.10 above, such process shall be separate and distinct from and without prejudice to the Trust's assertion on behalf of the claimant of his/her rights against the applicable Reorganized Hercules-Protected Entity in respect of that claimant's particular Asbestos Personal Injury Claim, and no sum received in respect of a Trust Claim shall reduce or extinguish the liability of the applicable Reorganized Hercules-Protected Entity in respect of the Asbestos Personal

Injury Claim.

Retention of defences

- 4.14 Subject to the claims handling rights of Curzon (whatever they may be), the Reorganized Hercules-Protected Entities shall retain the right to assert any defences, counterclaims, off-sets, rights of contribution or similar rights and remedies for the purpose of reducing or defeating their liability on any Asbestos Personal Injury Claim; provided, however, that none of the Reorganized Hercules-Protected Entities shall assert a defence to a claim based upon the Trust's prosecution of such claim as an agent of the holder of the Asbestos Personal Injury Claim or based upon the assignment of the rights to the proceeds of any such claim as provided in Clause 4.7 above.

Curzon's claims handling rights

- 4.15 In recognition of Curzon's asserted claim handling rights:
- 4.15.1 The Reorganized Hercules-Protected Entities will, to the extent required by the Hercules Policy, refer Asbestos Personal Injury Claims to Curzon or their appointed claims handling designee for their further administration, defence and disposition and Curzon will be entitled to exercise all claims handling rights under the Hercules Policy in relation to such proceedings, including defence or settlement of the Claim; and
- 4.15.2 the claimant's action against the Reorganized Hercules-Protected Entities shall be allowed to proceed to judgment or settlement, but the claimant will not be permitted to enforce any judgment or settlement except in accordance with the provisions of this Clause 4, including the claimant's assignment of his/her rights to proceeds from such claim to the Trust.
- 4.16 The rights of the holder of an Asbestos Personal Injury Claim to payment from the Trust in respect of a Trust Claim shall be determined solely under and in accordance with the Asbestos Personal Injury Trust Distribution Procedures and other Trust Documents.

Satisfaction of Asbestos Personal Injury Claims

- 4.17 An Asbestos Personal Injury Claim is "**Established**" for the purpose of this Clause 4 when it is established as owing by a Reorganized Hercules-Protected Entity by final judgment or award of a court or arbitrator of competent jurisdiction or when (to the extent required by the Hercules Policy, with the consent of Curzon) an agreement is entered into between the claimant and the applicable Reorganized Hercules-Protected Entity under which the Asbestos Personal Injury Claim is so established.
- 4.18 Once an Asbestos Personal Injury Claim has been Established, the liability of any Reorganized Hercules-Protected Entity concerned in respect of that Claim if and to the extent not recovered from an EL Insurer under an EL Policy, may be satisfied and discharged by payment or deemed payment to the Trust as agent of the holder of the Claim as follows:
- 4.18.1 (at the option of either the Trust or Reorganized T&N and notwithstanding

that the obligation to the Trust is in its capacity as agent of the holder of that Claim against the Hercules-Protected Entity) by setting off against that liability an equivalent amount of the Stock Repayment Obligation (and for this purpose Reorganized T&N shall be deemed, if necessary, to have assigned, for no consideration at the time the option is exercised, to the applicable Reorganized Hercules-Protected Entity an equivalent amount of the Stock Repayment Obligation);

4.18.2 by the Trust repaying part of the Stock Repayment Obligation to Reorganized T&N for the purpose of enabling Reorganized T&N to satisfy or arrange for the relevant Hercules-Protected Entity to satisfy the liability (any such sum to be received and held by Reorganized T&N in trust for that purpose);

4.18.3 by payment by Reorganized T&N out of funds received under the Hercules Policy; or

4.18.4 by payment by Reorganized T&N or the relevant Reorganized Hercules-Protected Entity out of funds made available, by loan or otherwise, for the specific purpose of satisfying Asbestos Personal Injury Claims by the Trust, Reorganized T&N or any third party.

4.19 Any loan made by the Trust to a Reorganized Hercules-Protected Entity shall be free of interest and recourse to that Reorganized Hercules-Protected Entity in respect of such loan shall be limited to 94.25% of the amount recovered in respect of the relevant Asbestos Personal Injury Claim under the Hercules Policy (disregarding for this purpose any reduction in that amount caused by Curzon setting off any sum to which it is entitled from Reorganized T&N under any other agreement).

Currency conversion

4.20 To the extent that any Asbestos Personal Injury Claim has been Established and is payable to the Trust in a currency other than British Pounds Sterling, and that liability is to be satisfied by setting off the sum due against the outstanding Stock Repayment Obligation, such Asbestos Personal Injury Claim shall be converted at the Exchange Rate prevailing on the date when the set-off is made or, if such date is not a Business Day, on the previous Business Day.

Receipts from Curzon

4.21 Reorganized T&N will hold any amount received from Curzon in respect of an Established Asbestos Personal Injury Claim (including any amount received by virtue of the reassignment to it of the holder's rights under the Third Parties (Rights Against Insurers) Act 1930 pursuant to Clause 4.8 above) in trust to meet any claims handling costs or expenses incurred by or on behalf of Reorganized T&N or any other Reorganized Hercules-Protected Entity. Subject to that, Reorganized T&N will hold all amounts received from Curzon in respect of an Asbestos Personal Injury Claim in trust to repay to the Trust the amount borrowed by Reorganized T&N or other Reorganized Hercules-Protected Entity to fund the payment of that Asbestos Personal Injury Claim pursuant to Clause 4.18 above. Reorganized T&N will hold any balance of the amounts received from Curzon in trust, at the direction of the Trust, to pay further Asbestos Personal Injury Claims Established by settlement or judgment.

- 4.22 Until the Hercules Policy Expiry Date, all such amounts received from Curzon under the Hercules Policy shall be kept in a separately designated bank account in the name of Reorganized T&N pending application in accordance with the trusts established under Clause 4.21. Upon (i) the occurrence of the Hercules Policy Expiry Date, and (ii) satisfaction of the payments to be made under the foregoing trusts established under Clause 4.21, Reorganized T&N shall be entitled to any outstanding balance received from Curzon absolutely; in the event that Reorganized T&N does pay to the Trust a sum equivalent to the amount of the outstanding balance retained by Reorganized T&N (but without creating any trust affecting such outstanding balance).
- 4.23 Any payment by Curzon under the Hercules Policy or by any EL Insurer under an EL Policy to the holder of an Asbestos Personal Injury Claim pursuant to judgment or settlement of a Claim shall be held by the holder of the relevant Claim in trust for the sole and exclusive benefit of (in the case of a payment by Curzon under the Hercules Policy) Reorganized T&N and (in the case of a payment by any EL Insurer under an EL Policy) the Trust (specifically, the T&N Worldwide Fund as defined within the Trust Documents), and paid to Reorganized T&N or, as the case may be, the Trust at its request, and the holder's recovery against the Trust shall be determined solely under and in accordance with the Asbestos Personal Injury Trust Distribution Procedures and other Trust Documents.

Rights to insurance receipts in respect of Non-Debtor Hercules Protected Entities

- 4.24 Notwithstanding anything to the contrary in the Plan, the Asbestos Creditors' Scheme and/or the Voluntary Arrangements or the Trust Documents, to the extent that any Non-Debtor Hercules-Protected Entity is sued or otherwise pursued on a liability or alleged liability for which coverage is provided under the Hercules Policy or any EL Policy, Reorganized T&N shall be entitled to seek and obtain coverage for such liability under or with respect to the Hercules Policy or any EL Policy and retain any and all proceeds, if any, paid on account of such liability by Curzon or any EL Policy.

5. DISCHARGE AND RELEASE OF VA COMPANIES AND ASSUMPTION OF CERTAIN LIABILITIES BY THE TRUST - GENERAL

Assumption of liabilities for Asbestos Personal Injury Claims by the Trust

- 5.1 Except as provided in Clause 4 above, the Trust shall as of the VA Effective Date assume sole and exclusive responsibility and liability for all Asbestos Personal Injury Claims (if any), including, but not limited to, Indirect Asbestos Personal Injury Claims, against the VA Companies, any other Debtor or Reorganized Debtor, and their respective estates, Affiliates and Subsidiary Undertakings, and such Claims, to the extent Allowed, shall be paid solely by the Trust from Trust Assets.

Discharge and release

- 5.2 As of the VA Effective Date, except as provided in the Plan, the Asbestos Creditors' Scheme, the Voluntary Arrangements, the Confirmation Order or the order sanctioning the FM Group Schemes (including without limitation, the exceptions provided in Clause 4 above), the rights afforded under the Plan and the FM Group Schemes and/or the Voluntary Arrangements (including without limitation the transfer to, vesting in and assumption by, the Trust of the Trust Assets) shall be in

exchange for and in complete satisfaction discharge and release of:

- 5.2.1 all VA Claims (except Secured Claims, if any and Affiliate Claims which are subject to the Subordination Deed), and in satisfaction and termination of all interests relating thereto, including any interest accrued on VA Claims from and after the Petition Date; and of
- 5.2.2 all obligations and liabilities of the Released Parties and their respective estates, Affiliates and Subsidiary Undertakings, for or in respect of all Asbestos Personal Injury Claims and Asbestos Personal Injury Demands, including, but not limited to, all Indirect Asbestos Personal Injury Claims and Indirect Asbestos Personal Injury Demands, against the VA Companies, any other Debtor or Reorganized Debtor, their respective estates, Affiliates and Subsidiary Undertakings.

The benefit of the discharge and release contained in Clause 5.2.2 is hereby settled by each of the VA Companies on Reorganized T&N to be held on trust for the benefit of each of the Released Parties with the intent that each of the Released Parties may have the benefit of, and rely upon, the covenant made in Clause 5.2.2.

Moratorium

- 5.3 As of the VA Effective Date, except as provided in the Plan, the FM Group Schemes and/or the Voluntary Arrangements, the Confirmation Order or the order sanctioning the Asbestos Creditors' Scheme (in particular except as provided in Clause 4 above):
 - 5.3.1 no VA Creditor (except a holder of (if any) a Secured Claim) shall be entitled to take or continue any step or proceeding against any VA Company or its assets (whether by way of demand, legal proceedings, execution of judgment, or otherwise howsoever) in any jurisdiction whatsoever for the purpose of obtaining payment of any VA Claim; and
 - 5.3.2 all persons shall be precluded from asserting against the VA Companies, or their respective successors or assets, any other or further Claims, Demands, debts, rights, causes of action, liabilities or equity interests based upon any act, omission, transaction or other activity of any kind or nature that occurred prior to the VA Effective Date and which formed the basis of any VA Claim (other than a Secured Claim).

Certain claims not released or discharged

- 5.4 Notwithstanding any other provision of the Plan or FM Group Schemes and/or the Voluntary Arrangements to the contrary, the satisfaction, release and discharge set forth in Clause 5.2 and the moratorium in Clause 5.3 above is not intended to, and shall not be deemed or construed so as to, satisfy, discharge or release claims by the Trust, any VA Company or (subject to Clause 4) any other person, as the case may be, against (a) the Trust for payment of Allowed Asbestos Personal Injury Claims in accordance with the Asbestos Personal Injury Trust Distribution Procedures, (b) the Trust for the payment of Trust Expenses, (c) any Asbestos Insurance Company that has not complied with its obligations under an Asbestos Insurance Policy or an Asbestos Insurance Settlement Agreement, (d) Curzon under the Hercules Policy or

any settlement agreement with Curzon relating to any Asbestos Personal Injury Claim; or (e) the EL Insurers under any EL Policy or any settlement agreement with the EL Insurers relating to any Asbestos Personal Injury Claim.

Retention of certain rights by VA Companies

- 5.5 Except for the Trust Causes of Action and except as provided in Section 10.5 of the Plan or as otherwise provided in the Plan, the FM Group Schemes and/or the Voluntary Arrangements, the Confirmation Order, or the order sanctioning the Asbestos Creditors' Scheme, the VA Companies shall retain and have the exclusive right, in their sole discretion, to enforce, sue on, settle, or compromise (or decline to do any of the foregoing) all claims, rights, causes of action, suits and proceedings, under the laws of any jurisdiction, including rights or causes of action arising under the US Bankruptcy Code which are commenced prior to the closing of the Reorganization Cases, that the VA Companies may hold against any person.

Retention of Asbestos Insurance Actions by VA Companies

- 5.6 Notwithstanding any other provision of the Plan or the FM Group Schemes and/or the Voluntary Arrangements to the contrary and without limiting the foregoing, the VA Companies, with the consent of the Trustees, may retain, prosecute and enforce any Asbestos Insurance Action (if any) in their own name, for the benefit of the Trust and the holders of Asbestos Personal Injury Claims, provided that, if so required by the VA Companies, any costs and expenses to be incurred by the VA Companies, in any such Asbestos Insurance Action shall be reimbursed to the VA Companies by the Trust as Trust Expenses as soon as practically possible.

Release and discharge in the Plan

- 5.7 The satisfaction, release and discharge set forth in Clause 5.2 and the moratorium set forth in Clause 5.3 is in addition and without prejudice to any satisfaction, release or discharge set forth in the Plan.

Release of persons in connection with the Reorganization Cases etc

- 5.8 None of the Debtors, the Reorganized Debtors, the members of the Unsecured Creditors' Committee, the members of the Asbestos Claimants' Committee, the Future Claimants' Representative, the members of the Equity Committee, the Collateral Trustee, the holders of Noteholder Claims, the holders of Bank Claims, the Administrative Agent, nor any of their respective successors, officers, directors, employees, members, agents, lawyers, accountants, investment bankers, financial advisors or restructuring professionals, nor any other professional Person employed by any of them, shall have or incur any liability (except for any liability that results primarily from such Person's bad faith or wilful misconduct) to any person for any act or omission in connection with, relating to, or arising out of the Reorganization Cases, the administration proceedings of the VA Companies, the negotiation of the Plan, the Schemes and/or the Voluntary Arrangements, pursuit of confirmation of the Plan, sanction of the Schemes and/or approval of the Voluntary Arrangements, the administration, consummation and implementation of the Plan or Schemes and/or the Voluntary Arrangements or the property to be distributed under the Plan or the Schemes and/or the Voluntary Arrangements, the Disclosure Statement, the Plan

Documents, the releases and Injunctions, or the management or operation of the Debtors; provided, however, that (i) with respect to officers and directors of the Debtors, this exculpation provision shall apply only to officers or directors who were serving in such capacity on or after the Petition Date and (ii) this exculpation provision shall not apply to Rothschild Inc. In all respects each and all of such persons shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under, or in connection with, the Reorganization Cases, the Plan, the FM Group Schemes, the Voluntary Arrangements, the administration proceedings of the VA Companies and the administration of each of them.

Covenant not to sue

5.9 Each of the VA Creditors hereby severally covenants not to sue any of the persons referred to in Clause 5.8 above in respect of the matters identified in Clause 5.8 above. The benefit of the covenant made in this Clause 5.9 is hereby settled by each of the VA Companies on Reorganized T&N to be held on trust for the benefit of each of the persons identified in Clause 5.8 with the intent that each of those persons may have the benefit of, and rely upon, the covenant made in this Clause 5.9.

6. TRUST INDEMNITY OBLIGATIONS

Scope of Clauses 6.2 to 6.6 (inclusive)

6.1 The provisions of Clauses 6.2 to 6.6 below take effect in relation to Hercules Protected Entities subject to the provisions of Clause 6.7.

Trust indemnity – general

6.2 Notwithstanding anything to the contrary in the Trust Documents, the Trust shall have the indemnification obligations set out in the Plan, the Asbestos Creditors' Scheme and the Voluntary Arrangements, including, without limitation, the indemnification obligations set out below.

6.3 Except as provided in Clause 6.5 below with respect to non-Debtor Asbestos Claims, if, on or after the VA Effective Date, the Reorganized VA Companies and/or any of their non-Debtor Affiliates are held liable for any Asbestos Personal Injury Claim that is not successfully channelled to the Trust, for any reason, whether such Asbestos Personal Injury Claim is asserted in the U.S., the U.K. or anywhere else in the world, the Trust shall indemnify the Reorganized VA Companies and/or the other Reorganized Debtors and/or any of their non-Debtor Affiliates, as applicable, in an amount equal to

6.3.1 the value of such Asbestos Personal Injury Claim, as determined by settlement or judgment, times

6.3.2 the applicable payment percentage under the Asbestos Personal Injury Trust Distribution Procedures.

For the purposes of determining the amount of indemnification due under this Clause 6 and only for such purpose, the value of such Asbestos Personal Injury Claim as set forth in 6.3.1 shall be the amount of any settlement or judgment plus all costs of defences and expenses related to such Asbestos Personal Injury Claim.

- 6.4 Notwithstanding anything to the contrary, if the Asbestos Personal Injury Claim for which indemnity is due under this Clause 6 is an Other Asbestos Disease (Disease Level I – Cash Discount Payment) as defined in the Asbestos Personal Injury Trust Distribution Procedures, then the Trust shall indemnify the Reorganized VA Companies and/or any of their non-Debtor Affiliates, as applicable, in an amount equal to the Scheduled Value (as defined in the Asbestos Personal Injury Trust Distribution Procedures) for such Asbestos Personal Injury Claim.
- 6.5 If, on or after the VA Effective Date, the Reorganized VA Companies and/or any of their non-Debtor Affiliates are held liable for any claim attributable to, directly or indirectly, injuries or other damages caused or allegedly caused by the presence of, or exposure to, asbestos and arising or allegedly arising, in whole or in part directly or indirectly, from acts or omissions of one or more of the non-Debtor Affiliates, whether such claim is asserted in the U.S., the U.K. or anywhere else in the world (a "**Non-Debtor Asbestos Claim**"), the Trust shall indemnify the Reorganized VA Companies, the other Reorganized Debtors and/or any of their non-Debtor Affiliates in an amount equal to the lesser of
- 6.5.1 the amount actually paid on such Non-Debtor Asbestos Claim by the Reorganized VA Companies and/or the other Reorganized Debtors and/or the non-Debtor Affiliates, as applicable, plus fees and costs related to such Non-Debtor Asbestos Claim, times the applicable payment percentage under the Asbestos Personal Injury Trust Distribution Procedures and
- 6.5.2 what the holder of such Non-Debtor Asbestos Claim would have received from the applicable sub-fund if the Non-Debtor Asbestos Claim had been channelled to the Trust and did not proceed to judgment.

In the event the Asbestos Personal Injury Trust Distribution Procedures do not contain a matrix for any such Non-Debtor Asbestos Claim, the amount of indemnity due under this Clause 6.5 shall be determined by using the T&N/U.S. CLAIMS matrix set forth in the Asbestos Personal Injury Trust Distribution Procedures.

- 6.6 Notwithstanding Clauses 6.3 to 6.5 above, if, on or after the VA Effective Date, the Reorganized VA Companies and/or the other Reorganized Debtors and/or any of their non-Debtor Affiliates are sued on account of an Asbestos Personal Injury Claim or a Non-Debtor Asbestos Claim that relates to a stream of liability for which there is no applicable payment percentage and such Asbestos Personal Injury Claims and/or Non-Debtor Asbestos Claims may be tendered to an insurance company for handling and payment, the applicable Reorganized VA Company and/or the other Reorganized Debtors and/or non-Debtor Affiliate shall tender such Asbestos Personal Injury Claim or Non-Debtor Asbestos Claim, as applicable, to the Trust so the Trust can properly access any available insurance. The Trust shall use its best efforts to have such Asbestos Personal Injury Claim and/or Non-Debtor Asbestos Claim paid by any applicable insurance and, if the Trust obtains any insurance proceeds on account of such claims, the Trust shall remit such proceeds to the applicable Reorganized VA Company and/or other Reorganized Debtor and/or non-Debtor Affiliate.
- 6.7 Notwithstanding anything in the Trust Agreement, including, without limitation, Section 3.1 of the Trust Agreement, the Trust shall (i) be obligated to pay the indemnification as required under the Plan and/or the Asbestos Creditors' Scheme

and/or the Voluntary Arrangements without regard to which stream of asbestos liability the indemnification relates to and (ii) pay such indemnification from any and all available assets in any of the Funds (as such term is defined in the Trust Agreement) without regard to which Fund or stream of asbestos liability such indemnification relates to.

Trust indemnity – Hercules Protected Entities

6.8 Notwithstanding any of the provisions in Clauses 6.3 to 6.7 above any indemnity by the Trust in favour of the Hercules-Protected Entities shall only apply after the later of (a) the Hercules Policy Expiry Date and (b) the EL Coverage Expiry Date provided, however, pending the occurrence of the later of such two dates, Reorganized Federal-Mogul shall be conclusively deemed to have suffered a loss in the amount of indemnity that would have come due to the Reorganized Hercules-Protected Entities under Clauses 6.3 to 6.7 above but for the immediately preceding proviso and the Trust shall indemnify Reorganized Federal-Mogul in respect of such loss to the extent set out in Clauses 6.3 to 6.5 above. Additionally, notwithstanding anything to the contrary in the Plan, the Asbestos Creditors' Scheme and/or the Voluntary Arrangements or the Trust Documents, Reorganized Federal-Mogul shall also be deemed to have suffered a loss (i) in the amount of any and all fees, costs and expenses incurred by the Reorganized Hercules-Protected Entities in defending against Asbestos Personal Injury Claims (to the extent such fees, costs and expenses are not recovered by the Hercules-Protected Entities from Curzon under the Hercules Policy) and (ii) in the amount of any fees, costs, expenses, indemnity payments, reimbursement amounts, additional premiums or other amounts paid by the Hercules-Protected Entities related to the Hercules Policy or the EL Coverage and the Trust shall indemnify Reorganized Federal-Mogul in respect of such loss in full (without regard to any limitation in Clauses 6.3 to 6.7 above) on a semi-annual basis in Cash or more frequently as may be reasonably requested by Reorganized Federal Mogul Corporation.

EL Coverage

6.9 Notwithstanding anything to the contrary in the Plan, FM Group Schemes, the Voluntary Arrangements or the Trust Documents, the Trust shall not assume any agency obligation with respect to any Asbestos Personal Injury Claim against the VA Companies on behalf of the EL Insurers, Curzon and/or the CRU and to the extent permissible by law, these Entities may only assert any such Asbestos Personal Injury Claims they may hold, if any, against the Trust. Additionally, if the EL Insurers, Curzon and/or the CRU assert any Claim against a VA Company and such Claim is not successfully channelled to the Trust, then the Trust shall indemnify the relevant VA Company for the full amount of any and all damages, losses, fees and expenses incurred with respect to such Claim.

7. INCIDENTAL MATTERS: ASBESTOS PERSONAL INJURY CLAIMS

Asbestos Insurance Actions:

7.1 Any Asbestos Insurance Action, or the claims and causes of action asserted or to be asserted therein, shall be preserved for the benefit of the Trust for prosecution either by the VA Companies or the Trustees (as mutually agreed by such parties) subsequent

to Confirmation of the Plan and the VA Effective Date and in accordance with the Trust Agreement.

- 7.2 As of the date subsequent to the VA Effective Date on which the Trustees confirm in writing to the VA Companies that the Trust is in a position to assume such responsibility, such actions, along with the rights and obligations of the VA Companies with respect to Asbestos Insurance Policies and claims thereunder, to the extent that such Policies and claims relate to Asbestos Personal Injury Claims but not as to any other claims covered thereby (to the extent that such actions and rights and obligations may be so assigned without prejudicing any actual or potential Asbestos Insurance Action or claim under the relevant Policy) shall be assigned to and vested in the Trust as the representative of the VA Companies without any further action by the VA Companies, the Trust, the US Court or the English Court.
- 7.3 Such Asbestos Insurance Actions shall be so vested free and clear of all Liens, security interests and other Claims or causes of action, except as otherwise provided in the Plan or the Asbestos Creditors' Scheme and/or Voluntary Arrangements.
- 7.4 Until such time as the Asbestos Insurance Actions have become vested in the Trust, the VA Companies shall be entitled to compromise or settle any Asbestos Insurance Action; provided, however, that any such compromise or settlement shall require the consent of the Future Claimants Representative, the Asbestos Claimants Committee, or the Trust Advisory Committee, as applicable, and the approval of the US Court.
- 7.5 Upon vesting in the Trust, the Asbestos Insurance Actions shall be governed by the Trust Documents.
- 7.6 Notwithstanding anything to the contrary contained herein, the Trust shall not compromise or resolve insurance coverage under any Asbestos Insurance Policy except with respect to Asbestos Personal Injury Claims and Trust Expenses.

Assumption of responsibility by Trust for legal actions etc:

- 7.7 As of the date subsequent to the VA Effective Date on which the Trustees confirm in writing to the VA Companies that the Trust is in a position to assume such responsibility, the Trust shall be empowered to initiate, prosecute, defend and resolve all legal actions and other proceedings relating to any asset, liability or responsibility of the Trust, including Asbestos Insurance Actions, Indirect Asbestos Personal Injury Claims or other Trust Causes of Action.
- 7.8 The Trust, to the extent permissible by law, shall be empowered to initiate, prosecute, defend and resolve all such actions in the name of any VA Company if deemed necessary or appropriate by the Trust. The Trust shall be responsible for the payment of all damages, awards, judgments, settlements, expenses, costs, fees and other charges incurred subsequent to Confirmation of the Plan or the order sanctioning the Asbestos Creditors' Scheme or approval of the Voluntary Arrangements arising from or associated with any legal action or other proceeding which is the subject of this Clause 7.8 and shall pay or reimburse all deductibles, retrospective premium adjustments or other charges (not constituting Indirect Asbestos Personal Injury Claims) which may arise from the receipt of any insurance proceeds from the Trust.

Trust Causes of Action:

- 7.9 Except as otherwise provided in the Plan or the Schemes and/or the Voluntary Arrangements, the Trust shall retain and have the exclusive right at its own cost to enforce against any person any and all of the Trust Causes of Action, with the proceeds of the recoveries of any such actions to be deposited in the Trust.

Asbestos Insurance Policies:

- 7.10 The discharge and release of the VA Companies and the Released Parties from all Claims as provided in the Plan and in the Asbestos Creditors' Scheme and/or the Voluntary Arrangements shall neither diminish nor impair the enforceability of any of the Asbestos Insurance Policies.
- 7.11 Except as provided in Article IV of the Plan and Clauses 3, 4 and 5 above, the Trust shall be deemed to be the successor to the applicable VA Companies with respect to all Asbestos Personal Injury Claims and the indemnitee under any Asbestos Insurance Policy to the extent there is no prejudice to coverage under such Asbestos Insurance Policies.
- 7.12 The opportunity to participate in the resolution and defence of such Claim shall be in all respects subject to the Asbestos Personal Injury Trust Distribution Procedures provided for in the Trust Agreement and limited to contentions that the Claim should not be Allowed or should be Allowed in a lesser amount under such procedures.
- 7.13 Except as provided in Article IV of the Plan and Clauses 3, 4 and 5 above, the Allowed Asbestos Personal Injury Claim shall be, and shall be deemed to be, a judgment against the Trust (as successor for all purposes to the liabilities of the applicable VA Companies in respect of Asbestos Personal Injury Claims) in the Allowed Amount of such Claims for purposes of determining the liability of any insurer or indemnitor in respect of such Allowed Asbestos Personal Injury Claim.

8. FEDERAL-MOGUL CORPORATION SECURITIES AND CORPORATE GOVERNANCE

- 8.1 The actions in respect of FMC set out in sections 8.3.1 to 8.3.11 (inclusive) of the Plan shall be taken on the respective dates set out in those sections.

9. ALLOWED UNSECURED CLAIMS

Treatment of Allowed Unsecured Claims

- 9.1 Holders of Allowed Unsecured Claims against T&N shall receive, on the Distribution Date, a Cash payment equal to the Allowed Amount of such holder's Claim multiplied by T&N Distribution Ratio 1 or by T&N Distribution Ratio 2 if the Consensual Marketing Procedures have been performed.
- 9.2 Holders of Allowed Unsecured Claims against the FM Ignition shall receive, on the Distribution Date, a Cash payment equal to the greater of:
- (a) the Allowed Amount of such holder's Claim multiplied by T&N Distribution Ratio 1 or by T&N Distribution Ratio 2 if the Consensual Marketing

Procedures have been performed; and

- (b) the Allowed Amount of such holder's Claim multiplied by the Company Specific Distribution Ratio applicable to the FM Ignition.
- 9.3 Holders of Allowed Unsecured Claims against each of the other VA Companies (except T&N, FM Ignition and F-M UK Holding) shall receive, on the Distribution Date, a Cash payment equal to the greatest of:
- (a) the Allowed Amount of such holder's Claim multiplied by T&N Distribution Ratio 1 or by T&N Distribution Ratio 2 if the Consensual Marketing Procedures have been performed;
 - (b) the Allowed Amount of such holder's Claim multiplied by the Company Specific Distribution Ratio applicable to such VA Company; and
 - (c) if the referenced VA Company is a Small Company, the Allowed Amount of such holder's Claim multiplied by the Small Company Distribution Ratio applicable to such VA Company.
- 9.4 Allowed Unsecured Claims shall include Non-Priority T&N Pension Plan Employee Benefit Claims, should (i) the T&N Pension Trustees not (a) vote in favour of acceptance of the Plan for any VA Company that has obligations under or relating to the T&N Pension Plan and (b) give an irrevocable undertaking at least 14 Business Days before the Confirmation Date to vote in favour of the Voluntary Arrangement for any VA Company that has any obligations under or relating to the T&N Pension Plan, and/or (ii) the Consensual Marketing Procedures be performed with respect to T&N.
- 9.5 Allowed Unsecured Claims shall also include Non-Priority FM Ignition Pension Plan Employee Benefit Claims should (i) the FM Ignition Pension Plan Trustees not (a) vote in favour or acceptance of the Plan and (b) give an irrevocable undertaking at least 14 Business Days before the Confirmation Date to vote in favour of the Voluntary Arrangement for any VA Company that has any obligations under or relating to the FM Ignition Pension Plan, and/or (ii) the Consensual Marketing Procedures be performed with respect to FM Ignition.

Distributions to Holders of Unsecured Claims Against F-M UK Holding Limited

- 9.6 Subject to Clause 9.7 below, each holder of an Allowed Unsecured Claim against F-M UK Holding shall receive a total cash payment equal to 35% of such holder's Allowed Unsecured Claim, with such total amount to be paid in three equal, annual installments, the first of which shall be paid on the Distribution Date and the second and third on the first and second anniversaries of the Distribution Date, respectively.
- 9.7 In the event that the total amount of Allowed Unsecured Claims against the U.S. Debtors and F-M UK Holding is determined by the Plan Proponents or by the Reorganized Debtors, as applicable, to be in excess of \$258.0 million, then the amount of the Cash distributions to holders of Allowed Unsecured Claims against such Debtors (which term, for the purposes of this Clause 9.7, shall include F-M UK Holding) will be adjusted so that each such holder will receive, on account of its

Allowed Unsecured Claim, total Cash payments equal to such holder's pro rata portion of \$90.3 million. In the event the Claims allowance and reconciliation process for Unsecured Claims against the U.S. Debtors and F-M UK Holding Limited is not completed on or prior to the second anniversary of the Distribution Date, then Reorganized Federal-Mogul Corporation shall make a determination as to whether it is likely that such Claims will exceed \$258.0 million. If it is determined that such Claims will exceed \$258.0 million, then Reorganized Federal-Mogul Corporation shall adjust all remaining payments to be made on account of such Claims so that the holders of such Claims will receive a pro rata portion of \$90.3 million and Reorganized Federal-Mogul Corporation shall take any and all necessary steps to facilitate the distributions in accordance with this Clause 9.7 and Section 8.17 of the Plan including, without limitation, setting reasonable reserves, if necessary, and withholding portions of any distributions pending the completion of the Claims allowance and reconciliation process for the applicable Debtors.

10. NON-PRIORITY T&N PENSION PLAN EMPLOYEE BENEFIT CLAIMS

10.1 If the T&N Pension Plan Trustees vote in favour of acceptance of the Plan and at least 14 Business Days before the Confirmation Date give an irrevocable undertaking to vote in favour of the Voluntary Arrangements in relation to all of the VA Companies that have any obligations under or relating to the T&N Pension Plan and if the Consensual Marketing Procedures are not performed with respect to T&N, then the following shall occur in full satisfaction of all Non-Priority T&N Pension Plan Employee Benefit Claims:

- (a) the T&N Pension Plan shall continue as modified herein;
- (b) the T&N Pension Plan Contribution rate from the VA Effective Date to 30 April 2012 shall be limited to the annual maintenance cost in respect to services rendered after the VA Effective Date by current active employees and participants of T&N and other VA Companies with obligations under or relating to the T&N Pension Plan that choose to remain in the T&N Pension Plan (provided such amount is lower than the current annual funding). No annual contributions will be made to the T&N Pension Plan to amortize the underfunding that relates to prior service by retired, deferred, current and active members;
- (c) to moderate the impact of post-VA Effective Date redundancies on the T&N Pension Plan, T&N shall pay an amount – over a period of not more than two years after a redundancy action – equal to the additional liability crystallized by each redundancy action (job elimination of less than twenty people at a given site in any one year will be disregarded);
- (d) Reorganized T&N shall have the right to terminate the T&N Pension Plan at any time on and after 30 April 2012. If Reorganized T&N does so terminate the T&N Pension Plan, then the T&N Pension Plan Trustees shall receive a Cash payment equal to the Allowed Amount of the Non-Priority T&N Pension Plan Employee Benefit Claims against all UK Debtors calculated as of the Petition Date multiplied by T&N Distribution Ratio 1 plus interest at the market rate from the Effective Date up to (and including) the date the T&N Pension Plan is terminated. Such treatment shall be in full and complete

satisfaction of all Non-Priority T&N Pension Plan Employee Benefit Claims.

- (e) The contingent obligation of Reorganized T&N to pay the dividend set forth above will be embodied either, at the option of the Plan Proponents, in a contingent promissory note from Reorganized T&N or in the trust deeds of the T&N Pension Plan. The note will be delivered to the T&N Pension Plan Trustees or, if applicable, the amendments to the trust deed shall take effect on the VA Effective Date.
 - (f) The T&N Pension Plan Trustee shall, to the extent permitted by applicable law, continue the current investment strategy in consultation with Reorganized T&N and shall not change such investment strategy without approval of Reorganized T&N.
- 10.2 If the conditions set forth in 10.1 above are not met, then the T&N Pension Plan shall be terminated and all obligations with respect to the T&N Pension Plan shall be compromised and discharged and all Non-Priority T&N Pension Plan Employee Benefit Claims against the referenced VA Company shall be included with and treated as Unsecured Claims against that VA Company.

11. NON-PRIORITY FM IGNITION PENSION PLAN EMPLOYEE BENEFIT CLAIMS

- 11.1 If the FM Ignition Pension Plan Trustees vote in favour of acceptance of the Plan and at least 14 Business Days before the Confirmation Date give an irrevocable undertaking to vote in favour of the Voluntary Arrangement for FM Ignition and if the Consensual Marketing Procedures are not performed with respect to FM Ignition, then the FM Ignition Pension Plan Trustees may elect either the "Let It Run" treatment or the "Alternate Payout" treatment, each as described below.
- 11.2 The following shall occur if the FM Ignition Pension Plan Trustees elect the "Let It Run" Treatment:
- 11.2.1 The FM Ignition Pension Plan shall continue as modified herein;
 - 11.2.2 The FM Ignition contribution rate from the VA Effective Date to 30 April 2012 shall be limited to the annual maintenance cost with respect to services rendered after the VA Effective Date by current active employee participants of the FM Ignition Pension Plan that choose to remain in the FM Ignition Pension Plan (provided such amount is lower than the current annual funding). No annual contributions will be made to the FM Ignition Pension Plan to amortize the underfunding that relates to prior service by retired, current and active employees;
 - 11.2.3 Reorganized FM Ignition shall have the right to elect to terminate the FM Ignition Pension Plan at any time on and after 30 April 2012. If Reorganized FM Ignition does so terminate the FM Ignition Pension Plan, then the FM Ignition Pension Plan Trustee shall receive a Cash payment equal to the Allowed Amount of the Non-Priority FM Ignition Pension Plan Employee Benefit Claims calculated as of the Petition Date multiplied by the greater of T&N Distribution Ratio 1 and the Company Specific Distribution Ratio plus

interest at market rate from the Effective Date until the date the FM Ignition Pension Plan is terminated. Such treatment shall be in full and complete satisfaction of all Non Priority FM Ignition Pension Plan Employee Benefit Claims;

11.2.4 The contingent obligation of Reorganized FM Ignition to pay the dividend set forth above will be embodied either, at the option of the Plan Proponents, in a contingent promissory note from Reorganized FM Ignition or in the trust deed of the FM Ignition Plan. The note will be delivered to the FM Ignition Pension Trustee or, if applicable, the amendment to the trust deed shall take effect on the Effective Date;

11.2.5 The FM Ignition Pension Plan Trustee shall, to the extent permitted by applicable law, continue the current investment strategy in consultation with Reorganized FM Ignition and shall not change such investment strategy without approval from Reorganized FM Ignition.

[As an alternative to Clauses 11.2.1 to 11.2.5 above, specify any other treatment that may have been agreed to by the T&N Pension Plan Trustees and the Plan Proponents]

11.3 The following shall occur if the FM Ignition Pension Plan Trustees elect the "Alternate Payout" treatment:

11.3.1 On and after the VA Effective Date, the Reorganized FM Ignition shall pay the FM Ignition Pension Plan Trustees an amount sufficient to purchase annuities to secure the benefits of all participants retired and receiving pension payments immediately before the VA Effective Date.

11.3.2 Actuarially equivalent transfer values will be provided to non-pensioner participants (assuming no cost of living adjustments). Actuarial assumptions will be the same as used in that certain August 2003 Transfer Value change assumption calculation.

11.3.3 Contributions to fund the payments referred to in Clauses 11.3.1 and 11.3.2 above shall be limited to no more than £9 million.

11.4 If the conditions set forth in 11.1 above are not met, then the FM Ignition Pension Plan shall be terminated and all obligations with respect to the FM Ignition Pension Plan shall be compromised and discharged and all Non-Priority FM Ignition Pension Plan Employee Benefit Claims shall be included with and treated as Unsecured Claims.

12. SECURED CLAIMS

12.1 The legal, equitable and contractual rights of the holders of Allowed Secured Claims against the VA Companies shall not be affected by the Voluntary Arrangements.

12.2 The Supervisors shall have no duty to supervise or administer the payment or satisfaction of the Secured Claims.

12.3 Nothing herein shall prejudice or affect the terms of the FMUK Holding Scheme

insofar as it relates to the Secured Claims against FMUK Holding.

13. PRIORITY CLAIMS AND PREFERENTIAL CLAIMS

- 13.1 The legal, equitable and contractual rights of the holders of Allowed Priority Claims shall not be affected by the Voluntary Arrangements.
- 13.2 Allowed Claims for Preferential Claims against any VA Company will be paid in full pursuant to the provisions of Clause 15 below.

14. ALLOWANCE OF RELEVANT VA CLAIMS

- 14.1 Relevant VA Claims against a VA Company shall be Allowed or rejected only in accordance with the following procedure:
 - 14.1.1 a Person claiming to hold a Relevant VA Claim against a VA Company and wishing to recover its Relevant VA Claim in whole or in part must submit his claim (a "**proof**") in writing to the Supervisors, which shall be made out by or under the directions of the Person claiming to hold a VA Claim and signed by him or a Person authorised on his behalf.
 - 14.1.2 the Supervisors may, if they think it necessary for the purpose of clarifying or substantiating the whole or any part of a Relevant VA Claim, call for details of any matter required to be specified in the proof, or for the production to them of such documentary or other evidence as they may require;
 - 14.1.3 a proof may be Allowed for distribution purposes by the Supervisors either for the whole amount claimed by the Person claiming to hold a Relevant VA Claim against the VA Company, or for part of that amount, and if the Supervisors reject a proof in whole or in part they shall prepare a written statement of their reasons for doing so, and send it forthwith to the Person claiming to hold a Relevant VA Claim against the VA Company. The amount which the Supervisors admit for the purposes of receiving a Dividend shall be the Allowed Amount of such Relevant VA Claim;
 - 14.1.4 if a Person claiming to hold a Relevant VA Claim against the VA Company is dissatisfied with the Supervisors' decision with respect to its proof (including any decision on the question of whether its claim is a Preferential Claim), he may apply to the High Court of Justice, Chancery Division, Companies Court under section 7(3) of IA 1986 for the decision to be reversed or varied, but such application must be made within 21 days (or such longer period as may be permitted by the IA 1986 and/or the IR 1986 and as the English Court (or the Scottish Court, if having jurisdiction) may in special circumstances allow) of the Person claiming to hold a Relevant VA Claim against the VA Company receiving the written statement mentioned in Clause 14.1.3 above, otherwise the Claim shall to the extent it has not been admitted be released, discharged and extinguished (but the Supervisors shall not be personally liable for costs incurred by any Person in respect of such an application unless the English Court (or the Scottish Court, if having jurisdiction) makes an order to that effect);

- 14.1.5 a Person claiming to hold a Relevant VA Claim against the VA Company may at any time, by agreement with the Supervisors, withdraw or vary his proof as to the amount claimed; and
- 14.1.6 the English Court (or the Scottish Court, if having jurisdiction) may expunge a proof or reduce the amount claimed or the Allowed Amount on (i) the Supervisors' application, where they believe that the proof has been improperly admitted, or ought to be reduced, or (ii) the application of a VA Creditor under section 7(3) IA 1986, if the Supervisors decline to interfere in the matter.
- 14.2 Where before the Petition Date there have been mutual credits, mutual debts or other mutual dealings between the VA Company and any Person claiming to hold a Relevant VA Claim against the Relevant VA Company, the Supervisors shall take an account of what is due from each party to the other as at the Petition Date in respect of such mutual dealings and the sum due from one party shall be set off against the sum due from the other. Only the balance (if any) of the account is provable in the Voluntary Arrangements or alternatively (as the case may be) shall be paid to the Disbursing Agent as part of the assets of the VA Company.
- 14.3 Relevant VA Claims which, at the date of the Creditors' Meeting, are contingent, prospective or unliquidated, will be admitted to vote for £1 unless the chairman of the Creditors' Meeting agrees to put a higher value upon them (which is not to be treated as binding on the chairman of the meeting or the Supervisors, but will be merely an estimate).
- 14.4 Interest on Relevant VA Claims will only be allowed (if correctly proved in accordance with this Clause 14) if accrued up to and including the Petition Date, and all interest accruing in respect of Relevant VA Claims thereafter will be waived. Relevant VA Claims entitled to receive interest shall apply any payment hereunder first in reduction of any capital sum outstanding and after repayment of such capital then in respect of interest.
- 14.5 A Person claiming to hold a Relevant VA Claim against the VA Company in a currency other than sterling shall in their proof convert such sums into sterling at the Exchange Rate and show such calculations on a supporting schedule attached to such proof.
- 14.6 There shall in every case be deducted from the Relevant VA Claim all trade and other discounts which would have been available to the VA Company in the normal course of business, except any discount for immediate, early or cash settlement.
- 14.7 Pending completion of distributions to holders of Relevant VA Claims in accordance with the terms of these Proposals and the Plan all holders of Relevant VA Claims shall grant the VA Company a moratorium and none of the Relevant VA Claims shall be repayable or be demanded by any Person. No Person shall be entitled to take any action whatsoever (including taking legal proceedings) to recover any sum due to it.
- 14.8 All Relevant VA Claims may be excluded by the Supervisors on the grounds that a proof in respect thereof has not been notified to the Supervisors on or before the day falling 30 months after the VA Effective Date or such later date as the Supervisors

shall in their discretion allow, with effect from such date, shall be treated for all purposes as wholly and irrevocably released and no Person claiming to hold a Relevant VA Claim against the VA Company shall be entitled to payment thereof, nor can such sums thereafter be demanded.

- 14.9 Should the existence of a Relevant VA Claim against the VA Company bound by the Voluntary Arrangements by reason that its holder would have been entitled in accordance with the IR 1986 to vote at the Creditors' Meeting convened to consider these Proposals, had it been given notice of it (an "**Omitted Relevant VA Claim**"), come to the attention of the Supervisors before the expiry of the period in Clause 14.8 above, it is proposed that the Omitted Relevant VA Claim should be admitted to the Voluntary Arrangements on the same terms as it would have been if the holder had had notice of the Creditors' Meeting. If the Omitted Relevant VA Claim is liquidated and non-contingent and fell due on or before the date of any previous Dividend(s), (subject to the claim being made to the Supervisors and being admitted in accordance with the above and sufficient monies being available, see Clause 15.3 below) equivalent distributions shall be made to the holder before any further Dividends are made to existing Persons holding a Relevant VA Claim against the VA Company bound by the Voluntary Arrangements. If the Omitted Relevant VA Claim is unliquidated and/or contingent and has not yet fallen due at the date of the Dividend the provisions of Clauses 14.10 and 14.11 below shall apply.

Future Relevant VA Claims

- 14.10 Subject to Clause 14.11 below, unliquidated, future Relevant VA Claims and unliquidated, contingent Relevant VA Claims and other unliquidated or unascertained Relevant VA Claims will be paid, to the extent they are payable under the terms of these Proposals, as and when they fall due to be paid (subject to such claims being made to the Supervisors and being admitted in accordance with the provisions of Clauses 14.1 to 14.9 above). Upon such a Relevant VA Claim becoming due and being Allowed, it shall be treated as follows:-
- 14.10.1 if any previous Dividend has been made to any Person claiming to hold a Relevant VA Claim of that class against the VA Company, the Allowed Relevant VA Claim will be paid at an equal rate of dividend (calculated according to the aggregate distributions in respect of Relevant VA Claims of that class up to the date of payment, as a proportion of the aggregate Relevant VA Claims of that class); and
- 14.10.2 if no previous Dividend has been made in respect of a Relevant VA Claim of that class, the claim will be paid pro rata with other VA Claims of that class in the next Dividend when it is made.
- 14.11 Where a Person claiming to hold a Relevant VA Claim against the VA Company has submitted a proof in respect of a liquidated, non-contingent Relevant VA Claim of which payment is not due at the next Distribution Date for Allowed Relevant VA Claims (subject to the Claim being made to the Supervisors and being admitted in accordance with Clauses 14.1 to 14.9 above and sufficient monies being available, see Clause 15.13 below), he is entitled to a distribution equally with other Relevant VA Claims of that class, but subject as follows:

14.11.1 For the purpose of a Dividend (and for no other purpose) the amount of the admitted Relevant VA Claim (or, if a distribution has previously been made, the amount outstanding in respect of the admitted Claim) shall be reduced by a percentage calculated as follows:

$$\frac{I \times M}{12}$$

where I is 5% and M is the number of months (expressed, if need be, as, or as including, fractions of months) between the Distribution Date and the date when payment of the Relevant VA Claim would otherwise be due.

14.12 [*provisions for providing 'security' in respect of 'late' claims i.e. segregated cash fund or other guarantee or bank bond and provisions for the making of inter-company loans, transfers and for paying Affiliate Claims that are not Unsecured Claims before payment of dividends on contingent Unsecured Claims, with provisions to provide 'security' in respect of such contingent claims*]

15. PAYMENT OF DIVIDENDS ON RELEVANT VA CLAIMS

15.1 The Disbursing Agent shall pay all Dividends required under the Voluntary Arrangements. The VA Company shall make contributions to the Disbursing Agent sufficient to permit the Disbursing Agent to make payment of a Dividend on all Allowed Relevant VA Claims on the Distribution Date. Dividends shall be paid on the Distribution Date (unless otherwise provided herein or ordered by the English Court) with respect to all Relevant VA Claims. Distributions with respect to Asbestos Personal Injury Claims shall be made in accordance with the Asbestos Personal Injury Trust Distribution Procedures. Dividends to be made on the Distribution Date shall be deemed actually made on the Distribution Date if made either (a) on the Distribution Date or (b) as soon as practicable thereafter, but in no event later than ten Business Days after the Distribution Date, except as otherwise provided for herein, or except as may be ordered by the English Court. Payments to be made by the Disbursing Agent pursuant to the Voluntary Arrangements shall be made by wire transfer from a US or UK bank, in Cash or by cheque drawn on a US or UK bank to the relevant holder of a Relevant VA Claim at its respective address shown on the proof or, where no proof has been submitted, in the books of the VA Company. The Supervisors or Disbursing Agent shall not be responsible for any loss in transmission. The encashment of any cheque issued by the Disbursing Agent shall be a good discharge to the VA Company for the monies represented thereby. Cash payments on account of Allowed Relevant VA Claims of the VA Companies shall be paid under the currency in which the Relevant VA Claim is denominated in the invoice or under the currency in which the Relevant VA Claim is otherwise payable under applicable law.

15.2 Allowed Claims for Preferential Claims and Priority Claims against any VA Company will be paid in full pursuant to the provisions of this Clause 15 and references to Dividend herein shall be to a Dividend of 100 pence in the £1. No Dividends will be paid by the Supervisors or Disbursing Agent in respect of Secured Claims.

15.3 Dividends will be made when, in the Disbursing Agent's opinion, sufficient funds are

available for the purpose and subject to payment of or provision for liabilities and costs which under the terms of these Proposals are to be paid in full, provided that the Disbursing Agent may retain such funds from time to time as it considers appropriate before making any further Dividends. Allowed Relevant VA Claims held against the VA Company will be satisfied solely from the cash and assets of such VA Company and its estate, provided that, to the extent of any insufficiency, funds may be advanced by the estate of Federal-Mogul Corporation, the VA Companies' ultimate parent company.

- 15.4 It is the duty of every Person proving a Relevant VA Claim in the Voluntary Arrangements to immediately advise the Supervisors and the Disbursing Agent in writing of any change of address to which any Dividend should be forwarded. In the event that the holder of any Relevant VA Claim shall transfer such Claim on or after the VA Effective Date, it shall immediately advise the Supervisors and the Disbursing Agent, in writing of such transfer. The Supervisors and Disbursing Agent shall be entitled to assume that no transfer of any Relevant VA Claim has been made by any holder unless and until written notice of a transfer has been actually received by the Disbursing Agent or the Supervisors. Each transferee of any Relevant VA Claim shall take such Relevant VA Claim subject to the provisions of the Voluntary Arrangements, and, except as provided in a notice of transfer, the Supervisors and the Disbursing Agent shall be entitled to assume conclusively that the transferee named in any notice of transfer shall thereafter be vested with all rights and powers of the transferor of such Relevant VA Claim. The Disbursing Agent shall withhold from any Dividend, assets or property distributed under the Voluntary Arrangements any part of the Dividend, assets or property which must be withheld for UK, foreign, federal, state and local taxes payable with respect thereto or payable by the Person entitled to such assets to the extent required by applicable law.
- 15.6 To the extent that any Allowed Relevant VA Claim entitled to a distribution under the Voluntary Arrangements is comprised of indebtedness and accrued but unpaid interest thereon, such distribution shall, for tax purposes, be allocated to the principal amount of the Relevant VA Claim first and then, to the extent the consideration exceeds the principal amount of the Relevant VA Claim, to accrued but unpaid interest. Any Dividend, Cash, assets, and other property to be distributed under the Voluntary Arrangements (excluding any distributions from the Trust), that remain unclaimed (including by a Person's failure to negotiate a cheque issued to such Person) or otherwise not deliverable to the Person entitled thereto before the later of (a) one year after the Distribution Date, or (b) six months after an order (if any) allowing such Person's Relevant VA Claim becomes a Final Order, shall become vested in, and shall be transferred to, the applicable VA Company. In such event, such Person's Relevant VA Claim shall no longer be deemed to be Allowed and such Person shall be deemed to have waived his rights to such payments or Dividends under the Voluntary Arrangements and shall have no further claim in respect of such Dividends and shall not participate in any further Dividends under the Voluntary Arrangements with respect to such Relevant VA Claim.

16. **IMPLEMENTATION OF THE BRADFORD AGREEMENT**

- 16.1 The Voluntary Arrangements, as they relate to Bradford, will be implemented in part pursuant to an agreement dated 17 December 2003 made between T&N, Bradford, the Administrators of T&N, the Administrators of Bradford, Federal-Mogul Gorzyce,

S.A. ("F-M Gorzyce") and Federal-Mogul Holding Deutschland GmbH, which agreement provides for:

16.1.1 the lease of certain of Bradford's plant, tooling and machinery; and

16.1.2 the licence of certain of Bradford's know-how utilised in its piston-manufacturing operations to F-M Gorzyce, a non-Debtor Affiliate of the Debtors located in Poland. That agreement further provides for the sale of such leased and licensed assets, together with Bradford's customer goodwill, to F-M Gorzyce pursuant to a purchase option to be exercised by F-M Gorzyce through the Plan, pursuant to Section 524(g)(3)(A)(ii) of the US Bankruptcy Code.

17. RELEASE BY DAN=LOC GROUP

17.1 On the VA Effective Date, each of the Dan=Loc Deed of Special Indemnity and the Dan=Loc Deed of Guarantee shall be deemed terminated by agreement and the Dan=Loc Group shall release any and all Claims, obligations and liabilities (including, but not limited to, Environmental Claims) whatsoever against any and all of the VA Companies, their non-Debtor Affiliates and the Released Parties (i) under the Dan=Loc Deed of Special Indemnity, (ii) under the Dan=Loc Deed of Guarantee (iii) or otherwise, except that Asbestos Property Damage Claims against the VA Companies, including T&N, T&N Shelf Twenty Limited and T&N Shelf Twenty-One Limited that the Dan=Loc Group had under the Dan=Loc Deed of Special Indemnity and Dan=Loc Deed of Guarantee as of the Petition Date shall, to the extent that any such Claims are Allowed, be treated as Unsecured Claims under the Plan and the Voluntary Arrangements. In addition to releasing any Environmental Claims against the VA Companies, Dan=Loc is also waiving and releasing any and all claims against four non-Debtor Affiliates that are parties to the 1997 Dan=Loc Asset Purchase Agreement.

18. PNEUMO ABEX SETTLEMENT

18.1 [*provisions relating to the settlement, if any, between Cooper Industries, Inc., Cooper Industries, Ltd., Pneumo Abex Corporation, certain other Pneumo Abex Parties that may be named and the Plan Proponents (including Debtors F-M UK Holding and Federal-Mogul Global Growth Limited).*]

19. APPROVAL OF THE CURZON/T&N SETTLEMENT AGREEMENT

19.1 The VA Creditors hereby approve the entry into the Curzon/T&N Settlement Agreement (a summary of which appears in Appendix V, and full copies of which may be inspected at the place(s) indicated in the Voluntary Arrangement Explanatory Statement) by all or any of the VA Companies.

20. CONDITIONS TO THE VA EFFECTIVE DATE

20.1 The Voluntary Arrangements shall come into effect on the VA Effective Date. The VA Effective Date shall not occur unless each of the following conditions shall have been satisfied:

20.1.1 The conditions set out in section 7.1 of the Plan shall have been satisfied or

waived, if permitted, by the Plan Proponents; and

20.1.2 The conditions set out in section 7.2 of the Plan shall have been satisfied or waived by the Plan Proponents;

provided that if, in relation to any VA Company, the Voluntary Arrangements shall fail to come into effect, the Plan Proponents shall have the right to waive Section 7.2.6 of the Plan in its entirety or in relation to any such VA Company.

21. VA EXPENSES

21.1 The VA Company shall pay all reasonably incurred costs, charges and expenses of and incidental to the Voluntary Arrangements, including, without prejudice to the generality of the foregoing:

21.1.1 (without prejudice to the statutory charge created by section 19(4) of the IA 1986) the remuneration of and all costs, charges and expenses reasonably incurred by the Administrators in performing their functions as Administrators in accordance with the provisions of the IA 1986 and the IR 1986 (as amended and in force from time to time);

21.1.2 to the extent such costs remain unpaid at the VA Effective Date all costs, charges and expenses reasonably incurred by the VA Companies in connection with the negotiation and preparation of the Plan or the Voluntary Arrangements (including, but not limited to, all legal, accounting, actuarial, financial, run-off and other consultants' fees, expenses and other costs);

21.1.3 any court and filing fees and stamp or other duty or tax and any expenses and disbursements (including legal fees) incurred in relation to the implementation of the Voluntary Arrangements, the reference of any issues pertaining to the Voluntary Arrangements to the English Court (or the Scottish Court) by the Supervisors or by a VA Creditor or any application or appeal on any issue over which the English Court or the Scottish Court, as appropriate, has jurisdiction;

21.1.4 the reasonable costs of holding Creditors' Meetings and any meetings of shareholders or directors convened to consider the FM Group Schemes and/or the Plan and/or the Voluntary Arrangements and the registration of the Voluntary Arrangements at the Companies' Registry of England and Wales;

21.1.5 all reasonable liabilities, expenses, costs and disbursements, if any, incurred by the VA Companies or the Supervisors in the course of exercising or performing their respective powers, duties and functions under, or for the purpose of implementing, the Voluntary Arrangements;

21.1.6 all tax, duties, administrative, licence, listing, audit, filing, registration, directors' and other fees, costs, and expenses reasonably incurred by or on behalf of the VA Companies in connection with the FM Group Schemes or the Plan and/or the Voluntary Arrangements.

22. THE SUPERVISORS AND NOMINEES

- 22.1 The Nominees are hereby appointed to act as Supervisors of the Voluntary Arrangements to supervise the VA Company's performance of its obligations under the Voluntary Arrangements and to administer the Voluntary Arrangements. The Supervisors shall be entitled to act either jointly or severally, and shall be entitled to execute and deliver all such documents and do all such other acts and things as they shall from time to time consider necessary or desirable for or in connection with the implementation of the Voluntary Arrangements. The Supervisors shall comply with the IR 1986 in the conduct of their functions.
- 22.2 The functions of the Supervisors will include:
- 22.2.1 ascertaining and admitting (in accordance with Clause 14 above) the Relevant VA Claims against the Relevant VA Company (including agreeing their status); and
- 22.2.2 supervising the Disbursing Agent in the payment of or the provision for the expenses or liabilities to be paid or provided for in full under the terms of these Proposals and supervising the making of distributions by way of Dividends to the holders of Relevant VA Claims in accordance with the terms of these Proposals.
- 22.3 Save to the above extent, except as expressly set out in the Voluntary Arrangements or imposed by the IA 1986 or the IR 1986, the Supervisors will not be concerned with the management of any VA Company, nor will it be their duty to oversee its business or affairs.
- 22.4 The VA Company and its Directors shall co-operate fully with the Supervisors to enable them to supervise the implementation of the Voluntary Arrangements in accordance with the terms of these Proposals (including by the provision of all information and the attendance on the Supervisors as the Supervisors may reasonably require to assist the Supervisors to perform their functions).
- 22.5 In all matters relating to the Voluntary Arrangements not expressly provided for in these Voluntary Arrangements, the Supervisors may act in accordance with the advice, directions or consent from time to time of the Supervision Committee (see Clause 23 below) or pursuant to the directions of the English Court (or the Scottish Court, if having jurisdiction), and the Supervisors shall not incur any liability of whatsoever nature by reason of their so doing.
- 22.6 The Supervisors may perform their duties by or through agents or employees of themselves or their firm and shall be entitled to rely on any communication instrument document or information (whether written or oral) believed by them to be genuine and correct and shall be entitled to rely on the advice of or information obtained from any professional adviser or other Person (whether instructed by them or not) believed by them in good faith to be competent, and shall incur no liability in consequence of doing so.
- 22.7 Each of the VA Creditors bound by these Voluntary Arrangements and each VA Company agree that the Supervisors shall not assume any fiduciary or other special responsibility to any such VA Creditors or to the VA Company and that all information supplied to the Supervisors from time to time has emanated from the VA

Company and that the Supervisors do not warrant the accuracy of any information contained in the Proposals submitted to the members and VA Creditors of the VA Company for approval at the meetings held on or after the VA Effective Date, or in any accompanying document.

22.8 The Supervisors shall be remunerated as follows:

22.8.1 Subject to Clauses 22.8.2 and 22.8.3 below, until the Relevant VA Claims Termination Date, and/or the Asbestos Claims Termination Date, the Supervisors will be paid in respect of their functions as Supervisors of the Relevant VA Claims or Asbestos Personal Injury Claims, as appropriate, their normal time costs, expenses and disbursements (including legal fees) from time to time as agreed with the Supervision Committee (see Clause 23 below) in accordance with the Statement of Insolvency Practice 9 and the Creditors' Guide to Insolvency Practitioners' Fees and the charge-out rate schedule, which appear at Appendix [] of the Voluntary Arrangement Explanatory Statement (or any successor thereto).

22.8.2 From and after the Relevant VA Claims Termination Dates, in relation to each VA Company, in respect of their functions as Supervisors of the Relevant VA Claims, the Supervisors shall be remunerated in relation to that VA Company on a fixed fee basis at £[•] per annum (exclusive of VAT) index-linked in accordance with the [Retail Prices Index] on 31 December of each year.

22.8.3 From and after the Asbestos Claims Termination Dates in relation to each VA Company, in respect of their functions as Supervisors of the Asbestos Personal Injury Claims the Supervisors shall be remunerated in relation to that VA Company on a fixed fee basis at £[•] per annum (exclusive of VAT) index-linked in accordance with the [Retail Prices Index] on 31 December of each year.

22.9 Neither the Nominees, nor the Supervisors, nor any successor Supervisor shall incur any personal liability to any VA Company or to any VA Creditor, whether as Nominee, Supervisor or howsoever, in connection with these Proposals, negotiation or implementation of these Voluntary Arrangements except in the case of wilful default, wilful misconduct or bad faith.

22.10 Should a Supervisor vacate office by death or otherwise, the following provisions will apply:-

22.10.1 If there are joint Supervisors the remaining Supervisor or Supervisors shall continue in office.

22.10.2 If the Supervisor is a sole Supervisor then the office may be assumed by a partner in the former Supervisor's firm within two months of the date of the vacancy arising.

22.11 [The Nominees are not (in their capacity as such) to be paid by way of remuneration or expenses.]

22.12 On the VA Termination Date applicable to a VA Company, the Supervisors will be

released by each VA Creditor from all liabilities and obligations in respect of acts and omissions of theirs or otherwise in relation to their conduct as Supervisors of that VA Company. Each VA Creditor shall and hereby does waive all claims or rights which he may have against the Supervisors in respect of such matters.

- 22.13 The Supervisors shall have no responsibility for or in respect of the financial statements of the VA Company which have been prepared by the Directors of the VA Company. The projections contained in the Voluntary Arrangement Explanatory Statement and the Proposals shall not be regarded or relied upon by any person bound by the Voluntary Arrangements as forecasts of results or distribution and neither the Directors nor the Supervisors express or imply any opinion as to the possibility of their achievement.

23. SUPERVISION COMMITTEE

- 23.1 From the VA Effective Date, the Creditors' Committee (if any) appointed in respect of the Administration of the VA Company shall be reconstituted and thereafter known as the "Supervision Committee" which shall exist until the Relevant VA Claims Termination Date in accordance with the following provisions of this Clause 23 for the purposes of assisting the Supervisors in the performance of their functions. The Creditors' Committee members for each VA Company (if a committee exists in respect of the VA Company) are set out in Appendix [] to the Voluntary Arrangement Explanatory Statement. If the VA Company has no Creditors' Committee, a Creditors' Meeting of the VA Company may establish a Supervision Committee of not less than 3 nor more than 5 members (who are VA Creditors of the VA Company) to represent the interests of the VA Creditors of that VA Company.

- 23.2 The provisions of the IR 1986 rules 1.19 and 2.52 to 2.65 (relating to a creditors' committee in an administration) shall (save so far as they are inconsistent with the Proposals) mutatis mutandis apply to the Supervision Committee as if the Supervisors were administrators. The full text of the relevant rules is set out in Appendix [] to the Voluntary Arrangement Explanatory Statement.

- 23.3 Without prejudice to the Supervisors' right to refer matters concerning the Voluntary Arrangements to the English Court (or the Scottish Court if having jurisdiction) for guidance and/or directions in their absolute discretion, the Supervisors shall have the power (but shall not be obliged) to convene meetings of the Supervision Committee from time to time and to seek advice, directions or consents from it but they will not be obliged to act on such advice or direction or following such consents.

24. MODIFICATION OF THE VOLUNTARY ARRANGEMENTS

- 24.1 These Proposals will be subject to such modifications or conditions as may be made pursuant to section 4 of the Insolvency Act 1986 and/or as the English Court (or the Scottish Court, if having jurisdiction) may approve or impose.
- 24.2 Subject to Clauses 24.3, 24.4 and 24.5, any proposal contained in the VA Documents may be amended, modified, compromised or abrogated by an extraordinary resolution of the VA Creditors to the terms of which the VA Company and the Supervisors consent in writing. Any such amendment shall be binding upon the VA Company and upon all the VA Creditors.

- 24.3 Notwithstanding the provisions of Clauses 24.1 and 24.2, no amendment, modification, compromise or other variation may be made which would cause the Voluntary Arrangements to cease to be a voluntary arrangement under Part I of the Insolvency Act 1986 or which would cause the Supervisors to be replaced.
- 24.4 The Supervisors may at any time convene general meetings of members of any VA Company or Creditors' Meetings of any VA Company or meetings of any class or classes of creditors of a VA Company for the purpose of varying the Voluntary Arrangements in so far as they affect the relevant VA Company or its creditors or any class or classes of its creditors. The notice of the meetings shall set out the proposed variation and be accompanied by the Supervisors' report on the reasons for the variation and its expected effect. The rules applying at such meetings shall be those applying at the meetings convened by the Administrators for the purposes of approving these Proposals. Subject to those rules, any such variation may be effected by a simple majority of the members or creditors or class or classes of creditors affected by the variation.
- 24.5 Any amendment may be made to the provisions of the Proposals by agreement in writing between any VA Company affected by the amendment, the Supervisors and the Supervision Committee (if any) if the Supervisors and the Supervision Committee (if any) consider that it is necessary to correct a manifest error or if the error is of a minor or technical nature and which would not materially adversely affect the interests of holders of VA Claims.
- 24.6 In the event of a conflict between the terms or provisions of the Voluntary Arrangements and the Trust Documents, the terms of the Voluntary Arrangements shall control the Trust Documents.
25. **THE RELEVANT VA CLAIMS TERMINATION DATE AND THE DURATION, COMPLETION AND TERMINATION OF THE VOLUNTARY ARRANGEMENTS**

[Option 1

- 25.1 The Supervisors shall cease to have any duties or responsibilities in relation to Asbestos Personal Injury Claims against a VA Company (if any) on the date (the "**Asbestos Claims Termination Date**") which is the earlier of:
- 25.1.1 the date which is the latest of the following dates:
- (a) the VA Effective Date;
 - (b) the date on which all of the shares of the Reorganized Federal-Mogul Class B Common Stock (less the shares of the Reorganized Federal-Mogul Class B Common Stock issued pursuant to Section 4.5 of the Plan) have been issued to the Trustees of the Trust pursuant to Section 8.3.4 of the Plan; and
 - (c) the date on which all of the shares of the Reorganized Federal-Mogul Class B Common Stock issued under Section 4.5 of the Plan have been issued to the Trustees of the Trust pursuant to Section 8.3.4 of the Plan

and the Stock Repayment Obligation has been deemed to have been assigned and transferred to Reorganized T&N by way of capital contribution pursuant to Section 4.5.2 of the Plan; and

25.1.2 the "Termination Date" as defined by the Trust Agreement.

Option 2

24.1 The Supervisors shall cease to have any duties or responsibilities in relation to Asbestos Personal Injury Claims against a VA Company on the date (the "**Asbestos Claims Termination Date**") which is the earlier of:

23.1.1 the date which is the latest of the following dates:

- (a) 25.1.1 the VA Effective Date;
- (b) 25.1.2 the Hercules Policy Expiry Date; and
- (c) 25.1.3 the EL Coverage Expiry Date;

provided that, if the VA Termination Date occurs before that date, they shall cease to have any such duties or responsibilities on the VA Termination Date; and

23.1.2 the "Termination Date" as defined by the Trust Agreement.]

25.2 The Supervisors shall cease to have any duties or responsibilities in relation to Relevant VA Claims against a VA Company on the date (the "**Relevant VA Claims Termination Date**") which is the earliest of the following dates:

25.2.1 ten years from the VA Effective Date;

25.2.2 the date when:

- (a) the Supervisors in their absolute discretion, given the history of receipt of Relevant VA Claims and Omitted Relevant VA Claims, deem it unlikely that the relevant VA Company will receive any further Relevant VA Claims or further or any Omitted Relevant VA Claims; and
- (b) all Relevant VA Claims and Omitted Relevant VA Claims against the relevant VA Company (of which the Supervisors are aware) have been proved, Allowed or disallowed and all Dividends in respect thereof (other than Dividends in respect of Allowed Affiliated Claims) have been paid; and
- (c) the Supervisors have received no new Relevant VA Claims or Omitted Relevant VA Claims (excluding, in each case, Affiliate Claims) against the relevant VA Company within any consecutive 12 month period; and

25.2.3 the VA Termination Date;

- 25.3 The occurrence of the Asbestos Claims Termination Date [(other than by virtue of the proviso [to Option 2] in Clause 25.1)] in relation to a VA Company shall not affect the continuation of the Voluntary Arrangements in relation to all other VA Claims (including, without limitation, Relevant VA Claims) until the VA Termination Date.
- 25.4 The occurrence of the Relevant VA Claims Termination Date (other than by virtue of Clause 25.2.3) in relation to a VA Company shall not affect the continuation of the Voluntary Arrangements in relation to all other VA Claims (including, without limitation, Asbestos Personal Injury Claims) against that VA Company until the VA Termination Date.
- 25.5 Unless previously terminated in relation to the relevant VA Company, as provided for by Clause 25.6 below and provided that all VA Expenses incurred in relation to that VA Company of which the Supervisors are aware have been paid in full, the Voluntary Arrangements shall terminate in relation to all VA Claims against any VA Company on the date which is the earliest of the following dates:
- 25.5.1 sixty years from the VA Effective Date;
- 25.5.2 the date that the Supervisors or the Board of Directors of the relevant VA Company with the consent of the English Court (or the Scottish Court, if having jurisdiction) declare that the Voluntary Arrangements are terminated;
- 25.5.3 the date that the Board of Directors of the relevant VA Company declare that the Voluntary Arrangements is terminated in relation to that VA Company, provided such declaration is made following the occurrence of the Asbestos Claims Termination Date, the Relevant VA Claims Termination Date and the Termination Date as defined in the Trust Agreement.
- 25.6 Provided all VA Expenses incurred in relation to that Non-Scheme VA Company of which the Supervisors are aware have been paid in full, the Voluntary Arrangements shall terminate in relation to all VA Claims against a Non-Scheme VA Company on the date the Board of Directors of the relevant Non-Scheme VA Company declare that the Voluntary Arrangements are terminated in relation to that Non-Scheme VA Company, provided that the Relevant VA Claims Termination Date has previously occurred.
- 25.7 Within 28 days of the VA Termination Date, the Supervisors shall comply with the provisions of IR 1986 rule 1.29 and inter alia, send to all known holders of Relevant VA Claims who are bound by the Voluntary Arrangements, the English Court (or the Scottish Court, if having jurisdiction) and the Registrar of Companies, a notice that the Voluntary Arrangements have been terminated in relation to Relevant VA Claims and their report to such holders on the implementation of the Voluntary Arrangements.

26. **ENTIRE AGREEMENT**

- 26.1 The Plan Documents, the FM Group Scheme Documents and the VA Documents set forth the entire agreement and undertakings relating to the subject matter thereof and supersede all prior discussions, negotiations, understandings and documents.

26.2 No Person shall be bound by any terms, conditions, definitions, warranties, understandings, or representations with respect to the subject matter hereof, other than as expressly provided for in the Plan or the other Plan Documents or the FM Group Scheme Documents or in the VA Documents or as may hereafter be agreed to by the affected parties in writing.

26.3 Nothing in the Voluntary Arrangements is intended to limit or restrict the scope of the Plan.

27. SEVERABILITY

27.1 In the event that the English Court (or the Scottish Court, if having jurisdiction) determines that any provision in the VA Document is either illegal or unenforceable on its face or illegal or unenforceable as applied to any VA Claim, such provision shall be unenforceable either as to all holders of VA Claims or as to the holder of such VA Claim as to which the provision is illegal or unenforceable, respectively.

27.2 Such a determination of illegality or unenforceability shall in no way limit or affect the legality or enforceability of any other provision of the Voluntary Arrangements.

28. GOVERNING LAW

28.1 Except where the Plan, the FM Group Schemes or Voluntary Arrangements provide otherwise and without prejudice to the provisions of the Trust Documents, the rights and obligations arising under the Voluntary Arrangements shall be governed by, and construed and enforced in accordance with, the laws of England and Wales, without giving effect to the principles of conflicts of law thereof.

29. JURISDICTION

29.1 Subject to the provisions of the Trust Documents the English Court and the Scottish Court shall retain the fullest and most extensive jurisdiction that is permissible, including the jurisdiction necessary to ensure that the purposes and intent of the Voluntary Arrangements are carried out. Except as otherwise provided in the Voluntary Arrangements and the Trust Documents, the English Court and the Scottish Court shall retain any jurisdiction to hear and determine VA Claims against the VA Companies, and to adjudicate and enforce the Asbestos Insurance Actions, and all other causes of action which may exist on behalf of the VA Companies.

29.2 Nothing contained herein shall prevent the VA Companies or the Trust from taking such action as may be necessary in the enforcement of any Asbestos Insurance Action or other cause of action which the VA Companies have or may have and which may not have been enforced or prosecuted by the VA Companies, which actions or other causes of action shall survive the approval of the Voluntary Arrangements and shall not be affected thereby except as specifically provided herein.

29.3 The EC Regulation on insolvency proceedings applies to these Proposals and these proceedings are main proceedings as defined by Article 3 of the EC Regulation on insolvency proceedings.

30. GENERAL RETENTION

30.1 Following the approval of the Voluntary Arrangements in relation to a VA Company, the administration order that has been made in respect of that VA Company will continue and the Administrators of that VA Company will apply for the discharge of the administration order as soon as is reasonably practicable after the latest of (i) the VA Effective Date; (ii) the payment and discharge of Allowed Administration Claims; (iii) the Administrators being satisfied that they have completed the functions required of them as Administrators pursuant to the IA 1986; and (iv) the Trustees have given the confirmations referred to in Clauses 7.2 and 7.7 above;

31. SUBMISSION TO JURISDICTION

31.1 Upon default under the Voluntary Arrangements, the Reorganized VA Companies, the Trust and the Trustees, the Future Claimants Representative and the Trust Advisory Committee, respectively, submit, in relation to any VA Claim against, or asset of, any VA Company, to the jurisdiction of the English Court or the Scottish Court, and agree that it shall be the preferred forum for all such proceedings relating to such default unless such default is also a default under the Plan, in which case the proceedings shall be heard by whichever of the English Court, the Scottish Court or the US Court constitutes the most convenient forum.

32. SUCCESSORS AND ASSIGNS

32.1 The rights, duties and obligations of any Person named or referred to in the Voluntary Arrangements shall be binding upon, and shall inure to the benefit of, the successors and assigns of such Person.

33. NOTICES

33.1 All notices, requests and demands required or permitted to be provided under the Voluntary Arrangements in order 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, to each of the parties listed below and their lawyers at the addresses set forth below:

To the VA Company:

c/o T&N Limited
Manchester International Office Centre
Styal Road
Manchester M22 5TN
United Kingdom

Attention: Chris Boydell
Facsimile: +44 (0) 161 955 5204
Telephone Confirmation: +44 (0) 161 955 5200

With copies to:

c/o Federal-Mogul Corporation
26555 Northwestern Highway
Southfield, MI 48034

APPENDIX I

The VA Companies

Name	Number	Registered Office	Administrators
AE Dayton Services Limited	00478002	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
AE Group Machines Limited	00529364	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
AE Holdings Limited	00385610	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
AE International Limited	00562880	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
AE Limited	00435189	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
AE Piston Products Limited	00801927	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Name	Number	Registered Office	Administrators
AE Sales (Africa) Limited	00444336	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Aeroplane & Motor Aluminium Castings Limited	00315630	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Amber Supervision Limited	00821260	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Ashburton Road Services Limited	00075732	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Associated Engineering Group Limited*	00526816	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Awncast Limited	00546797	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Bearings (North-Western) Limited	00406618	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Name	Number	Registered Office	Administrators
Brake Linings Limited	00235701	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Colvan Rubber Co. Limited	00994679	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Contact 100 Limited	00065025	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Cosmid Limited	01022341	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Cranhold Limited	01657314	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Dealings Limited	00731956	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Dumplington Services Limited	00891894	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Name	Number	Registered Office	Administrators
Duron Limited	00181717	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
E W Engineering Limited	00343146	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Edmunds, Walker & Co. Limited	00579908	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Engineering Components Limited	00301567	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Acquisition Company Limited*	03085843	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Aftermarket UK Limited	00219712	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	James John Gleave, Simon Vincent Freakley and Simon Wilson
Federal-Mogul Bradford Limited	00106848	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Charles Peter Holder, James John Gleave and Simon Vincent Freakley

Name	Number	Registered Office	Administrators
Federal-Mogul Brake Systems Limited*	03829854	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Bridgwater Limited	00522423	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	James John Gleave, Charles Peter Holder and Simon Vincent Freakley
Federal-Mogul Camshaft Castings Limited	00284953	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gurpal Singh Johal, James John Gleave and Simon Vincent Freakley
Federal-Mogul Camshafts Limited	00306023	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gurpal Singh Johal, James John Gleave and Simon Vincent Freakley
Federal-Mogul Engineering Limited	00166096	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Fraser James Gray, Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Eurofriction Limited	01131161	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Export Services Limited	00532743	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Name	Number	Registered Office	Administrators
Federal-Mogul Friction Products Limited	00447826	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Global Growth Limited*	03454611	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Ian Peter Phillips, James John Gleave and Simon Vincent Freakley
Federal-Mogul Ignition (U.K.) Limited*	03499987	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Fraser James Gray, James John Gleave and Simon Vincent Freakley
Federal-Mogul Powertrain Systems International Limited	00894128	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Sealing Systems Limited	00204388	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Sealing Systems (Cardiff) Limited*	02597690	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Alastair Paul Beveridge, James John Gleave and Simon Vincent Freakley
Federal-Mogul Sealing Systems (Rochdale) Limited	00399124	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Alastair Paul Beveridge, James John Gleave and Simon Vincent Freakley

Name	Number	Registered Office	Administrators
Federal-Mogul Sealing Systems (Slough) Limited	00164204	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Alastair Paul Beveridge, James John Gleave and Simon Vincent Freakley
Federal-Mogul Shoreham Limited	00359238	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Sintered Products Limited	00116952	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gurpal Singh Johal, James John Gleave and Simon Vincent Freakley
Federal-Mogul Systems Protection Group Limited	00726193	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Simon Wilson, James John Gleave and Simon Vincent Freakley
Federal-Mogul Technology Limited	00951424	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul U.K. Limited*	02670024	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Ferodo Caernarfon Limited	00986616	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Name	Number	Registered Office	Administrators
Ferodo Limited	00395385	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
FHE Technology Limited	00068370	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Fleetside Investments Limited	00795383	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
F-M UK Holding Limited*	03459039	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave, Ian Peter Phillips and Simon Vincent Freakley
FP Diesel Limited*	00643300	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Friction Materials Limited	00162644	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
G.B. Tools & Components Exports Limited	00851194	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Name	Number	Registered Office	Administrators
Genthope Limited	01477824	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Greet Limited	01591887	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Halls Gaskets Limited	00622252	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Hepworth & Grandage Limited	00347229	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
High Precision Equipment Limited	00439874	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Inblot Limited	00487399	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Instantwonder Limited	02029117	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Name	Number	Registered Office	Administrators
J.W. Roberts Limited	00168882	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Kings Park Housing Limited	01391686	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Lalton Limited	00570984	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Lanoth Limited	00142335	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Lanoth Precision Equipment Limited	00396640	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Leeds Piston Ring & Engineering Co. Limited	00321800	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
M.T.A (Kettering) Limited	00496437	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Name	Number	Registered Office	Administrators
Mantro Engineering Co. Limited	01196422	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Mobile Distributing (Spares) Limited	00379691	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Moores Plastic Units Limited	00779031	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Newalls Insulation Company Limited	00237614	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Ontall Limited	01324744	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Payen (Europe) Limited	00263795	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Pecal Limited	00240306	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Name	Number	Registered Office	Administrators
Presswork-Components Limited	00520854	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Sintration Limited	00890488	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Sourcelook Limited	02665169	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Specialloid, Limited	00177253	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
STS (1996) Limited*	02312625	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Holdings Limited	00575187	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N International Limited	01073619	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Name	Number	Registered Office	Administrators
T&N Investments Limited	SC020152	Cessnock Road, Hurlford Kilmarnock, Ayrshire, KA1 5DD, Scotland	James John Gleave, Fraser James Gray and Simon Vincent Freakley
T&N Limited	00163992	Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Materials Research Limited	00563143	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Piston Products Group Limited	00093089	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Properties Limited	01082189	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Eight Limited	01503582	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Eighteen Limited	00110444	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Fifteen Limited	00428160	c/o T&N Limited Manchester International Office Centre,	Gary Peter Squires, James John Gleave and Simon Vincent

Name	Number	Registered Office	Administrators
		Styal Road Manchester M22 5TN	Freakley
T&N Shelf Five Limited	00205578	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Four Limited	00928905	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Fourteen Limited	00272755	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Nine Limited	01119024	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Nineteen Limited	00293362	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf One Limited	00180521	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Seven Limited	00081434	c/o T&N Limited Manchester International Office Centre,	Gary Peter Squires, James John Gleave and Simon Vincent

Name	Number	Registered Office	Administrators
		Styal Road Manchester M22 5TN	Freakley
T&N Shelf Six Limited	01639676	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Sixteen Limited	00653757	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Ten Limited	00203438	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Thirteen Limited	00559408	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Thirty Limited	00141182	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Thirty-One Limited	00218236	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Thirty-Three Limited*	01846194	c/o T&N Limited Manchester International Office Centre,	Gary Peter Squires, James John Gleave and Simon Vincent

Name	Number	Registered Office	Administrators
		Styal Road Manchester M22 5TN	Freakley
T&N Shelf Three Limited	00542369	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Twenty Limited	00357221	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Twenty-Eight Limited	00490602	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Twenty-Five Limited	01087025	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Twenty-Four Limited	00343160	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Twenty-Nine Limited	00308301	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Twenty-One Limited	00376450	c/o T&N Limited Manchester International Office Centre,	Gary Peter Squires, James John Gleave and Simon Vincent

Name	Number	Registered Office	Administrators
		Styal Road Manchester M22 5TN	Freakley
T&N Shelf Twenty-Six Limited	00241356	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Twenty-Two Limited	00393100	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Two Limited	01235737	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Trade Marks Limited	00305253	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Welfare Trust Limited	00265900	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
TAF International Limited	00089658	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
TBA Belting Limited	00280117	c/o T&N Limited Manchester International Office Centre,	Gary Peter Squires, James John Gleave and Simon Vincent

Name	Number	Registered Office	Administrators
		Styal Road Manchester M22 5TN	Freakley
TBA Belting (Residual) Limited	00183045	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
TBA Industrial Products Limited	00166685	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Telford Rubber Processors Limited	00346115	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Telford Technology Supplies Limited	00280119	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
The British Piston Ring Company Limited	00182848	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
The Washington Chemical Company Limited	00166702	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Tinblo Limited	00490187	c/o T&N Limited Manchester International Office Centre,	Gary Peter Squires, James John Gleave and Simon Vincent

Name	Number	Registered Office	Administrators
		Styal Road Manchester M22 5TN	Freakley
Touchdown Adhesive Products Limited	01121844	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Turner & Newall Limited	00053916	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Turner Brothers Asbestos Company Limited	00646683	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Tynoda Limited	00443308	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Vanwall Cars Limited	00228399	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Wellworthy Limited	00310309	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Wellworthy Property Developments Limited	01141629	c/o T&N Limited Manchester International Office Centre,	Gary Peter Squires, James John Gleave and Simon Vincent

Name	Number	Registered Office	Administrators
		Styal Road Manchester M22 5TN	Freakley
William C. Jones (Polymers) Limited	00473243	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Note: the VA Companies listed in bold are also Asbestos Scheme Companies except FM UK Holding Limited which is proposing its own separate scheme of arrangement.

APPENDIX II

**The Asbestos Personal Injury
Trust Distribution Procedures**

APPENDIX III

The Plan

APPENDIX IV

The Trust Agreement

APPENDIX V

Curzon/T&N Settlement Agreement

Pursuant to the terms of the Curzon/T&N Settlement Agreement (in summary):

1. Curzon on the one hand and T&N and FMC on the other mutually released each other from any liability in respect of the issues arising in the litigation proceedings brought by European International Insurance Company against Curzon (the "EIRC Action").
2. Despite the releases mentioned in paragraph 1, Curzon retained the ability to avoid the Hercules Policy on grounds that (i) were not known to Curzon at the time of execution of the Curzon/T&N Settlement Agreement, and (ii) were not reasonably capable of being ascertained from the EIRC Action or the Part 20 Action (being the claim issued by Curzon which joined Sedgwick Limited, Sedgwick OS Limited, Sedgwick UK Risk Services Limited (collectively "Sedgwick") and Marsh USA Inc ("Marsh") as defendants to the litigation).
3. T&N agreed to reimburse Curzon (by way of set-off if elected by either party) 5.75% of all amounts that Curzon was liable to T&N under the Hercules Policy in respect only of the Ultimate Net Loss in excess of the Retained Limit (both as defined in the Hercules Policy). T&N will also be entitled to retain 5.75% of any amounts payable to Curzon by T&N under the Hercules Policy.
4. The maximum aggregate of the sums repayable by T&N to Curzon under the Hercules Policy shall be £28,750,000.
5. In the event that, under the Collateral Settlement Agreement, the obligations of Sedgwick and Marsh to pay 17.25% under the Reinsurance Agreement are discharged and Curzon repays any amounts (together with interest at 1% over Barclays Bank plc's base rate) paid under the terms of the Collateral Settlement Agreement because of proceedings:
 - (a) commenced by T&N or FMC; or
 - (b) commenced by a member of the FM Group (other than T&N or FMC) and such proceedings are not withdrawn or dismissed within 60 days of Curzon giving T&N and FMC notice of those proceedings;

then T&N has agreed to indemnify Curzon for any such amounts repaid by Curzon. In the case of proceedings by a member of the FM Group (other than T&N or FMC) the indemnity extends to all legal costs incurred by the member of the Marsh McLennan Group.

6. In the event that any proceedings are brought by a third party (not being a member of the FM Group) against any member of the Marsh McLennan Group in relation to the letter of engagement or the placement of the Hercules Policy or the associated Reinsurance Agreement, such third party obtains judgment and Curzon is required to reimburse Sedgwick and Marsh under the terms of the Collateral Settlement Agreement, then T&N has agreed to indemnify Curzon for any such amounts repaid by Curzon.

7. T&N shall be discharged from any further liability to Curzon in the event that it indemnifies Sedgwick and Marsh under the terms of the Collateral Settlement Agreement.

APPENDIX VI

VA Companies' asset values

APPENDIX VII

Defined Terms

In the Voluntary Arrangements and Voluntary Arrangement Explanatory Statement, unless inconsistent with the subject or context, the following words shall have the following meanings.

- "1997 Flexitallic Asset Purchase Agreement"** means that certain Asset Purchase Agreement, dated as of April 11, 1997, by and among T&N, Flexitallic Limited, Flexitallic Sealing Materials Ltd., Flexitallic, Inc., Goetze Vermögenswertungs, GmbH, Flexitallic Canada Ltd., Ferodo a.s., Dan=Loc Corporation, Dan=Loc Limited, Delta 72 Unternehmenswertungs GmbH, Frederique s.r.o., Dan=Loc (Canada) Ltd. and Dan=Loc Transitional, L.P.
- "Administration Claim"** means, in relation to a VA Company, any Claim that ranks in the administration of that VA Company under the laws of the relevant part of the United Kingdom as an administration expense, including, without limitation, (a) the remuneration and expenses of the Administrators properly incurred by them as administrators of that VA Company as referred to in subsection 19(4) of the IA 1986; (b) any sums payable in respect of debts or liabilities incurred, while they were Administrators, under contracts entered into by them in carrying out their functions as administrators of that VA Company as referred to in subsection 19(5) of the IA 1986; (c) any sums payable in respect of liabilities incurred, while they were Administrators, under contracts of employment adopted by the Administrators of that VA Company in carrying out their functions as administrators, to the extent that the liabilities are qualifying liabilities, for the purposes of subsection 19(6) of the IA 1986; and (d) any sums that are ordered by the English Court (or the Scottish Court if having jurisdiction) to be paid as an administration expense;
- "Administrators"** means the persons who are the administrators for the time being of the VA Companies (the Administrators of each Company being, as at the date hereof, the persons listed opposite the name of that VA Company in Appendix I);
- "Affiliate"** means, in relation to a company:
- (a) an entity that directly or indirectly owns, controls, or holds with power to vote, 20 per cent or more of the outstanding voting securities of that company, other than an entity that holds such securities:
 - (i) in a fiduciary or agency capacity without sole

discretionary power to vote such securities; or

- (ii) solely to secure a debt, if such entity has not in fact exercised such power to vote;
- (b) a corporation 20 per cent or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by that company, or by an entity that directly or indirectly owns, controls, or holds with power to vote, 20 per cent or more of the outstanding voting securities of that company, other than an entity that holds such securities:
 - (i) in a fiduciary or agency capacity without sole discretionary power to vote such securities; or
 - (ii) solely to secure a debt, if such entity has not in fact exercised such power to vote;
- (c) a Person whose business is operated under a lease or operating agreement by that company, or a Person substantially all of whose property is operated under an operating agreement with that company; or
- (d) an entity that operates the business or substantially all of the property of that company under a lease or operating agreement.

and when used with reference to any Debtor, shall include, but not be limited to, each of the entities listed in Exhibit 1.1.7 of the Plan;

"Affiliate Claims"

means all prepetition Claims against any of the Debtors held by a Debtor or non-debtor Affiliate, or any interest held by such entities in any property of the Debtors, but excluding Equity Interests, the Convertible Subordinated Debentures and Secured Claims;

"Agency Companies"

means those of the VA Companies that are listed in Appendix [] of the Voluntary Arrangement Explanatory Statement;

"Allowed"

- (a) with respect to any Claim (other than an Administrative Claim, an Administration Claim, an Asbestos Personal Injury Claim, a Bonded Claim or an Other U.K. Claim), any Claim, proof of which was timely filed in a liquidated non-contingent amount with the US Court or its duly appointed claims agent, or, in compliance with any order of the US Court regarding the filing of the Proof of Claim and with respect to which either (aa) no objection to the allowance thereof has been filed within the applicable period of limitation fixed by the Plan, the US Bankruptcy Code, the US Bankruptcy Rules or the US Court or (bb) the claim has been allowed by a Final Order (but only to the extent so

allowed);

- (b) with respect to an Asbestos Personal Injury Claim other than a Bonded Claim, the amount of any such Claim that is determined pursuant to the procedures set forth in the Asbestos Personal Injury Trust Distribution Procedures and Clauses 3, 4 and 5, or, if applicable, pursuant to a Final Order of the US Court or the English Court (or the Scottish Court if having jurisdiction). An Asbestos Personal Injury Claim that is Allowed in accordance with the foregoing, shall be, and be deemed to be, a judgment determining the legal liability against the Trust in the Allowed Amount of such Asbestos Personal Injury Claim;
- (c) with respect to any Bonded Claim, any Claim that qualifies as a Bonded Claim under the applicable definitions of the Plan, with respect to which the US Court or other court of competent jurisdiction determines by Final Order, or the applicable Debtor or Reorganized Debtor and the holder of such Claim agree, that such holder is entitled to some or all of the proceeds of the applicable supersedeas bond or other payment assurance (but only to the extent so ordered or agreed). A Bonded Claim that is "Allowed" shall constitute a final, non-appealable judgment determining the legal liability of the Debtors or their estates, as applicable; and
- (d) with respect to any Claim that is asserted to constitute an Administrative Expense:
 - (i) a Claim that represents an actual and necessary expense of preserving the estate or operating the business of the VA Companies, to the extent such Claim is determined by the Plan Proponents to constitute an Administrative Expense;
 - (ii) other than with respect to a Claim of a professional person employed under Sections 327, 328 or 1103 of the US Bankruptcy Code that is required to apply to the Bankruptcy Court for the allowance of compensation and reimbursement of expenses pursuant to Section 330 of the US Bankruptcy Code, a claim that the Plan Proponents do not believe constitutes an Administrative Expense, and such Claim is allowed in whole or in part by a Final Order of the Bankruptcy Court and only to the extent that such allowed portion is determined pursuant to a Final Order to constitute a cost or expense of administration under Sections 503(b) and 507(a)(1) of the US Bankruptcy Code; or
 - (iii) that represents a Claim of a professional person

employed under Sections 327, 328 or 1103 of the US Bankruptcy Code that is required to apply to the Bankruptcy Court for the allowance of compensation or reimbursement of expenses pursuant to Section 330 of the US Bankruptcy Code, to the extent such Claim is allowed by a Final Order of the Bankruptcy Court under Section 330 of the US Bankruptcy Code;

- (e) with respect to any Claim that is asserted to constitute an Administration Claim, a Claim that is non-contingent and (i) is properly and reasonably accepted as an Administration Claim by the Administrators or (ii) to the extent that it is determined to be an Administration Claim by Final Order of the English Court (or the Scottish Court), having competent jurisdiction over the matter;
- (f) with respect to any Other U.K. Claim, the amount of such Claim that is non-contingent and
 - (i) is properly and reasonably accepted by the Nominees or the Supervisors, as applicable, of the relevant VA Company as owing by that VA Company, or
 - (ii) is determined to be such by Final Order of the English Court (or the Scottish Court if having jurisdiction) pursuant to the terms of the FM Group Scheme and/or the Voluntary Arrangements, as applicable, for such VA Company;

"Allowed Amount"	means, with respect to any Claim, the amount in which that Claim is Allowed, denominated in pounds sterling;
"Asbestos Claimants' Committee"	means the Official Committee of Asbestos Claimants appointed in the Reorganization Cases by the United States Trustee;
"Asbestos Claims Termination Date"	in relation to each VA Company, has the meaning given to it by Clause 25.1;
"Asbestos Creditors' Explanatory Statement"	means the explanatory statement relating to the Asbestos Creditors' Scheme including all exhibits, appendices, schedules and annexures attached thereto forming part of the Asbestos Creditors' Scheme;
"Asbestos Creditors' Scheme"	means the proposed Section 425 Schemes between each of the Asbestos Scheme Companies and its Asbestos Scheme Creditors together with any modification thereof or addition thereto approved or imposed by the English Court (or the Scottish Court if having jurisdiction);
"Asbestos In-Place"	means any insurance coverage available for the payment of

- Insurance Coverage"** reimbursement of liability, indemnity or defence costs arising from or related to Asbestos Personal Injury Claims or Trust Expenses under any Asbestos Insurance Policy or any Asbestos Insurance Settlement Agreement;
- "Asbestos Insurance Action"** means any claim, cause of action, or right of the Debtors or any of them, under the laws of any jurisdiction, against any Asbestos Insurance Company, arising from or related to: (a) any such Asbestos Insurance Company's failure to provide or pay under Asbestos In-Place Insurance Coverage, (b) the refusal of any Asbestos Insurance Company to compromise and settle any Asbestos Personal Injury Claim under or pursuant to any Asbestos Insurance Policy, or (c) the interpretation or enforcement of the terms of any Asbestos Insurance Policy with respect to any Asbestos Personal Injury Claim; provided, however, Asbestos Insurance Action shall not include any claim, cause of action, or right of the Debtors or any of them, under the laws of any jurisdiction, against any Asbestos Insurance Company for reimbursement, indemnity, breach of contract for insurance, statutory and common law bad faith or otherwise arising from or relating to any payments made by the Debtors on account of Asbestos Personal Injury Claims prior to the Petition Date;
- "Asbestos Insurance Action Recoveries"** means:
- (a) cash derived from and paid pursuant to Asbestos Insurance Settlement Agreements entered into prior to the Confirmation Hearing;
 - (b) the right to receive proceeds of Asbestos In-Place Insurance Coverage; and
 - (c) the right to receive the proceeds or benefits of any Asbestos Insurance Action;
- "Asbestos Insurance Company"** means any insurance company, insurance broker or syndicate insurance broker, guaranty association or any other Person with liability under an Asbestos Insurance Policy, including any reinsurers with respect to claims covered by an Asbestos Insurance Policy;
- "Asbestos Insurance Policy"** means (a) any insurance policy (other than the Hercules Policy and any EL Policy) in effect at any time on or before the VA Effective Date naming the Debtors (or any predecessor, subsidiary, or past or present Affiliate of the Debtors) as an insured, or otherwise affording the Debtors indemnity or insurance coverage, upon which any claim has been or may be made with respect to any Asbestos Personal Injury Claim or (b) any reinsurance agreement relating to an Asbestos Insurance Policy as defined in (a) above to which an Asbestos Insurance Company is a party;

"Asbestos Insurance Settlement Agreement"

means any settlement agreement with a Settling Asbestos Insurance Company relating to any Asbestos Personal Injury Claim;

"Asbestos Personal Injury Claim"

means a liquidated or unliquidated claim against one or more of the Debtors or their non-Debtor Affiliates, or their present or former officers, directors or employees of any of them, whether asserted by agents or employees of the Debtors or their non-Debtor Affiliates or any other Person, whether in the nature of or sounding in tort, contract, warranty, employer liability or any other theory of law, equity or admiralty, whatsoever, for, attributable to or arising under the laws of any jurisdiction, by reason of, directly or indirectly, physical, emotional or other personal injuries or other damages caused, or allegedly caused, in whole or in part directly or indirectly, by the presence of, or exposure to, asbestos – including but not limited to, asbestos-containing products, automotive or industrial parts and components, equipment, manufacturing processes, improvements to real property or materials manufactured, sold, supplied, produced, specified, selected, distributed or in any way marketed by one or more of the Debtors or their non-Debtor Affiliates or the predecessors of any of them – and arising or allegedly arising, directly or indirectly, from acts or omissions of one or more of the Debtors, their non-Debtor Affiliates or the predecessors of any of them, including, but not limited to, all claims, debts, obligations or liabilities for compensatory damages (such as, without limitation, loss of consortium, medical monitoring, personal or bodily injury, wrongful death, survivorship, proximate, consequential, general and special damages) and punitive damages. Asbestos Personal Injury Claims shall include, without limitation, (i) Indirect Asbestos Personal Injury Claims, (ii) Asbestos Personal Injury Demands, (iii) any Claim or Demand based upon, arising under or attributable to an asbestos personal injury settlement agreement or protocol entered into by CCR on behalf of one or more of the Debtors, (iv) any Claims asserted by CCR against the Debtors or their non-Debtor Affiliates excluding any Claim asserted by the CCR for postpetition fees and expenses incurred in connection with the Reorganization Cases and (v) any Claim or Demand by an EL Insurer or Curzon or any of the Reinsurers for premium, indemnity, reimbursement, contribution, fees, expenses or otherwise in connection with their respective policies or Asbestos Personal Injury Claims. Notwithstanding the foregoing, Asbestos Personal Injury Claims shall not include Bonded Asbestos Personal Injury Claims or the CCR Bond Claim, but shall include the unsecured deficiency, if any, of any Bonded Asbestos Personal Injury Claim or the CCR Bond Claim. For purposes of this definition only, the term non-Debtor Affiliates shall mean Affiliates of the Debtors on or prior to the VA Effective Date that are not Debtors;

"Asbestos Personal Injury Demand or Demand"

means a demand as such term is used and defined in Section 524(g)(5) of the US Bankruptcy Code, including a demand for payment, present or future, that (i) was not a Claim prior to the VA Effective Date; (ii) arises out of the same or similar conduct or events that gave rise to an Asbestos Personal Injury Claim or the Claims addressed by the Supplemental Injunction, the Third Party Injunction or the Asbestos Insurance Entity Injunction (as described in Sections 9.3.1, 9.3.2 and 9.3.3 of the Plan); and (iii) pursuant to the Plan, the Schemes and/or the Voluntary Arrangements, is to be satisfied exclusively by the Trust;

"Asbestos Personal Injury Expenses"

means all costs, taxes and expenses of or imposed on the Trust attributable or allocable to Asbestos Personal Injury Claims, including, but not limited to, trustee compensation, employee compensation, insurance premiums, legal, accounting and other professional fees and expenses, overheads, disbursements and expenses relating to the implementation of the Asbestos Personal Injury Trust Distribution Procedures, but excluding payments to holders of Asbestos Personal Injury Claims on account of such Claims or Demands, or reimbursements of such payments;

"Asbestos Personal Injury Trust Distribution Procedures"

means the Asbestos Personal Injury Trust Distribution Procedures, substantially in the form set out in Appendix II or as subsequently modified or amended;

"Asbestos Property Damage Claims"

means a liquidated or unliquidated Claim against, or any debt, obligation or liability of one or more of the Debtors, arising under the laws of any jurisdiction, whether in the nature of or sounding in tort, contract, warranty or any other theory of law, equity or admiralty, for, attributable to or arising by reason of, directly or indirectly, property damages, including, but not limited to, diminution in the value thereof, or environmental damage or economic loss caused or allegedly caused, directly or indirectly, by asbestos - including, but not limited to, asbestos-containing products, automotive or industrial parts and components, equipment, manufacturing processes, improvements to real property or materials manufactured, sold, supplied, produced, specified, selected, distributed or in any way marketed by one or more of the Debtors or their predecessors - and arising or allegedly arising, directly or indirectly, from acts or omissions of one or more of the Debtors, or their predecessors, including, but not limited to, all claims, debts, obligations or liabilities for compensatory and punitive damages, and also including, without limitation, any claim for contribution, reimbursement, subrogation or indemnity, whether contractual or implied by law, attributable to Asbestos Property Damage Claims. Asbestos Property Damage Claims shall exclude all Asbestos Personal Injury Claims;

"Asbestos Scheme Companies"

means those of the VA Companies that are proposing the Asbestos Creditors' Scheme and which are indicated in heavy type as

"Asbestos Scheme Companies" in Appendix I;

"Bank Claims"

means any and all obligations, rights, claims or interests, whether secured or unsecured, matured or unmatured, fixed or contingent, including, but not limited to, principal, accrued and unpaid interest, charges, costs, breakage fees, counsel fees, contingent reimbursement obligations under unfunded or partially drawn letters of credit, and any and all other rights to payment of money arising under, based upon or related to the Bank Credit Agreement;

"Bradford"

means Federal-Mogul Bradford Limited whose company number and registered office appear in Appendix I;

"Business Day"

means any day other than a Saturday, Sunday or legal holiday in the US (as such term is defined in US Bankruptcy Rule 9006(a)) or any public holiday in the UK;

"CA 1985"

means the Companies Act 1985 of the United Kingdom, as amended and in force as at the Petition Date;

"Cash"

means in relation to the VA Companies pounds sterling or the lawful currency of the United Kingdom;

"CCR"

means the Center for Claims Resolution, a Delaware non-profit corporation;

"Claim"

means:

- (a) any right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; or
- (b) any right to an equitable remedy for breach or performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured,

and such expression shall include, but not be limited to, Asbestos Personal Injury Claims and interests other than Equity Interests;

"Collateral Settlement Agreement"

means the settlement agreement dated 16 January 2004 and made between Curzon, FMC, T&N, Sedgwick Limited, Sedgwick UK Risk Services Limited, Sedgwick OS Limited and Marsh USA Inc;

"Company Specific Distribution Ratio"

means, in relation to a VA Company, a ratio, the numerator of which shall be (i) the value of the referenced VA Company's assets as set forth in Appendix VI if the Consensual Marketing Procedures are not performed for the referenced VA Company or (ii) the Market Value of the referenced VA Company's assets if the

	Consensual Marketing Procedures are performed for the referenced VA Company and the denominator of which shall be all Asbestos Personal Injury Claims against the referenced VA Company and the Allowed Amount of all other Claims against the referenced VA Company;
"Confirmation" or "Confirmation of the Plan"	means the entry of an order approving the Plan in accordance with Section 1129 of the US Bankruptcy Code;
"Confirmation Date"	means the date on which the Confirmation Order is entered on the docket of the US Court;
"Confirmation Order"	means the order confirming the Plan pursuant to Section 1129 and other applicable sections of the US Bankruptcy Code;
"Consensual Marketing Procedures"	means the process by which Federal-Mogul Corporation, by agreement with the Administrators, shall retain those businesses and/or assets of the VA Companies that are valuable to it and its customers and by which those businesses and by which these businesses and/or assets of the VA Companies that are not valuable to Federal Mogul Corporation and its customers may be marketed and sold to third-party purchasers, as more fully described in Section 8.16.1 of the Plan;
"Creditors' Committee"	means, in relation to any VA Company, the committee (if any) of VA Creditors of that VA Company appointed at the meeting of VA Creditors of the VA Company;
"Creditors' Meeting"	means the meeting of creditors held under section 4 of the IA 1986 to consider and if thought fit to approve the Proposals or any further meeting of creditors, VA Creditors or Relevant VA Creditors convened under the IA 1986;
"CRU"	means the Compensation Recovery Unit under the Social Security (Recovery of Benefits) Act 1997;
"Curzon"	means Curzon Insurance Limited, a company incorporated in Guernsey that is a Subsidiary Undertaking of T&N, which acts as a captive insurer for the FM UK Group and which is the insurer under the Hercules Policy;
"Curzon/T&N Settlement Agreement"	means the settlement agreement dated 16 January, 2004 and made between Curzon, FMC (on behalf of itself and all the Debtors) and T&N acting by its Administrators;
"CVA"	means a company voluntary arrangement proposed under Part I of the IA 1986 and Part I of the IR 1986;
"Dan=Loc Deed of Guarantee"	means that certain Deed of Guarantee, dated as of 11 April 1997, by and among T&N, Dan=Loc Corporation, Dan=Loc, Inc., Dan=Loc Limited, Delta 72 Unternehmenswerwaltungs GmbH, Frederique s.r.o., Dan=Loc (Canada) Ltd., Dan=Loc Investments,

Inc. and Dan=Loc Transitional, L.P.;

"Dan=Loc Deed of Special Indemnity"

means that certain Deed of Special Indemnity, dated as of 11 April 1997, by and among T&N, Flexitallic Limited, Flexitallic Sealing Materials Ltd., Flexitallic, Inc., Goetze Vermögensverwaltungs, GmbH, Flexitallic Canada Ltd., Ferodo a.s., Dan=Loc Corporation, Dan=Loc Limited, Delta 72 Unternehmensverwaltungs GmbH, Frederique s.r.o., Dan=Loc (Canada) Ltd. and Dan=Loc Transitional, L.P.;

"Dan=Loc Group"

means Dan=Loc Corporation and its subsidiaries or affiliates and their respective successors, including but not limited to, The Flexitallic Group, Inc. and its subsidiaries and affiliates;

"Dan=Loc Indemnified Indirect Asbestos Personal Injury Claims and Demands"

means any Asbestos Personal Injury Claim or Demand that is both: (a)(i) based upon exposure, occurring at any time, to an asbestos containing product which was manufactured, distributed, or sold prior to 11 April 1997 by Gasket Holdings Inc. (formerly known as Flexitallic, Inc.) or any other Debtor, that has been, is or could be asserted against the Dan=Loc Group, or (ii) based upon exposure, prior to 11 April 1997, to asbestos present in the internal or external fabric of any building owned or leased by Gasket Holdings Inc. or any other Debtor and which was acquired or leased by the Dan=Loc Group from Gasket Holdings Inc. or any other Debtor under the terms of the 1997 Flexitallic Asset Purchase Agreement, that has been, is or could be asserted against the Dan=Loc Group; and (b) is an "Asbestos Related Claim" (as such term is defined in the Dan=Loc Deed of Special Indemnity) subject to indemnification by Gasket Holdings Inc. under Section 2.2 of the Dan=Loc Deed of Special Indemnity and Section 2.2 of the Dan=Loc Deed of Guarantee (copies of which are attached as Exhibit 1.1.55 to the Plan). Dan=Loc/Gasket Holdings Inc. Indemnified Asbestos Personal Injury Claims and Demands shall also include any Asbestos Personal Injury Claims and Demands asserted in connection with any asbestos containing product manufactured, distributed or sold by Gasket Holdings Inc. or any other Debtor prior to 11 April 1997, which Asbestos Personal Injury Claim also alleges exposure to any asbestos containing product manufactured, distributed or sold by the Dan=Loc Group on or after 11 April 1997, and which Asbestos Personal Injury Claim is based upon exposure to asbestos from such product during a period of time both prior to and after 11 April 1997, but only to the extent of the percentage allocable to Gasket Holdings Inc. or any other Debtor pursuant to and in accordance with the sharing provisions set forth in Section 2.5 of the Dan=Loc Deed of Special Indemnity; provided, however, that in no event shall Dan=Loc Indemnified Indirect Asbestos Personal Injury Claims and Demands include any Claims or Demands made against the Dan=Loc Group at any time after 11 April 2024;

"Debtors"	means Federal Mogul Corporation and its affiliated U.S. Debtors and the VA Companies (or any of them as the context may require);
"Disbursing Agent"	means Reorganized Federal-Mogul Corporation or any Person selected by Reorganized Federal-Mogul Corporation (with the approval of the US Court) to hold and distribute the consideration to be distributed to the holders of Allowed Claims (other than Asbestos Personal Injury Claims) under the Plan and the Voluntary Arrangements;
"Distribution Date"	when used with respect to an Allowed Claim (other than an Asbestos Personal Injury Claim that is not a Bonded Asbestos Personal Injury Claim), means the date which is as soon as reasonably practicable after the later of: (a) the VA Effective Date, and (b) the first Business Day of the next calendar quarter after the date upon which the Claim becomes Allowed, unless the Claim becomes Allowed within fifteen Business Days before the first Business Day of the next calendar quarter, in which case the Distribution Date shall be the first Business Day of the next succeeding calendar quarter;
"Dividend"	means subject to the sufficiency of funds available, a distribution made in respect of Relevant VA Claims made under the terms of Clause 15;
"EC Regulation"	means the Council Regulation (EC) No. 1346/2000 of 29 May 2000;
"EL Coverage"	means insurance policies that afford or may afford T&N and any applicable VA Companies with rights of indemnity or insurance coverage with respect to among other things any Asbestos Personal Injury Claim asserted by an employee or former employee relating to exposure to asbestos in the course of such individual's employment;
EL Coverage Expiry Date	has the meaning given to it in Clause 4.3.2, but subject to Section 8.16.3 of the Plan;
"EL Insurer"	means any insurer with respect to the EL Coverage;
"EL Policy"	means any insurance policy with respect to EL Coverage;
"Employee Benefit Plan"	means any employment, compensation, pension, healthcare (including, but not limited to, medical, surgical, hospital, dental and counselling), bonus, incentive compensation, sick leave and other leaves (including, but not limited to, jury service, maternity and military service), holiday pay, expense reimbursement, dependent care, retirement, savings, workers compensation, life insurance, disability, dependent care, dependent healthcare, education, car allowance, miscellaneous executive benefits,

severance or other benefit plan or arrangement for the benefit of the directors, officers or employees (whether salaried or hourly, active or retired) of the VA Company;

"English Court"

means the High Court of Justice in England and Wales or such other court in England and Wales as for the time being has jurisdiction in relation to the Voluntary Arrangements;

"Equity Interest"

means any equity interest in the Debtors represented by (a) existing Federal-Mogul Corporation common or preferred stock; or (b) shares of the capital stock in the remaining Debtors, whether or not issued;

"Established"

has the meaning given to it by Clause 4.17;

"Exchange Rate"

means, on any day, the London Spot Mid-Point Rate on that day, as published in the Financial Times of London;

"Federal-Mogul Corporation" or "FMC"

means Federal-Mogul Corporation, a corporation incorporated in Michigan, United States of America, whose principal office is at 26555 Northwestern Highway, Southfield, MI 38034;

"Final Order"

means an order or judgment of any court of competent jurisdiction, the implementation, operation or effect of which has not been stayed and as to which order (or any revision, modification or amendment thereof) the time to appeal or seek review, rehearing or writ of certiorari has expired and as to which no appeal or petition for review, rehearing or certiorari has been taken and is pending;

"FM Group"

means FMC and its Subsidiary Undertakings for the time being;

"FM Group Schemes"

means the Asbestos Creditors' Scheme and the FMUK Holding Scheme when referred to together;

"FM Group Scheme Documents"

means the documents containing the terms of the FM Group Schemes including, without limitation, the Asbestos Creditors' Explanatory Statement;

"FM Ignition"

means Federal-Mogul Ignition (U.K.) Limited whose company number and registered office appear in Appendix I;

"FM Ignition Pension Plan"

means the pension scheme known as the Champion Pension Scheme, a defined benefits plan, operated by Federal-Mogul Ignition (U.K.) Limited for eligible employees;

"FM Ignition Pension Plan Trustees"

means the trustees for the time being of the FM Ignition Pension Plan and, as at the date hereof, being Ann Hearn Associates Limited, Joseph Breitenbeck, Ian Emery, Christine Goffogg, Nigel Reid and Richard Green;

"FM UK Group"	means FMUK Holding and its Subsidiary Undertakings for the time being;
"FMUK Holding"	means F-M UK Holding Limited whose company number and registered office appear in Appendix I;
"FMUK Holding Scheme"	means the proposed Section 425 Scheme between FMUK Holding and certain of its creditors together with any modification thereof or addition thereto approved or imposed by the English Court;
"Future Claimants Representative"	means Eric D. Green (or any US Court-appointed successor) who was appointed by the US Court in the Reorganization Cases pursuant to an Order dated 11 February, 2002 as the legal representative of any and all persons described in Section 524(g)(4)(B)(i) of the US Bankruptcy Code who may assert demands, as that term is defined in Section 524(g)(5) of the US Bankruptcy Code;
"Hercules Insurance Recoveries"	means all such amounts as are referred to in sub-paragraphs (a)(ii) and (a)(iii) of the definition of "Hercules Policy Expiry Date";
"Hercules Policy"	means the Asbestos Liability Policy number CZ7/96 ASB/096 dated 30 December 1996 and made between T&N (then known as "T&N plc") and Curzon;
"Hercules Policy Expiry Date"	means, subject to Section 8.16.3 of the Plan, the date which is the earlier of: <ul style="list-style-type: none"> (a) the date that <ul style="list-style-type: none"> (i) the £690 million retention has been satisfied; (ii) the £500 million layer of coverage under the Hercules Policy has been exhausted or is otherwise determined by agreement, judicial proceedings, or otherwise to be unavailable; and (iii) all other amounts under or with respect to the Hercules Policy including, without limitation, amounts recoverable as a result of any breach by Curzon of its obligations under or with respect to the Hercules Policy, to the extent that they exceed the £500 million layer of coverage, are recovered or are otherwise determined to be unavailable; or (b) the date that the Hercules Policy ceases to have effect whether by commutation or otherwise;
"Hercules-Protected Entities"	means: <ul style="list-style-type: none"> (a) Reorganized T&N;

- (b) the Debtors listed as subsidiaries or subsidiary undertakings of T&N in Schedule B to the Hercules Policy as reorganized under and pursuant to the Plan; and
- (c) the non-Debtor companies listed as subsidiaries or subsidiary undertakings of T&N in Schedule B to the Hercules Policy.

"Reorganized Hercules-Protected Entities" means the companies identified in paragraphs (a) and (b) above and **"Non-Debtor Hercules-Protected Entities"** means the companies identified in paragraph (c) above;

"IA 1986"

means the Insolvency Act 1986 of the United Kingdom as amended and in force at the Petition Date;

"Indirect Asbestos Personal Injury Claim"

means any Asbestos Personal Injury Claim for contribution, reimbursement, subrogation or indemnity, whether contractual or implied by law (as those terms are defined by the applicable non-bankruptcy law of the relevant jurisdiction), and any other derivative or indirect Asbestos Personal Injury Claim of any kind whatsoever, whether in the nature of or sounding in contract, tort, warranty or any other theory of law, equity or admiralty, whatsoever. Without limitation, Indirect Asbestos Personal Injury Claims include (i) Claims or Demands held or asserted by CCR against the Debtors or their Affiliates on its own behalf or on behalf of current or former members of CCR with respect to Asbestos Personal Injury Claims; (ii) Claims or Demands held or asserted by current or former members of CCR with respect to Asbestos Personal Injury Claims; (iii) Claims or Demands with respect to asbestos personal injury claims arising from or attributable to the 1998 acquisition by Federal-Mogul Products, Inc. ("**F-M Products**") of the stock of Moog Automotive, Inc. from Cooper Industries, Inc. ("**Cooper**"), and F-M Products' assumption of Cooper's pre-existing indemnity obligation in favour of Pneumo Abex Corporation in connection with such acquisition; (iv) Dan=Loc Indemnified Indirect Asbestos Personal Injury Claims and Demands (v) Claims or Demands held or asserted by any EL Insurer or Curzon or any of the Reinsurers; and (vi) Claims or Demands held or asserted by the CRU;

"IR 1986"

means the Insolvency Rules of 1986 of the United Kingdom, as amended and in force at the Petition Date;

"Lien"

means, with respect to any asset or property, any mortgage, lien, pledge, charge, security interest, encumbrance or other security device of any kind pertaining to or affecting such asset or property;

"Market Value"

means the value of certain or all of the VA Companies as may be determined in accordance with the Consensual Marketing

Procedures;

"Nominees" means [];

"Non-Priority FM Ignition Pension Employee Benefit Claim" means any Claim that arises from or relates to the FM Ignition Pension Plan and is neither secured nor entitled to priority or preference to other Claims under the US Bankruptcy Code or U.K. insolvency laws. For the avoidance of doubt, Non-Priority FM Ignition Employee Benefit Claims include claims described in Section 1114 of the US Bankruptcy Code except to the extent such retiree benefit claim is entitled to priority under Section 503 of the US Bankruptcy Code;

"Non-Priority T&N Pension Plan Employee Benefit Claim" means any Claim that arises from or relates to the T&N Pension Plan and is neither secured nor entitled to priority or preference to other Claims under the US Bankruptcy Code or U.K. insolvency laws. For the avoidance of doubt, Non-Priority T&N Pension Plan Employee Benefit Claims include claims described in Section 1114 of the US Bankruptcy Code except to the extent such retiree benefit claim is entitled to priority under Section 503 of the US Bankruptcy Code;

"Non Scheme VA Company" means a VA Company which is not also an Asbestos Scheme Company;

"Noteholder Claims" means all Claims of the Noteholders against Federal-Mogul Corporation arising under or evidenced by the Notes or the Indentures for the Notes and related documents. Notwithstanding the foregoing, Noteholder Claims shall not include any Convertible Subordinated Debenture Claims or Subordinated Securities Claims;

"Notes" means Federal-Mogul Corporation's 7.5% Notes due 2009, 7.375% Notes due 2006, 7.75% Notes due 2006, 7.875% Notes due 2010, 7.5% Notes due 2004, 8.8% Senior Notes due 2007, 8.37% Medium Term Notes due 2001, 8.25% Medium Term Notes due 2005, 8.33% Medium Term Notes due 2001, 8.12% Medium Term Notes due 2003, 8.16% Medium Term Notes due 2003 and 8.46% Medium Term Notes due 2002;

"Omitted Relevant VA Claim" has the meaning given to it by Clause 14.9;

"Other U.K. Claims" means Asbestos Property Damage Claims, if any, and any other Claims asserted against a VA Company other than an Administrative Claim, an Administration Claim, an Asbestos Personal Injury Claim, a Bank Claim, a Noteholder Claim and any Secured portion of a Surety Claim;

"Person" means any person, individual, partnership, corporation, limited liability company, joint venture company, association or other

entity or being of whatever kind, whether or not operating or existing for profit;

- "Petition Date"** means 1 October 2001, except in relation to T&N Investments Limited, where such date shall be 5 April 2002;
- "Plan"** means the Third Amended Joint Plan of Reorganization filed with the US Court by the Plan Proponents as the same may be amended or modified from time to time pursuant to Section 1127 of the US Bankruptcy Code (a copy of which is set out in Appendix III);
- "Plan Documents"** means all documents, attachments and exhibits related to the Plan, including, but not limited to, the Trust Documents, that aid in effectuating the Plan, which documents, attachments and exhibits shall be filed by the Plan Proponents with the US Court on or before the Plan Documents Filing Date;
- "Plan Documents Filing Date"** means the date for the filing of the Plan Documents (or any of them) which shall be either:
- (a) the date, as determined by the Plan Proponents, that is as soon as practicable, but in no event later than 14 Business Days before the deadline for filing objections to Confirmation of the Plan, or
 - (b) such other date (or dates) as determined by the US Court;
- "Plan Effective Date"** means the "Effective Date" as defined in the Plan;
- "Plan Proponents"** means, collectively, the Debtors, the Unsecured Creditors Committee, the Asbestos Claimants Committee, the Future Claimants Representative, the Administrative Agent and the Equity Committee;
- "Preferential Claims"** means the preferential debts of the VA Company (if any) under section 386 of the IA 1986;
- "Proposals"** means these proposals for a CVA together with any modifications or amendments thereto;
- "Reinsurance Agreement"** means the Reinsurance Agreement dated 30 December 1997 entered into between Curzon and the Reinsurers whereby Curzon re-insured all its liability under the asbestos liability policy number CZ7/96 ASB/096 which was issued by Curzon in favour of T&N;
- "Reinsurers"** means Centre Reinsurance International Company, European International Reinsurance Company Limited and Münchener Rückversicherungs-Gesellschaft when referred to together;
- "Released Parties"** means each of (a) the Debtors, their non-Debtor Affiliates (excluding, however, any Person that may qualify as an Affiliate,

but that is not commonly owned or controlled by the Debtors), the Affiliated Subsidiary Undertakings, the Reorganized Debtors, and their respective present and former agents, attorneys, accountants, financial advisors, restructuring consultants and investment bankers (but specifically excluding Rothschild Inc.) and their respective successors or assigns, (b) the officers and directors of the Debtors, their non-Debtor Affiliates (excluding, however, any Person that may qualify as an Affiliate, but that is not commonly owned or controlled by the Debtors), and the Affiliated Subsidiary Undertakings, who were serving as officers or directors on or after the Petition Date, (c) the Official Committees and their respective members, agents, attorneys, accountants, financial advisors, restructuring consultants and investment bankers, (d) the Future Claimants Representative and his agents, attorneys, accountants, financial advisors, restructuring consultants and investment bankers, and (e) the holders of Noteholder Claims, the holders of Bank Claims and the Administrative Agent, together in each case with all of their respective officers, directors, employees, agents, attorneys, accountants, financial advisors, restructuring consultants and investment bankers;

- "Relevant VA Claims"** means the VA Claims other than the Asbestos Personal Injury Claims and the Secured Claims;
- "Relevant VA Claims Termination Date"** in relation to each VA Company, has the meaning given to it by Clause 25.2;
- "Reorganization Cases"** means the cases currently pending under Chapter 11 of the US Bankruptcy Code of Federal-Mogul Corporation and its Affiliated Debtors before the US Court;
- "Reorganized Federal-Mogul Corporation"** means Federal-Mogul Corporation on and after the Plan Effective Date, as reorganized pursuant to the Plan. **Reorganized Debtor**, **Reorganized [name of Debtor]**, **Reorganized Company** or **Reorganized VA Company** shall have the same meaning with reference to the particular Debtor or VA Company identified. In each instance, and unless a successor entity is specified, the Reorganized Debtor shall consist of the same legal entity as the corresponding Debtor, but subject to the terms and conditions of the Plan, including, without limitation, the discharge, release and Injunctions under Article IX of the Plan, and, except as provided in Article IV of the Plan, each Reorganized Debtor shall have and incur no successor liability with respect to Claims or Demands that may have existed prior to Confirmation of the Plan;
- "Reorganized Federal-Mogul Class B Common Stock"** has the meaning set out in the Amended and Restated Certificate of Incorporation of Federal-Mogul Corporation which is attached as Exhibit 8.3.9(1) of the Plan;
- "Scottish Company"** means T&N Investments Limited, a company incorporated in Scotland whose company number and registered office appear in

Appendix I;

- "Scottish Court"** means the Court of Session in Edinburgh, Scotland or such other court in Scotland as for the time being has jurisdiction in relation to the Scottish Company;
- "Section 425 Scheme"** means a scheme of arrangement under Section 425 CA 1985;
- "Secured Claims"** means, with respect to any Claim, a Claim that is (a) secured in whole or in part as of the Petition Date, by a Lien which is valid, perfected and enforceable under applicable law and is not subject to avoidance under the US Bankruptcy Code, the IA 1986 or other applicable law, or (b) subject to set-off under Section 553 of the US Bankruptcy Code or other applicable law, but, with respect to both (a) and (b) above, only to the extent of the value of the holder of such Claim's interest in the particular Estate's interest in the property securing any such Claim or the amount subject to set-off, as the case may be;
- "Settling Asbestos Insurance Company"** means any Asbestos Insurance Company that enters into an Asbestos Insurance Settlement Agreement that is sufficiently comprehensive in the determination of the Plan Proponents;
- "Small Company"** means a VA Company (other than T&N and FM Ignition) with assets having a value as set forth in Appendix VI, of less than £1,000,000 or liabilities to unaffiliated creditors excluding holders of Asbestos Personal Injury Claims other than those that have been asserted in lawsuits filed in the United Kingdom on or before the date the Plan was filed with the US Court having a value of less than £1,000,000;
- "Small Company Specific Distribution Ratio"** means, in relation to a Small Company, a ratio, the numerator of which shall be (i) the value of the referenced Small Company's assets as set forth in Appendix VI if the Consensual Marketing Procedures are not performed or (ii) the Market Value of the referenced VA Company's assets if the Consensual Marketing Procedures are performed and the denominator of which shall be the Allowed Amount of all other Claims against the referenced Small Company, excluding Asbestos Personal Injury Claims other than those that have been asserted in lawsuits filed in the United Kingdom on or before the date the Plan was filed with the US Court;
- "Subordination Deed"** means an agreement wherein certain of the Debtors or their Affiliates holding Affiliate Claims against a Debtor consensually agree to:
- (i) subordinate their Claims, so that the legal right and priority of payment on their Claim is subordinate to all non-Affiliate Claims against the applicable Debtor; or

- (ii) extinguish and discharge their Claims in whole or in part;
or
- (iii) leave unaltered the legal, equitable and contractual rights to which such Claims entitled the holder;

provided, however, that prior to such discharge and extinguishment such Affiliate Claims may be contributed to capital, transferred, set-off or subject to any other arrangement at the option of the Plan Proponents. The Subordination Deed shall be filed with the US Court at least 30 days prior to the deadline for casting votes on the Plan;

- "Subsidiary Undertaking"** has the meaning given to that expression by section 258 of the CA 1985;
- "Supervisors"** means in relation to a VA Company, the joint supervisors of the Voluntary Arrangements over that VA Company who are elected supervisors of the VA Company at the Creditors' Meeting or their duly appointed successors;
- "Surety Claims"** means, in relation to T&N only, the unsecured contingent reimbursement obligations arising under and related to any indemnity contract or guarantee in favour of the sureties relating to the performance bonds issued by certain sureties in favour of the CCR;
- "T&N"** means T&N Limited whose company number and registered office appear in Appendix I;
- "T&N Distribution Ratio 1"** means a ratio, the numerator of which shall be 79% of the value of the Reorganized Federal-Mogul Class B Common Stock as determined at the Confirmation Hearing and the denominator of which shall be the tort system estimate of all Asbestos Personal Injury Claims against T&N;
- "T&N Distribution Ratio 2"** means a ratio, the numerator of which shall be the value of T&N's assets as determined at the Confirmation Hearing either in accordance with the Consensual Marketing Procedures or as otherwise determined by the Court and the denominator of which shall be the sum of (i) the tort system estimate of all Asbestos Personal Injury Claims against T&N and (ii) the Allowed Amount of all other Claims against T&N including, without limitation, Affiliate Claims against T&N ;
- "T&N Pension Plan"** means the T&N Retirement Benefits Scheme (1989), a defined benefits plan operated by T&N and certain of the other VA Companies for eligible employees;
- "T&N Pension Plan Trustees"** the trustees for the time being of the T&N Pension Plan and, as at the date hereof, being Alexander Forbes Trustee Services Limited

and T&N Pension Trustee Limited;

- "Trust"** means the trust or trusts established pursuant to the Trust Agreement and in accordance with Section 524(g) of the US Bankruptcy Code;
- "Trust Advisory Committee" or "TAC"** means that committee appointed and serving in accordance with Section 4.10.1 of the Plan and having the powers, duties and obligations set forth in the Trust Agreement;
- "Trust Agreement"** means that certain Asbestos Personal Injury Trust Agreement, effective as of the Confirmation of the Plan, substantially in the form set out in Appendix IV;
- "Trust Assets"** means the following assets and any income, profits and proceeds derived from such assets subsequent to the transfer of such assets to the Trust: (a) the Reorganized Federal-Mogul Class B Common Stock to be distributed to the Trust pursuant to the Plan, (b) the Asbestos Insurance Actions and the Asbestos Insurance Action Recoveries attributable to any Asbestos Personal Injury Claims, (c) the Asbestos Insurance Settlement Agreements attributable to any Asbestos Personal Injury Claims, other than such agreements attributable to the Hercules Policy, (d) the Trust Causes of Action and (e) any and all other funds, proceeds or other consideration otherwise contributed to the Trust pursuant to the Confirmation Order;
- "Trust Causes of Action"** means any and all of the actions, claims, rights, defences, counterclaims, suits and causes of action of the Debtors (other than, prior to the Hercules Policy Expiry Date, the Hercules-Protected Entities and other than any such actions, claims, rights, defences, counterclaims, suits and causes of action with respect to the EL Coverage), whether known or unknown, in law, at equity or otherwise, whenever and wherever arising under the laws of any jurisdiction attributable to: (a) all defences to any Asbestos Personal Injury Claim including, but not limited to, all defences under Section 502 of the US Bankruptcy Code, (b) with respect to any Asbestos Personal Injury Claim, all rights of set-off, recoupment, contribution, reimbursement, subrogation or indemnity (as those terms are defined by the non-bankruptcy law of any relevant jurisdiction) and any other indirect claim of any kind whatsoever, whenever and wherever arising or asserted, and (c) subject to the provisions of the Plan any other claims or rights with respect to Asbestos Personal Injury Claims that the Debtors (other than, prior to the Hercules Policy Expiry Date, the Hercules-Protected Entities and other than any such claims or rights with respect to the EL Coverage) would have had under applicable law if the Reorganization Cases had not occurred and the holder of such Asbestos Personal Injury Claim had asserted it by initiating civil litigation against any such Debtor. Notwithstanding the foregoing, Trust Assets and Trust Causes of

Action shall not include (x) any of the Debtors' rights arising under or attributable to the Supersedeas Bond Actions, (y) the property, rights or assets, if any, of the Debtors which were previously used to secure or obtain a supersedeas bond with respect to any Allowed Bonded Claim and which are recoverable or recovered by the Debtors after full satisfaction of such claim or (z) any claim, cause of action, or right of the Debtors or any of them, under the laws of any jurisdiction, for reimbursement, indemnity, contribution, breach of contract or otherwise arising from or relating to any payments made by the Debtors on account of Asbestos Personal Injury Claims prior to the Petition Date;

"Trust Claim"

has the meaning given to it by Clause 4.9;

"Trust Documents"

means the Trust Agreement, the Asbestos Personal Injury Trust Distribution Procedures and all other agreements, instruments and documents governing the establishment, administration and operation of the Trust, which shall be substantially in the form set forth in the Plan, the Asbestos Creditors' Scheme and/or the Voluntary Arrangements, as they may be amended or modified from time to time in accordance with the Plan, the Asbestos Creditors' Scheme and/or the Voluntary Arrangements and the Trust Agreement;

"Trust Expenses"

means any Asbestos Personal Injury Expenses and any other liabilities, costs or expenses of, or imposed upon, or in respect, of the Trust (except for payments to holders of Asbestos Personal Injury Claims on account of such Claims). Trust Expenses shall also expressly include (a) any and all liabilities, costs and expenses incurred subsequent to the Confirmation of the Plan in connection with any and all Asbestos Insurance Actions, or any similar claim, cause of action or right of Reorganized T&N against Curzon or of the Trust against the EL Insurers, in each case whether or not any such action results in a recovery for the Trust and (b) any and all liabilities, costs and expenses incurred by the Reorganized Debtors in taking any action on behalf of or at the direction of the Trustees, if any, including, without limitation, any costs and expenses incurred by the Reorganized Debtors in being named as a defendant in any Asbestos Insurance Action or other actions relating to the Hercules Policy or any EL Policy;

"Trustees"

means the Persons appointed pursuant to Section 4.9 of the Plan for the purpose of acting as trustees of the Trust in accordance with the terms and conditions contained in the Trust Documents, the Plan, the Asbestos Creditors' Scheme and/or the Voluntary Arrangements, the Confirmation Order and the order sanctioning the Schemes;

"Unsecured Claims"

means any present, future, actual or prospective Claim (regardless of whether such Claim is covered by insurance), against a VA Company whether liquidated or unliquidated, and howsoever

arising, to the extent that such Claim is neither secured nor entitled to priority under applicable law. "Unsecured Claim" shall expressly include, without limitation (a) any Claim arising from the rejection of an executory contract or unexpired lease under Section 365 of the US Bankruptcy Code and (b) any portion of a Claim to the extent the value of the holder's interest in the applicable Estate's interest in the property securing such Claim is less than the amount of the Claim, or to the extent that the amount of the Claim subject to set-off is less than the amount of the Claim, as determined pursuant to Section 506(a) of the US Bankruptcy Code; (c) any Surety Claim against T&N; (d) any Other U.K. Claim (including, specifically, any Environmental Claim and any Asbestos Property Damage Claim against any VA Company to the extent that the Allowed Amounts of such Claim is not otherwise satisfied by any applicable insurance coverage); (e) any unsecured deficiency claim held by the Holder of a Bonded Non-Asbestos Claim or a Surety Claim; (f) any Claim arising from the provision of goods or services to the relevant VA Company prior to the Petition Date, including any Claim of a commercial trade creditor; and (g) an Affiliate Claim which is not subject to the Subordination Deed. Unless otherwise specifically provided in an applicable provision of the Voluntary Arrangements, "Unsecured Claim" shall not include (i) an Administrative Claim; (ii) an Administration Claim; (iii) a Priority Claim; (iv) a Claim which gives rise to Preferential Claims; (v) an Other Secured Claim; (vi) a Non-Priority Employee Benefit Claim; (vii) an Asbestos Personal Injury Claim and (viii) an Affiliate Claim which is subject to the Subordination Deed;

"US Bankruptcy Code"

means title 11 of the United States Code, 11 U.S.C. §§ 101, et seq., as in effect on the Petition Date, together with all amendments and modifications thereto that were subsequently made applicable to the Reorganization Cases;

"US Bankruptcy Rules"

means the Federal Rules of Bankruptcy Procedure and the local rules of the US Court, as in effect on the Petition Date, together with all amendments and modifications thereto that were subsequently made applicable to the Reorganization Cases;

"US Court"

means the United States Bankruptcy Court for the District of Delaware, or, as the context requires, the United States District Court for the District of Delaware, or such other court of the United States of America as for the time being has jurisdiction in relation to the Plan;

"VA Claims"

means all Asbestos Personal Injury Claims, Secured Claims, Unsecured Claims, Non-Priority T&N Pension Plan Employee Benefit Claims, Non-Priority FM Ignition Pension Plan Employee Benefit Claims, Priority Claims, Preferential Claims and Affiliate Claims;

"VA Companies"	means the companies whose names, company numbers and registered offices appear in Appendix I (being the "U.K. Debtors" as defined by the Plan), including the Scottish Company;
"VA Creditor"	means, in relation to a VA Company, the holder of a VA Claim;
"VA Documents"	means the documents containing the terms of the Voluntary Arrangements and the Voluntary Arrangement Explanatory Statement together with the Appendices;
"VA Effective Date"	means, and shall occur on, the first Business Day immediately following the first day upon which all the conditions precedent to the occurrence of the Voluntary Arrangements contained in Clause 20 have been satisfied or waived in accordance with Clause 20, and on which date all acts, events, terms and conditions contemplated under the Voluntary Arrangements to occur on the VA Effective Date or as soon as practicable thereafter shall be deemed to have occurred simultaneously;
"VA Expenses"	means the expenses referred to in Clause 21;
"VA Termination Date"	means, in relation to any VA Company, the date upon which the Voluntary Arrangements terminate in relation to all VA Claims against any VA Company in accordance with Clause 25.5 or 25.6;
"Voluntary Arrangements"	means the company voluntary arrangement proposed under Part I of the IA 1986 and Part I of the IR 1986 in the form of the Proposals herein contained together with any modifications thereof or additions thereto between the VA Company and its VA Creditors;
"Voluntary Arrangement Explanatory Statement"	means the explanatory statement dated [] including all exhibits, appendices, schedules and annexures attached thereto forming part of the Voluntary Arrangements.

EXHIBIT E

F-M UK Holding Limited

Claim No.

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION**

IN THE MATTER OF F-M UK HOLDING LIMITED

SCHEME OF ARRANGEMENT

between

F-M UK HOLDING LIMITED

and its

**SCHEME CREDITORS
(as defined in the Scheme of Arrangement)**

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1. DEFINITIONS AND INTERPRETATION

- 1.1 In this Scheme, relating to F-M UK Holding Limited, the Scheme Company, all capitalised terms shall have the meanings as set out in Appendix III unless inconsistent with the subject or context.
- 1.2 In the Scheme:
- 1.2.1 unless otherwise defined herein or in Appendix III or inconsistent with the subject or context capitalised terms shall have the meanings ascribed to them in the Plan;
 - 1.2.2 references to Clauses are references to clauses of the Scheme and references to Appendices are references to Appendices of the Scheme Document;
 - 1.2.3 references to the date of a document, form, notice or report mean the date shown on such document, form, notice or report as the date thereof;
 - 1.2.4 the singular includes the plural and vice versa, and masculine includes feminine and neuter;
 - 1.2.5 headings are for ease of reference only and shall not affect the interpretation of the Scheme;
 - 1.2.6 where any provision of the Plan is incorporated into the Scheme, references in the Plan to "herein", "hereof", "hereto", "hereunder", and of other words of similar import, shall be construed as referring to the Scheme Document as a whole and shall not be limited to any particular article, section, subsection or clause contained in the Plan or the Scheme Document;
 - 1.2.7 in the case of any inconsistency between any provision of the Scheme and any provision of the Explanatory Statement, the provision of the Scheme shall prevail;
 - 1.2.8 in the case of any inconsistency between any provision of the Scheme and any provision of the Plan:
 - (a) if such provision shall relate to the Scheme Company, the provision of the Scheme shall prevail; and
 - (b) in any other case, the provision of the Plan shall prevail;
 - 1.2.9 the Plan and the Scheme are intended to take effect simultaneously and to operate in parallel; accordingly, subject to Clause 1.2.8, the Plan may be taken into account in construing the Scheme; and
 - 1.2.10 whenever an act or event is expressed under the Scheme to have been deemed to have been done or to have occurred; it shall be deemed to have been done or to have occurred without any further act by any party, by virtue of the Plan or the Scheme and the Confirmation Order.

2. **PRELIMINARY**

- 2.1 The compromise or arrangement to be entered into by the Scheme Company pursuant to the Scheme shall be entered into only with the holders of the Guaranteed Bank Claims, the Guaranteed Noteholder Claims and the Surety Claims.
- 2.2 the Scheme Company shall continue to exist after the Scheme Effective Date as a separate corporate entity in accordance with the laws of England and Wales under its memorandum and articles of association in effect immediately before the Scheme Effective Date, except to the extent that the same may be inconsistent with any provision of the Scheme.
- 2.3 All matters provided for under the Scheme involving the corporate structure of the Scheme Company, or any corporate action to be taken by, or required of, the Scheme Company, shall be deemed to have occurred and be effective as provided herein, and shall be authorised and approved in all respects without any requirement for further action or vote by the shareholders or directors of the Scheme Company.
- 2.4 As from the Scheme Effective Date, and save as expressly otherwise provided for under the Scheme in relation to Scheme Claims, and subject also to the terms of the Subordination Deed, the Scheme Company shall be responsible or shall continue to be responsible for paying or satisfying all Claims that existed against it immediately before the Scheme Effective Date as and when such Claims fall due to be paid or satisfied.
- 2.5 After the Scheme Effective Date, the assets and liabilities of the Scheme Company will remain separate and will not be consolidated with those of any other Debtor.
- 2.6 Except as specifically set forth herein, nothing in the Scheme Document shall constitute or be deemed to constitute an admission that the Scheme Company is subject to, or liable for, any Claim against any other member of the FM Group.

3. **FEDERAL-MOGUL CORPORATION SECURITIES AND CORPORATE GOVERNANCE**

- 3.1 The actions in respect of FMC set out in Sections 8.3.1 to 8.3.11 (inclusive) of the Plan shall be taken on the respective dates set out in those Sections.

4. **TREATMENT OF SCHEME CLAIMS**

- 4.1 With effect from the Scheme Effective Date:
 - 4.1.1 the Scheme Company will in respect of the Scheme Claims have the rights and benefits and be bound by and be subject to the obligations set out in the Plan; and
 - 4.1.2 each of the Scheme Creditors will in respect of the Scheme Claims held by it have the rights and benefits and be bound by and be subject to the obligations set out in the Plan.

4.2 Without limiting Clause 4.1:

4.2.1 in full and complete satisfaction of all Guaranteed Bank Claims against the Scheme Company, the Scheme Company shall guarantee on a secured basis Reorganized Federal-Mogul's obligations under (a) the Reorganized Federal-Mogul Secured Term Loan Agreement and (b) the Reorganized Federal-Mogul Junior Secured PIK Notes.

4.2.2 on the Distribution Date, all claims arising under the Guarantee given by the Scheme Company of the Noteholder Claims shall be released, extinguished and discharged and, in consideration of the treatment afforded to them by the Plan, the holders of the Guaranteed Noteholders Claims shall receive no additional distribution from the Scheme Company under the Scheme or the Plan on account of the Guaranteed Noteholder Claims.

4.2.3 on the Scheme Effective Date, all Claims and interests arising under and related to any indemnity contract or guarantee between the Scheme Company and the Sureties, if any, and all Liens on any property of the Scheme Company in favour of the Sureties shall be released, extinguished and discharged, and in full and complete satisfaction of all such Claims, the Scheme Company shall guarantee Reorganized Federal-Mogul's obligations, if any, under the Secured Surety Notes and the Junior Secured Surety PIK Notes.

4.2.4 [Provisions relating to settlement, if any, between Cooper Industries Inc., Cooper Industries Ltd, Pneumo Abex Corporation, and other Pneumo Abex Parties that may be named and the Plan Proponents.]

5. **DISCHARGE RELEASE AND MORATORIUM**

5.1 As of the Scheme Effective Date, except as provided in the Scheme, the order sanctioning the Scheme, the Plan or the Confirmation Order, the distributions and rights afforded under the Plan and the Scheme and the treatment of Claims and Interests under the Plan and the Scheme shall be in exchange for, and in complete satisfaction, discharge and release of, all Scheme Claims and in satisfaction and termination of all Interests relating thereto, including any interest accrued on Scheme Claims from and after the Petition Date.

5.2 As of the Scheme Effective Date, except as provided in the Scheme, the order sanctioning the Scheme, the Plan or the Confirmation Order, all persons shall be precluded from asserting against the Scheme Company, or its respective successors or assets, any other or further Claims, Demands, debts, rights, causes of action, liabilities or equity interests based upon any act, omission, transaction or other activity of any kind or nature that occurred prior to the Scheme Effective Date and which formed the basis of any Scheme Claim.

5.3 Except as provided in the Scheme, the order sanctioning the Scheme, the Plan or the Confirmation Order, the Scheme Company shall retain and have the exclusive right, in its sole discretion, to enforce, sue on, settle, or compromise (or decline to do any of the foregoing) all claims, rights, causes of action, suits and proceedings, under the laws of any jurisdiction, including rights or causes of action arising under the US

Bankruptcy Code which are commenced prior to the closing of the Reorganization Cases, that the Scheme Company may hold against any person.

- 5.4 No Scheme Creditor shall be entitled on and from the Scheme Effective Date to take or continue any step or proceeding against the Scheme Company or its assets (whether by way of demand, legal proceedings, execution of judgment, or otherwise howsoever) in any jurisdiction whatsoever for the purpose of obtaining payment of any Scheme Claim.
- 5.5 The satisfaction, release and discharge set forth in Clauses 5.1 and 5.2 is in addition and without prejudice to any satisfaction, release or discharge set forth in the Plan.
- 5.6 Neither the Scheme Company, nor any of the members of the Unsecured Creditors' Committee, the Asbestos Claimants' Committee or the Equity Committee, nor the Future Claimants' Representative, nor any of the holders of Bank Claims, nor the Collateral Trustee, nor the Administrative Agent, nor any of the parties to the DIP Facility, nor any of the holders of Noteholder Claims, nor any of their respective officers, directors, employees, members, agents, lawyers, accountants, investment bankers, financial advisors or restructuring professionals, nor any other professional Person employed by any of them, shall (except for any liability that results primarily from such Person's bad faith or wilful misconduct) have or incur any liability to any person for any act or omission in connection with, relating to, or arising out of the administration or the Reorganization Case of the Scheme Company, the negotiation of the Scheme or the Plan, the sanction of the Scheme, the confirmation of the Plan, the administration, consummation and implementation of the Scheme or the Plan, or the property to be distributed under the Scheme or the Plan, the Explanatory Statement, the Disclosure Statement, the Plan Documents, the releases and Injunctions, or the management or operation of the Scheme Company; provided, however, that (i) with respect to officers and directors of the Scheme Company, this exculpation provision shall apply only to officers or directors who were serving in such capacity on or after the Petition Date and (ii) this exculpation provision shall not apply to Rothschild Inc. In all respects each and all of such persons shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under, or in connection with, the Scheme, the Plan, the administration and the Reorganization Case of the Scheme Company.
- 5.7 Each of the Scheme Creditors hereby severally covenants not to sue any of the persons referred to in Clause 5.6 above in respect of the matters identified in clause 5.6 above. The benefit of the covenant made in this Clause 5.7 is hereby settled by the Scheme Company on T&N to be held on trust for the benefit of each of the persons identified in Clause 5.6 with the intent that each of those persons may have the benefit of, and rely upon, the covenant made in this Clause 5.7.

6. CONDITIONS TO THE SCHEME EFFECTIVE DATE

- 6.1 The Scheme Effective Date shall not occur unless each of the following conditions shall have been satisfied:
- 6.1.1 The conditions set out in Section 7.1 of the Plan shall have been satisfied or waived, if permitted, by the Plan Proponents.

6.1.2 The conditions set out in Section 7.2 of the Plan shall have been satisfied or waived by the Plan Proponents.

7. SCHEME EXPENSES

7.1 The Scheme Company shall pay all reasonably incurred costs, charges and expenses of and incidental to the Scheme, including, without prejudice to the generality of the foregoing:

7.1.1 (without prejudice to the statutory charge created by section 19(4) of the IA 1986) the remuneration of and all costs, charges and expenses reasonably incurred by the Administrators in performing their functions as Administrators, in accordance with the provisions of the IA 1986 and the Insolvency Rules 1986 (as amended and in force from time to time);

7.1.2 to the extent such costs remain unpaid at the Scheme Effective Date, all costs, charges and expenses reasonably incurred by the Scheme Company in connection with the negotiation and preparation of the Plan or the Scheme (including, but not limited to, all legal, accounting, actuarial, financial, run-off and other consultants' fees, expenses and other costs);

7.1.3 any court and filing fees and stamp or other duty or tax and any expenses and disbursements (including legal fees) incurred in relation to the Scheme;

7.1.4 the reasonable costs of holding meetings of Scheme Creditors and any meetings of shareholders or directors convened to consider the Scheme and/or the Plan and the costs of obtaining the sanction of the English Court and registration of the Scheme at the Companies Registry of England and Wales;

7.1.5 all liabilities, expenses, costs and disbursements, if any, incurred by the Scheme Company in the course of exercising or performing their respective powers, duties and functions under, or for the purpose of implementing, the Scheme;

7.1.6 all tax, duties, administrative, licence, listing, audit, filing, registration, directors' and other fees, costs, and expenses reasonably incurred by or on behalf of the Scheme Company in connection with the Scheme or the Plan.

8. REVOCATION OF SCHEME AND RESERVATION OF RIGHTS

8.1 The Administrators of the Scheme Company reserve the right to revoke and withdraw the Scheme prior to the date upon which it is sanctioned by the English Court.

8.2 If the Administrators revoke or withdraw the Scheme, or if the Scheme is not sanctioned then, the Scheme shall be deemed null and void and nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against the Scheme Company or any other person (including the Administrators), or to prejudice in any manner the rights of the Scheme Company, or such person (including the Administrators) in any further proceedings involving the Scheme Company.

- 8.3 In the event that the conditions to effectiveness set out in Sections 7.1 and 7.2 of the Plan are not satisfied in relation to all or any of the Debtors, the Plan Proponents may waive each of the conditions in whole or in part, and/or impose any new condition or conditions to the effectiveness of the Plan and in any such event the Administrators of the Scheme Company reserve the right (subject where applicable to directions from the English Court) to propose any amendment or modification to the Scheme and/or to propose a substitute Section 425 Scheme.

9. MODIFICATION OF THE SCHEME

- 9.1 Subject to, where necessary, obtaining an order of the English Court permitting them to do so, the Administrators may propose amendments to or modifications of the Scheme at any time prior to the date upon which it is sanctioned, provided, however, the Administrators will not make any material amendments to the Scheme without complying with any conditions imposed by the English Court on the granting of the order and without also obtaining the consent of the Plan Proponents.
- 9.2 After the Scheme has been sanctioned, the Administrators (or as the case may be, the Reorganized Scheme Companies after the Scheme Effective Date) may, by deed poll executed by them, remedy any defects or omissions or reconcile any inconsistencies in the Scheme in such manner as may be necessary to carry out the purposes and intent of the Scheme, so long as the interests of the Scheme Creditors are not materially and adversely affected thereby. If such power is to be exercised, the Administrators (or as the case may be, the Reorganized Scheme Companies after the Scheme Effective Date) shall notify all Scheme Creditors affected by the change of the relevant defects, omissions or inconsistencies and of the proposed change, whether by written notice to the relevant Scheme Creditors, advertisement, display on the Federal-Mogul website or otherwise, as the Administrators may deem appropriate.
- 9.3 Subject to Clause 9.2, anything in the Scheme Document to the contrary notwithstanding, following sanction, no Scheme Document shall be modified, supplemented, changed or amended in any material respect except with the consent of the Administrators and the sanction of the English Court.

10. ENTIRE AGREEMENT

- 10.1 The Scheme Document and the Plan Documents set forth the entire agreement and undertakings relating to the subject matter thereof and supersede all prior discussions, negotiations, understandings and documents.
- 10.2 Nothing in the Scheme is intended to limit or restrict the scope of the Plan.

11. SEVERABILITY

- 11.1 In the event that the English Court determines, prior to the Scheme being sanctioned, that any provision in the Scheme is either illegal or unenforceable on its face or illegal or unenforceable as applied to any Scheme Claim, such provision shall be unenforceable either as to all holders of Scheme Claims or as to the holder of such Scheme Claim as to which the provision is illegal, or unenforceable, respectively.

11.2 Such a determination of illegality or unenforceability shall in no way limit or affect the legality or enforceability of any other provision of the Scheme.

12. **GOVERNING LAW**

12.1 Except where the Scheme or the Plan provides otherwise, the rights and obligations arising under the Scheme shall be governed by, and construed and enforced in accordance with the laws of England and Wales without giving effect to the principles of conflicts of law thereof.

13. **JURISDICTION**

13.1 The English Court shall retain the fullest and most extensive jurisdiction that is permissible, including the jurisdiction necessary to ensure that the purposes and intent of the Scheme are carried out. Except as otherwise provided in the Scheme and the Plan, the English Court shall retain jurisdiction to adjudicate and enforce all causes of action which may exist on behalf of the Scheme Company.

13.2 Nothing contained herein shall prevent the Scheme Company from taking such action as may be necessary in the enforcement of any cause of action which the Scheme Company has or may have and which may not have been enforced or prosecuted by the Scheme Company, which actions or other causes of action shall survive the sanctioning of the Scheme and shall not be affected thereby except as specifically provided herein.

14. **GENERAL RETENTION**

14.1 Following the sanctioning of the Scheme, the administration order that has been made in respect of the Scheme Company will continue and the Administrators of the Scheme Company will apply for the discharge of the administration order as soon as is reasonably practicable after the latest of (i) the Scheme Effective Date, (ii) the payment and discharge of Allowed Administration Claims, and (iii) the Administrators being satisfied that they have completed the functions required of them as Administrators pursuant to the IA 1986.

14.2 The English Court shall also retain jurisdiction for the purpose of classification of any Scheme Claim and the re-examination of Scheme Claims which have been allowed for purposes of voting, and the determination of such objections as may be made to the English Court with respect to any Scheme Claim. The failure by the Plan Proponents or the Administrators to object to, or examine any Scheme Claim for the purposes of voting, shall not be deemed a waiver of the right of the Scheme Company to object to or re-examine such Scheme Claim in whole or part.

15. **SUBMISSION TO JURISDICTION**

15.1 Upon default under the Scheme, the Scheme Company submits, in relation to any Claim against, or asset of, the Scheme Company, to the jurisdiction of the English Court and agrees that it shall be the preferred forum for all such proceedings relating to such default unless such default is also a default under the Plan, in which case the proceedings shall be heard by whichever of the English Court or the US Court constitutes the most convenient forum.

16. **SUCCESSORS AND ASSIGNS**

16.1 The rights, duties and obligations of any Person named or referred to in the Scheme shall be binding upon, and shall inure to the benefit of, the successors and assigns of such Person.

17. **NOTICES**

17.1 All notices, requests and demands required or permitted to be provided under the Scheme in order 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, to each of the parties listed below and their lawyers at the addresses set forth below:

To the Scheme Company:

c/o T&N Limited
Manchester International Office Centre
Styal Road
Manchester M22 5TN
United Kingdom

Attention: Chris Boydell
Facsimile: +44 (0) 161 955 5204
Telephone Confirmation: +44 (0) 161 955 5200

With a copy to:

Sidley Austin Brown & Wood
1 Threadneedle Street
London EC2R 8AW
United Kingdom

Attention: Robin Parsons
Facsimile: +44 (0) 7626 7937
Telephone Confirmation (0) 20 7360 3600

To the Administrators:

c/o Kroll Limited
10 Fleet Place
London, EC4M 7RB
United Kingdom

Attention: Simon Freakley
Facsimile: +44 (0) 20 7029 5001
Telephone Confirmation: +44 (0) 20 7029 5000

With a copy to:

Denton Wilde Sapte
Five Chancery Lane
Clifford's Inn
London EC4A 1BU
United Kingdom

Attention: Mark Andrews
Facsimile: +44 (0) 20 7404 0087
Telephone Confirmation +44 (0) 20 7246 7000

APPENDIX I

The Companies

1. AE Dayton Services Limited, 00478002
2. AE Group Machines Limited, 00529364
3. AE Holdings Limited, 00385610
4. AE International Limited, 00562880
5. AE Limited, 00435189
6. AE Piston Products Limited, 00801927
7. AE Sales (Africa) Limited, 00444336
8. Aeroplane & Motor Aluminium Castings Limited, 00315630
9. Amber Supervision Limited, 00821260
10. Ashburton Road Services Limited, 00075732
11. Associated Engineering Group Limited, 00526816
12. Awncast Limited, 00546797
13. Bearings (North-Western) Limited, 00406618
14. Brake Linings Limited, 00235701
15. Colvan Rubber Co. Limited, 00994679
16. Contact 100 Limited, 00065025
17. Cosmid Limited, 01022341
18. Cranhold Limited, 01657314
19. Dealings Limited, 00731956
20. Dumplington Services Limited, 00891894
21. Duron Limited, 00181717
22. E W Engineering Limited, 00343146
23. Edmunds, Walker & Co. Ltd, 00579908
24. Engineering Components Limited, 00301567
25. Federal-Mogul Acquisition Company Limited, 03085843

26. Federal-Mogul Aftermarket UK Limited, 00219712
27. Federal-Mogul Bradford Limited, 00106848
28. Federal-Mogul Brake Systems Limited, 03829854
29. Federal-Mogul Bridgwater Limited, 00522423
30. Federal-Mogul Camshaft Castings Limited, 00284953
31. Federal-Mogul Camshafts Limited, 00306023
32. Federal-Mogul Engineering Limited, 00166096
33. Federal-Mogul Eurofriction Limited, 01131161
34. Federal-Mogul Export Services Limited, 00532743
35. Federal-Mogul Friction Products Limited, 00447826
36. Federal-Mogul Global Growth Limited, 03454611
37. Federal-Mogul Ignition (U.K.) Limited, 03499987
38. Federal-Mogul Powertrain Systems International Limited, 00894128
39. Federal-Mogul Sealing Systems Limited, 00204388
40. Federal-Mogul Sealing Systems (Cardiff) Limited, 02597690
41. Federal-Mogul Sealing Systems (Rochdale) Limited, 00399124
42. Federal-Mogul Sealing Systems (Slough) Limited, 00164204
43. Federal-Mogul Shoreham Limited, 00359238
44. Federal-Mogul Sintered Products Limited, 00116952
45. Federal-Mogul Systems Protection Group Limited, 00726193
46. Federal-Mogul Technology Limited, 00951424
47. Federal-Mogul U.K. Limited, 02670024
48. Ferodo Caernarfon Limited, 00986616
49. Ferodo Limited, 00395385
50. FHE Technology Limited, 00068370
51. Fleetside Investments Limited, 00795383
52. F-M UK Holding Limited, 03459039

53. FP Diesel Limited, 00643300
54. Friction Materials Limited, 00162644
55. G.B. Tools & Components Exports Limited, 00851194
56. Genthope Limited, 01477824
57. Greet Limited, 01591887
58. Halls Gaskets Limited, 00622252
59. Hepworth & Grandage Limited, 00347229
60. High Precision Equipment Limited, 00439874
61. Inblot Limited, 00487399
62. Instantwonder Limited, 02029117
63. J.W. Roberts Limited, 00168882
64. Kings Park Housing Limited, 01391686
65. Lalton Limited, 00570984
66. Lanoth Limited, 00142335
67. Lanoth Precision Equipment Limited, 00396640
68. Leeds Piston Ring & Engineering Co. Limited, 00321800
69. M.T.A (Kettering) Limited, 00496437
70. Mantro Engineering Co. Limited, 01196422
71. Mobile Distributing (Spares) Limited, 00379691
72. Moores Plastic Units Limited, 00779031
73. Newalls Insulation Company Limited, 00237614
74. Ontall Limited, 01324744
75. Payen (Europe) Limited, 00263795
76. Pecal Limited, 00240306
77. Presswork-Components Limited, 00520854
78. Sintration Limited, 00890488
79. Sourcelook Limited, 02665169

80. Specialloid, Limited, 00177253
81. STS (1996) Limited, 02312625
82. T&N Holdings Limited, 00575187
83. T&N International Limited, 01073619
84. T&N Investments Limited, SC020152
85. T&N Limited, 00163992
86. T&N Materials Research Limited, 00563143
87. T&N Piston Products Group Limited, 00093089
88. T&N Properties Limited, 01082189
89. T&N Shelf Eight Limited, 01503582
90. T&N Shelf Eighteen Limited, 00110444
91. T&N Shelf Fifteen Limited, 00428160
92. T&N Shelf Five Limited, 00205578
93. T&N Shelf Four Limited, 00928905
94. T&N Shelf Fourteen Limited, 00272755
95. T&N Shelf Nine Limited, 01119024
96. T&N Shelf Nineteen Limited, 00293362
97. T&N Shelf One Limited, 00180521
98. T&N Shelf Seven Limited, 00081434
99. T&N Shelf Six Limited, 01639676
100. T&N Shelf Sixteen Limited, 00653757
101. T&N Shelf Ten Limited, 00203438
102. T&N Shelf Thirteen Limited, 00559408
103. T&N Shelf Thirty Limited, 00141182
104. T&N Shelf Thirty-One Limited, 00218236
105. T&N Shelf Thirty-Three Limited, 01846194
106. T&N Shelf Three Limited, 00542369

107. T&N Shelf Twenty Limited, 00357221
108. T&N Shelf Twenty-Eight Limited, 00490602
109. T&N Shelf Twenty-Five Limited, 01087025
110. T&N Shelf Twenty-Four Limited, 00343160
111. T&N Shelf Twenty-Nine Limited, 00308301
112. T&N Shelf Twenty-One Limited, 00376450
113. T&N Shelf Twenty-Six Limited, 00241356
114. T&N Shelf Twenty-Two Limited, 00393100
115. T&N Shelf Two Limited, 01235737
116. T&N Trade Marks Limited, 00305253
117. T&N Welfare Trust Limited, 00265900
118. TAF International Limited, 00089658
119. TBA Belting Limited, 00280117
120. TBA Belting (Residual) Limited, 00183045
121. TBA Industrial Products Limited, 00166685
122. Telford Rubber Processors Limited, 00346115
123. Telford Technology Supplies Limited, 00280119
124. The British Piston Ring Company Limited, 00182848
125. The Washington Chemical Company Limited, 00166702
126. Tinblo Limited, 00490187
127. Touchdown Adhesive Products Limited, 01121844
128. Turner & Newall Limited, 00053916
129. Turner Brothers Asbestos Company Limited, 00646683
130. Tynoda Limited, 00443308
131. Vanwall Cars Limited, 00228399
132. Wellworthy Limited, 00310309
133. Wellworthy Property Developments Limited, 01141629

134. William C. Jones (Polymers) Limited, 00473243

APPENDIX II

The Plan

APPENDIX III

Defined Terms

- "Administration Claim"** means, in relation to a Scheme Company, any Claim that ranks in the administration of that Scheme Company under the laws of the relevant part of the United Kingdom as an administration expense, including, without limitation, (a) the remuneration and expenses of the Administrators properly incurred by them as administrators of that Scheme Company as referred to in subsection 19(4) of the IA 1986; (b) any sums payable in respect of debts or liabilities incurred, while they were Administrators, under contracts entered into by them in carrying out their functions as administrators of that Scheme Company as referred to in subsection 19(5) of the IA 1986; (c) any sums payable in respect of liabilities incurred, while they were Administrators, under contracts of employment adopted by the Administrators of that Scheme Company in carrying out their functions as administrators, to the extent that the liabilities are qualifying liabilities, for the purposes of subsection 19(6) of the IA 1986; and (d) any sums that are ordered by the English Court to be paid as an administration expense;
- "Administrative Agent"** means JPMorgan Chase Bank (formerly The Chase Manhattan Bank) as administrative agent under the Bank Credit Agreement;
- "Administrators"** means the persons who are the administrators for the time being of the Scheme Company being, as at the date hereof, Gary Peter Squires, James John Gleave and Simon Vincent Freakley;
- "Affiliate"** means, in relation to a company:
- (a) an entity that directly or indirectly owns, controls, or holds with power to vote, 20 per cent or more of the outstanding voting securities of that company, other than an entity that holds such securities:
 - (i) in a fiduciary or agency capacity without sole discretionary power to vote such securities; or
 - (ii) solely to secure a debt, if such entity has not in fact exercised such power to vote;
 - (b) a corporation 20 per cent or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by that company, or by an entity that directly or indirectly owns, controls, or holds with power to vote, 20 percent

or more of the outstanding voting securities of that company, other than an entity that holds such securities:

- (i) in a fiduciary or agency capacity without sole discretionary power to vote such securities; or
 - (ii) solely to secure a debt, if such entity has not in fact exercised such power to vote;
- (c) a Person whose business is operated under a lease or operating agreement by that company, or a Person substantially all of whose property is operated under an operating agreement with that company; or
- (d) an entity that operates the business or substantially all of the property of that company under a lease or operating agreement.

and when used with reference to any Debtor, shall include, but not be limited to, each of the entities listed in Exhibit 1.1.7 of the Plan;

"Affiliate Claims"

means all prepetition Claims against any of the Debtors held by a Debtor or non-debtor Affiliate, or any interest held by such entities in any property of the Debtors, but excluding Equity Interests and the Convertible Subordinated Debentures;

"Agency Companies"

means those of the Companies that are listed in Appendix 2 to the Explanatory Statement;

"Allowed"

means,

- (1) with respect to a Scheme Claim, means that such Claim is, (a) a Claim that is specifically designated as Allowed under the Plan, (b) a Claim that has been, or hereafter is, listed in the Schedules to the Plan as liquidated in amount and not disputed or contingent or (c) a Claim, proof of which was timely filed with the US Court or its duly appointed claims agent, or, in compliance with any order of the US Court regarding the filing of a proof of claim and with respect to which either (i) no objection to the allowance thereof has been filed within the applicable period of limitation fixed by the Plan, the US Bankruptcy Code, the US Bankruptcy Rules or the US Court or (ii) the Claim has been allowed by a Final Order of the US Court (but only to the extent so allowed);

- (2) with respect to any Claim that is asserted to constitute an Administration Claim, a Claim that is non-contingent and is properly and reasonably accepted as an Administration Claim by the Administrators or to the extent that it is determined to be an Administration Claim by a Final Order of the English Court, having competent jurisdiction over the matter;

"Allowed Amount"	means, with respect to any Claim, the amount in which that Claim is Allowed, denominated in pounds sterling;
"Asbestos Claimants Committee"	means the Official Committee of Asbestos Claimants appointed in the Reorganization Cases by the United States Trustee;
"Bank Claims"	means any and all obligations, rights, claims or interests, whether secured or unsecured, matured or unmatured, fixed or contingent, including, but not limited to, principal, accrued and unpaid interest, charges, costs, breakage fees, counsel fees, contingent reimbursement obligations under unfunded or partially drawn letters of credit, and any and all other rights to payment of money arising under, based upon or related to the Bank Credit Agreement;
"Bank Credit Agreement"	means that certain Fourth Amended and Restated Credit Agreement and related Loan Documents as therein defined, dated as of 29 December, 2000, as such Agreement has been amended, supplemented or otherwise modified from time to time thereafter among FMC, certain Affiliate Debtors and non-Debtor Affiliates, a syndicate of lenders and the Administrative Agent;
"Business Day"	means any day other than a Saturday, Sunday or legal holiday in the US (as such term is defined in the US Bankruptcy Rule 9006(a)) or any public holiday in the UK;
"CA 1985"	means the Companies Act 1985, as amended and in force as at the Petition Date;
"CCR"	means the Center for Claims Resolution, a Delaware non-profit corporation;
"CCR Surety Bonds"	means Performance Bond No. 6066092 issued by Safeco in favour of CCR, Performance Bond Nos. 103529126 and 103529229 REL issued by Travelers in favour of CCR, and Performance Bond No. 929182983 issued by National Fire in favour of CCR;
"Claim"	means (a) any right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed,

contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (b) any right to an equitable remedy for breach or performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured;

- "Collateral Trustee"** means the Persons serving as trustees of collateral pledged as security for any of the Scheme Claims as applicable, pursuant to, among other things, the Bank Credit Agreement and related documents;
- "Companies"** means the companies whose names and company numbers appear in Appendix I to the Scheme to the Scheme (being the "U.K. Debtors" as defined by the Plan);
- "Confirmation or Confirmation of the Plan"** means the entry of an order approving the Plan in accordance with Section 1129 of the US Bankruptcy Code;
- "Confirmation Date"** means the date on which the Confirmation Order is entered on the docket of the US Court;
- "Confirmation Order"** means the order confirming the Plan pursuant to Section 1129 and other applicable sections of the US Bankruptcy Code;
- "Convertible Subordinated Debentures"** means the 7% Convertible Junior Subordinated Debentures due 2027 in the original aggregate principal amount of \$575,000,000 issued by FMC on 1 December, 1997, and sold to Federal-Mogul Financing Trust, the indenture trustee for which is currently The Bank of New York;
- "Debtors"** means Federal-Mogul Corporation, its affiliated U.S. Debtors and the Companies when referred to together (or any of them as the context may require);
- "Disclosure Statement"** means the Disclosure Statement Describing Second Amended Joint Plan of Reorganization, dated [] 2004, including all exhibits, appendices, schedules and annexes thereto, as submitted by the Plan Proponents pursuant to Section 1125 of the US Bankruptcy Code and approved by the US Court, as such Disclosure Statement may be further amended, supplemented or modified from time to time;
- "DIP Facility"** means that certain Revolving Credit, Term Loan and Guaranty Agreement, by, between and among the U.S. Debtors and a syndicate of lenders, with The Chase Manhattan Bank as administrative agent, and those certain Tranche C Loans (as defined in the Final Order approving the DIP Facility), which the US Court authorised through a

Final Order issued on 21 November, 2001, and as amended and restated on or about 7 August, 2003;

- "Distribution Date"** when used with respect to an Allowed Claim, means the date which is as soon as reasonably practicable after the later of; (a) the Scheme Effective Date, and (b) the first Business Day of the next calendar quarter after the date upon which the Claim becomes Allowed, unless the Claim becomes Allowed within fifteen Business Days before the first Business Day of the next calendar quarter, in which case the Distribution Date shall be the first Business Day of the next succeeding calendar quarter;
- "English Court"** means the High Court of Justice in England and Wales or such other court in the United Kingdom as for the time being has jurisdiction in relation to the Scheme;
- "Equity Interest"** means any equity interest in the Debtors represented by (a) existing FMC common or preferred stock; or (b) shares of the capital stock in the remaining Debtors, whether or not issued;
- "Explanatory Statement"** means the explanatory statement relating to the Scheme dated [], 2004 including all exhibits, appendices, schedules and annexures attached thereto forming part of the Scheme Document and provided in accordance with section 426 of the CA 1985;
- "Final Order"** means an order or judgment of any court of competent jurisdiction, the implementation, operation or effect of which has not been stayed and as to which order (or any revision, modification or amendment thereof) the time to appeal or seek review, rehearing or writ of certiorari has expired and as to which no appeal or petition for review, rehearing or certiorari has been taken and is pending;
- "FM Aftermarket"** means Federal-Mogul Aftermarket (UK) Limited whose company number and registered office appear in Appendix I to the Scheme;
- "FM Bradford"** means Federal-Mogul Bradford Limited whose company number and registered office appear in Appendix I to the Scheme;
- "FM Bridgwater"** means Federal-Mogul Bridgwater Limited whose company number and registered office appear in Appendix I to the Scheme;
- "FMC"** means Federal-Mogul Corporation, a corporation incorporated in Michigan, United States of America, whose principal office is at 26555 Northwestern Highway,

Southfield, MI 38034;

- "FM Export"** means Federal-Mogul Export Services Limited whose company number and registered office appear in Appendix I to the Scheme;
- "FM Geneva"** means Federal-Mogul Sarl, a company incorporated in Switzerland;
- "FM Group"** means FMC and its Subsidiary Undertakings for the time being;
- "FM Ignition"** means Federal-Mogul Ignition (U.K.) Limited whose company number and registered office appear in Appendix I to the Scheme;
- "FMSS (Cardiff)"** means Federal-Mogul Sealing Systems (Cardiff) Limited whose company number and registered office appear in Appendix I to the Scheme;
- "FM UK Group"** means the Scheme Company and its Subsidiary Undertakings for the time being;
- "Future Claimants Representative"** means Eric D. Green (or any US Court-appointed successor) who was appointed by the US Court in the Reorganization Cases pursuant to an Order dated 11 February, 2002 as the legal representative of any and all persons described in Section 524(g)(4)(B)(i) of the US Bankruptcy Code who may assert demands, as that term is defined in Section 524(g)(5) of the US Bankruptcy Code;
- "Guarantee"** means any guarantee, indemnity or assurance against financial loss;
- "Guaranteed Bank Claims"** means Bank Claims that are the subject of a Guarantee from the Scheme Company;
- "Guaranteed Noteholder Claims"** means Noteholder Claims that are the subject of a Guarantee from the Scheme Company;
- "IA 1986"** means the Insolvency Act 1986 as amended and in force at the Petition Date;
- "Indentures"** means the indenture agreements entered into between and among FMC, the Indenture Trustees and certain other parties relating to each series of Notes and to the Convertible Subordinated Debentures, as amended, modified or supplemented from time to time;
- "International"** means T&N International Limited whose company number

and registered office appear in Appendix I to the Scheme;

- "Lien"** means, with respect to any asset or property, any mortgage, lien, pledge, charge, security interest, encumbrance or other security device of any kind pertaining to or affecting such asset or property;
- "Noteholder Claims"** means all Claims of the Noteholders against FMC arising under or evidenced by the Notes or the Indentures for the Notes and related documents. Notwithstanding the foregoing, Noteholder Claims shall not include any Convertible Subordinated Debenture Claims or Subordinated Securities Claims;
- "Notes"** means FMC's 7.5% Senior Notes due 2009, 7.375% Senior Notes due 2006, 7.75% Senior Notes due 2006, 7.875% Senior Notes due 2010, 7.5% Senior Notes due 2004, 8.8% Senior Notes due 2007, 8.37% Medium Term Notes due 2001, 8.25% Medium Term Notes due 2005, 8.33% Medium Term Notes due 2001, 8.12% Medium Term Notes due 2003, 8.16% Medium Term Notes due 2003 and 8.46% Medium Term Notes due 2002;
- "Person"** means any person, individual, partnership, corporation, limited liability company, joint venture company, association or other entity or being of whatever kind, whether or not operating or existing for profit;
- "Petition Date"** means 1 October, 2001;
- "Plan"** means the Second Amended Joint Plan of Reorganization filed with the US Court by the Plan Proponents in relation to the Debtors as the same may be amended or modified from time to time pursuant to Section 1127 of the US Bankruptcy Code (a copy of which forms Appendix III);
- "Plan Documents"** means all documents, attachments and exhibits related to the Plan, including, but not limited to, the Trust Documents, that aid in effectuating the Plan, which documents, attachments and exhibits shall be filed by the Plan Proponents with the US Court on or before the Plan Documents Filing Date;
- "Plan Documents Filing Date"** means the date for the filing of the Plan Documents (or any of them) which shall be either:
- (a) the date, as determined by the Plan Proponents, that is as soon as practicable, but in no event later than 14 Business Days before the deadline for filing objections to Confirmation of the Plan, or
 - (b) such other date (or dates) as determined by the US

Court;

- "Plan Effective Date"** means the "Effective Date" as defined in the Plan;
- "Plan Proponents"** means, collectively, the Debtors, the Unsecured Creditors Committee, the Asbestos Claimants Committee, the Future Claimants Representative, the Equity Committee and the Administrative Agent;
- "Pro Rata"** means the proportion that a Claim in a particular Class bears to the aggregate amount of all Claims in such Class except in cases where Pro Rata is used in reference to multiple classes in which case Pro Rata means the proportion that a Claim in a particular Class bears to the aggregate amount of all Claims in such multiple Classes;
- "Released Parties"** means each of (a) the Debtors, their non-Debtor Affiliates (excluding, however, any Person that may qualify as an Affiliate, but that is not commonly owned or controlled by the Debtors), the Affiliated Subsidiary Undertakings, the Reorganized Debtors, and their respective present and former agents, attorneys, accountants, financial advisors, restructuring consultants and investment bankers (but specifically excluding Rothschild Inc.) and their respective successors or assigns, (b) the officers and directors of the Debtors, their non-Debtor Affiliates (excluding, however, any Person that may qualify as an Affiliate, but that is not commonly owned or controlled by the Debtors), and the Affiliated Subsidiary Undertakings, who were serving as officers or directors on or after the Petition Date, (c) the Official Committees and their respective members, agents, attorneys, accountants, financial advisors, restructuring consultants and investment bankers, (d) the Future Claimants Representative and his agents, attorneys, accountants, financial advisors, restructuring consultants and investment bankers, and (e) the holders of Noteholder Claims, the holders of Bank Claims and the Administrative Agent, together in each case with all of their respective officers, directors, employees, agents, attorneys, accountants, financial advisors, restructuring consultants and investment bankers;
- "Reorganization Cases"** means the cases currently pending under Chapter 11 of the US Bankruptcy Code of FMC and its Affiliated Debtors before the US Court;
- "Reorganized Federal-Mogul"** means FMC on and after the Plan Effective Date, as reorganized pursuant to the Plan. **Reorganized Debtor, Reorganized** [name of Debtor] shall have the same meaning with reference to the particular Debtor identified. In each

instance, and unless a successor entity is specified, the Reorganized Debtor shall consist of the same legal entity as the corresponding Debtor, but subject to the terms and conditions of the Plan, including without limitation, the discharge and release under Sections 9.1 and 9.2 of the Plan, and the Injunctions, and each Reorganized Debtor shall have and incur no successor liability with respect to Claims or Demands that may have existed prior to Confirmation of the Plan;

"Reorganized Federal-Mogul Junior Secured PIK Notes"

means the junior secured PIK notes to be issued by Reorganized Federal-Mogul pursuant to the Plan on account of the Allowed Bank Claims, in the original principal amount of \$300,000,000.00. The principal terms and conditions of the Reorganized Federal-Mogul Junior Secured PIK Notes are set forth in Exhibit 1.1.130 to the Plan;

"Reorganized Federal-Mogul Secured Term Loan Agreement"

means the loan agreement among Reorganized Federal-Mogul, the holders of Allowed Bank Claims and the Administrative Agent, in the principal amount of (i) \$1,298,417,568.00 (as adjusted as of the Plan Effective Date to convert any foreign currencies to U.S. dollars) plus the amount of any draws prior to the Plan Effective Date on letters of credit outstanding under the Bank Credit Agreement and (ii) the amount, if any, of the Tranche C portion of the DIP Facility restructured pursuant to Section 2.2 of the Plan. A copy of the Reorganized Federal-Mogul Secured Term Loan Agreement is set forth in Exhibit 1.1.31 to the Plan;

"Scheme"

means the scheme of arrangement in the form herein contained between the Scheme Company and the Scheme Creditors together with any modification thereof or addition thereto approved or imposed by the English Court;

"Scheme Claims"

means the Guaranteed Bank Claims, the Guaranteed Noteholder Claims and the Surety Claims against the Scheme Company;

"Scheme Company"

means F-M UK Holding Limited, a company incorporated in England and Wales, whose company number is 03459039 and whose registered office is at c/o T&N Limited, Manchester International Office Centre, Styal Road, Manchester, M22 5TN;

"Scheme Creditor"

means the holder of a Scheme Claim;

"Scheme Document"

means the document containing the terms of the Scheme and the Explanatory Statement together with the Appendices;

"Scheme Effective Date" means, and shall occur on, the first Business Day immediately following the first day upon which all the conditions precedent to the occurrence of the Scheme Effective Date contained in Clause 6 of the Scheme have been satisfied or waived in accordance with Clause 6 of the Scheme, and on which date all acts, events, terms and conditions contemplated under the Scheme to occur on the Scheme Effective Date or as soon as practical thereafter shall be deemed to have occurred simultaneously;

"Scheme Expenses" means the expenses referred to in Clause 7 of the Scheme;

"Section 425 Scheme" means a scheme of arrangement under Section 425 CA 1985;

"Secured Surety Notes and Junior Secured Surety PIK Notes" means the secured notes and junior secured PIK notes, if any, to be issued by Reorganized Federal-Mogul pursuant to the Plan on account of Allowed Surety Claims. The principal terms and conditions of the Secured Surety Notes and Junior Secured Surety PIK Notes are set forth in Exhibit 1.1.136 to the Plan;

"Subordinated Securities Claim" means a Claim subject to subordination under section 510(b) of the US Bankruptcy Code, including, without limitation, any Claim that arises from the rescission of a purchase or sale of a security of any of the Debtors (including, without limitation, the Notes and the existing FMC common and preferred stock classified below in Classes 1N and 1O of the Plan), or for damages arising from the purchase or sale of such a security, or for reimbursement, indemnification, or contribution allowed under section 502 of the US Bankruptcy Code on account of such Claim;

"Subordination Deed" means the deed dated [] 2004 wherein certain of the Debtors or their Affiliates holding Affiliate Claims against a Debtor consensually agree to:

- (i) subordinate their Claims, so that the legal right and priority of payment on their Claim is subordinate to all non-Affiliate Claims against the applicable Debtor; or
- (ii) extinguish and discharge their Claims in whole or in part; or
- (iii) leave unaltered the legal, equitable and contractual rights to which such Claims entitled the holder;

provided, however, that prior to such discharge and extinguishment such Affiliate Claims may be contributed to capital, transferred, set-off or subject to any other

arrangement at the option of the Plan Proponents;

- "Subsidiary Undertaking"** has the meaning given to that expression by section 258 of the CA 1985;
- "Sureties"** means Travelers Casualty and Surety Company of America ("Travelers"), SAFECO Insurance Company of America ("Safeco") and National Fire Insurance Company of Hartford and Continental Casualty Company ("National Fire") as issuers of the CCR Surety Bonds;
- "Surety Claims"** means the secured, unsecured (as in the cases of T&N, Gasket Holdings Inc. and their respective estates), or partially secured and partially unsecured contingent reimbursement obligations arising under and related to any indemnity contract or guarantee between certain of the Debtors signatory thereto and the Sureties relating to the CCR Surety Bonds issued by the Sureties in favour of CCR;
- "T&N"** means T&N Limited, a company incorporated in England and Wales, whose company number is 00163992 and whose registered office is at Manchester International Office Centre, Styal Road, Manchester, M22 5TN;
- "US Bankruptcy Code"** means title 11 of the United States Code, 11 U.S.C. §§ 101, et seq., as in effect on the Petition Date, together with all amendments and modifications thereto that were subsequently made applicable to the Reorganization Cases;
- "US Bankruptcy Rules"** means the Federal Rules of Bankruptcy Procedure and the local rules of the US Court, as in effect on the Petition Date, together with all amendments and modifications thereto that were subsequently made applicable to the Reorganization Cases;
- "US Court"** means the United States Bankruptcy Court for the District of Delaware, or, as the context requires, the United States District Court for the District of Delaware, or such other court of the United States of America as for the time being has jurisdiction in relation to the Plan.

T&N Limited and associated companies

Claim No.

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION**

**IN THE MATTER OF T&N LIMITED
AND ASSOCIATED COMPANIES**

SCHEMES OF ARRANGEMENT

between

T&N LIMITED

and

**THE OTHER SCHEME COMPANIES
(as defined in the Schemes of Arrangement)**

and their respective

**SCHEME CREDITORS
(as defined in the Schemes of Arrangement)**

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1. DEFINITIONS AND INTERPRETATION

- 1.1 In these Schemes, relating to T&N Limited and the other Scheme Companies (as set out in Appendix IV), the Scheme Companies, all capitalised terms shall have the meanings as set out in Appendix VII unless inconsistent with the subject or context.
- 1.2 In the Schemes:
- 1.2.1 unless otherwise defined herein or in Appendix VII or inconsistent with the subject or context capitalised terms shall have the meanings ascribed to them in the Plan;
 - 1.2.2 references to Clauses are references to clauses of the Schemes and references to Appendices are references to Appendices of the Scheme Document;
 - 1.2.3 references to the date of a document, form, notice or report mean the date shown on such document, form, notice or report as the date thereof;
 - 1.2.4 the singular includes the plural and vice versa, and masculine includes feminine and neuter;
 - 1.2.5 headings are for ease of reference only and shall not affect the interpretation of the Schemes;
 - 1.2.6 where any provision of the Plan is incorporated into the Schemes, references in the Plan to "herein", "hereof", "hereto", "hereunder", and of other words of similar import, shall be construed as referring to the Scheme Document as a whole and shall not be limited to any particular article, section, subsection or clause contained in the Plan or the Scheme Document;
 - 1.2.7 in the case of any inconsistency between any provision of the Schemes and any provision of the Explanatory Statement, the provision of the Schemes shall prevail;
 - 1.2.8 in the case of any inconsistency between any provision of the Schemes and any provision of the Plan:
 - (a) if such provision shall relate to a Scheme Company, the provision of the Schemes shall prevail; and
 - (b) in any other case, the provision of the Plan shall prevail;
 - 1.2.9 in the case of a conflict between any provision of the Trust Documents and any provision in any other Scheme Document, the latter shall prevail;
 - 1.2.10 the Plan and the FM Group Schemes and the Voluntary Arrangements are intended to take effect simultaneously and to operate in parallel; accordingly, subject to Clause 1.2.8, the Plan may be taken into account in construing the Schemes;
 - 1.2.11 whenever an act or event is expressed under the Schemes to have been deemed to have been done or to have occurred, it shall be deemed to have been done or

to have occurred without any further act by any party, by virtue of the Plan, the FM Group Schemes and/or the Voluntary Arrangements and the Confirmation Order; and

1.2.12 any reference to the "holder" of a Claim shall be deemed to include any person entitled to assert such Claim.

2. **PRELIMINARY**

- 2.1 In relation to each Scheme Company the compromise or arrangement to be entered into by such Scheme Company pursuant to the Schemes shall be entered into only with its Scheme Creditors.
- 2.2 Whilst the Scheme Document relates to all the Scheme Companies, the Schemes shall take effect as a separate compromise or arrangement under section 425 of the CA 1985 between each Scheme Company and its Scheme Creditors.
- 2.3 Each of the Scheme Companies shall continue to exist after the Scheme Effective Date as a separate corporate entity in accordance with the laws of England and Wales under its memorandum and articles of association in effect immediately before the Scheme Effective Date, except to the extent that the same may be inconsistent with any provision of the Schemes.
- 2.4 All matters provided for under the Schemes involving the corporate structure of the Scheme Companies, or any corporate action to be taken by, or required of, the Scheme Companies, shall be deemed to have occurred and be effective as provided herein, and shall be authorised and approved in all respects without any requirement for further action or vote by the shareholders or directors of any such Scheme Companies.
- 2.5 As from the Scheme Effective Date, and save as expressly otherwise provided for under the Schemes in relation to Scheme Claims, or the FMUK Holding Scheme or the Voluntary Arrangements in relation to Claims compromised thereby, and subject also to the terms of the Subordination Deed, each of the Scheme Companies shall be responsible or shall continue to be responsible for paying or satisfying all Claims that existed against it immediately before the Scheme Effective Date as and when such Claims fall due to be paid or satisfied.
- 2.6 After the Scheme Effective Date, the assets and liabilities of each Scheme Company will remain separate under the Schemes and will not be consolidated with the assets and liabilities of any other party, including, without limitation, any other Scheme Company.
- 2.7 Except as specifically set forth herein, nothing in the Scheme Document shall constitute or be deemed to constitute an admission that any of the Scheme Companies are subject to, or liable for, any Claim against any other member of the FM Group.
- 2.8 Subject to Clause 2.9 below, the Claims of Scheme Creditors that hold Scheme Claims against more than one Scheme Company will be treated as separate Claims against each Scheme Company for all purposes (including, but not limited to, voting and distribution, provided, however, that there shall be only a single recovery on

account of such claim) and such Scheme Claims will be administered and treated in the manner provided for in the Schemes.

- 2.9 Asbestos Personal Injury Claims against T&N shall include (without limitation) Asbestos Personal Injury Claims against any other Company or non-Debtor Affiliate of T&N for which T&N is liable under applicable law as a result of any agency agreement entered into with such Company or Affiliate prior to the Petition Date, to the extent that the holders of such Claims against such Company or Affiliate so elect. To ensure that there shall be no double recovery to any holder on account of the inclusion of any Asbestos Personal Injury Claim as a Claim against T&N as a result of such agency agreement, each holder of such Claim against such Company or Affiliate shall be required to make an election pursuant to the Schemes as to whether such Asbestos Personal Injury Claim shall be asserted against T&N as principal, or against the relevant Company or Affiliate of T&N which was acting as the agent of T&N.
- 2.10 [On the Plan Effective Date, each of the Dan=Loc Deed of Special Indemnity and the Dan=Loc Deed of Guarantee was deemed terminated by agreement and the Dan=Loc Group released any and all Claims, obligations and liabilities (including, but not limited to, Environmental Claims) whatsoever against any and all of the Scheme Companies, their non-Debtor Affiliates and the Released Parties (i) under the Dan=Loc Deed of Special Indemnity, (ii) under the Dan=Loc Deed of Guarantee (iii) or otherwise, except that Asbestos Property Damage Claims against the Scheme Companies including T&N, T&N Shelf Twenty Limited and T&N Shelf Twenty-One Limited that the Dan=Loc Group had under the Dan=Loc Deed of Special Indemnity and Dan=Loc Deed of Guarantee as of the Petition Date shall, to the extent that any such Claims are Allowed, be treated as Unsecured Claims under the Plan. In addition to releasing any Environmental Claims against the Scheme Companies, Dan=Loc is also waiving and releasing any and all claims against four non-Debtor Affiliates that are parties to the 1997 Dan=Loc Asset Purchase Agreement.]¹

3. ESTABLISHMENT OF THE TRUST

- 3.1 On the Plan Effective Date, the Trust shall be established. The provisions of Clauses 3.2 and 3.3 below shall take effect in relation to the Hercules Protected Entities subject to, and only to the extent not inconsistent with, the provisions of Clause 4 below.
- 3.2 Effect shall be given to the Trust established pursuant to the Trust Agreement and to the terms of the Trust Agreement (including the Asbestos Personal Injury Trust Distribution Procedures) and the provisions of the Plan and the Schemes and/or the Voluntary Arrangements relating thereto. The Trust shall with effect from the Scheme Effective Date, in accordance with the Trust Documents, hold and administer the Trust Assets, liquidate Asbestos Personal Injury Claims and make distributions to holders of Allowed Asbestos Personal Injury Claims from the Trust Assets.

¹ If the Plan Effective Date has already occurred at the Scheme Effective Date, then this Clause should be preferred and Clause 8 deleted. If Clause 8 is deleted corresponding renumbering will be required.

3.3 On the Scheme Effective Date, all Trust Assets shall be, automatically and without any further act or deed, transferred to, vested in and assumed by, the Trust, subject to the notification requirements contained in Clauses 10.2 and 10.7; provided, however, that to the extent that certain Trust Assets, because of their nature or because such assets will accrue or become transferable subsequent to the Scheme Effective Date, cannot be transferred to, vested in and assumed by the Trust on the Scheme Effective Date, such Trust Assets shall, automatically and without any further act or deed, be transferred to, vested in and assumed by, the Trust as soon as practicable after the Scheme Effective Date. To the extent that any act or deed is required to be taken after the Scheme Effective Date by any of the Scheme Companies to ensure that any of the Trust Assets are effectively so transferred to, vested in or assumed by, the Trust, those Scheme Companies shall at their own expense and at the request in writing of the Trustees or their agents use all reasonable endeavours to do or perform that act or deed.

4. **DISCHARGE AND RELEASE OF SCHEME COMPANIES AND ASSUMPTION OF LIABILITIES BY THE TRUST – SPECIAL PROVISIONS APPLICABLE ONLY TO HERCULES PROTECTED ENTITIES**

Application of Clauses 4.2 to 4.24 (inclusive) to Hercules – Protected Entities

4.1 Notwithstanding any other provisions of the Plan or the Schemes and/or the Voluntary Arrangements to the contrary, the following provisions of this Clause 4 regarding the Trust and certain Asbestos Personal Injury Claims shall apply to those of the Scheme Companies that are Hercules-Protected Entities. **Each and every one of the Scheme Companies is a Hercules-Protected Entity except for Federal-Mogul Global Growth Limited and Federal-Mogul Ignition (U.K.) Limited.**

Assumption of liabilities by the Trust

4.2 On the Scheme Effective Date, the Trust will assume all liability for Asbestos Personal Injury Claims against Reorganized Hercules-Protected Entities in excess of both (i) the £690 million retention and the £500 million layer of coverage under the Hercules Policy and (ii) all other sums as are attributable to or otherwise represent the Hercules Insurance Recoveries to the extent such amounts exceed the £500 million layer of coverage; provided, however, that the Trust will not assume liability for Asbestos Personal Injury Claims to the extent such Claims are covered by the indemnity provisions of the EL Coverage.

4.3 From and after the Hercules Policy Expiry Date:

4.3.1 the Trust will assume sole and exclusive liability for all remaining Asbestos Personal Injury Claims against the Reorganized Hercules-Protected Entities (other than Asbestos Personal Injury Claims covered by the indemnity provisions of the EL Coverage, to the extent so covered), and the Reorganized Hercules-Protected Entities shall be discharged and released from any and all liability with respect to Asbestos Personal Injury Claims (other than Claims covered by the indemnity provisions of the EL Coverage, to the extent so covered); and

4.3.2 all rights of the Reorganized Hercules-Protected Entities to assert any defences, counterclaims, offsets, rights of contribution or similar rights and remedies for the purpose of reducing or defeating any Asbestos Personal Injury Claim (other than Claims covered by the indemnity provisions of the EL Coverage, to the extent so covered) shall be transferred from the Reorganized Hercules-Protected Entities to the Trust. From and after the date on which all of the obligations of the EL Insurers with respect to all Asbestos Personal Injury Claims cease to have effect, whether by commutation or otherwise (the "**EL Coverage Expiry Date**"), the Trust will assume sole and exclusive liability for all remaining Asbestos Personal Injury Claims against the Reorganized Hercules-Protected Entities in excess of both (i) the £690 million retention and the £500 million layer of coverage under the Hercules Policy and (ii) all other sums as are attributable to or otherwise represent the Hercules Insurance Recoveries to the extent such amounts exceed the £500 million layer of coverage, and the Reorganized Hercules-Protected Entities shall be discharged and released from any and all liability with respect to Asbestos Personal Injury Claims in excess of both (i) the £690 million retention and the £500 million layer of coverage under the Hercules Policy and (ii) all other sums as are attributable to or otherwise represent the Hercules Insurance Recoveries to the extent such amounts exceed the £500 million layer of coverage. Upon the occurrence of the later of (i) the EL Coverage Expiry Date and (ii) the Hercules Policy Expiry Date, all rights of the Reorganized Hercules-Protected Entities to assert any defences, counterclaims, offsets, rights of contribution, or similar rights and remedies for the purpose of reducing or defeating any Asbestos Personal Injury Claim shall be transferred from the Reorganized Hercules-Protected Entities to the Trust.

The Stock Repayment Obligation

4.4 On the Scheme Effective Date, the Trust will subscribe for 72% of the Reorganized Federal-Mogul Class B Common Stock for the subscription price of £361,802,160, such sum being left outstanding as a debt owing by the Trust to Reorganized Federal-Mogul. Immediately following such subscription and the issue to the Trust (specifically, the T&N Worldwide Fund within the Trust), Reorganized Federal-Mogul shall be deemed to have assigned and transferred to Reorganized T&N by way of capital contribution all of its right, title and interest in and to such debt (the "**Stock Repayment Obligation**"). The Stock Repayment Obligation shall be payable by off-set, in whole or in part, as provided in Clause 4.18 hereof, upon notice by Reorganized T&N to the Trust, or otherwise payable 20 years after the Scheme Effective Date.

Retention of rights under the Hercules Policy

4.5 Subject to Clauses 4.21 to 4.23 (inclusive) below, the Hercules Policy and the EL Coverage shall remain in full force and effect following Scheme Effective Date.

Limited recourse liability of the Hercules Protected Entities

4.6 On and from the Scheme Effective Date, the liability of the Reorganized Hercules-Protected Entities for Asbestos Personal Injury Claims and for any costs and

interest awarded in relation thereto shall continue in full, but recourse to the assets of the respective Reorganized Scheme Company in respect of such liability shall, automatically and by operation of the Plan, the Schemes and/or Voluntary Arrangements and the Confirmation Order, be limited in and to:

- 4.6.1 all amounts actually recovered by Reorganized T&N under or with respect to the Hercules Policy (including all amounts actually recovered to the extent of the £500m layer of coverage under the Hercules Policy);
- 4.6.2 the outstanding amount of the Stock Repayment Obligation; and
- 4.6.3 such sums as may have been provided to the relevant Reorganized Hercules-Protected Entity by the Trust or any other person, whether by loan or otherwise, for the purpose of enabling Asbestos Personal Injury Claims to be paid,

and shall otherwise be without recourse to the applicable Reorganized Hercules-Protected Entities and all of their property and interests in property.

From and after the Hercules Policy Expiry Date, the discharge of T&N and the other Scheme Companies that are Hercules-Protected Entities under Article IX of the Plan and under the terms of the Schemes shall automatically and without further order of the English Court or the US Court become full and complete (other than with respect to Claims covered by the indemnity provisions of the EL Coverage and for which indemnity is actually recoverable under the EL Coverage to the extent so recoverable).

Assignment to Trust of proceeds of Asbestos Personal Injury Claims

- 4.7 On the Scheme Effective Date, and pursuant to the Plan, the Schemes and/or the Voluntary Arrangements, each holder of an Asbestos Personal Injury Claim will be deemed to have assigned to the Trust his/her rights to the proceeds of his/her Asbestos Personal Injury Claim.

Assignment of rights against insurers

- 4.8 Similarly, on the Scheme Effective Date, each holder of an Asbestos Personal Injury Claim will be deemed to have assigned to (i) Reorganized T&N any rights respecting the Hercules Policy, and (ii) the Trust any rights respecting the EL Coverage, in each case being rights transferred to him/her by operation of law under the Third Parties (Rights Against Insurers) Act 1930. For the avoidance of doubt, no such holder will be entitled after the Scheme Effective Date to commence or continue any proceedings against Curzon or the EL Insurers in exercise or purported exercise of its rights under the Third Parties (Rights Against Insurers) Act 1930. Reorganized T&N shall hold the benefit of this undertaking on trust for itself and for Curzon and the Trust shall hold the benefit of this undertaking on trust for itself and the relevant EL Insurers such that Curzon or the relevant EL Insurers (as the case may be) shall be entitled to enforce this undertaking directly against each of such holders.

Trust Claims

- 4.9 In consideration of the assignments deemed to have been made by the holder of each Asbestos Personal Injury Claim pursuant to Clauses 4.7 and 4.8 above and the appointment and undertaking contained in Clause 4.12 below, such holder shall be entitled to a claim against the Trust (a "**Trust Claim**") which shall be separate and distinct from the Asbestos Personal Injury Claim itself (which, subject to Clauses 4.2 to 4.3 above, is a claim against the relevant Reorganized Hercules-Protected Entity).
- 4.10 The Trust Claim shall confer on the holder thereof the right to elect either:
- 4.10.1 to receive any payment that is offered by the Trust in satisfaction of the Trust Claim; or
- 4.10.2 to pursue alternative remedies against the Trust in respect of the Trust Claim in either case in accordance with and subject to the terms of the Asbestos Personal Injury Trust Distribution Procedures and the other Trust Documents.
- 4.11 The Trust Claim shall be a sum payable by the Trust for the right to assert, as the agent of the relevant asbestos personal injury claimant Asbestos Personal Injury Claims against the Reorganized Hercules-Protected Entities and for the right of the claimant to assert claims under the Third Parties (Rights Against Insurers) Act 1930 against the EL Insurers.

Appointment of Trust as agent

- 4.12 From and after the Scheme Effective Date, each holder of an Asbestos Personal Injury Claim irrevocably appoints the Trust as its agent, in the name of such holder or otherwise, to assert such Asbestos Personal Injury Claim against the Reorganized Hercules-Protected Entities in any appropriate forum, and such holder shall not be entitled to assert such Asbestos Personal Injury Claim except through the agency of the Trust (unless the Trust otherwise agrees). The Trust shall indemnify each holder of an Asbestos Personal Injury Claim against any costs that may be awarded against such holder in any legal proceedings brought by the Trust on behalf of such holder.

Distinction between Trust Claim and Asbestos Personal Injury Claim

- 4.13 The Trust Claim shall be separate and distinct from the Asbestos Personal Injury Claim. Accordingly, if the holder of an Asbestos Personal Injury Claim against the Reorganized Hercules-Protected Entity elects to receive any payment that is offered by the Trust in satisfaction of the Trust Claim, or elects to pursue alternative remedies against the Trust in respect of the Trust Claim in accordance with the terms of the Asbestos Personal Injury Trust Distribution Procedures and the other Trust Documents as mentioned in Clause 4.10 above, such process shall be separate and distinct from and without prejudice to the Trust's assertion on behalf of the claimant of his/her rights against the applicable Reorganized Hercules-Protected Entity in respect of that claimant's particular Asbestos Personal Injury Claim, and no sum received in respect of a Trust Claim shall reduce or extinguish the liability of the applicable Reorganized Hercules-Protected Entity in respect of the Asbestos Personal Injury Claim.

Retention of defences

- 4.14 Subject to the claims handling rights, of Curzon (whatever they may be), the Reorganized Hercules-Protected Entities shall retain the right to assert any defences, counterclaims, offsets, rights of contribution or similar rights and remedies for the purpose of reducing or defeating their liability on any Asbestos Personal Injury Claim; provided, however, that none of the Reorganized Hercules-Protected Entities shall assert a defence to a claim based upon the Trust's prosecution of such claim as an agent of the holder of the Asbestos Personal Injury Claim or based upon the assignment of the rights to the proceeds of any such claim as provided in Clause 4.7 above.

Curzon's claims handling rights

- 4.15 In recognition of Curzon's asserted claim handling rights:

4.15.1 The Reorganized Hercules-Protected Entities will, to the extent required by the Hercules Policy, refer Asbestos Personal Injury Claims to Curzon or their appointed claims handling designee for their further administration, defence and disposition and Curzon will be entitled to exercise all claims handling rights under the Hercules Policy in relation to such proceedings, including defence or settlement of the Claim; and

4.15.2 the claimant's action against the Reorganized Hercules-Protected Entities shall be allowed to proceed to judgment or settlement, but the claimant will not be permitted to enforce any judgment or settlement except in accordance with the provisions of this Clause 4, including the claimant's assignment of his/her rights to proceeds from such claim to the Trust.

- 4.16 The rights of the holder of an Asbestos Personal Injury Claim to payment from the Trust in respect of a Trust Claim shall be determined solely under and in accordance with the Asbestos Personal Injury Trust Distribution Procedures and other Trust Documents.

Satisfaction of Asbestos Personal Injury Claims

- 4.17 An Asbestos Personal Injury Claim is "**Established**" for the purpose of this Clause 4 when it is established as owing by a Reorganized Hercules-Protected Entity by final judgment or award of a court or arbitrator of competent jurisdiction or when (to the extent required by the Hercules Policy, with the consent of Curzon) an agreement is entered into between the claimant and the applicable Reorganized Hercules-Protected Entity under which the Asbestos Personal Injury Claim is so established.

- 4.18 Once an Asbestos Personal Injury Claim has been Established, the liability of any Reorganized Hercules-Protected Entity concerned in respect of that Claim, if and to the extent not recovered from an EL Insurer under an EL Policy, may be satisfied and discharged by payment or deemed payment to the Trust as agent of the holder of the Claim as follows:

4.18.1 (at the option of either the Trust or Reorganized T&N and notwithstanding that the obligation to the Trust is in its capacity as agent of the holder of that Claim against the Hercules-Protected Entity) by setting off against that liability an equivalent amount of the Stock Repayment Obligation (and for this

purpose Reorganized T&N shall be deemed, if necessary, to have assigned, for no consideration at the time the option is exercised, to the applicable Reorganized Hercules-Protected Entity an equivalent amount of the Stock Repayment Obligation);

4.18.2 by the Trust repaying part of the Stock Repayment Obligation to Reorganized T&N for the purpose of enabling Reorganized T&N to satisfy, or arrange for the relevant Hercules-Protected Entity to satisfy, the liability (any such sum to be received and held by Reorganized T&N in trust for that purpose);

4.18.3 by payment by Reorganized T&N out of funds received under the Hercules Policy; or

4.18.4 by payment by Reorganized T&N or the relevant Reorganized Hercules-Protected Entity out of funds made available, by loan or otherwise, for the specific purpose of satisfying Asbestos Personal Injury Claims, by the Trust, Reorganized T&N or any third party.

4.19 Any loan made by the Trust to a Reorganized Hercules-Protected Entity shall be free of interest and recourse to that Reorganized Hercules-Protected Entity in respect of such loan shall be limited to 94.25% of the amount recovered in respect of the relevant Asbestos Personal Injury Claim under the Hercules Policy (disregarding for this purpose any reduction in that amount caused by Curzon setting off any sum to which it is entitled from Reorganized T&N under any other agreement).

Currency conversion

4.20 To the extent that any Asbestos Personal Injury Claim has been Established and is payable to the Trust in a currency other than British Pounds Sterling, and that liability is to be satisfied by setting off the sum due against the outstanding Stock Repayment Obligation, such Asbestos Personal Injury Claim shall be converted at the Exchange Rate prevailing on the date when the set-off is made or, if such date is not a Business Day, on the previous Business Day.

Receipts from Curzon

4.21 Reorganized T&N will hold any amount received from Curzon in respect of an Established Asbestos Personal Injury Claim (including any amount received by virtue of the reassignment to it of the holder's rights under the Third Parties (Rights Against Insurers) Act 1930 pursuant to Clause 4.8 above) in trust to meet any claims handling costs or expenses incurred by or on behalf of Reorganized T&N or any other Reorganized Hercules-Protected Entity. Subject to that, Reorganized T&N will hold all amounts received from Curzon in respect of an Asbestos Personal Injury Claim in trust to repay to the Trust the amount borrowed by Reorganized T&N or other Reorganized Hercules-Protected Entity to fund the payment of that Asbestos Personal Injury Claim pursuant to Clause 4.18 above. Reorganized T&N will hold any balance of the amounts received from Curzon in trust, at the direction of the Trust, to pay further Asbestos Personal Injury Claims Established by settlement or judgment.

4.22 Until the Hercules Policy Expiry Date, all such amounts received from Curzon under the Hercules Policy shall be kept in a separately designated bank account in the name

of Reorganized T&N pending application in accordance with the trusts established under Clause 4.21. Upon (i) the occurrence of the Hercules Policy Expiry Date, and (ii) satisfaction of the payments to be made under the foregoing trusts established under Clause 4.21, Reorganized T&N shall be entitled to any outstanding balance received from Curzon absolutely; in the event that Reorganized T&N does pay to the Trust a sum equivalent to the amount of the outstanding balance retained by Reorganized T&N (but without creating any trust affecting such outstanding balance).

- 4.23 Any payment by Curzon under the Hercules Policy or by any EL Insurer under an EL Policy to the holder of an Asbestos Personal Injury Claim pursuant to judgment or settlement of a Claim shall be held by the holder of the relevant Claim in trust for the sole and exclusive benefit of (in the case of a payment by Curzon under the Hercules Policy) Reorganized T&N and (in the case of a payment by any EL Insurer under an EL Policy) the Trust (specifically, the T&N Worldwide Fund as defined within the Trust Documents), and paid to Reorganized T&N or, as the case may be, the Trust at its request, and the holder's recovery against the Trust shall be determined solely under and in accordance with the Asbestos Personal Injury Trust Distribution Procedures and other Trust Documents.

Rights to insurance receipts in respect of Non-Debtor Hercules Protected Entities

- 4.24 Notwithstanding anything to the contrary in the Plan, the Schemes and/or the Voluntary Arrangements or the Trust Documents, to the extent that any Non-Debtor Hercules-Protected Entity is sued or otherwise pursued on a liability or alleged liability for which coverage is provided under the Hercules Policy or any EL Policy, Reorganized T&N shall be entitled to seek and obtain coverage for such liability under or with respect to the Hercules Policy or any EL Policy and retain any and all proceeds, if any, paid on account of such liability by Curzon or any EL Policy.

5. DISCHARGE AND RELEASE OF SCHEME COMPANIES AND ASSUMPTION OF CERTAIN LIABILITIES BY THE TRUST - GENERAL

Assumption of liabilities for Asbestos Personal Injury Claims by the Trust

- 5.1 Except as provided in Clause 4 above, the Trust shall as of the Scheme Effective Date assume sole and exclusive responsibility and liability for all Asbestos Personal Injury Claims, including, but not limited to, Indirect Asbestos Personal Injury Claims, against the Scheme Companies, any other Debtor or Reorganized Debtor, and their respective estates, Affiliates and Subsidiary Undertakings, and such Claims, to the extent Allowed, shall be paid solely by the Trust from Trust Assets.

Discharge and release

- 5.2 As of the Scheme Effective Date, except as provided in the Plan, the Schemes, the Voluntary Arrangements, the Confirmation Order or the order sanctioning the Schemes (including without limitation, the exceptions provided in Clause 4 above), the rights afforded under the Plan and the Schemes and/or the Voluntary Arrangements (including without limitation the transfer to, vesting in and assumption by, the Trust of the Trust Assets) shall be in exchange for and in complete satisfaction discharge and release of:

- 5.2.1 all Scheme Claims, and in satisfaction and termination of all interests relating thereto, including any interest accrued on Scheme Claims from and after the Petition Date; and of
- 5.2.2 all obligations and liabilities of the Released Parties and their respective estates, Affiliates and Subsidiary Undertakings, for or in respect of all Asbestos Personal Injury Claims and Asbestos Personal Injury Demands, including, but not limited to, all Indirect Asbestos Personal Injury Claims and Indirect Asbestos Personal Injury Demands, against the Scheme Companies, any other Debtor or Reorganized Debtor, their respective estates, Affiliates and Subsidiary Undertakings.

The benefit of the discharge and release contained in Clause 5.2.2 is hereby settled by each of the Scheme Companies on T&N to be held on trust for the benefit of each of the Released Parties with the intent that each of the Released Parties may have the benefit of, and rely upon, the covenant made in Clause 5.2.2.

Moratorium

- 5.3 As of the Scheme Effective Date, except as provided in the Plan, the Schemes and/or the Voluntary Arrangements, the Confirmation Order or the order sanctioning the Schemes (in particular except as provided in Clause 4 above):
 - 5.3.1 no Scheme Creditor shall be entitled to take or continue any step or proceeding against any Scheme Company or its assets (whether by way of demand, legal proceedings, execution of judgment, or otherwise howsoever) in any jurisdiction whatsoever for the purpose of obtaining payment of any Scheme Claim; and
 - 5.3.2 all persons shall be precluded from asserting against the Scheme Companies, or their respective successors or assets, any other or further Claims, Demands, debts, rights, causes of action, liabilities or equity interests based upon any act, omission, transaction or other activity of any kind or nature that occurred prior to the Scheme Effective Date and which formed the basis of any Scheme Claim.

Certain claims not released or discharged

- 5.4 Notwithstanding any other provision of the Plan or Schemes and/or the Voluntary Arrangements to the contrary, the satisfaction, release and discharge set forth in Clause 5.2 and the moratorium in Clause 5.3 above is not intended to, and shall not be deemed or construed so as to, satisfy, discharge or release claims by the Trust, any Scheme Company or (subject to Clause 4) any other person, as the case may be, against (a) the Trust for payment of Allowed Asbestos Personal Injury Claims in accordance with the Asbestos Personal Injury Trust Distribution Procedures, (b) the Trust for the payment of Trust Expenses, (c) any Asbestos Insurance Company that has not complied with its obligations under an Asbestos Insurance Policy or an Asbestos Insurance Settlement Agreement, (d) Curzon under the Hercules Policy or any settlement agreement with Curzon relating to any Asbestos Personal Injury Claim or (e) the EL Insurers under any EL Policy or any settlement agreement with the EL Insurers relating to any Asbestos Personal Injury Claim.

Retention of certain rights by Scheme Companies

- 5.5 Except for the Trust Causes of Action and except as provided in Section 10.5 of the Plan or as otherwise provided in the Plan, the Schemes and/or the Voluntary Arrangements, the Confirmation Order, or the order sanctioning the Schemes, the Scheme Companies shall retain and have the exclusive right, in their sole discretion, to enforce, sue on, settle, or compromise (or decline to do any of the foregoing) all claims, rights, causes of action, suits and proceedings, under the laws of any jurisdiction, including rights or causes of action arising under the US Bankruptcy Code which are commenced prior to the closing of the Reorganization Cases, that the Scheme Companies may hold against any person.

Retention of Asbestos Insurance Actions by Scheme Companies

- 5.6 Notwithstanding any other provision of the Plan or the Schemes and/or the Voluntary Arrangements to the contrary and without limiting the foregoing, the Scheme Companies, with the consent of the Trustees, may retain, prosecute and enforce any Asbestos Insurance Action (if any) in their own name, for the benefit of the Trust and the holders of Asbestos Personal Injury Claims, provided that, if so required by the Scheme Companies, any costs and expenses to be incurred by the Scheme Companies, in any such Asbestos Insurance Action shall be reimbursed to the Scheme Companies by the Trust as Trust Expenses as soon as practically possible.

Release and discharge in the Plan

- 5.7 The satisfaction, release and discharge set forth in Clause 5.2 and the moratorium set forth in Clause 5.3 is in addition and without prejudice to any satisfaction, release or discharge set forth in the Plan.

Release of persons in connection with the Reorganization Cases etc

- 5.8 None of the Debtors, the Reorganized Debtors, the members of the Unsecured Creditors Committee, the members of the Asbestos Claimants Committee, the Future Claimants Representative, the members of the Equity Committee, the Collateral Trustee, the holders of Noteholder Claims, the holders of Bank Claims, the Administrative Agent, nor any of their respective successors, officers, directors, employees, members, agents, lawyers, accountants, investment bankers, financial advisors or restructuring professionals, nor any other professional Person employed by any of them, shall have or incur any liability (except for any liability that results primarily from such Person's bad faith or wilful misconduct) to any person for any act or omission in connection with, relating to, or arising out of the Reorganization Cases, the administration proceedings of the Companies, the negotiation of the Plan, the Schemes and/or the Voluntary Arrangements, pursuit of confirmation of the Plan, sanction of the Schemes and/or approval of the Voluntary Arrangements, the administration, consummation and implementation of the Plan or Schemes and/or the Voluntary Arrangements or the property to be distributed under the Plan or the Schemes and/or the Voluntary Arrangements, the Disclosure Statement, the Plan Documents, the releases and Injunctions, or the management or operation of the Debtors; provided, however, that (i) with respect to officers and directors of the Debtors, this exculpation provision shall apply only to officers or directors who were serving in such capacity on or after the Petition Date and (ii) this exculpation

provision shall not apply to Rothschild Inc. In all respects each and all of such persons shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under, or in connection with, the Reorganization Cases, the Plan, the Schemes, the Voluntary Arrangements, the administration proceedings of the Companies and the administration of each of them.

Covenant not to sue

- 5.9 Each of the Scheme Creditors hereby severally covenants not to sue any of the persons referred to in Clause 5.8 above in respect of the matters identified in Clause 5.8 above. The benefit of the covenant made in this Clause 5.9 is hereby settled by each of the Scheme Companies on T&N to be held on trust for the benefit of each of the persons identified in Clause 5.8 with the intent that each of those persons may have the benefit of, and rely upon, the covenant made in this Clause 5.9.

6. TRUST INDEMNITY OBLIGATIONS

Scope of Clauses 6.2 to 6.6 (inclusive)

- 6.1 The provisions of Clauses 6.2 to 6.6 below take effect in relation to Hercules Protected Entities subject to the provisions of Clause 6.7.

Trust indemnity – general

- 6.2 Notwithstanding anything to the contrary in the Trust Documents, the Trust shall have the indemnification obligations set out in the Schemes, including, without limitation, the indemnification obligations set out below.
- 6.3 Except as provided in Clause 6.5 below with respect to non-Debtor Asbestos Claims, if, on or after the Scheme Effective Date, the Reorganized Scheme Companies and/or any of their non-Debtor Affiliates are held liable for any Asbestos Personal Injury Claim that is not successfully channelled to the Trust, for any reason, whether such Asbestos Personal Injury Claim is asserted in the U.S., the U.K. or anywhere else in the world, the Trust shall indemnify the Reorganized Scheme Companies and/or the other Reorganized Debtors and/or any of their non-Debtor Affiliates, as applicable, in an amount equal to
- 6.3.1 the value of such Asbestos Personal Injury Claim, as determined by settlement or judgment, times
- 6.3.2 the applicable payment percentage under the Asbestos Personal Injury Trust Distribution Procedures.

For the purposes of determining the amount of indemnification due under this Clause 6 and only for such purpose, the value of such Asbestos Personal Injury Claim as set forth in 6.3.1 shall be the amount of any settlement or judgment plus all costs of defences and expenses related to such Asbestos Personal Injury Claim.

- 6.4 Notwithstanding anything to the contrary, if the Asbestos Personal Injury Claim for which indemnity is due under this Clause 6 is an Other Asbestos Disease (Disease Level I – Cash Discount Payment) as defined in the Asbestos Personal Injury Trust Distribution Procedures, then the Trust shall indemnify the Reorganized Scheme

Companies and/or any of their non-Debtor Affiliates, as applicable, in an amount equal to the Scheduled Value (as defined in the Asbestos Personal Injury Trust Distribution Procedures) for such Asbestos Personal Injury Claim.

- 6.5 If, on or after the Scheme Effective Date, the Reorganized Scheme Companies and/or any of their non-Debtor Affiliates are held liable for any claim attributable to, directly or indirectly, injuries or other damages caused or allegedly caused by the presence of, or exposure to, asbestos and arising or allegedly arising, in whole or in part directly or indirectly, from acts or omissions of one or more of the non-Debtor Affiliates, whether such claim is asserted in the U.S., the U.K. or anywhere else in the world (a "**Non-Debtor Asbestos Claim**"), the Trust shall indemnify the Reorganized Scheme Companies, the other Reorganized Debtors and/or any of their non-Debtor Affiliates in an amount equal to the lesser of
- 6.5.1 the amount actually paid on such Non-Debtor Asbestos Claim by the Reorganized Scheme Companies and/or the other Reorganized Debtors and/or the non-Debtor Affiliates, as applicable, plus fees and costs related to such Non-Debtor Asbestos Claim, times the applicable payment percentage under the Asbestos Personal Injury Trust Distribution Procedures and
- 6.5.2 what the holder of such Non-Debtor Asbestos Claim would have received from the applicable sub-fund if the Non-Debtor Asbestos Claim had been channelled to the Trust and did not proceed to judgment.

In the event the Asbestos Personal Injury Trust Distribution Procedures do not contain a matrix for any such Non-Debtor Asbestos Claim, the amount of indemnity due under this Clause 6.5 shall be determined by using the T&N/U.S. CLAIMS matrix set forth in the Asbestos Personal Injury Trust Distribution Procedures.

- 6.6 Notwithstanding Clauses 6.3 to 6.5 above, if, on or after the Scheme Effective Date, the Reorganized Scheme Companies and/or the other Reorganized Debtors and/or any of their non-Debtor Affiliates are sued on account of an Asbestos Personal Injury Claim or a Non-Debtor Asbestos Claim that relates to a stream of liability for which there is no applicable payment percentage and such Asbestos Personal Injury Claims and/or Non-Debtor Asbestos Claims may be tendered to an insurance company for handling and payment, the applicable Reorganized Scheme Company and/or the other Reorganized Debtors and/or non-Debtor Affiliate shall tender such Asbestos Personal Injury Claim or Non-Debtor Asbestos Claim, as applicable, to the Trust so the Trust can properly access any available insurance. The Trust shall use its best efforts to have such Asbestos Personal Injury Claim and/or Non-Debtor Asbestos Claim paid by any applicable insurance and, if the Trust obtains any insurance proceeds on account of such claims, the Trust shall remit such proceeds to the applicable Reorganized Scheme Company and/or other Reorganized Debtor and/or non-Debtor Affiliate.
- 6.7 Notwithstanding anything in the Trust Agreement, including, without limitation, Section 3.1 of the Trust Agreement, the Trust shall (i) be obligated to pay the indemnification as required under the Plan and/or the Schemes and/or the Voluntary Arrangements without regard to which stream of asbestos liability the indemnification relates to and (ii) pay such indemnification from any and all available assets in any of the Funds (as such term is defined in the Trust Agreement) without regard to which Fund or stream of asbestos liability such indemnification relates to.

Trust indemnity – Hercules Protected Entities

- 6.8 Notwithstanding any of the provisions in Clauses 6.3 to 6.7 above any indemnity by the Trust in favour of the Hercules-Protected Entities shall only apply after the later of (a) the Hercules Policy Expiry Date and (b) the EL Coverage Expiry Date provided, however, pending the occurrence of the later of such two dates, Reorganized Federal-Mogul shall be conclusively deemed to have suffered a loss in the amount of indemnity that would have come due to the Reorganized Hercules-Protected Entities under Clauses 6.3 to 6.7 above but for the immediately preceding proviso and the Trust shall indemnify Reorganized Federal-Mogul in respect of such loss to the extent set out in Clauses 6.3 to 6.5 above. Additionally, notwithstanding anything to the contrary in the Plan, the Schemes and/or the Voluntary Arrangements or the Trust Documents, Reorganized Federal-Mogul shall also be deemed to have suffered a loss (i) in the amount of any and all fees, costs and expenses incurred by the Reorganized Hercules-Protected Entities in defending against Asbestos Personal Injury Claims (to the extent such fees, costs and expenses are not recovered by the Hercules-Protected Entities from Curzon under the Hercules Policy) and (ii) in the amount of any fees, costs, expenses, indemnity payments, reimbursement amounts, additional premiums or other amounts paid by the Hercules-Protected Entities related to the Hercules Policy or the EL Coverage, and the Trust shall indemnify Reorganized Federal-Mogul in respect of such loss in full (without regard to any limitation in Clauses 6.3 to 6.7 above) on a semi-annual basis in Cash or more frequently as may be reasonably requested by Reorganized Federal-Mogul.

EL Coverage

- 6.9 Notwithstanding anything to the contrary in the Schemes, the Voluntary Arrangements, the Plan or the Trust Documents, the Trust shall not assume any agency obligation with respect to any Asbestos Personal Injury Claim against the Reorganized Scheme Companies on behalf of the EL Insurers, Curzon, and/or the CRU and to the extent permissible by law, these Entities may only assert any such Asbestos Personal Injury Claims they may hold, if any, against the Trust. Additionally, if the EL Insurers, Curzon and/or the CRU assert any Claim against a Reorganized Scheme Company and such Claim is not successfully channelled to the Trust, then the Trust shall indemnify the relevant Reorganized Scheme Company for the full amount of any and all damages, losses, fees and expenses incurred with respect to such Claim.

7. FEDERAL-MOGUL CORPORATION SECURITIES AND CORPORATE GOVERNANCE

- 7.1 The actions in respect of FMC set out in Sections 8.3.1 to 8.3.11 (inclusive) of the Plan shall be taken on the respective dates set out in those Sections.

8. RELEASE BY DAN=LOC GROUP

- 8.1 On the Scheme Effective Date, each of the Dan=Loc Deed of Special Indemnity and the Dan=Loc Deed of Guarantee shall be deemed terminated by agreement and the Dan=Loc Group shall release any and all Claims, obligations and liabilities (including, but not limited to, Environmental Claims) whatsoever against any and all of the Scheme Companies, their non-Debtor Affiliates and the Released Parties (i)

under the Dan=Loc Deed of Special Indemnity, (ii) under the Dan=Loc Deed of Guarantee (iii) or otherwise, except that Asbestos Property Damage Claims against the Scheme Companies, including T&N, T&N Shelf Twenty Limited and T&N Shelf Twenty-One Limited that the Dan=Loc Group had under the Dan=Loc Deed of Special Indemnity and Dan=Loc Deed of Guarantee as of the Petition Date shall, to the extent that any such Claims are Allowed, be treated as Unsecured Claims under the Plan and the Voluntary Arrangements. In addition to releasing any Environmental Claims against the Scheme Companies, Dan=Loc is also waiving and releasing any and all claims against four non-Debtor Affiliates that are parties to the 1997 Dan=Loc Asset Purchase Agreement.

9. [PNEUMO ABEX SETTLEMENT]

[Provisions relating to the settlement, if any, between Cooper Industries Inc., Cooper Industries Ltd, Pneumo Abex Corporation, certain other Pneumo Abex Parties as may be named and the Plan Proponents (including Debtors F-M UK Holding and Federal-Mogul Global Growth Limited).]

10. APPROVAL OF THE CURZON/T&N SETTLEMENT AGREEMENT

The Scheme Creditors hereby approve the entry into the Curzon/T&N Settlement Agreement (a summary of which appears in Appendix VI and full copies of which may be inspected at the place(s) indicated in the Explanatory Statement) by T&N, FMC and all other Debtors.

11. CONDITIONS TO THE SCHEME EFFECTIVE DATE

11.1 The Schemes shall come into effect on the Scheme Effective Date. The Scheme Effective Date shall not occur unless each of the following conditions shall have been satisfied:

11.1.1 The Conditions set out in Section 7.1 of the Plan shall have been satisfied or waived, if permitted, by the Plan Proponents.

11.1.2 The Conditions set out in Section 7.2 of the Plan shall have been satisfied or waived by the Plan Proponents.

12. MATTERS INCIDENTAL TO APPROVAL OF THE SCHEMES

Asbestos Insurance Actions:

12.1 Any Asbestos Insurance Action, or the claims and causes of action asserted or to be asserted therein, shall be preserved for the benefit of the Trust for prosecution either by the Scheme Companies or the Trustees (as mutually agreed by such parties) subsequent to Confirmation of the Plan and the Scheme Effective Date and in accordance with the Trust Agreement.

12.2 As of the date subsequent to the Scheme Effective Date on which the Trustees confirm in writing to the Scheme Companies that the Trust is in a position to assume such responsibility, such actions, along with the rights and obligations of the Scheme Companies with respect to Asbestos Insurance Policies and claims thereunder, to the extent that such Policies and claims relate to Asbestos Personal Injury Claims but not

as to any other claims covered thereby (to the extent that such actions and rights and obligations may be so assigned without prejudicing any actual or potential Asbestos Insurance Action or claim under the relevant Policy) shall be assigned to and vested in the Trust as the representative of the Scheme Companies without any further action by the Scheme Companies, the Trust, the US Court or the English Court.

- 12.3 Such Asbestos Insurance Actions shall be so vested free and clear of all Liens, security interests and other Claims or causes of action, except as otherwise provided in the Plan or the Schemes and/or Voluntary Arrangements.
- 12.4 Until such time as the Asbestos Insurance Actions have become vested in the Trust, the Scheme Companies shall be entitled to compromise or settle any Asbestos Insurance Action; provided, however, that any such compromise or settlement shall require the consent of the Future Claimants Representative, the Asbestos Claimants Committee, or the Trust Advisory Committee, as applicable, and the approval of the US Court.
- 12.5 Upon vesting in the Trust, the Asbestos Insurance Actions shall be governed by the Trust Documents.
- 12.6 Notwithstanding anything to the contrary contained herein, the Trust shall not compromise or resolve insurance coverage under any Asbestos Insurance Policy except with respect to Asbestos Personal Injury Claims and Trust Expenses.

Assumption of responsibility by Trust for legal actions etc:

- 12.7 As of the date subsequent to the Scheme Effective Date on which the Trustees confirm in writing to the Scheme Companies that the Trust is in a position to assume such responsibility, the Trust shall be empowered to initiate, prosecute, defend and resolve all legal actions and other proceedings relating to any asset, liability or responsibility of the Trust, including Asbestos Insurance Actions, Indirect Asbestos Personal Injury Claims or other Trust Causes of Action.
- 12.8 The Trust, to the extent permissible by law, shall be empowered to initiate, prosecute, defend and resolve all such actions in the name of any Scheme Company if deemed necessary or appropriate by the Trust. The Trust shall be responsible for the payment of all damages, awards, judgments, settlements, expenses, costs, fees and other charges incurred subsequent to Confirmation of the Plan or the order sanctioning the Schemes or approval of the Voluntary Arrangements arising from or associated with any legal action or other proceeding which is the subject of this Clause 12.8 and shall pay or reimburse all deductibles, retrospective premium adjustments or other charges (not constituting Indirect Asbestos Personal Injury Claims) which may arise from the receipt of any insurance proceeds from the Trust.

Trust Causes of Action

- 12.9 Except as otherwise provided in the Plan or the Schemes and/or the Voluntary Arrangements, the Trust shall retain and have the exclusive right at its own cost to enforce against any person any and all of the Trust Causes of Action, with the proceeds of the recoveries of any such actions to be deposited in the Trust.

Asbestos Insurance Policies

- 12.10 The discharge and release of the Scheme Companies and the Released Parties from all Claims as provided in the Plan and in the Schemes and/or the Voluntary Arrangements shall neither diminish nor impair the enforceability of any of the Asbestos Insurance Policies.
- 12.11 Except as provided in Article IV of the Plan and Clauses 3, 4 and 5 above, the Trust shall be deemed to be the successor to the applicable Scheme Companies with respect to all Asbestos Personal Injury Claims and the indemnity under any Asbestos Insurance Policy to the extent there is no prejudice to coverage under such Asbestos Insurance Policies.
- 12.12 The opportunity to participate in the resolution and defence of such Claim shall be in all respects subject to the Asbestos Personal Injury Trust Distribution Procedures provided for in the Trust Agreement and limited to contentions that the Claim should not be Allowed or should be Allowed in a lesser amount under such procedures.
- 12.13 Except as provided in Article IV of the Plan and Clauses 3, 4 and 5 above, the Allowed Asbestos Personal Injury Claim shall be, and shall be deemed to be, a judgment against the Trust (as successor for all purposes to the liabilities of the applicable Scheme Companies in respect of Asbestos Personal Injury Claims) in the Allowed Amount of such Claims for purposes of determining the liability of any insurer or indemnitor in respect of such Allowed Asbestos Personal Injury Claim.

13. SCHEME EXPENSES

- 13.1 The Scheme Companies shall pay all reasonably incurred costs, charges and expenses of and incidental to the Schemes, including, without prejudice to the generality of the foregoing:
- 13.1.1 (without prejudice to the statutory charge created by section 19(4) of the IA 1986) the remuneration of and all costs, charges and expenses reasonably incurred by the Administrators in performing their functions as Administrators, in accordance with the provisions of the IA 1986 and the IR 1986 (as amended and in force from time to time);
- 13.1.2 to the extent such costs remain unpaid at the Scheme Effective Date, all costs, charges and expenses reasonably incurred by the Scheme Companies in connection with the negotiation and preparation of the Plan or the Schemes and/or the Voluntary Arrangements (including, but not limited to, all legal, accounting, actuarial, financial, run-off and other consultants' fees, expenses and other costs);
- 13.1.3 any court and filing fees and stamp or other duty or tax and any expenses and disbursements (including legal fees) incurred in relation to the Schemes;
- 13.1.4 the reasonable costs of holding meetings of Scheme Creditors and any meetings of shareholders or directors convened to consider the Schemes and/or the Plan and/or the Voluntary Arrangements and the reasonable costs of

obtaining the sanction of the English Court and registration of the Schemes at the Companies Registry of England and Wales;

13.1.5 all reasonable liabilities, expenses, costs and disbursements, if any, incurred by the Scheme Companies in the course of exercising or performing their respective powers, duties and functions under, or for the purpose of implementing, the Schemes;

13.1.6 all tax, duties, administrative, licence, listing, audit, filing, registration, directors' and other fees, costs, and expenses reasonably incurred by or on behalf of the Scheme Companies in connection with the Schemes or the Plan and/or the Voluntary Arrangements.

14. REVOCATION OF THE SCHEMES AND RESERVATION OF RIGHTS

14.1 The Administrators of each Scheme Company reserve the right to revoke and withdraw the Scheme as to that Scheme Company prior to the date upon which it is sanctioned by the English Court.

14.2 If the Administrators revoke or withdraw the Scheme in relation to any Scheme Company or Scheme Companies, or if the Scheme is not sanctioned as to any Scheme Company or Scheme Companies, then, with respect to such Scheme Company or Scheme Companies, the Scheme shall be deemed null and void and nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against such Scheme Company or Scheme Companies or any other person (including the Administrators), or to prejudice in any manner the rights of such Scheme Company or Scheme Companies, or such person (including the Administrators) in any further proceedings involving such Scheme Company or Scheme Companies.

14.3 In the event that, in relation to any one or more of the Scheme Companies, the English Court does not sanction the compromise or arrangement effected by the Scheme, or in the event that the compromise or arrangement is not agreed to by the requisite majority of the Scheme Creditors or class of Scheme Creditors as required by section 425 of the CA 1985 or the Voluntary Arrangement is not approved by the requisite majority of the creditors, the Administrators reserve the right in their discretion either to apply to the English Court for an order that the compromise or arrangement effected by the Schemes should be sanctioned in relation to all or any of the other Scheme Companies or to withdraw the application to the English Court for such an order in relation to all or any of the other Scheme Companies or to apply for such an order in the case of some of the Scheme Companies and to withdraw the application in relation to others.

14.4 In the event that the conditions to effectiveness set out in Sections 7.1 and 7.2 of the Plan are not satisfied in relation to all or any of the Scheme Companies, the Plan Proponents of such Scheme Company or Scheme Companies may waive each of the conditions in whole or in part, and/or impose any new condition or conditions to the effectiveness of the Plan, and, in any such event the Administrators of that Scheme Company reserve the right (subject where applicable to directions from the English Court) to propose any amendment or modification to the Schemes and/or to propose a substitute Section 425 Scheme and/or CVA.

15. MODIFICATION OF THE SCHEMES

- 15.1 Subject to, where necessary, obtaining an order of the English Court permitting them to do so, the Administrators may propose amendments to or modifications of the Schemes at any time prior to the date upon which it is sanctioned, provided, however, the Administrators will not make any material amendments to the Schemes without complying with any conditions imposed by the English Court on the granting of the order and without also obtaining the consent of the Plan Proponents.
- 15.2 After the Schemes have been sanctioned, the Administrators (or as the case may be, the Reorganized Scheme Companies after the Scheme Effective Date) may, by deed poll executed by them, remedy any defects or omissions or reconcile any inconsistencies in the Schemes in such manner as may be necessary to carry out the purposes and intent of the Schemes, so long as the interests of the Scheme Creditors are not materially and adversely affected thereby. If such power is to be exercised, the Administrators (or as the case may be, the Reorganized Scheme Companies after the Scheme Effective Date) shall notify all Scheme Creditors affected by the change of the relevant defects, omissions or inconsistencies and of the proposed change, whether by written notice to the relevant Scheme Creditors, advertisement, display on the Federal-Mogul website or otherwise as the Administrators may deem appropriate.
- 15.3 Subject to Clause 15.2 anything in the Scheme Document to the contrary notwithstanding, following sanction, no Scheme Document shall be modified, supplemented, changed or amended in any material respect except with the consent of the Administrators and the sanction of the English Court.
- 15.4 In the event of a conflict between the terms or provisions of the Schemes and the Trust Documents, the terms of the Schemes shall control the Trust Documents.

16. ENTIRE AGREEMENT

- 16.1 The Plan Documents, the FM Group Scheme Documents and the VA Documents set forth the entire agreement and undertakings relating to the subject matter thereof and supersede all prior discussions, negotiations, understandings and documents.
- 16.2 No Person shall be bound by any terms, conditions, definitions, warranties, understandings, or representations with respect to the subject matter hereof, other than as expressly provided for in the Plan or the other Plan Documents or the FM Group Scheme Documents or in the VA Documents or as may hereafter be agreed to by the affected parties in writing.
- 16.3 Nothing in the Schemes is intended to limit or restrict the scope of the Plan.

17. SEVERABILITY

- 17.1 In the event that the English Court determines, prior to the Schemes being sanctioned, that any provision in the Schemes is either illegal or unenforceable on its face or illegal or unenforceable as applied to any Claim, such provision shall be unenforceable either as to all holders of Claims or as to the holder of such Claim as to which the provision is illegal or unenforceable, respectively.

17.2 Such a determination of illegality or unenforceability shall in no way limit or affect the legality or enforceability of any other provision of the Schemes.

18. GOVERNING LAW

18.1 Except where the FM Group Schemes, the Voluntary Arrangements or the Plan provide otherwise, and without prejudice to the provisions of the Trust Documents, the rights and obligations arising under the Schemes shall be governed by, and construed and enforced in accordance with, the laws of England and Wales, without giving effect to the principles of conflicts of law thereof.

19. JURISDICTION

19.1 Subject to the provisions of the Trust Documents, the English Court shall retain the fullest and most extensive jurisdiction that is permissible, including the jurisdiction necessary to ensure that the purposes and intent of the Schemes are carried out. Except as otherwise provided in the Schemes, or the Trust Documents, the English Court shall retain any jurisdiction to adjudicate and enforce the Asbestos Insurance Actions, and all other causes of action which may exist on behalf of the Scheme Companies.

19.2 Nothing contained herein shall prevent the Scheme Companies or the Trust from taking such action as may be necessary in the enforcement of any Asbestos Insurance Action or other cause of action which the Scheme Companies have or may have and which may not have been enforced or prosecuted by the Scheme Companies, which actions or other causes of action shall survive the sanctioning of the Schemes and shall not be affected thereby except as specifically provided herein.

20. GENERAL RETENTION

20.1 Following the sanctioning of the Schemes, the administration order that has been made in respect of each of the Scheme Companies will continue and the Administrators of that Scheme Company will apply for the discharge of the administration order as soon as is reasonably practicable after the latest of (i) the Scheme Effective Date, (ii) the payment and discharge of Allowed Administration Claims, (iii) the Administrators being satisfied that they have completed the functions required of them as Administrators pursuant to the IA 1986; and (iv) the Trustees have given the confirmations referred to in Clauses 12.2 and 12.7 above.

20.2 The English Court shall also retain jurisdiction for the purpose of classification of any Claim and the re-examination of Claims which have been allowed for purposes of voting, and the determination of such objections as may be made to the English Court with respect to any Claim. The failure by the Plan Proponents or the Administrators to object to, or examine any Claim for the purposes of voting, shall not be deemed a waiver of the right of the Scheme Companies or the Trust, as the case may be, to object to or re-examine such Claim in whole or part.

21. SUBMISSION TO JURISDICTION

21.1 Upon default under the Schemes, the Reorganized Scheme Companies, the Trust and the Trustees, the Future Claimants Representative and the Trust Advisory Committee,

respectively, submit, in relation to any Claim against, or asset of, any Scheme Company, to the jurisdiction of the English Court, and agree that it shall be the preferred forum for all such proceedings relating to such default unless such default is also a default under the Plan, in which case the proceedings shall be heard by whichever of the English Court or the US Court constitutes the most convenient forum.

22. SUCCESSORS AND ASSIGNS

22.1 The rights, duties and obligations of any Person named or referred to in the Schemes shall be binding upon, and shall inure to the benefit of, the successors and assigns of such Person.

23. NOTICES

23.1 All notices, requests and demands required or permitted to be provided under the Schemes in order 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, to each of the parties listed below and their lawyers at the addresses set forth below:

To the Scheme Companies:

c/o T&N Limited
Manchester International Office Centre
Styal Road
Manchester M22 5TN
United Kingdom

Attention: Chris Boydell
Facsimile: +44 (0) 161 955 5204
Telephone Confirmation: +44 (0) 161 955 5200

With copies to:

c/o Federal-Mogul Corporation
26555 Northwestern Highway
Southfield, MI 48034
USA

Attention: David Sherbin
Facsimile: +1 248 354 7700
Telephone Confirmation: +1 248 354 7999

and

Sidley Austin Brown & Wood
1 Threadneedle Street
London EC2R 8AW
United Kingdom

Attention: Robin Parsons
Facsimile: +44 (0) 7626 7937
Telephone Confirmation (0) 20 7360 3600

To the Administrators:

c/o Kroll Limited
10 Fleet Place
London, EC4M 7RB
United Kingdom

Attention: Simon Freakley
Facsimile: +44 (0) 20 7029 5001
Telephone Confirmation: +44 (0) 20 7029 5000

With a copy to:

Denton Wilde Sapte
Five Chancery Lane
Clifford's Inn
London EC4A 1BU
United Kingdom

Attention: Mark Andrews
Facsimile: +44 (0) 20 7404 0087
Telephone Confirmation +44 (0) 20 7246 7000

APPENDIX I

The Companies

Name	Number	Registered Office	Administrators
AE Dayton Services Limited	00478002	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
AE Group Machines Limited	00529364	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
AE Holdings Limited	00385610	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
AE International Limited	00562880	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
AE Limited	00435189	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
AE Piston Products Limited	00801927	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Name	Number	Registered Office	Administrators
AE Sales (Africa) Limited	00444336	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Aeroplane & Motor Aluminium Castings Limited	00315630	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Amber Supervision Limited	00821260	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Ashburton Road Services Limited	00075732	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Associated Engineering Group Limited	00526816	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Awncast Limited	00546797	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Bearings (North-Western) Limited	00406618	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Name	Number	Registered Office	Administrators
Brake Linings Limited	00235701	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Colvan Rubber Co. Limited	00994679	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Contact 100 Limited	00065025	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Cosmid Limited	01022341	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Cranhold Limited	01657314	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Dealings Limited	00731956	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Dumplington Services Limited	00891894	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Name	Number	Registered Office	Administrators
Duron Limited	00181717	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
E W Engineering Limited	00343146	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Edmunds, Walker & Co. Limited	00579908	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Engineering Components Limited	00301567	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Acquisition Company Limited	03085843	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Aftermarket UK Limited	00219712	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	James John Gleave, Simon Vincent Freakley and Simon Wilson
Federal-Mogul Bradford Limited	00106848	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Charles Peter Holder, James John Gleave and Simon Vincent Freakley

Name	Number	Registered Office	Administrators
Federal-Mogul Brake Systems Limited	03829854	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Bridgwater Limited	00522423	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	James John Gleave, Charles Peter Holder and Simon Vincent Freakley
Federal-Mogul Camshaft Castings Limited	00284953	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gurpal Singh Johal, James John Gleave and Simon Vincent Freakley
Federal-Mogul Camshafts Limited	00306023	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gurpal Singh Johal, James John Gleave and Simon Vincent Freakley
Federal-Mogul Engineering Limited	00166096	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Fraser James Gray, Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Eurofriction Limited	01131161	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Export Services Limited	00532743	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Name	Number	Registered Office	Administrators
Federal-Mogul Friction Products Limited	00447826	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Global Growth Limited	03454611	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Ian Peter Phillips, James John Gleave and Simon Vincent Freakley
Federal-Mogul Ignition (U.K.) Limited	03499987	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Fraser James Gray, James John Gleave and Simon Vincent Freakley
Federal-Mogul Powertrain Systems International Limited	00894128	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Sealing Systems Limited	00204388	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Sealing Systems (Cardiff) Limited	02597690	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Alastair Paul Beveridge, James John Gleave and Simon Vincent Freakley
Federal-Mogul Sealing Systems (Rochdale) Limited	00399124	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Alastair Paul Beveridge, James John Gleave and Simon Vincent Freakley

Name	Number	Registered Office	Administrators
Federal-Mogul Sealing Systems (Slough) Limited	00164204	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Alastair Paul Beveridge, James John Gleave and Simon Vincent Freakley
Federal-Mogul Shoreham Limited	00359238	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Sintered Products Limited	00116952	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gurpal Singh Johal, James John Gleave and Simon Vincent Freakley
Federal-Mogul Systems Protection Group Limited	00726193	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Simon Wilson, James John Gleave and Simon Vincent Freakley
Federal-Mogul Technology Limited	00951424	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul U.K. Limited	02670024	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Ferodo Caernarfon Limited	00986616	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Name	Number	Registered Office	Administrators
Ferodo Limited	00395385	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
FHE Technology Limited	00068370	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Fleetside Investments Limited	00795383	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
F-M UK Holding Limited	03459039	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave, Ian Peter Phillips and Simon Vincent Freakley
FP Diesel Limited	00643300	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Friction Materials Limited	00162644	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
G.B. Tools & Components Exports Limited	00851194	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Name	Number	Registered Office	Administrators
Genthope Limited	01477824	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Greet Limited	01591887	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Halls Gaskets Limited	00622252	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Hepworth & Grandage Limited	00347229	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
High Precision Equipment Limited	00439874	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Inblot Limited	00487399	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Instantwonder Limited	02029117	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Name	Number	Registered Office	Administrators
J.W. Roberts Limited	00168882	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Kings Park Housing Limited	01391686	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Lalton Limited	00570984	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Lanoth Limited	00142335	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Lanoth Precision Equipment Limited	00396640	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Leeds Piston Ring & Engineering Co. Limited	00321800	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
M.T.A (Kettering) Limited	00496437	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Name	Number	Registered Office	Administrators
Mantro Engineering Co. Limited	01196422	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Mobile Distributing (Spares) Limited	00379691	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Moores Plastic Units Limited	00779031	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Newalls Insulation Company Limited	00237614	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Ontall Limited	01324744	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Payen (Europe) Limited	00263795	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Pecal Limited	00240306	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Name	Number	Registered Office	Administrators
Presswork-Components Limited	00520854	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Sintration Limited	00890488	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Sourcelook Limited	02665169	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Specialloid, Limited	00177253	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
STS (1996) Limited	02312625	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Holdings Limited	00575187	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N International Limited	01073619	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Name	Number	Registered Office	Administrators
T&N Investments Limited	SC020152	Cessnock Road, Hurlford Kilmarnock, Ayrshire, KA1 5DD, Scotland	James John Gleave, Fraser James Gray and Simon Vincent Freakley
T&N Limited	00163992	Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Materials Research Limited	00563143	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Piston Products Group Limited	00093089	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Properties Limited	01082189	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Eight Limited	01503582	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Eighteen Limited	00110444	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Fifteen Limited	00428160	c/o T&N Limited Manchester International	Gary Peter Squires, James John Gleave

Name	Number	Registered Office	Administrators
		Office Centre, Styal Road Manchester M22 5TN	and Simon Vincent Freakley
T&N Shelf Five Limited	00205578	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Four Limited	00928905	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Fourteen Limited	00272755	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Nine Limited	01119024	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Nineteen Limited	00293362	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf One Limited	00180521	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Seven Limited	00081434	c/o T&N Limited Manchester International	Gary Peter Squires, James John Gleave

Name	Number	Registered Office	Administrators
		Office Centre, Styal Road Manchester M22 5TN	and Simon Vincent Freakley
T&N Shelf Six Limited	01639676	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Sixteen Limited	00653757	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Ten Limited	00203438	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Thirteen Limited	00559408	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Thirty Limited	00141182	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Thirty-One Limited	00218236	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Thirty-Three	01846194	c/o T&N Limited Manchester International	Gary Peter Squires, James John Gleave

Name	Number	Registered Office	Administrators
Limited		Office Centre, Styal Road Manchester M22 5TN	and Simon Vincent Freakley
T&N Shelf Three Limited	00542369	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Twenty Limited	00357221	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Twenty-Eight Limited	00490602	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Twenty-Five Limited	01087025	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Twenty-Four Limited	00343160	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Twenty-Nine Limited	00308301	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Twenty-One	00376450	c/o T&N Limited Manchester International	Gary Peter Squires, James John Gleave

Name	Number	Registered Office	Administrators
Limited		Office Centre, Styal Road Manchester M22 5TN	and Simon Vincent Freakley
T&N Shelf Twenty-Six Limited	00241356	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Twenty-Two Limited	00393100	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Two Limited	01235737	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Trade Marks Limited	00305253	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Welfare Trust Limited	00265900	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
TAF International Limited	00089658	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
TBA Belting Limited	00280117	c/o T&N Limited Manchester International	Gary Peter Squires, James John Gleave

Name	Number	Registered Office	Administrators
		Office Centre, Styal Road Manchester M22 5TN	and Simon Vincent Freakley
TBA Belting (Residual) Limited	00183045	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
TBA Industrial Products Limited	00166685	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Telford Rubber Processors Limited	00346115	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Telford Technology Supplies Limited	00280119	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
The British Piston Ring Company Limited	00182848	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
The Washington Chemical Company Limited	00166702	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Tinblo Limited	00490187	c/o T&N Limited Manchester International	Gary Peter Squires, James John Gleave

Name	Number	Registered Office	Administrators
		Office Centre, Styal Road Manchester M22 5TN	and Simon Vincent Freakley
Touchdown Adhesive Products Limited	01121844	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Turner & Newall Limited	00053916	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Turner Brothers Asbestos Company Limited	00646683	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Tynoda Limited	00443308	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Vanwall Cars Limited	00228399	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Wellworthy Limited	00310309	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Wellworthy Property	01141629	c/o T&N Limited Manchester International	Gary Peter Squires, James John Gleave

Name	Number	Registered Office	Administrators
Developments Limited		Office Centre, Styal Road Manchester M22 5TN	and Simon Vincent Freakley
William C. Jones (Polymers) Limited	00473243	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

APPENDIX II

**The Asbestos Personal Injury
Trust Distribution Procedures**

APPENDIX III

The Plan

APPENDIX IV

The Scheme Companies

Hercules-Protected Entities

1. Aeroplane & Motor Aluminium Castings Limited
2. Ashburton Road Services Limited
3. Brake Linings Limited
4. Duron Limited
5. Federal-Mogul Bradford Limited
6. Federal-Mogul Camshaft Castings Limited
7. Federal-Mogul Engineering Limited
8. Federal-Mogul Eurofriction Limited
9. Federal-Mogul Friction Products Limited
10. Federal-Mogul Sealing Systems (Rochdale) Limited
11. Federal-Mogul Sealing Systems (Slough) Limited
12. Federal-Mogul Sealing Systems Limited
13. Ferodo Caernarfon Limited
14. Ferodo Limited
15. Fleetside Investments Limited
16. Friction Materials Limited
17. Halls Gaskets Limited
18. J.W. Roberts Limited
19. Lanoth Limited
20. Newalls Insulation Company Limited
21. TAF International Limited
22. T&N Holdings Limited
23. T&N International Limited
24. T&N Limited
25. T&N Materials Research Limited
26. T&N Shelf One Limited
27. T&N Shelf Seven Limited
28. T&N Shelf Twenty Limited
29. T&N Shelf Twenty-One Limited
30. T&N Shelf Twenty-Six Limited
31. TBA Belting Limited
32. TBA Industrial Products Limited
33. Telford Technology Supplies Limited
34. The Washington Chemical Company Limited
35. Turner & Newall Limited
36. Turner Brothers Asbestos Company Limited
37. Wellworthy Limited

Not Hercules-Protected Entities

1. Federal-Mogul Global Growth Limited
2. Federal-Mogul Ignition (U.K.) Limited

APPENDIX V

The Trust Agreement

APPENDIX VI

Curzon/T&N Settlement Agreement

Pursuant to the terms of the Curzon/T&N Settlement Agreement (in summary):

1. Curzon on the one hand and T&N and FMC on the other mutually released each other from any liability in respect of the issues arising in the litigation proceedings brought by European International Insurance Company against Curzon (the "EIRC Action").
2. Despite the releases mentioned in paragraph 1, Curzon retained the ability to avoid the Hercules Policy on grounds that (i) were not known to Curzon at the time of execution of the Curzon/T&N Settlement Agreement, and (ii) were not reasonably capable of being ascertained from the EIRC Action or the Part 20 Action (being the claim issued by Curzon which joined Sedgwick Limited, Sedgwick OS Limited, Sedgwick UK Risk Services Limited (collectively "Sedgwick") and Marsh USA Inc ("Marsh") as defendants to the litigation).
3. T&N agreed to reimburse Curzon (by way of set-off if elected by either party) 5.75% of all amounts that Curzon was liable to T&N under the Hercules Policy in respect only of the Ultimate Net Loss in excess of the Retained Limit (both as defined in the Hercules Policy). T&N will also be entitled to retain 5.75% of any amounts payable to Curzon by T&N under the Hercules Policy.
4. The maximum aggregate of the sums repayable by T&N to Curzon under the Hercules Policy shall be £28,750,000.
5. In the event that, under the Collateral Settlement Agreement, the obligations of Sedgwick and Marsh to pay 17.25% under the Reinsurance Agreement are discharged and Curzon repays any amounts (together with interest at 1% over Barclays Bank plc's base rate) paid under the terms of the Collateral Settlement Agreement because of proceedings:
 - (a) commenced by T&N or FMC; or
 - (b) commenced by a member of the FM Group (other than T&N or FMC) and such proceedings are not withdrawn or dismissed within 60 days of Curzon giving T&N and FMC notice of those proceedings;

then T&N has agreed to indemnify Curzon for any such amounts repaid by Curzon. In the case of proceedings by a member of the FM Group (other than T&N or FMC) the indemnity extends to all legal costs incurred by the member of the Marsh McLennan Group.

6. In the event that any proceedings are brought by a third party (not being a member of the FM Group) against any member of the Marsh McLennan Group in relation to the letter of engagement or the placement of the Hercules Policy or the associated Reinsurance Agreement, such third party obtains judgment and Curzon is required to reimburse Sedgwick and Marsh under the terms of the Collateral Settlement

Agreement, then T&N has agreed to indemnify Curzon for any such amounts repaid by Curzon.

7. T&N shall be discharged from any further liability to Curzon in the event that it indemnifies Sedgwick and Marsh under the terms of the Collateral Settlement Agreement.

APPENDIX VII

Defined Terms

In the Schemes and the Explanatory Statement, unless inconsistent with the subject or context, the following words shall have the following meanings:

"1997 Flexitallic Asset Purchase Agreement" means that certain Asset Purchase Agreement, dated as of April 11, 1997, by and among T&N, Flexitallic Limited, Flexitallic Sealing Materials Ltd., Flexitallic, Inc., Goetze Vermögenswerwaltungs, GmbH, Flexitallic Canada Ltd., Ferodo a.s., Dan=Loc Corporation, Dan=Loc Limited, Delta 72 Unternehmenswerwaltungs GmbH, Frederique s.r.o., Dan=Loc (Canada) Ltd. and Dan=Loc Transitional, L.P.

"Administration Claim" means, in relation to a Scheme Company, any Claim that ranks in the administration of that Scheme Company under the laws of the relevant part of the United Kingdom as an administration expense, including, without limitation, (a) the remuneration and expenses of the Administrators properly incurred by them as administrators of that Scheme Company as referred to in subsection 19(4) of the IA 1986; (b) any sums payable in respect of debts or liabilities incurred, while they were Administrators, under contracts entered into by them in carrying out their functions as administrators of that Scheme Company as referred to in subsection 19(5) of the IA 1986; (c) any sums payable in respect of liabilities incurred, while they were Administrators, under contracts of employment adopted by the Administrators of that Scheme Company in carrying out their functions as administrators, to the extent that the liabilities are qualifying liabilities, for the purposes of subsection 19(6) of the IA 1986; and (d) any sums that are ordered by the English Court to be paid as an administration expense;

"Administrators" means the persons who are the administrators for the time being of the Companies (the Administrators of each Company being, as at the date hereof, the persons listed opposite the name of that Company in Appendix I to the Schemes);

"Affiliate" means, in relation to a company:

- (a) an entity that directly or indirectly owns, controls, or holds with power to vote, 20 per cent or more of the outstanding voting securities of that company, other than an entity that holds such securities:

- (i) in a fiduciary or agency capacity without sole

discretionary power to vote such securities; or

- (ii) solely to secure a debt, if such entity has not in fact exercised such power to vote;
- (b) a corporation 20 per cent or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by that company, or by an entity that directly or indirectly owns, controls, or holds with power to vote, 20 percent or more of the outstanding voting securities of that company, other than an entity that holds such securities:
 - (i) in a fiduciary or agency capacity without sole discretionary power to vote such securities; or
 - (ii) solely to secure a debt, if such entity has not in fact exercised such power to vote;
- (c) a Person whose business is operated under a lease or operating agreement by that company, or a Person substantially all of whose property is operated under an operating agreement with that company; or
- (d) an entity that operates the business or substantially all of the property of that company under a lease or operating agreement;

and when used with reference to any Debtor, shall include, but not be limited to, each of the entities listed in Exhibit 1.1.7 of the Plan;

"Affiliate Claims"

means all prepetition Claims against any of the Debtors held by a Debtor or non-debtor Affiliate, or any interest held by such entities in any property of the Debtors, but excluding Equity Interests and the Convertible Subordinated Debentures;

"Agency Companies"

means those of the Companies that are listed in Appendix 2 to the Explanatory Statement;

"Allowed"

- (a) with respect to an Asbestos Personal Injury Claim other than a Bonded Claim, the amount of any such Claim that is determined pursuant to the procedures set forth in the Asbestos Personal Injury Trust Distribution Procedures and Clauses 3 and 4 of the Schemes, or, if applicable, pursuant to a Final Order of the US Court or the English Court. An Asbestos Personal Injury Claim that is Allowed in accordance with the foregoing, shall be, and be deemed to be, a judgment

determining the legal liability against the Trust in the Allowed Amount of such Asbestos Personal Injury Claim;

- (b) With respect to any Bonded Claim, any Claim that qualifies as a Bonded Claim under the applicable definitions of the Plan, with respect to which the US Court or other court of competent jurisdiction determines by Final Order, or the applicable Debtor or Reorganized Debtor and the holder of such Claim agree, that such holder is entitled to some or all of the proceeds of the applicable supersede as bond or other payment assurance (but only to the extent so ordered or agreed). A Bonded Claim that is "Allowed" shall constitute a final, non-appealable judgment determining the legal liability of the Debtors or their estates, as applicable; and
- (c) With respect to any Claim that is asserted to constitute an Administration Claim, a Claim that is non-contingent and (i) is properly and reasonably accepted as an Administration Claim by the Administrators or (ii) to the extent that it is determined to be an Administration Claim by a Final Order of the English Court, having competent jurisdiction over the matter;

- "Allowed Amount"** means, with respect to any Claim, the amount in which that Claim is Allowed, denominated in pounds sterling;
- "Asbestos Claimants Committee"** means the Official Committee of Asbestos Claimants appointed in the Reorganization Cases by the United States Trustee;
- "Asbestos In-Place Insurance Coverage"** means any insurance coverage available for the payment of reimbursement of liability, indemnity or defence costs arising from or related to Asbestos Personal Injury Claims or Trust Expenses under any Asbestos Insurance Policy or any Asbestos Insurance Settlement Agreement;
- "Asbestos Insurance Action"** means any claim, cause of action, or right of the Debtors or any of them, under the laws of any jurisdiction, against any Asbestos Insurance Company, arising from or related to:
- (a) any such Asbestos Insurance Company's failure to provide or pay under Asbestos In-Place Insurance Coverage;
 - (b) the refusal of any Asbestos Insurance Company to compromise and settle any Asbestos Personal Injury Claim under or pursuant to any Asbestos Insurance

Policy; or

- (c) the interpretation or enforcement of the terms of any Asbestos Insurance Policy with respect to any Asbestos Personal Injury Claim;

provided, however, Asbestos Insurance Action shall not include any claim, cause of action, or right of the Debtors or any of them, under the laws of any jurisdiction, against any Asbestos Insurance Company for reimbursement, indemnity, breach of contract for insurance, statutory and common law bad faith or otherwise arising from or relating to any payments made by the Debtors on account of Asbestos Personal Injury Claims prior to the Petition Date;

"Asbestos Insurance Action Recoveries" means:

- (a) cash derived from and paid pursuant to Asbestos Insurance Settlement Agreements entered into prior to the Confirmation Hearing;
- (b) the right to receive proceeds of Asbestos In-Place Insurance Coverage; and
- (c) the right to receive the proceeds or benefits of any Asbestos Insurance Action;

"Asbestos Insurance Company" means any insurance company, insurance broker or syndicate insurance broker, guaranty association or any other Person with liability under an Asbestos Insurance Policy, including any reinsurers with respect to claims covered by an Asbestos Insurance Policy;

"Asbestos Insurance Policy" means:

- (a) any insurance policy (other than the Hercules Policy and any EL Policy) in effect at any time on or before the Scheme Effective Date naming the Debtors (or any predecessor, subsidiary, or past or present Affiliate of the Debtors) as an insured, or otherwise affording the Debtors indemnity or insurance coverage, upon which any claim has been or may be made with respect to any Asbestos Personal Injury Claim; or
- (b) any reinsurance agreement relating to an Asbestos Insurance Policy as defined in (a) above to which an Asbestos Insurance Company is a party;

"Asbestos Insurance Settlement Agreement" means any settlement agreement with a Settling Asbestos Insurance Company relating to any Asbestos Personal Injury

Claim;

"Asbestos Personal Injury Claim"

means a liquidated or unliquidated claim against one or more of the Debtors or their non-Debtor Affiliates, or their present or former officers, directors or employees of any of them, whether asserted by agents or employees of the Debtors or their non-Debtor Affiliates or any other Person, whether in the nature of or sounding in tort, contract, warranty, employer liability or any other theory of law, equity or admiralty, whatsoever, for, attributable to or arising under the laws of any jurisdiction, by reason of, directly or indirectly, physical, emotional or other personal injuries or other damages caused, or allegedly caused, in whole or in part directly or indirectly, by the presence of, or exposure to, asbestos – including but not limited to, asbestos-containing products, automotive or industrial parts and components, equipment, manufacturing processes, improvements to real property or materials manufactured, sold, supplied, produced, specified, selected, distributed or in any way marketed by one or more of the Debtors or their non-Debtor Affiliates or the predecessors of any of them – and arising or allegedly arising, directly or indirectly, from acts or omissions of one or more of the Debtors, their non-Debtor Affiliates or the predecessors of any of them, including, but not limited to, all claims, debts, obligations or liabilities for compensatory damages (such as, without limitation, loss of consortium, medical monitoring, personal or bodily injury, wrongful death, survivorship, proximate, consequential, general and special damages) and punitive damages. Asbestos Personal Injury Claims shall include, without limitation, (i) Indirect Asbestos Personal Injury Claims, (ii) Asbestos Personal Injury Demands, (iii) any Claim or Demand based upon, arising under or attributable to an asbestos personal injury settlement agreement or protocol entered into by CCR on behalf of one or more of the Debtors, (iv) any Claims asserted by CCR against the Debtors or their non-Debtor Affiliates excluding any Claim asserted by the CCR for postpetition fees and expenses incurred in connection with the Reorganization Cases and (v) any Claim or Demand by an EL Insurer or Curzon or any of the Reinsurers for premium, indemnity, reimbursement, contribution, fees, expenses or otherwise in connection with their respective policies or Asbestos Personal Injury Claims. Notwithstanding the foregoing, Asbestos Personal Injury Claims shall not include Bonded Asbestos Personal Injury Claims or the CCR Bond Claim, but shall include the unsecured deficiency, if any, of any Bonded Asbestos Personal Injury Claim or the CCR Bond Claim. For purposes of this definition only, the term non-Debtor Affiliates shall mean Affiliates of the Debtors on or prior to

the Scheme Effective Date that are not Debtors;

"Asbestos Personal Injury Demand or Demand"

means a demand as such term is used and defined in Section 524(g)(5) of the US Bankruptcy Code, including a demand for payment, present or future, that (i) was not a Claim prior to the Scheme Effective Date; (ii) arises out of the same or similar conduct or events that gave rise to an Asbestos Personal Injury Claim or the Claims addressed by the Supplemental Injunction, the Third Party Injunction or the Asbestos Insurance Entity Injunction (as described in Sections 9.3.1, 9.3.2 and 9.3.3 of the Plan); and (iii) pursuant to the Plan, the Schemes and/or the Voluntary Arrangements, is to be satisfied exclusively by the Trust;

"Asbestos Personal Injury Expenses"

means all costs, taxes and expenses of or imposed on the Trust attributable or allocable to Asbestos Personal Injury Claims, including, but not limited to, trustee compensation, employee compensation, insurance premiums, legal, accounting and other professional fees and expenses, overheads, disbursements and expenses relating to the implementation of the Asbestos Personal Injury Trust Distribution Procedures, but excluding payments to holders of Asbestos Personal Injury Claims on account of such Claims or Demands, or reimbursements of such payments;

"Asbestos Personal Injury Trust Distribution Procedures"

means the Asbestos Personal Injury Trust Distribution Procedures, substantially in the form set out in Appendix II to the Schemes or as subsequently modified or amended;

"Bank Claims"

means any and all obligations, rights, claims or interests, whether secured or unsecured, matured or unmatured, fixed or contingent, including, but not limited to, principal, accrued and unpaid interest, charges, costs, breakage fees, counsel fees, contingent reimbursement obligations under unfunded or partially drawn letters of credit, and any and all other rights to payment of money arising under, based upon or related to the Bank Credit Agreement;

"Business Day"

means any day other than a Saturday, Sunday or legal holiday in the US (as such term is defined in US Bankruptcy Rule 9006(a)) or any public holiday in the UK;

"CA 1985"

means the Companies Act 1985 of the United Kingdom, as amended and in force as at the Petition Date;

"Cash"

means, in relation to the Scheme Companies, pounds sterling or the lawful currency of the United Kingdom.

"CCR"

means the Center for Claims Resolution, a Delaware non-profit corporation;

"Claim"	<p>means:</p> <p>(a) any right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; or</p> <p>(b) any right to an equitable remedy for breach or performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured,</p> <p>and such expression shall include, but not be limited to, Asbestos Personal Injury Claims and interests other than Equity Interests.</p>
"Collateral Settlement Agreement"	means the settlement agreement dated 16 January, 2004 and made between Curzon, FMC, T&N, Sedgwick Limited, Sedgwick UK Risk Services Limited, Sedgwick OS Limited and Marsh USA Inc;
"Companies"	means the companies whose names, company numbers and registered offices appear in Appendix I to the Schemes (being the "U.K. Debtors" as defined by the Plan), including the Scottish Company;
"Confirmation or Confirmation of the Plan"	means the entry of an order approving the Plan in accordance with Section 1129 of the US Bankruptcy Code;
"Confirmation Date"	means the date on which the Confirmation Order is entered on the docket of the US Court;
"Confirmation Order"	means the order confirming the Plan pursuant to Section 1129 and other applicable sections of the US Bankruptcy Code;
"CRU"	means the Compensation Recovery Unit under the Social Security (Recovery of Benefits) Act 1997;
"Curzon"	means Curzon Insurance Limited, a company incorporated in Guernsey that is a Subsidiary Undertaking of T&N, which acts as a captive insurer for the FM UK Group and which is the insurer under the Hercules Policy;
"Curzon/T&N Settlement Agreement"	means the settlement agreement dated 16 January, 2004 and made between Curzon, FMC (on behalf of itself and all the Debtors) and T&N acting by its Administrators;
"CVA"	means a company voluntary arrangement proposed under

Part I of the IA 1986 and Part I of the IR 1986;

"Dan=Loc Deed of Guarantee"

means that certain Deed of Guarantee, dated as of 11 April 1997, by and among T&N, Dan=Loc Corporation, Dan=Loc, Inc., Dan=Loc Limited, Delta 72 Unternehmenswerwaltungs GmbH, Frederique s.r.o., Dan=Loc (Canada) Ltd., Dan=Loc Investments, Inc. and Dan=Loc Transitional, L.P.;

"Dan=Loc Deed of Special Indemnity"

means that certain Deed of Special Indemnity, dated as of 11 April 1997, by and among T&N, Flexitallic Limited, Flexitallic Sealing Materials Ltd., Flexitallic, Inc., Goetze Vermögenswerwaltungs, GmbH, Flexitallic Canada Ltd., Ferodo a.s., Dan=Loc Corporation, Dan=Loc Limited, Delta 72 Unternehmenswerwaltungs GmbH, Frederique s.r.o., Dan=Loc (Canada) Ltd. and Dan=Loc Transitional, L.P.;

"Dan=Loc Group"

means Dan=Loc Corporation and its subsidiaries or affiliates and their respective successors, including but not limited to, The Flexitallic Group, Inc. and its subsidiaries and affiliates;

"Dan=Loc Indemnified Indirect Asbestos Personal Injury Claims and Demands"

means any Asbestos Personal Injury Claim or Demand that is both: (a)(i) based upon exposure, occurring at any time, to an asbestos containing product which was manufactured, distributed, or sold prior to 11 April 1997 by Gasket Holdings Inc. (formerly known as Flexitallic, Inc.) or any other Debtor, that has been, is or could be asserted against the Dan=Loc Group, or (ii) based upon exposure, prior to 11 April 1997, to asbestos present in the internal or external fabric of any building owned or leased by Gasket Holdings Inc. or any other Debtor and which was acquired or leased by the Dan=Loc Group from Gasket Holdings Inc. or any other Debtor under the terms of the 1997 Flexitallic Asset Purchase Agreement, that has been, is or could be asserted against the Dan=Loc Group; and (b) is an "Asbestos Related Claim" (as such term is defined in the Dan=Loc Deed of Special Indemnity) subject to indemnification by Gasket Holdings Inc. under Section 2.2 of the Dan=Loc Deed of Special Indemnity and Section 2.2 of the Dan=Loc Deed of Guarantee (copies of which are attached as Exhibit 1.1.55 to the Plan). Dan=Loc/Gasket Holdings Inc. Indemnified Asbestos Personal Injury Claims and Demands shall also include any Asbestos Personal Injury Claims and Demands asserted in connection with any asbestos containing product manufactured, distributed or sold by Gasket Holdings Inc. or any other Debtor prior to 11 April 1997, which Asbestos Personal Injury Claim also alleges exposure to any asbestos containing product manufactured, distributed or sold by the Dan=Loc Group on or after 11 April 1997, and which Asbestos Personal Injury Claim is based upon exposure to asbestos from such product during a period of time both prior to and after 11 April 1997, but only to the extent of the percentage allocable to Gasket Holdings Inc. or any other Debtor pursuant to and in accordance with the sharing provisions set forth in Section 2.5 of the Dan=Loc Deed of

Special Indemnity; provided, however, that in no event shall Dan=Loc Indemnified Indirect Asbestos Personal Injury Claims and Demands include any Claims or Demands made against the Dan=Loc Group at any time after 11 April 2024;

- "Debtors"** means Federal-Mogul Corporation and its affiliated U.S. Debtors and the Companies (or any of them as the context may require);
- "Disclosure Statement"** means the Disclosure Statement Describing Third Amended Joint Plan of Reorganization, dated May 2004, including all exhibits, appendices, schedules and annexes thereto, as submitted by the Plan Proponents pursuant to Section 1125 of the US Bankruptcy Code and approved by the US Court, as such Disclosure Statement may be further amended, supplemented or modified from time to time;
- "EL Coverage"** means insurance policies that afford or may afford T&N and any applicable Companies with rights of indemnity or insurance coverage with respect to, among other things, any Asbestos Personal Injury Claim asserted by an employee or former employee relating to exposure to asbestos in the course of such individual's employment;
- "EL Coverage Expiry Date"** has the meaning given to it in Clause 4.3.2 of the Schemes but subject to Section 8.16.3 of the Plan;
- "EL Insurer"** means any insurer with respect to the EL Coverage;
- "EL Policy"** means any insurance policy with respect to EL Coverage;
- "English Court"** means the High Court of Justice in England and Wales or such other court in England and Wales as for the time being has jurisdiction in relation to the Schemes;
- "Equity Interest"** means any equity interest in the Debtors represented by (a) existing FMC common or preferred stock; or (b) shares of the capital stock in the remaining Debtors, whether or not issued;
- "Established"** has the meaning given to it by Clause 4.17 of the Schemes;
- "Exchange Rate"** means, on any day, the London Spot Mid-Point Rate on that day, as published in the Financial Times of London;
- "Explanatory Statement"** means the explanatory statement dated [] including all exhibits, appendices, schedules and annexures attached thereto forming part of the Scheme Document and provided in accordance with section 426 of the CA 1985 in relation to

the Schemes;

"Final Order"

means an order or judgment of any court of competent jurisdiction, the implementation, operation or effect of which has not been stayed and as to which order (or any revision, modification or amendment thereof) the time to appeal or seek review, rehearing or writ of certiorari has expired and as to which no appeal or petition for review, rehearing or certiorari has been taken and is pending;

"FM Aftermarket"

means Federal-Mogul Aftermarket (UK) Limited whose company number and registered office appear in Appendix I to the Schemes;

"FM Bradford"

means Federal-Mogul Bradford Limited whose company number and registered office appear in Appendix I to the Schemes;

"FM Bridgwater"

means Federal-Mogul Bridgwater Limited whose company number and registered office appear in Appendix I to the Schemes;

"FMC"

means Federal-Mogul Corporation, a corporation incorporated in Michigan, United States of America, whose principal office is at 26555 Northwestern Highway, Southfield, MI 38034;

"FM Export"

means Federal-Mogul Export Services Limited whose company number and registered office appear in Appendix I to the Schemes;

"FM Geneva"

means Federal-Mogul Sarl, a company incorporated in Switzerland;

"FM Group"

means FMC and its Subsidiary Undertakings for the time being;

"FM Group Schemes"

means the Schemes and the FMUK Holding Scheme when referred to together;

"FM Group Scheme Documents"

means the documents containing the terms of the FM Group Schemes including, without limitation the Explanatory Statement.

"FM Ignition"

means Federal-Mogul Ignition (U.K.) Limited whose company number and registered office appear in Appendix I to the Schemes;

"FMSS (Cardiff)"

means Federal-Mogul Sealing Systems (Cardiff) Limited whose company number and registered office appear in Appendix I to the Schemes;

"FM UK Group"	means FMUK Holding and its Subsidiary Undertakings for the time being;
"FMUK Holding"	means F-M UK Holding Limited whose company number and registered office appear in Appendix I to the Schemes;
"FMUK Holding Scheme"	means the proposed Section 425 Scheme between FMUK Holding and certain of its creditors together with any modification thereof or addition thereto approved or imposed by the English Court;
"Future Claimants Representative"	means Eric D. Green (or any US Court-appointed successor) who was appointed by the US Court in the Reorganization Cases pursuant to an Order dated 11 February, 2002 as the legal representative of any and all persons described in Section 524(g)(4)(B)(i) of the US Bankruptcy Code who may assert demands, as that term is defined in Section 524(g)(5) of the US Bankruptcy Code;
"Hercules Insurance Recoveries"	means all such amounts as are referred to in sub-paragraphs (a)(ii) and (a)(iii) of the definition of "Hercules Policy Expiry Date";
"Hercules Policy"	means the Asbestos Liability Policy number CZ7/96 ASB/096 dated 30 December, 1996 and made between T&N (then known as "T&N plc") and Curzon;
"Hercules Policy Expiry Date"	means (subject to Section 8.16.3 of the Plan) the date which is the earlier of: <ul style="list-style-type: none"> (a) the date that: <ul style="list-style-type: none"> (i) the £690 million retention has been satisfied; (ii) the £500 million layer of coverage under the Hercules Policy has been exhausted or is otherwise determined by agreement, judicial proceedings or otherwise to be unavailable; and (iii) all other amounts under or with respect to the Hercules Policy including, without limitation, amounts recoverable as a result of any breach by Curzon of its obligations under or with respect to the Hercules Policy, to the extent that they exceed the £500 million layer of coverage, are recovered or are otherwise determined to be unavailable; or (b) the date that the Hercules Policy ceases to have effect whether by commutation or otherwise;

"Hercules-Protected Entities"

means:

- (a) Reorganized T&N;
- (b) the Debtors listed as subsidiaries or subsidiary undertakings of T&N in Schedule B to the Hercules Policy as reorganized under and pursuant to the Plan; and
- (c) the non-Debtor companies listed as subsidiaries or subsidiary undertakings of T&N in Schedule B to the Hercules Policy;

"Reorganized Hercules-Protected Entities" means the companies identified in paragraphs (a) and (b) above and **"Non-Debtor Hercules-Protected Entities"** means the companies identified in paragraph (c) above;

"IA 1986"

means the Insolvency Act 1986 of the United Kingdom as amended and in force at the Petition Date;

"Indirect Asbestos Personal Injury Claim"

means any Asbestos Personal Injury Claim for contribution, reimbursement, subrogation or indemnity, whether contractual or implied by law (as those terms are defined by the applicable non-bankruptcy law of the relevant jurisdiction), and any other derivative or indirect Asbestos Personal Injury Claim of any kind whatsoever, whether in the nature of or sounding in contract, tort, warranty or any other theory of law, equity or admiralty, whatsoever. Without limitation, Indirect Asbestos Personal Injury Claims include (i) Claims or Demands held or asserted by CCR against the Debtors or their Affiliates on its own behalf or on behalf of current or former members of CCR with respect to Asbestos Personal Injury Claims; (ii) Claims or Demands held or asserted by current or former members of CCR with respect to Asbestos Personal Injury Claims; (iii) Claims or Demands with respect to asbestos personal injury claims arising from or attributable to the 1998 acquisition by Federal-Mogul Products, Inc. ("**F-M Products**") of the stock of Moog Automotive, Inc. from Cooper Industries, Inc. ("**Cooper**"), and F-M Products' assumption of Cooper's pre-existing indemnity obligation in favour of Pneumo Abex Corporation in connection with such acquisition; (iv) Dan=Loc Indemnified Indirect Asbestos Personal Injury Claims and Demands (v) Claims or Demands held or asserted by any EL Insurer or Curzon or any of the Reinsurers; and (vi) Claims or Demands held or asserted by the CRU;

"International"

means T&N International Limited whose company number

	and registered office appear in Appendix I to the Schemes;
"IR 1986"	means the Insolvency Rules of 1986 of the United Kingdom, as amended and in force at the Petition Date;
"Lien"	means, with respect to any asset or property, any mortgage, lien, pledge, charge, security interest, encumbrance or other security device of any kind pertaining to or affecting such asset or property;
"Noteholder Claims"	means all Claims of the Noteholders against Federal-Mogul Corporation arising under or evidenced by the Notes or the Indentures for the Notes and related documents. Notwithstanding the foregoing, Noteholder Claims shall not include any Convertible Subordinated Debenture Claims or Subordinated Securities Claims;
"Notes"	means Federal-Mogul Corporation's 7.5% Notes due 2009, 7.375% Notes due 2006, 7.75% Notes due 2006, 7.875% Notes due 2010, 7.5% Notes due 2004, 8.8% Senior Notes due 2007, 8.37% Medium Term Notes due 2001, 8.25% Medium Term Notes due 2005, 8.33% Medium Term Notes due 2001, 8.12% Medium Term Notes due 2003, 8.16% Medium Term Notes due 2003 and 8.46% Medium Term Notes due 2002;
"Parent Undertaking"	has the meaning given to that expression by Section 258 of the CA 1985;
"Person"	means any person, individual, partnership, corporation, limited liability company, joint venture company, association or other entity or being of whatever kind, whether or not operating or existing for profit;
"Petition Date"	means 1 October, 2001, except in relation to T&N Investments Limited, where such date shall be 5 April 2002;
"Plan"	means the Third Amended Joint Plan of Reorganization filed with the US Court by the Plan Proponents as the same may be amended or modified from time to time pursuant to Section 1127 of the US Bankruptcy Code (a copy of which is set out in Appendix III to the Schemes);
"Plan Documents"	means all documents, attachments and exhibits related to the Plan, including, but not limited to, the Trust Documents, that aid in effectuating the Plan, which documents, attachments and exhibits shall be filed by the Plan Proponents with the US Court on or before the Plan Documents Filing Date;
"Plan Documents Filing"	means the date for the filing of the Plan Documents (or any

Date"	of them) which shall be either: <ul style="list-style-type: none"> (a) the date, as determined by the Plan Proponents, that is as soon as practicable, but in no event later than 14 Business Days before the deadline for filing objections to Confirmation of the Plan, or (b) such other date (or dates) as determined by the US Court;
"Plan Effective Date"	means the "Effective Date" as defined in the Plan;
"Plan Proponents"	means, collectively, the Debtors, the Unsecured Creditors Committee, the Asbestos Claimants Committee, the Future Claimants Representative, the Administrative Agent and the Equity Committee;
"Pro Rata"	means the proportion that a Claim in a particular Class bears to the aggregate amount of all Claims in such Class except in cases where Pro Rata is used in reference to multiple classes in which case Pro Rata means the proportion that a Claim in a particular Class bears to the aggregate amount of all Claims in such multiple Classes;
"Reinsurance Agreement"	means the Reinsurance Agreement dated 30 December 1997 entered into between Curzon and the Reinsurers whereby Curzon re-insured all its liability under the asbestos liability policy number CZ7/96 ASB/096 which was issued by Curzon in favour of T&N;
"Reinsurers"	means Centre Reinsurance International Company, European International Reinsurance Company Limited and Münchener Rückversicherungs-Gesellschaft when referred to together;
"Released Parties"	means each of (a) the Debtors, their non-Debtor Affiliates (excluding, however, any Person that may qualify as an Affiliate, but that is not commonly owned or controlled by the Debtors), the Affiliated Subsidiary Undertakings, the Reorganized Debtors, and their respective present and former agents, attorneys, accountants, financial advisors, restructuring consultants and investment bankers (but specifically excluding Rothschild Inc.) and their respective successors or assigns, (b) the officers and directors of the Debtors, their non-Debtor Affiliates (excluding, however, any Person that may qualify as an Affiliate, but that is not commonly owned or controlled by the Debtors), and the Affiliated Subsidiary Undertakings, who were serving as officers or directors on or after the Petition Date, (c) the Official Committees and their respective members, agents, attorneys, accountants, financial advisors, restructuring

consultants and investment bankers, (d) the Future Claimants Representative and his agents, attorneys, accountants, financial advisors, restructuring consultants and investment bankers, and (e) the holders of Noteholder Claims, the holders of Bank Claims and the Administrative Agent, together in each case with all of their respective officers, directors, employees, agents, attorneys, accountants, financial advisors, restructuring consultants and investment bankers;

"Reorganization Cases"

means the cases currently pending under Chapter 11 of the US Bankruptcy Code of Federal-Mogul Corporation and its Affiliated Debtors before the US Court;

"Reorganized Federal-Mogul"

means Federal-Mogul Corporation on and after the Plan Effective Date, as reorganized pursuant to the Plan. **Reorganized Debtor**, **Reorganized [name of Debtor]**, **Reorganized Company** or **Reorganized Scheme Company** shall have the same meaning with reference to the particular Debtor, Company or Scheme Company identified. In each instance, and unless a successor entity is specified, the Reorganized Debtor shall consist of the same legal entity as the corresponding Debtor, but subject to the terms and conditions of the Plan, including, without limitation, the discharge, release and Injunctions under Article IX of the Plan, and, except as provided in Article IV of the Plan, each Reorganized Debtor shall have and incur no successor liability with respect to Claims or Demands that may have existed prior to Confirmation of the Plan;

"Reorganized Federal-Mogul Class B Common Stock"

has the meaning set out in the Amended and Restated Certificate of Incorporation of FMC which is attached as Exhibit 8.3.9(1) of the Plan;

"Scheme"

means the proposed Section 425 Scheme in the form herein contained between each of the Scheme Companies and its Scheme Creditors together with any modification thereof or addition thereto approved or imposed by the English Court;

"Scheme Claims"

means, in relation to each of the Scheme Companies, the Asbestos Personal Injury Claims against it;

"Scheme Companies"

means those of the Companies that are listed in Appendix IV to the Schemes;

"Scheme Creditor"

means, in relation to a Scheme Company, the holder of a Scheme Claim;

"Scheme Document"

means the document containing the terms of the Schemes and the Explanatory Statement together with the

Appendices;

- "Scheme Effective Date"** means, and shall occur on, the first Business Day immediately following the first day upon which all the conditions precedent to the occurrence of the Scheme Effective Date contained in Clause 11 of the Schemes have been satisfied or waived in accordance with Clause 11 of the Schemes, and on which date all acts, events, terms and conditions contemplated under the Schemes to occur on the Scheme Effective Date or as soon as practical thereafter shall be deemed to have occurred simultaneously;
- "Scheme Expenses"** means the expenses referred to in Clause 13 of the Schemes;
- "Scottish Company"** means T&N Investments Limited, a company incorporated in Scotland whose company number and registered office appear in Appendix I to the Schemes;
- "Scottish Court"** means the Court of Session in Edinburgh, Scotland or such other court in Scotland as for the time being has jurisdiction in relation to the Scottish Company;
- "Section 425 Scheme"** means a scheme of arrangement under Section 425 CA 1985;
- "Settling Asbestos Insurance Company"** means any Asbestos Insurance Company that enters into an Asbestos Insurance Settlement Agreement that is sufficiently comprehensive in the determination of the Plan Proponents;
- "Stock Repayment Obligation"** has the meaning given to it by Clause 4.4;
- "Subordination Deed"** means an agreement wherein certain of the Debtors or their Affiliates holding Affiliate Claims against a Debtor consensually agree to:
- (i) subordinate their Claims, so that the legal right and priority of payment on their Claim is subordinate to all non-Affiliate Claims against the applicable Debtor; or
 - (ii) extinguish and discharge their Claims in whole or in part; or
 - (iii) leave unaltered the legal, equitable and contractual rights to which such Claims entitled the holder;

provided, however, that prior to such discharge and extinguishment such Affiliate Claims may be contributed to capital, transferred, set-off or subject to any other arrangement at the option of the Plan Proponents. The

Subordination Deed shall be filed with the US Court at least 30 days prior to the deadline for casting votes on the Plan;

- "Subsidiary Undertaking"** has the meaning given to that expression by section 258 of the CA 1985;
- "T&N"** means T&N Limited whose company number and registered office appear in Appendix I to the Schemes;
- "Trust"** means the trust or trusts established pursuant to the Trust Agreement and in accordance with Section 524(g) of the US Bankruptcy Code;
- "Trust Advisory Committee" or "TAC"** means that committee appointed and serving in accordance with Section 4.10.1 of the Plan and having the powers, duties and obligations set forth in the Trust Agreement;
- "Trust Agreement"** means that certain Asbestos Personal Injury Trust Agreement, effective as of the Confirmation of the Plan, substantially in the form set out in Appendix V to the Schemes;
- "Trust Assets"** means the following assets and any income, profits and proceeds derived from such assets subsequent to the transfer of such assets to the Trust: (a) the Reorganized Federal-Mogul Class B Common Stock to be distributed to the Trust pursuant to the Plan, (b) the Asbestos Insurance Actions and the Asbestos Insurance Action Recoveries attributable to any Asbestos Personal Injury Claims, (c) the Asbestos Insurance Settlement Agreements attributable to any Asbestos Personal Injury Claims, other than such agreements attributable to the Hercules Policy, (d) the Trust Causes of Action and (e) any and all other funds, proceeds or other consideration otherwise contributed to the Trust pursuant to the Confirmation Order;
- "Trust Causes of Action"** means any and all of the actions, claims, rights, defences, counterclaims, suits and causes of action of the Debtors (other than, prior to the Hercules Policy Expiry Date, the Hercules-Protected Entities and other than any such actions, claims, rights, defences, counterclaims, suits and causes of action with respect to the EL Coverage), whether known or unknown, in law, at equity or otherwise, whenever and wherever arising under the laws of any jurisdiction attributable to: (a) all defences to any Asbestos Personal Injury Claim including, but not limited to, all defences under Section 502 of the US Bankruptcy Code, (b) with respect to any Asbestos Personal Injury Claim, all rights of set-off, recoupment, contribution, reimbursement, subrogation or indemnity (as those terms are defined by the non-bankruptcy law of any relevant jurisdiction) and any other indirect claim

of any kind whatsoever, whenever and wherever arising or asserted, and (c) subject to the provisions of the Plan any other claims or rights with respect to Asbestos Personal Injury Claims that the Debtors (other than, prior to the Hercules Policy Expiry Date, the Hercules-Protected Entities and other than any such claims or rights with respect to the EL Coverage) would have had under applicable law if the Reorganization Cases had not occurred and the holder of such Asbestos Personal Injury Claim had asserted it by initiating civil litigation against any such Debtor. Notwithstanding the foregoing, Trust Assets and Trust Causes of Action shall not include (x) any of the Debtors' rights arising under or attributable to the Supersedeas Bond Actions, (y) the property, rights or assets, if any, of the Debtors which were previously used to secure or obtain a supersedeas bond with respect to any Allowed Bonded Claim and which are recoverable or recovered by the Debtors after full satisfaction of such claim or (z) any claim, cause of action, or right of the Debtors or any of them, under the laws of any jurisdiction, for reimbursement, indemnity, contribution, breach of contract or otherwise arising from or relating to any payments made by the Debtors on account of Asbestos Personal Injury Claims prior to the Petition Date;

"Trust Claim"

has the meaning given to it by Clause 4.9 of the Schemes;

"Trust Documents"

means the Trust Agreement, the Asbestos Personal Injury Trust Distribution Procedures and all other agreements, instruments and documents governing the establishment, administration and operation of the Trust, which shall be substantially in the form set forth in the Plan, the Schemes and/or the Voluntary Arrangements, as they may be amended or modified from time to time in accordance with the Plan, the Schemes and/or the Voluntary Arrangements and the Trust Agreement;

"Trust Expenses"

means any Asbestos Personal Injury Expenses and any other liabilities, costs or expenses of, or imposed upon, or in respect, of the Trust (except for payments to holders of Asbestos Personal Injury Claims on account of such Claims). Trust Expenses shall also expressly include (a) any and all liabilities, costs and expenses incurred subsequent to the Confirmation of the Plan in connection with any and all Asbestos Insurance Actions, or any similar claim, cause of action or right of Reorganized T&N against Curzon, or of the Trust against the EL Insurers, in each case whether or not any such action results in a recovery for the Trust and (b) any and all liabilities, costs and expenses incurred by the Reorganized Debtors in taking any action on behalf of or at the direction of the Trustees, if any, including, without

	limitation, any costs and expenses incurred by the Reorganized Debtors in being named as a defendant in any Asbestos Insurance Action or other actions relating to the Hercules Policy or any EL Policy;
"Trustees"	means the Persons appointed pursuant to Section 4.9 of the Plan for the purpose of acting as trustees of the Trust in accordance with the terms and conditions contained in the Trust Documents, the Plan, the Schemes and/or the Voluntary Arrangements, the Confirmation Order and the order sanctioning the Schemes;
"US Bankruptcy Code"	means title 11 of the United States Code, 11 U.S.C. §§ 101, et seq., as in effect on the Petition Date, together with all amendments and modifications thereto that were subsequently made applicable to the Reorganization Cases;
"US Bankruptcy Rules"	means the Federal Rules of Bankruptcy Procedure and the local rules of the US Court, as in effect on the Petition Date, together with all amendments and modifications thereto that were subsequently made applicable to the Reorganization Cases;
"US Court"	means the United States Bankruptcy Court for the District of Delaware, or, as the context requires, the United States District Court for the District of Delaware, or such other court of the United States of America as for the time being has jurisdiction in relation to the Plan;
"US Debtors"	means those 23 US Companies listed in footnote 1 of the Plan;
"VA Documents"	means the documents containing the terms of the Voluntary Arrangements and the Voluntary Arrangement Explanatory Statement together with the Appendices.
"Voluntary Arrangement Explanatory Statement"	means the explanatory statement dated [] including all exhibits, appendices, schedules and annexures attached thereto forming part of the Voluntary Arrangements.
"Voluntary Arrangements"	means the CVAs relating to those of the Companies that are listed in Appendix 4 to the Explanatory Statement and any modifications thereto which may be approved by the requisite proportion of creditors of the relevant Company;
"Voluntary Arrangement Supervisors"	means, in relation to a Company, the joint supervisors of the Voluntary Arrangement over that Company or their duly appointed successors.

EXHIBIT F

EXHIBIT F

PENDING LITIGATION

a) **Advanced Performance Technologies v. SL Industries, et al.**

This is an inherited claim from Champion Automotive (which was acquired through in a stock transaction from Cooper and is now known as Federal-Mogul Ignition Company) regarding development of an aviation filter product. Advanced Performance Technologies ("APT") sued on contract and antitrust grounds alleging that Champion had acted to monopolize the market in aviation filters by terminating its development agreement with APT for a filter competitive with Champion's market leader. APT contends that Champion's conduct precluded its product from entering the market. Federal-Mogul Ignition Company is vigorously defending the case. APT has filed a proof of claim in the Reorganization Cases in the amount of \$2,000,000.

b) **Madara, Hummy v. Butler Fleet Services v. Wagner Brakes and Federal-Mogul et al.**

Third party plaintiff Butler Fleet filed a third party complaint against Federal-Mogul Products, Inc. for indemnification with regard to a wrongful death complaint filed against Butler allegedly resulting from defective/malfunctioning brake cylinders on a 1988 Ford truck owned by Bell Atlantic NJ and driven by their employee Rose. Butler Fleet maintained the vehicle. The Bell Atlantic truck rear-ended the vehicle operated by 71 year old Raymond Madara who died the same day from injuries sustained in the accident. Butler is claiming that the brake components that failed were manufactured by Wagner (now Federal-Mogul Products) and were defective. The brake cylinder was tested by Federal-Mogul Products and found to be working normally. Accordingly, it is being vigorously contested. This matter settled for an undisclosed amount with regard to all other defendants, but remains against Federal-Mogul Products. There is insurance covering this claim.

c) **Palmer, Selwyn v. Wagner Brake Co., Inc.**

Plaintiff alleges negligence in the maintenance of premises by Wagner (now Federal-Mogul Products). The allegation is that the plaintiff, while working as a contractor at a Wagner Brake facility injured his neck when he tried to lift a garage door that was "too heavy." Plaintiff's injuries and disability are extensive, but there is little apparent connection between his medical condition and the act of lifting a door. The demand, however, is for \$750,000. The Debtors' present assessment is that liability is questionable and that the plaintiff himself is at fault for most if not all of his claimed injuries. There is insurance covering this claim.

d) **Melling Tool Company v. Federal Mogul**

Plaintiff and Federal-Mogul Powertrain, Inc. entered into a contractual agreement wherein Federal-Mogul Powertrain's sintered products facility in Ohio would machine parts for the plaintiff. In 1999 Federal-Mogul Powertrain contacted plaintiff and requested to terminate the contract as it was realized that Federal-Mogul Powertrain was incurring significant losses mainly due to sub-supplier complications. Plaintiff is claiming Federal-Mogul Powertrain breached the agreement by failing to honor the agreed prices pursuant to the contract. It is

believed that plaintiff is now supplied these parts by an inexpensive offshore manufacturer which lessens the damages to plaintiff. Plaintiff is claiming damages of \$646,561.00.

e) Blakemore v. Felt Products

The plaintiff was injured when the transmission case supplied by one of the Debtors in his vehicle disintegrated during a race, sending pieces of the case through the floor. Plaintiff claims that the transmission shield that he purchased from the Debtor was defectively designed, in that it failed to prevent his injuries. The shield was designed to prevent injury from the rotating parts of the transmission, which in this case remained intact. Inquiry now is centering on the installation instructions and whether there were adequate warnings on limitations of use of the product. Plaintiff is demanding \$750,000.

f) Seger, et al. vs. Moog Automotive Co., Inc.

These actions were commenced in January 1999 in the Court of Common Pleas for Columbia County, Pennsylvania by persons who suffered injuries in an auto accident, some of which are serious and permanent. Plaintiffs allege that the accident was caused by a defective ball joint supplied by Federal-Mogul Products, Inc. Investigation has revealed that the cause of the accident was the improper size ball joint installed by a third party mechanic. The parts supply house provided the wrong part to the mechanic after consulting a Moog parts catalog. Damages are unspecified in the complaint, but the seven plaintiffs filed proofs of claims for \$2,000,000 each. There is insurance covering this claim, subject to a \$3,000,000 deductible.

g) Turn-Key Patent Infringement Claim

Turn-Key is a small patent enforcement company whose client holds numerous patents in the field of plastic injection molding. In June 1998, Turn-Key advised Chrysler that its headlight for the Dodge Dakota was made using an infringing cross-lamination plastic injection molding process. The Dodge Dakota headlight in question is manufactured by the Wagner facility in Hampton, Virginia, which was operated by Federal-Mogul Products, Inc. until October 2003. The Debtors do not believe that their product/process infringes the Turn-Key patent. Turn-Key has offered to settle the matter by granting a license for a one-time payment of \$3 million; the Debtors have offered \$150,000. Despite the stay of the matter against Federal-Mogul Products, this matter continues against co-defendants Chrysler and Cooper. Federal-Mogul Products has an obligation to indemnify both of these co-defendants. The Debtors do not have patent infringement liability insurance. In another suit with a third party, the court declared the Turn-Key patent invalid. That decision is on appeal and the Turn-Key patent infringement action to which Federal-Mogul Products is a party is inactive pending that appeal.

h) Wagner (John-Ann, Inc. v. Fel-Pro, Inc.)

This arbitration proceeding was initiated against Fel-Pro (now Felt Products Manufacturing Co.) by John Wagner, the former owner of Phillips Gasket, Inc., a subsidiary of Fel-Pro, in November 1995 alleging that Fel-Pro breached the December 1988 purchase agreement, whereby Mr. Wagner was entitled to receive a portion of the 1991-93 pre-tax profits of Phillips Gasket. The plaintiff's total claims originally stood at about \$4 million.

i) T&N Shelf Seven Limited v GAD Chemicals Limited

T&N Shelf Seven Limited is the present name of the BIP Chemicals Limited ("BIP"), whose business was sold out of the T&N Group in 1995. This litigation arises out of a joint venture agreement in Iran in 1976 between GAD Chemicals Limited ("GAD"), BIP, and an Iranian trader, Mahboubian. Under the agreement, GAD and BIP each had a 40% interest in the joint venture but GAD, an Israeli company, was restricted from investing in Iran. BIP therefore held the shares comprising that 40% interest in its own name, 16% for itself and 16% in trust for GAD, with the remaining 8% owned by Mahboubian. Mahboubian was required to pay a premium to BIP on new share issues, which premiums were to be split equally by BIP and GAD and used by those entities to fund part of their respective share purchases. Certain of the premium payments were generally made untimely or not at all, however, as a result of Mahboubian's objection to the non-payment of interests on the premiums. As GAD was relying on the premiums to fund their share calls, BIP paid a disproportionate amount (67.73%) of the premiums actually received from Mahboubian to GAD.

In the early 1980's, Mahboubian brought an arbitration proceeding against BIP and GAD on a joint and several basis seeking to obtain alleged unpaid interest on the premiums. On July 29, 1986, the arbitral tribunal in Switzerland entered a judgment in favor of Mahboubian, which judgment was enforced solely against BIP. In addition, a second arbitration proceeding was commenced by Mahboubian solely against BIP in 1991, in which Mahboubian sought return of the premium payments. On February 27, 1994, the arbitral tribunal again found in Mahboubian's favor and entered a judgment against BIP. BIP subsequently commenced contribution proceedings in Israel against GAD with respect to these matters, and an arbitration in 1997 resulted in a judgment in BIP's favor. GAD has alleged that the decision was against natural justice and has filed numerous motions to nullify the arbitrator's decision. At subsequent hearings, BIP has attempted to remedy the defects in the original arbitration award in order to remedy any potential grounds for nullification of the arbiter's decision.

The arbitration was continued for the purposes of fixing the damages payable from GAD to BIP. Final submissions with respect to the damages issue were made to the arbitrator in early 2002. Most recently, the arbiter entered an award in favor of BIP in the amount of US\$3.9 million. GAD has commenced nullification proceedings which could last for several months. BIP must await the outcome of the nullification proceedings before it can seek to enforce the award against GAD.

There are also court proceedings in the U.K. brought by Mahboubian seeking to enforce certain preemption provisions for specific performance of an alleged agreement to sell BIP's beneficial 40% shareholding in the joint venture company. Mahboubian subsequently purchased approximately 30% of BIP's share and the court ordered that if BIP did not sell the remaining 70% of GAD within two years, those shares should be sold to Mahboubian. BIP subsequently sold those shares to Mahboubian.

j) Carfel, Inc. v. Federal-Mogul Corporation and Felt Products Manufacturing Company

Carfel had a three-year supply agreement with Fel-Pro under which it was to supply parts for kits that would be assembled and marketed by Fel-Pro. Although Fel-Pro made one

purchase, the kit program was never particularly successful and was abandoned after Federal-Mogul purchased Fel-Pro. Carfel claims breach of contract and alleges that it was entitled to three years of sales. Carfel's counsel filed two Proofs of Claim in the Reorganization Cases for \$1,217,943 and \$1,372,943, respectively.

k) Elring Klinger A.G. v. Federal-Mogul Corporation

Elring Klinger, a German corporation, has filed suit against Federal-Mogul Corporation in a German court for approximately \$1,800,000 on account of an alleged patent infringement. Recently, an expert appointed by the German court determined that there was no infringement, but the German court has not yet determined whether it will accept that report.

l) Four Star Corporation, et al. v. Federal-Mogul Corporation and FP Diesel

Four Star and the other plaintiffs in this action claim they were induced by Federal-Mogul Corporation and FP Diesel to go into business marketing FP Diesel products to the oil services industry using Four Star's allegedly extensive oil industry contacts. However, the defendants to the action ultimately decided not to utilize the plaintiffs' services, which the plaintiffs assert has given rise to damages in excess of \$1,000,000.

EXHIBIT G

SIGNIFICANT BUSINESS AND ECONOMIC ASSUMPTIONS

For purpose of demonstrating the feasibility of the Plan, the following financial projections (the "Projections") were prepared by the Debtors. The Projections reflect the Debtors' estimate of their expected consolidated financial position, results of operations and cash flows of the Reorganized Debtors and their non-debtor Affiliates (the "Company"). Accordingly, the Projections reflect the Debtors' judgment of expected future operating performance and business conditions, which are subject to change.

The Debtors do not, as a matter of course, publish their business plans and strategies or forward looking projections of financial position, results from operations, and cash flows. Accordingly, the Debtors do not anticipate that they will, and disclaim any obligation to, furnish updated business plans or projections to the holders of Claims or Equity Interests after the date of this Disclosure Statement, or to include such information in documents required to be filed with the Securities and Exchange Commission (the "SEC") or otherwise make such information public.

In connection with the development of the Plan, the Debtors, with assistance from various professionals, prepared the Projections. The Projections assume the Plan will be implemented in accordance with its stated terms. The Projections have not been audited or reviewed by independent accountants. The assumptions disclosed herein are those that the Debtors believe to be significant to the Projections. Although the Debtors are of the opinion that these assumptions are reasonable under current circumstances, such assumptions are subject to inherent uncertainties, such as the change in light and heavy vehicle production build rates, replacement demand in the aftermarket, laws and regulations, foreign currency, interest rates, inflation, commodity and material prices, general economic conditions and other factors affecting the Company's businesses. The impact of a change in any of these factors cannot be predicted with certainty. Consequently, actual financial results could differ significantly from projected results.

The Projections were prepared in good faith based on assumptions believed to be reasonable and applied in a manner consistent with past practices. The Projections should be read in conjunction with the assumptions and qualifications contained herein, the risk factors described in Sections VII of the Disclosure Statement and the historical audited consolidated financial statements for the fiscal year ended December 31, 2003 contained in the fiscal 2003 Form 10-K included in Exhibit L.

The Projections present, to the best of the Debtors' knowledge and belief, the Company's expected financial position, results of operations, and cash flows. Accordingly, the Projections reflect the Debtors' judgment as of March 2004, the time that these projections were prepared. Consequently, actual financial results could differ significantly from projected results.

The Projections include the following information:

- Pro Forma Projected Consolidated Balance Sheet as of December 31, 2004
- Notes to Pro Forma Projected Consolidated Balance Sheet
- Projected Consolidated Statements of Operations for the Fiscal Years Ending December 31, 2004, 2005, 2006 and 2007
- Projected Consolidated Balance Sheets for the Fiscal Years Ending December 31, 2004, 2005, 2006 and 2007
- Projected Consolidated Statements of Cash Flow for the Fiscal Years Ending December 31, 2004, 2005, 2006 and 2007
- Summary of Significant Projection Assumptions and Accounting Policies

The assumptions disclosed herein are those that the Debtors believe are significant to the projections. There will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

THE PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARD COMPLIANCE WITH THE GUIDELINES ESTABLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (THE "AICPA"), THE FINANCIAL ACCOUNTING STANDARDS BOARD (THE "FASB"), OR THE RULES AND REGULATIONS OF THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") REGARDING PROJECTIONS. FURTHERMORE, THE PROJECTIONS HAVE NOT BEEN AUDITED OR REVIEWED BY THE COMPANY'S INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS. THE PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE BASED UPON A VARIETY OF ESTIMATES AND ASSUMPTIONS, WHICH MAY NOT BE REALIZED, AND ARE SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, WHICH ARE BEYOND THE CONTROL OF THE DEBTORS. CONSEQUENTLY, THE PROJECTIONS SHOULD NOT BE REGARDED AS A REPRESENTATION OR WARRANTY BY THE DEBTORS, OR ANY OTHER PERSON, AS TO THE ACCURACY OF THE PROJECTIONS OR THAT THE PROJECTIONS WILL BE REALIZED. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE PRESENTED IN THESE PROJECTIONS. HOLDERS OF CLAIMS OR EQUITY INTERESTS MUST MAKE THEIR OWN DETERMINATIONS AS TO THE REASONABLENESS OF SUCH ASSUMPTIONS AND THE RELIABILITY OF THE PROJECTIONS IN MAKING THEIR DETERMINATIONS OF WHETHER TO ACCEPT OR REJECT THE PLAN.

1. *Pro Forma Projected Consolidated Balance Sheet (Unaudited)*
(As of December 31, 2004)

Federal-Mogul Corporation and Subsidiaries (S millions)	Estimated Pre-Reorg Balance Sheet	Reorganization Adjustments (a)		Pro Forma Reorg. Balance Sheet
		Reorg. Adj.	"Fresh Start" Adj.	
ASSETS:				
Cash and equivalents	\$ 543	\$ (383) (b)	\$ -	\$ 160
Accounts receivable	923	-	-	923
Inventories	765	-	114 (j)	879
Deferred taxes	6	-	(13) (m)	(7)
Prepaid expenses	237	-	-	237
Total Current Assets	2,474	(383)	101	2,192
Property, plant and equipment, net	2,271	-	-	2,271
Goodwill and indefinite-lived intangible assets	1,326	-	(1,326) (k)	-
Reorganization value in excess of fair values	-	-	1,607 (k)	1,607
Definite-lived intangible assets, net	483	-	(64) (m)	419
Asbestos-related insurance recoverable	764	(764) (c)	-	-
Other noncurrent assets	426	23 (d)	(208) (m)	240
Total Assets	\$ 7,743	\$ (1,124)	\$ 110	\$ 6,730
LIABILITIES AND SHAREHOLDERS' EQUITY				
DIP facility	\$ 320	\$ (320) (c)	\$ -	\$ -
Exit facility	-	494 (c)	-	494
Short-term debt, including current portion of long-term debt	14	23 (b)	-	37
Accounts payable	350	-	-	350
Accrued liabilities	633	(44) (f)	-	589
Total Current Liabilities	1,317	153	-	1,470
Liabilities subject to compromise	6,014	(6,014) (g)	-	-
Long-term debt	10	1,659 (h)	(161) (l)	1,508
Postemployment benefits	1,647	-	(205) (m)	1,442
Other accrued liabilities	245	-	-	245
Minority interest in consolidated subsidiaries	54	-	-	54
Shareholders' Equity (Deficit)	(1,544)	3,079 (i)	476 (i)	2,011
Total Liabilities and Shareholders' Equity	\$ 7,743	\$ (1,124)	\$ 110	\$ 6,730

See accompanying notes to pro forma projected consolidated balance sheet

NOTES TO PRO FORMA PROJECTED CONSOLIDATED BALANCE SHEET

- a. The pro forma consolidated balance sheet adjustments contained herein account for (i) the reorganization and related transactions pursuant to the Plan of Reorganization, and (ii) the implementation of fresh start accounting pursuant to Statement of Position 90-7 ("*SOP 90-7*") as issued by the AICPA. The fresh start adjustments are based on an estimated Reorganized Federal-Mogul equity value of \$2.0 billion as more fully described in the Disclosure Statement (see Section XI – B. Reorganization Value). Under SOP 90-7, reorganization value is generally allocated first to the fair value of tangible assets, then to the fair value of identifiable intangible assets. Any reorganization value in excess of such tangible and intangible assets is recorded as "Reorganization Value in Excess of Identified Fair Value." For the purpose of the Projection the Debtors have assumed fair value to be equal to net book value unless specifically identified in the notes below. Furthermore, although the Debtors have followed the principles of fresh start accounting in accordance with SOP No. 90-7, the actual adjustments will be determined at a later date and may be materially different from those presented herein.
- b. The Company's cash and equivalents reflect the use of \$383 million to implement the Plan of Reorganization. This amount includes (i) \$63 million to be distributed pursuant to the Plan, (ii) an estimated \$23 million for the Exit Facility fees (see item d. below) (iii) \$142 million for emergence payments and (iv) \$155 million to reduce the outstanding Debtor-in-Possession ("DIP") financing. The balance of \$160 million at the Effective Date will be used to fund operations, including working capital requirements.
- c. For the pro forma financial statements it is assumed any remaining asbestos liability will be presented net with the asbestos insurance recoverable.
- d. The Company is projected to incur estimated debt issuance costs of \$23 million related to the Exit Facility, which will replace the DIP financing.
- e. As contemplated in the Plan, the Debtors will obtain an Exit Facility with a commitment of approximately \$1 billion. The Debtors estimate the drawn balance to be \$494 million at the Effective Date. The initial \$494 million of proceeds from the Exit Facility will be used to retire the estimated sum of the outstanding DIP balance of \$320 million and the Tranche C DIP loan of \$329 million, less excess cash of \$155 million as described in note b. The Tranche C DIP loan is recorded as a liability subject to compromise in the accompanying balance sheets.
- f. This adjustment reflects payment of accrued Chapter 11 related expenses pursuant to the Plan, including professional fees (\$36 million) and employee retention payments (\$8 million).

- g. The Debtors' liabilities subject to compromise, including asbestos related liabilities, will be effectively eliminated at emergence pursuant to the Plan's discharge and channeling injunction. Liabilities subject to compromise included within the Projections reflect the Debtors' current recorded balance. The ultimate resolution of liabilities subject to compromise will be determined pursuant to negotiations involving the various asbestos and creditor constituencies or, if necessary, the Bankruptcy Court or District Court. At this time, it is not possible to predict the outcome of these negotiations. Given the inherent uncertainty of the Chapter 11 proceedings, the amount of liabilities subject to compromise ultimately established in the Chapter 11 proceedings may be higher than the Debtor's recorded balance.
- h. Represents the issuance of new debt to the pre-petition secured creditors and unsecured trade creditors. It is anticipated the new debt will include approximately \$1,330 million aggregate principal amount of Tranche A Senior Secured Notes (the "Tranche A Notes"), \$305 million aggregate principal amount of Junior Secured Paid in Kind Notes (the "PIK Notes") and \$47 million aggregate principal amount of U.S. Trade Obligations.
- i. Represents the cancellation of the predecessor company shareholders' equity, capitalization of the reorganized debtors, and application of fresh start accounting under the provisions of SOP No. 90-7.
- j. In adjusting the consolidated balance sheet accounts to fair value in accordance with SOP No. 90-7, the Debtor's preliminary estimate results in an increase to inventories of \$114 million to approximate fair market value.
- k. In accordance with SOP No. 90-7, existing goodwill is eliminated and excess reorganization value is recorded for an amount in excess of fair value allocable to identifiable tangible and intangible assets. It is likely that a portion of excess reorganization value will be allocated to the Debtors' assets following an appraisal of the assets.
- l. In accordance with SOP No. 90-7, debt existing after the Effective Date is to be recorded at fair value. Based upon the contemplated terms of the Tranche A Notes and PIK Notes and current market conditions, the Debtors' financial advisors have estimated a \$160 million original issue discount to the new debt. The discount will be amortized over the term of the related debt instruments. The ultimate discount will be based upon market conditions existing at the Effective Date and, accordingly, it is likely the ultimate discount will differ from the estimate provided herein.

m. Liabilities related to the Debtors' Employee Benefit Plans as included in the Projections are based upon actuarial valuations as of December 31, 2003. In accordance with SOP No. 90-7, such liabilities will be adjusted to fair value based upon actuarial valuations performed as of the Effective Date. It is likely that these valuations will result in an amount that differs from the estimate provided herein. This difference may be material to the Projections.

2. *Projected Consolidated Statements of Operations (Unaudited)*

Federal-Mogul Corporation and Subsidiaries
(\$ millions)

	Projected			
	Fiscal Year Ending December 31,			
	2004	2005	2006	2007
Net sales	\$ 5,662	\$ 5,753	\$ 5,907	\$ 6,048
Cost of products sold	<u>4,554</u>	<u>4,478</u>	<u>4,498</u>	<u>4,598</u>
Gross margin	1,108	1,275	1,409	1,450
Selling, general and administrative expenses	903	898	879	859
Amortization of intangible assets	17	17	17	17
Restructuring charges, net	19	52	30	7
Interest expense (income), net	103	157	176	172
Chapter 11 and administration related reorganization expense	209	-	-	-
Fresh Start	(195)	-	-	-
Gain on discharge of debt	(1,155)	-	-	-
Other (income) expense, net	<u>(41)</u>	<u>(40)</u>	<u>(42)</u>	<u>(43)</u>
Earnings (loss) before income taxes	1,248	191	350	439
Income tax expense	<u>35</u>	<u>138</u>	<u>148</u>	<u>202</u>
Net income	<u>\$ 1,213</u>	<u>\$ 54</u>	<u>\$ 202</u>	<u>\$ 237</u>
EBITDA ⁽¹⁾	<u>\$ 558</u>	<u>\$ 712</u>	<u>\$ 866</u>	<u>\$ 929</u>

(1) EBITDA consists of earnings before interest, taxes, restructuring, Chapter 11 and reorganization expenses, depreciation, amortization and other non-recurring items. EBITDA is a commonly used financial measure and the Company presents EBITDA to enhance your understanding of the Company's operating performance. The Company believes EBITDA is an operating performance measure that provides parties in interest with a measure of operating performance. However, EBITDA is not a measurement of financial performance under U.S. Generally Accepted Accounting Principles (G.A.A.P.) and may not be compared to other similarly titled measures of other companies. You should not consider EBITDA as an alternative to operating or net income, determined in accordance with U.S. G.A.A.P., as an indicator of the Company's operating performance, or as an alternative to cash flows from operating activities, determined in accordance with U.S. G.A.A.P., as an indicator of cash flows.

See accompanying summary of significant projection assumptions and accounting policies

3. Projected Consolidated Balance Sheets (Unaudited)

Federal-Mogul Corporation and Subsidiaries
(\$ millions)

	Projected			
	Fiscal Year Ended December 31,			
	2004	2005	2006	2007
ASSETS:				
Cash and equivalents	\$ 160	\$ 160	\$ 160	\$ 160
Accounts receivable	923	940	965	986
Inventories	879	789	765	757
Deferred taxes	(7)	(7)	(7)	(7)
Prepaid expenses	237	237	237	237
Total Current Assets	2,192	2,119	2,120	2,134
Property, plant and equipment, net	2,271	2,273	2,278	2,275
Reorganization value in excess of fair values	1,607	1,607	1,607	1,607
Definite-lived intangible assets, net	419	402	385	368
Other noncurrent assets	240	376	492	537
Total Assets	\$ 6,730	\$ 6,777	\$ 6,883	\$ 6,922
LIABILITIES AND SHAREHOLDERS' EQUITY				
Exit facility	\$ 494	\$ 417	\$ 310	\$ 119
Short-term debt, including current portion of long-term debt	37	60	60	60
Accounts payable	350	401	413	433
Accrued liabilities	589	582	582	582
Total Current Liabilities	1,470	1,467	1,371	1,199
Long-term debt	1,508	1,506	1,506	1,480
Postemployment benefits	1,442	1,442	1,442	1,442
Other accrued liabilities	245	245	245	245
Minority interest in consolidated subsidiaries	54	54	54	54
Shareholders' Equity	2,011	2,064	2,266	2,503
Total Liabilities and Shareholders' Equity	\$ 6,730	\$ 6,777	\$ 6,883	\$ 6,922

*See accompanying summary of significant projection assumptions
and accounting policies*

4. *Projected Consolidated Statement of Cash Flow (Unaudited)*

Federal-Mogul Corporation and Subsidiaries (S millions)	Projected			
	Fiscal Year Ending December 31,			
	2004	2005	2006	2007
Cash From Operating Activities				
Net Income	\$ 1,213	\$ 54	\$ 202	\$ 237
Depreciation and amortization	329	312	310	312
Gain on debt discharge	(1,155)	-	-	-
Changes in operating asset and liabilities that increase (decrease)				
cash flows:				
Receivables	16	(16)	(25)	(21)
Inventories	32	89	24	8
Payables	30	51	12	20
Other assets and liabilities	(112)	(136)	(116)	(45)
Fresh start adjustments	(195)	-	-	-
Net Cash From Operating Activities	158	353	407	509
Cash used in Investing Activities				
Capital expenditures	(290)	(297)	(299)	(292)
Net Cash used in Investing Activities	(290)	(297)	(299)	(292)
Cash used in Financing Activities				
Decrease in DIP	(320)	-	-	-
Increase (Decrease) in Exit Revolver	494	(77)	(107)	(191)
Increase (Decrease) in Other Debt	(328)	20	(0)	(26)
Net Cash used in Financing Activities	(154)	(56)	(108)	(218)
Total Cash flow	(286)	(0)	-	-
Foreign Exchange	-	-	-	-
Decrease in Cash	(286)	(0)	-	-
Beginning Cash and Equivalents	446	160	160	160
Ending Cash and Equivalents	\$ 160	\$ 160	\$ 160	\$ 160

See accompanying summary of significant projection assumptions and accounting policies

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

The consolidated financial projections (the "Projections") present, to the best of the Debtors' knowledge and belief, the Company's expected financial position, results of operations, and cash flows for the projection period(s). Accordingly, the Projections reflect the Debtors' judgment as of March 2004, the date of these projections, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that the Debtors believe are significant to the Projections. Because events and circumstances frequently do not occur as expected, there will be differences between the projected and actual results. These differences may be material to the Projections herein.

Accounting Policies

The Projections have been prepared using accounting policies that are consistent with those applied in the Debtors' historical financial statements. Although the Debtors have followed the fresh start accounting principles of SOP No. 90-7 in preparing these Projections, the Projections include assumptions to various financial accounts of the Company, which are based upon management estimates and market conditions. The more material of these accounts and the underlying assumptions are provided below, including the events that will ultimately provide for the final amounts of such accounts at the Effective Date:

- Assets other than inventory and certain liabilities are included in the Projections at historical values. The ultimate value of such assets and liabilities will be based upon the respective fair values as of the Effective Date.
- Liabilities subject to compromise are presented in the Projections at historical amounts. The ultimate amount of such liabilities will be based upon negotiations with and agreement with the other Plan Proponents, if necessary, the Bankruptcy Court or District Court.
- Post-employment benefits are included in the Projections at fair value as of December 31, 2003 as determined through actuarial valuation. The ultimate amount of such obligation will be determined via actuarial valuation as of the Effective Date.
- Projected long-term debt includes an original issue discount estimated based upon contemplated terms of the Tranche A Notes and PIK Notes and current market conditions. The ultimate amount of original issue discount will depend on the terms of the final debt agreements and market conditions existing at the Effective Date.
- Deferred taxes are included in the Projections at historical values. The ultimate value of the deferred tax liability will be calculated based upon the amount of reorganized value allocated to certain asset classes and the impact of the bankruptcy on the tax attributes of the Company.

Projection Assumptions

The Debtors, with the assistance of various professionals, prepared the Projections for the four years ending December 31, 2004, 2005, 2006 and 2007 ("Projection Period"), respectively. The Projections are based on a number of assumptions, and while the Debtors have prepared the Projections in good faith and believe the assumptions to be reasonable, it is important to note that the Debtors can provide no assurance that such assumptions will ultimately be realized. The Projections should be read in conjunction with the assumptions and qualifications contained herein, the risk factors described in Sections VII of the Disclosure Statement, and the historical audited consolidated financial statements for the fiscal year ended December 31, 2003 contained in the fiscal 2003 Form 10-K included in Exhibit J. The following summarizes the underlying key assumptions upon which the Projections are based.

A. General

1. *Methodology.* The Projections were prepared using a "bottom-up" methodology. The Debtors prepared operating projections for each of its business segments, which were then consolidated.
2. *Plan Consummation and Effective Date.* The Projections assume the Plan will be confirmed and consummated by the end of 2004. Fresh start accounting adjustments are more specifically based on emergence as of December 31, 2004 (Effective Date).
3. *Industry Environment.* A critical assumption of the Debtors' Projection is future annual light and heavy vehicle production build rates. The Projections assume the annual production build rates for both light and heavy vehicles will increase over the Projection Period.
4. *Foreign Exchange.* The Company consolidates its financial results in U.S. dollars for reporting purposes. The exchange rate assumptions included in the Projections are based on actual foreign exchange rates experienced in the year ended December 31, 2003. The foreign exchange rates included in the Projections are substantially unchanged throughout the Projection Period.

B. Projected Consolidated Statement of Operations

1. *Revenues.* Consolidated revenues are projected to increase by 2.1%, 1.6%, 2.7% and 2.4% for the years ending December 31, 2004, 2005, 2006 and 2007, respectively. The Projections assume that revenue growth will be driven by the Debtor's ability to increase business with existing customers, acquire new customers, and penetrate new markets consistent with its operating strategy.

2. *Gross Margin.* The Projections reflect improved gross margins over the Projection Period driven by the introduction of new products, sourcing initiatives, manufacturing process improvements and distribution channel enhancements. These productivity initiatives are assumed to offset customer price reductions and inflation. For the year ending December 31, 2005, gross margin is adversely impacted by the recognition of the fair value adjustment to inventories originating from the application of fresh start accounting at the Effective Date.
3. *Selling, General and Administrative Expense (Including Research and Development).* Specific cost saving initiatives resulting from business process improvements and other improvements offset inflation.
4. *Interest Expense.* Interest expense is based upon the estimated drawn exit facility, the \$1.3 billion of Tranche A Notes, the \$305 million of PIK Notes and the amortization of the debt original issue discount.
5. *Income Tax Expense.* The Projection assumes tax expense is equal to cash taxes.

C. Projected Consolidated Balance Sheets and Statements of Cash Flow

1. *Cash and Equivalents.* For purposes of these Projections, increases in cash and equivalents are used to repay the Exit Facility funded debt.
2. *Working Capital.* The Projections assume improvements in net working capital driven primarily by improved inventory management and supplier payment terms.
3. *Capital Expenditures.* Capital expenditures are expected to remain relatively constant at approximately \$300 million for the Projection Period.
4. *Deferred Tax Assets and Liabilities.* Deferred tax assets and liabilities have not been adjusted to reflect fresh start accounting. In addition, for the Projection Period cash taxes are assumed to equal tax expense.
5. *Asset Sales.* The Projections do not assume any proceeds from asset sales.

THE PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARD COMPLIANCE WITH THE GUIDELINES ESTABLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (THE "AICPA"), THE FINANCIAL ACCOUNTING STANDARDS BOARD (THE "FASB"), OR THE RULES AND REGULATIONS OF THE SECURITIES AND

EXCHANGE COMMISSION (THE "SEC") REGARDING PROJECTIONS. FURTHERMORE, THE PROJECTIONS HAVE NOT BEEN AUDITED OR REVIEWED BY THE COMPANY'S INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS. THE PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE BASED UPON A VARIETY OF ESTIMATES AND ASSUMPTIONS, WHICH MAY NOT BE REALIZED, AND ARE SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE UNCERTANTIES AND CONTINGENCIES, WHICH ARE BEYOND THE CONTROL OF THE DEBTORS. CONSEQUENTLY, THE PROJECTIONS SHOULD NOT BE REGARDED AS A REPRESENTATION OR WARRANTY BY THE DEBTORS, OR ANY OTHER PERSON, AS TO THE ACCURACY OF THE PROJECTIONS OR THAT THE PROJECTIONS WILL BE REALIZED. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE PRESENTED IN THESE PROJECTIONS. HOLDERS OF CLAIMS OR INTEREST MUST MAKE THEIR OWN DETERMINATIONS AS TO THE REASONABLENESS OF SUCH ASSUMPTIONS AND THE RELIABILITY OF THE PROJECTIONS IN MAKING THEIR DETERMINATIONS OF WHETHER TO ACCEPT OR REJECT THE PLAN.

EXHIBIT H

EXHIBIT H TO DISCLOSURE STATEMENT

ADMINISTRATORS OF THE U.K. DEBTORS

<u>Name</u>	<u>Number</u>	<u>Registered Office</u>	<u>Administrators</u>
AE Dayton Services Limited	00478002	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
AE Group Machines Limited	00529364	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
AE Holdings Limited	00385610	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
AE International Limited	00562880	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
AE Limited	00435189	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

AE Piston Products Limited	00801927	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
AE Sales (Africa) Limited	00444336	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Aeroplane & Motor Aluminium Castings Limited	00315630	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Amber Supervision Limited	00821260	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Ashburton Road Services Limited	00075732	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Associated Engineering Group Limited	00526816	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Awncast Limited	00546797	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Bearings (North-Western) Limited	00406618	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Brake Linings Limited	00235701	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Colvan Rubber Co. Limited	00994679	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Contact 100 Limited	00065025	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Cosmid Limited	01022341	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Cranhold Limited	01657314	c/o T&N Limited Manchester International Office Centre, Styal Road	Gary Peter Squires, James John Gleave and Simon Vincent

		Manchester M22 5TN	Freakley
Dealings Limited	00731956	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Dumplington Services Limited	00891894	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Duron Limited	00181717	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
E W Engineering Limited	00343146	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Edmunds, Walker & Co. Limited	00579908	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Engineering Components Limited	00301567	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Federal-Mogul Acquisition Company Limited	03085843	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Aftermarket UK Limited	00219712	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	James John Gleave, Simon Vincent Freakley and Simon Wilson
Federal-Mogul Bradford Limited	00106848	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Charles Peter Holder, James John Gleave and Simon Vincent Freakley
Federal-Mogul Brake Systems Limited	03829854	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Bridgwater Limited	00522423	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	James John Gleave, Charles Peter Holder and Simon Vincent Freakley
Federal-Mogul Camshaft Castings Limited	00284953	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gurpal Singh Johal, James John Gleave and Simon Vincent Freakley

Federal-Mogul Camshafts Limited	00306023	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gurpal Singh Johal, James John Gleave and Simon Vincent Freakley
Federal-Mogul Engineering Limited	00166096	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Fraser James Gray, Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Eurofriction Limited	01131161	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Export Services Limited	00532743	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Friction Products Limited	00447826	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Global Growth Limited	03454611	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Ian Peter Phillips, James John Gleave and Simon Vincent Freakley

Federal-Mogul Ignition (U.K.) Limited	03499987	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Fraser James Gray, James John Gleave and Simon Vincent Freakley
Federal-Mogul Powertrain Systems International Limited	00894128	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Sealing Systems Limited	00204388	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	James John Gleave and Simon Vincent Freakley
Federal-Mogul Sealing Systems (Cardiff) Limited	02597690	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Alastair Paul Beveridge, James John Gleave and Simon Vincent Freakley
Federal-Mogul Sealing Systems (Rochdale) Limited	00399124	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Alastair Paul Beveridge, James John Gleave and Simon Vincent Freakley
Federal-Mogul Sealing Systems (Slough) Limited	00164204	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Alastair Paul Beveridge, Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Federal-Mogul Shoreham Limited	00359238	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul Sintered Products Limited	00116952	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gurpal Singh Johal, James John Gleave and Simon Vincent Freakley
Federal-Mogul Systems Protection Group Limited	00726193	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Simon Wilson, James John Gleave and Simon Vincent Freakley
Federal-Mogul Technology Limited	00951424	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Federal-Mogul U.K. Limited	02670024	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Ferodo Caernarfon Limited	00986616	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Ferodo Limited	00395385	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
FHE Technology Limited	00068370	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Fleetside Investments Limited	00795383	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
F-M UK Holding Limited	03459039	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave, Simon Vincent Freakley and Ian Peter Phillips
FP Diesel Limited	00643300	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Friction Materials Limited	00162644	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

G.B. Tools & Components Exports Limited	00851194	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Genthope Limited	01477824	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Greet Limited	01591887	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Halls Gaskets Limited	00622252	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Hepworth & Grandage Limited	00347229	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
High Precision Equipment Limited	00439874	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Inblot Limited	00487399	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Instantwonder Limited	02029117	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
J.W. Roberts Limited	00168882	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Kings Park Housing Limited	01391686	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Lalton Limited	00570984	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Lanoth Limited	00142335	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Lanoth Precision Equipment Limited	00396640	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Leeds Piston Ring & Engineering Co. Limited	00321800	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
M.T.A (Kettering) Limited	00496437	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Mantro Engineering Co. Limited	01196422	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Mobile Distributing (Spares) Limited	00379691	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Moore's Plastic Units Limited	00779031	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Newalls Insulation Company Limited	00237614	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Ontall Limited	01324744	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Payen (Europe) Limited	00263795	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Pecal Limited	00240306	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Presswork-Components Limited	00520854	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Sintration Limited	00890488	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Sourcelook Limited	02665169	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Specialloid, Limited	00177253	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
STS (1996) Limited	02312625	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Holdings Limited	00575187	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N International Limited	01073619	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Investments Limited	SC020152	Cessnock Road, Hurlford Kilmarnock, Agreshire, KA1 5DD, Scotland	James John Gleave, Fraser James Gray and Simon Vincent Freakley
T&N Limited	00163992	Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

T&N Materials Research Limited	00563143	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Piston Products Group Limited	00093089	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Properties Limited	01082189	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Eight Limited	01503582	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Eighteen Limited	00110444	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Fifteen Limited	00428160	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

T&N Shelf Five Limited	00205578	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Four Limited	00928905	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Fourteen Limited	00272755	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Nine Limited	01119024	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Nineteen Limited	00293362	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf One Limited	00180521	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

T&N Shelf Seven Limited	00081434	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Six Limited	01639676	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Sixteen Limited	00653757	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Ten Limited	00203438	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Thirteen Limited	00559408	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Thirty Limited	00141182	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

T&N Shelf Thirty-One Limited	00218236	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Thirty-Three Limited	01846194	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Three Limited	00542369	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Twenty Limited	00357221	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Twenty-Eight Limited	00490602	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Twenty-Five Limited	01087025	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

T&N Shelf Twenty-Four Limited	00343160	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Twenty-Nine Limited	00308301	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Twenty-One Limited	00376450	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Twenty-Six Limited	00241356	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Twenty-Two Limited	00393100	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Shelf Two Limited	01235737	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

T&N Trade Marks Limited	00305253	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
T&N Welfare Trust Limited	00265900	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
TAF International Limited	00089658	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
TBA Belting Limited	00280117	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
TBA Belting (Residual) Limited	00183045	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
TBA Industrial Products Limited	00166685	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Telford Rubber Processors Limited	00346115	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Telford Technology Supplies Limited	00280119	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
The British Piston Ring Company Limited	00182848	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
The Washington Chemical Company Limited	00166702	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Tinblo Limited	00490187	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Touchdown Adhesive Products Limited	01121844	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

Turner & Newall Limited	00053916	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Turner Brothers Asbestos Company Limited	00646683	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Tynoda Limited	00443308	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Vanwall Cars Limited	00228399	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Wellworthy Limited	00310309	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
Wellworthy Property Developments Limited	01141629	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley

William C. Jones (Polymers) Limited	00473243	c/o T&N Limited Manchester International Office Centre, Styal Road Manchester M22 5TN	Gary Peter Squires, James John Gleave and Simon Vincent Freakley
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EXHIBIT I

EXHIBIT I**COMMITTEES APPOINTED IN ADMINISTRATIONS OF U.K. DEBTORS**

<u>U.K. Debtor</u>	<u>Committee Members</u>	<u>Committee Member Affiliation</u>
Federal-Mogul Aftermarket (UK) Limited	J. Gardner A. Hunter A. Sadler	KACO GMBH & Co. Elanders (UK) Limited Johnson & Akam Limited
Federal-Mogul Bradford Limited	J. Nuttal M. Fleming R. Burslem S. Halliday J. Bakes	Eversheds Robotics Limited Accurate Cutting Services Ltd. Wallwork Heat Treatment Ltd. Morganite Crucible Ltd. Thornton Tailored Tours Ltd.
Federal-Mogul Camshaft Castings Limited	S. Morris B. Long M. Di-Vito	John Liscombe Limited Rohm (Great Britain) Limited Wood & Loines Limited
Federal-Mogul Camshafts Limited	M. Molyneux P. Harrison C. Turner	Landis Lund Howett Thorpe Recruitment Consultants C T Engineering Ltd.
Federal-Mogul Friction Products Limited	G. Hill P. Hindley T. Wellerman	Leicester Engineering Services Limited S & A Blackwell Limited G Wellerman Limited
Federal-Mogul Ignition (UK) Limited	M. Burrows J. S. Duncan D. Yates E. Conroy P. Smith	Burcas Limited Johnson Matthey Plc Copper & Automotive Washer Co. Ltd. West Cheshire Cleaning Services Ltd. A P Printing & Stationery (Liverpool) Ltd.
Federal-Mogul Sealing Systems (Cardiff) Limited	M. Price C. Heatley R. Ashburner	Pontypridd Precision Engineering Ltd. Solvay Solexis Spa Platform Pressings Ltd.
Federal-Mogul Sealing Systems (Rochdale) Limited	B. Andrews J. Braime C. Gorton	APS Metal Pressings Limited Braime Pressings Limited Heads Recruitment Limited
Federal-Mogul Sealing Systems (Slough) Limited	Frederick Weeks Martin Banks C. Chapman	Metric Tool & Dials Limited Trierer Walzwerk GmbH Select Appointments
Federal-Mogul Sintered Products Limited	P. Barrett R. Sparkes J. Davies	Gem Rewinds Limited First in Catering Calor Gas

U.K. Debtor	Committee Members	Committee Member Affiliation
J.W. Roberts Limited	Anthony Coombs Ian McFall Francis Maguire Adrian Budgen	John Pickering & Partners Thompson Solicitors Thompsons Scotland Irwin Mitchell Solicitors
Newalls Insulation Company Limited	Paul Johnson Anthony Coombs Ian McFall Francis Maguire Peter Williams	Pannone & Partners John Pickering & Partners Thompson Solicitors Thompsons Scotland Field Fisher Waterhouse
TBA Industrial Products Limited	Simone Hardy Anthony Coombs Paul Johnson	Irwin Mitchell Solicitors John Pickering & Partners Pannone & Partners
T&N Limited	Steven Kazan Joseph Rice Francis Maguire Anthony Coombs J P Mulvey Bozena Michalowska Bobby Shirley	Kazan, McClain, Edises Motley Rice LLC Thompsons Scotland John Pickering & Partners HSBC Vehicle Finance Leigh Day & Co (Co Opted) Motley Rice LLC (Co Opted)
T&N Shelf Twenty-Six Limited	Paul Johnson Anthony Coombs Ian McFall Sinead Cartwright Steven Kazan	Pannone & Partners John Pickering & Partners Thompsons Solicitors Jack Thornley & Partners Kazan, McClain, Edises

EXHIBIT J

LIQUIDATION ANALYSIS

Pursuant to section 1129(a)(7) of the Bankruptcy Code (often called the "Best Interests Test"), each holder of an impaired Claim or Equity Interest must either (a) accept the Plan or (b) receive or retain under the Plan property of a value, as of the Plan's Effective Date, that is not less than the value such non-accepting holder would receive or retain if each Debtor were to be liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date. In determining whether the Best Interests Test has been met, the first step is to determine the dollar amount that would be generated from a hypothetical liquidation of each Debtor's assets in Chapter 7. The gross amount of cash available would be the sum of the proceeds from the disposition of each Debtor's assets and the cash held by each Debtor at the commencement of its Chapter 7 case. Such amount then would be reduced by the costs and expenses of the liquidation. Prior to determining whether the Best Interests Test has been met, further reductions would be required to eliminate cash and asset liquidation proceeds that would be applied to secured claims and amounts necessary to satisfy Administrative, Tax, and other Priority Claims that are senior to General Unsecured Claims, including any incremental Administrative Claims that may result from the termination of each Debtor's business and the liquidation of their assets. Any remaining cash would be available for distribution to general unsecured creditors and shareholders in accordance with the distribution hierarchy established by section 726 of the Bankruptcy Code.

The Liquidation Analysis below applies the procedure described in the preceding paragraph. Underlying the Liquidation Analysis are a number of estimates and assumptions regarding liquidation proceeds that, although developed and considered reasonable by management and its professionals, are inherently subject to significant business, economic and competitive uncertainties and contingencies beyond the control of each Debtor and its management. **ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE VALUES REFLECTED IN THE LIQUIDATION ANALYSIS WOULD BE REALIZED IF EACH DEBTOR WERE, IN FACT, TO UNDERGO SUCH A LIQUIDATION, AND ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE SHOWN HERE.**

The following Liquidation Analysis should be read in conjunction with the accompanying notes.

IMPORTANT CONSIDERATIONS AND ASSUMPTIONS

1. *Treatment of individual Debtors.* Federal-Mogul and all of its affiliates (the "Company") is a diverse company made up of numerous Debtors and non-debtors. There are certain claimholders whose claims are against multiple legal entities, specifically the pre-petition bank claimants, the bond indenture claimants and the asbestos claimants.

2. *Liquidation of each Debtor.* The Liquidation Analysis was prepared by management, with the assistance of the Debtor professionals and assumes the cases would convert to Chapter 7. It is assumed the liquidation would commence 60 days after notifying employees of their pending termination under the W.A.R.N. Act. It is also assumed that the liquidation of each Debtor would commence under the direction of a Court-appointed trustee and would continue for a period of nine months, during which time each Debtor's major assets would either be sold or conveyed to the respective lien holders, and the cash proceeds, net of liquidation-related costs, would then be distributed to creditors and, to the extent applicable, shareholders. The liquidation period would allow for the collection of receivables; the conversion of inventory both on hand, and in some instances, from additional purchases of raw materials, into finished goods for sale to the Debtors' customers; the sale of fixed assets; and the wind-down of daily operations following the completion of any remaining production. There can be no assurances that all assets would be completely liquidated during this time period.

The Liquidation Analysis assumes the orderly liquidation and wind-down (assumed to be nine months) of all Debtor assets related to the OEM business unit. Although the Debtors operate in a highly competitive industry and have many direct competitors, certain trends in the historical relationship between the OEMs and their Tier 1 suppliers (including improvements in just-in-time inventory methods, a trend toward consolidating suppliers and the long lead times for platform development) have increased the

mutual dependence of Tier 1 suppliers on the OEMs and likewise the dependence of the OEMs on their large Tier 1 suppliers. None of the Debtors' customers have requested access to its facilities to take over production and the Debtors have received no requests for Accommodation Agreements during the pendency of these Chapter 11 Cases. In general, this liquidation analysis assumes that the Court would permit the Chapter 7 Trustee to operate the applicable plants assuming the applicable OEMs fund the necessary wind-down costs, if negative, and therefore avoid the potential damage claims that would result if each Debtor's plants were shut down immediately.

Management does not believe the products supplied by the Aftermarket business unit are as difficult to replace and thus that the customers of this business unit are not as dependent upon the Debtors as a sole source of supply. Management also believes that, with regard to the aforementioned business unit, certain alternative sources of supply exist for its product and that such sources, while costly to switch to on an expedited basis, could be available within a 30 day time frame. As a result, management estimates that customers of these business units would be incentivized to purchase each Debtor's remaining production in process but would not require supply beyond that currently forecasted at the time the liquidation would commence.

The Liquidation Analysis was prepared based on a review of each Debtor's assets, and estimates of hypothetical liquidation values were determined primarily by assessing classes of assets. For the preparation of this analysis, the Debtors did not retain third party experts to value individual assets.

The Liquidation Analysis necessarily contains an estimate of the amount of Claims that will ultimately become Allowed Claims. Estimates for various classes of Claims are based solely upon each Debtor's continuing review of the Claims filed in these Chapter 11 Cases and the Company's books and records. No order or finding has been entered by the Court estimating or otherwise fixing the amount of Claims at the projected levels set forth in this Liquidation Analysis. In preparing the Liquidation Analysis, each Debtor has projected amounts of Claims that are consistent with the estimated Claims reflected in the Plan with certain modifications as specifically discussed herein.

The Liquidation Analysis assumes that there are no proceeds from recoveries of any potential preferences, fraudulent conveyances, or other causes of action on behalf of the Debtors' estates.

3. *Treatment of the non-debtor Subsidiaries.* Due to the integrated nature of The Company's operations, management believes the remaining non-debtor assets would also have to be disposed of if the Debtors were to liquidate. Management believes the remaining non-debtor assets, specifically those located outside of North America, have greater value as a going concern than in an orderly wind-down. Thus, the Liquidation Analysis assumes the remaining non-debtor assets are sold on a going concern basis. There can be no assurances that the actual value realized in a sale of these operations would yield the results as assumed in the Liquidation Analysis.

4. *Execution risk of a liquidation.* A liquidation of Federal-Mogul would be large and complex. The assets of the Debtors and non-debtor Affiliates include significant manufacturing assets, which utilize proprietary technology and are strategically placed worldwide to create an integrated product sourcing matrix. The assets are located throughout the world and would be subject to the laws of numerous foreign jurisdictions and numerous states within the United States. Given the complexity of such an undertaking, the Debtors believe significant execution risk exists if a liquidation were actually pursued. The Debtors are not aware of any liquidations of a similar magnitude or complexity.

Federal-Mogul Corporation

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Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Corporation
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B) 21,678	100%	100%	21,678	21,678
Accounts Receivable	(C) 494,975	80%	78%	284,551	393,303
Notes Receivable	(D) 693	50%	70%	347	485
Other Receivables	(D) (5,797)	0%	0%	-	-
Inventory	(E) 172,921	42%	58%	73,193	97,648
Other Current Assets	(F) 64,528	4%	16%	2,316	10,424
Net Plant, Property & Equipment	(G) 277,948	12%	19%	33,635	52,793
Other Assets	(H) 3,527	51%	81%	1,811	2,889
Other Intangibles (non-goodwill)	(I) 79,472	1%	4%	790	3,181
Asbestos Insurance Recoverable	(J) -	N/A	N/A	-	-
Intercompany Receivables	(K) 1,302,425	10%	11%	127,526	144,947
Going Concern Value of Non-Debtor Legal Entities	(L) -	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M) -	N/A	N/A	194,376	260,846
Total Assets Available for Distribution	2,412,366			750,222	888,153
Less Costs Associated with Liquidation	(N)				
Professional Fees				7,502	9,892
Other				-	-
Winddown Costs				80,784	80,794
Trustee Fees				12,189	16,820
Total Costs Associated with Liquidation				100,466	107,486
Net Proceeds Available for Distribution				649,736	880,667
Less: Superpriority Administrative Claims	(O)				
DIP Facility	160,000			160,000	160,000
DIP Letters of Credit	19,852			19,852	19,852
DIP Tranche C	328,000			328,000	328,000
DIP Tranche C Letters of Credit	15,545			15,545	15,545
Taxes	-			-	-
Other	-			-	-
Professional Fees Curve Out	5,000			5,000	5,000
Total Superpriority Administrative Claims	528,397			528,397	528,397
Estimated Payout per Dollar of Superpriority Administrative Claims				1.00	1.00
Proceeds Remaining for Distribution				121,339	352,270
Less: Secured Claims	(P)	Pessimistic Book Value	Optimistic Book Value		
Bank Debt and Surety Bonds		1,271,361	1,042,275	117,388	338,380
Letters of Credit		42,784	42,784	3,950	13,890
Total Secured Claims		1,314,145	1,085,059	121,338	352,270
Estimated Payout per Dollar of Secured Claims				0.09	0.32
Proceeds Remaining for Distribution				-	-
Less: Administrative Claims	(Q)				
Reclamations	7,000			-	-
Accrued Professional Fees	15,000			-	-
Adequate Protection Payments	38,900			-	-
Trade Accounts Payable (Post-Petition)	44,057			-	-
Intercompany Trade and Loans Payable (Post-Petition)	-			-	-
Accrued Compensation	88,554			-	-
Other Accrued Liabilities	242,641			-	-
Other Administrative Claims	1,803			-	-
Total Administrative Claims	417,955			-	-
Estimated Payout per Dollar of Administrative Claims				-	-
Proceeds Remaining for Distribution				-	-
Less: Priority Unsecured Claims	(Q)				
Lease Rejection Claims	6,273			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Total Priority Unsecured Claims	6,273			-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				-	-
Less Unsecured Non-Priority Claims	(R)				
Executory Contracts	-			-	-
Severance	-			-	-
Pre-Petition Employee and Tax Obligations	638,300			-	-
Pre-Petition Asbestos Liability	-			-	-
Trade Accounts Payable (Pre-Petition)	57,524			-	-
Intercompany Trade and Loans Payable (Pre-Petition)	1,509,459			-	-
Term Loans	-			-	-
Multi-Currency Revolving Credit Facility	-			-	-
Notes due 2004	239,800			-	-
Notes due 2006	391,800			-	-
Notes due 2008	384,000			-	-
Notes due 2009	582,200			-	-
Notes due 2010	340,400			-	-
Medium-Term Notes	84,000			-	-
Senior Notes	103,300			-	-
Other	211,000			-	-
Accrued Interest	43,890			-	-
Other Unsecured Non-Priority Claims	31,458			-	-
Total Unsecured Non-Priority Claims	4,505,031			-	-
Estimated Payout per Dollar of Unsecured Non-Priority Claims				-	-
Proceeds Remaining for Distribution to Equity Holders				-	-
Excess (Shortfall of) Net Proceeds vs. Claims				(8,122,065)	(5,891,134)

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: T&N Limited
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B) 328	100%	100%	328	328
Accounts Receivable	(C) 38	0%	0%	-	-
Notes Receivable	(D) -	N/A	N/A	-	-
Other Receivables	(D) 8,173	20%	50%	1,235	3,086
Inventory	(E) -	N/A	N/A	-	-
Other Current Assets	(F) 1,398	0%	20%	-	279
Net Plant, Property & Equipment	(G) 2,759	23%	38%	631	908
Other Assets	(H) 21	0%	30%	-	6
Other Intangibles (non-goodwill)	(I) -	N/A	N/A	-	-
Asbestos Insurance Recoverable	(J) 634,798	0%	0%	-	-
Intercompany Receivables	(K) 78,581	64%	58%	41,101	45,178
Going Concern Value of Non-Debtor Legal Entities	(L) -	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M) -	N/A	N/A	497,203	739,614
Total Assets Available for Distribution	722,071			540,498	768,888
Less Costs Associated with Liquidation	(N)				
Professional Fees				100,000	150,000
Other				-	-
Winddown Costs				7,453	7,453
Trustee Fees				56	131
Total Costs Associated with Liquidation				107,509	157,584
Net Proceeds Available for Distribution				432,989	611,304
Less: Superpriority Administrative Claims	(O)				
DIP Facility	-			-	-
DIP Letters of Credit	-			-	-
DIP Tranche C	-			-	-
DIP Tranche C Letters of Credit	-			-	-
Taxes	-			-	-
Other	-			-	-
Professional Fees Carve Out	-			-	-
Total Superpriority Administrative Claims	-			-	-
Estimated Payout per Dollar of Superpriority Administrative Claims				-	-
Proceeds Remaining for Distribution				432,989	611,304
Less: Secured Claims	(P)				
Bank Debt and Surety Bonds	-			-	-
Letters of Credit	-			-	-
Total Secured Claims	-			-	-
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution				432,989	611,304
Less: Administrative Claims	(Q)				
Reclamations	-			-	-
Accrued Professional Fees	-			-	-
Adequate Protection Payments	-			-	-
Trade Accounts Payable (Post-Petition)	1,252			1,252	1,252
Intercompany Trade and Loans Payable (Post-Petition)	-			-	-
Accrued Compensation	1,032			1,032	1,032
Other Accrued Liabilities	35,508			35,508	35,508
Other Administrative Claims	252			252	252
Total Administrative Claims	38,044			38,044	38,044
Estimated Payout per Dollar of Administrative Claims				1.00	1.00
Proceeds Remaining for Distribution				394,945	573,260
Less: Priority Unsecured Claims	(R)				
Lease Rejection Claims	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Total Priority Unsecured Claims	-			-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				394,945	573,260
Less Unsecured Non-Priority Claims	(R)				
Executory Contracts	-			-	-
Severance	-			-	-
Pre-Petition Employee and Tax Obligations	1,631,864			45,123	87,780
Pre-Petition Asbestos Liability	10,889,473			320,785	481,830
Trade Accounts Payable (Pre-Petition)	2,893			79	119
Intercompany Trade and Loans Payable (Pre-Petition)	985,703			28,978	43,528
Term Loans	-			-	-
Multi-Currency Revolving Credit Facility	-			-	-
Notes due 2004	-			-	-
Notes due 2006	-			-	-
Notes due 2008	-			-	-
Notes due 2010	-			-	-
Medium-Term Notes	-			-	-
Senior Notes	-			-	-
Other	-			-	-
Accrued Interest	19			1	1
Other Unsecured Non-Priority Claims	38			1	2
Total Unsecured Non-Priority Claims	13,407,770			394,945	593,258
Estimated Payout per Dollar of Unsecured Non-Priority Claims				0.03	0.04
Proceeds Remaining for Distribution to Equity Holders				-	-
Excess (Shortfall of) Net Proceeds vs. Claims				(13,012,825)	(12,814,512)

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Sealing Systems (Cardiff) Ltd.
(in 000's)

	Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
			Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B)	5,052	100%	100%	5,052	5,052
Accounts Receivable	(C)	105	80%	80%	84	85
Notes Receivable	(D)	-	N/A	N/A	-	-
Other Receivables	(D)	-	N/A	N/A	-	-
Inventory	(E)	-	N/A	N/A	-	-
Other Current Assets	(F)	-	N/A	N/A	-	-
Net Plant, Property & Equipment	(G)	-	N/A	N/A	-	-
Other Assets	(H)	-	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I)	-	N/A	N/A	-	-
Asbestos Insurance Recoverable	(J)	-	N/A	N/A	-	-
Intercompany Receivables	(K)	303	78%	85%	236	287
Going Concern Value of Non-Debtor Legal Entities	(L)	-	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M)	-	N/A	N/A	-	-
Total Assets Available for Distribution		6,460			5,351	5,423
Less Costs Associated with Liquidation	(N)					
Professional Fees					54	64
Other					-	-
Winddown Costs					-	-
Trustee Fees					2	3
Total Costs Associated with Liquidation					55	57
Net Proceeds Available for Distribution					5,295	5,367
Less: Superpriority Administrative Claims	(O)					
DIP Facility		-			-	-
DIP Letters of Credit		-			-	-
DIP Tranche C		-			-	-
DIP Tranche C Letters of Credit		-			-	-
Taxes		-			-	-
Other		-			-	-
Professional Fees Carve Out		-			-	-
Total Superpriority Administrative Claims						
Estimated Payout per Dollar of Superpriority Administrative Claims					-	-
Proceeds Remaining for Distribution					5,295	5,367
Less: Secured Claims	(P)					
Bank Debt and Surety Bonds		-			-	-
Letters of Credit		-			-	-
Total Secured Claims						
Estimated Payout per Dollar of Secured Claims					-	-
Proceeds Remaining for Distribution					5,295	5,367
Less: Administrative Claims	(Q)					
Reclamations		-			-	-
Accrued Professional Fees		-			-	-
Adequate Protection Payments		-			-	-
Trade Accounts Payable (Post-Petition)		350			350	350
Intercompany Trade and Loans Payable (Post-Petition)		-			-	-
Accrued Compensation		0			0	0
Other Accrued Liabilities		1,124			1,124	1,124
Other Administrative Claims		0			0	0
Total Administrative Claims		1,473			1,473	1,473
Estimated Payout per Dollar of Administrative Claims					1.00	1.00
Proceeds Remaining for Distribution					3,822	3,893
Less: Priority Unsecured Claims	(Q)					
Lease Rejection Claims		-			-	-
Pre-Petition Employee and Tax Obligations		-			-	-
Total Priority Unsecured Claims						
Estimated Payout per Dollar of Priority Unsecured Claims					-	-
Proceeds Remaining for Distribution					3,822	3,893
Less Unsecured Non-Priority Claims	(R)					
Executory Contracts		-			-	-
Severance		-			-	-
Pre-Petition Employee and Tax Obligations		-			-	-
Pre-Petition Asbestos Liability		-			-	-
Trade Accounts Payable (Pre-Petition)		895			895	895
Intercompany Trade and Loans Payable (Pre-Petition) (1)		33,405			2,889	2,760
Term Loans		-			-	-
Multi-Currency Revolving Credit Facility		-			-	-
Notes due 2004		-			-	-
Notes due 2005		-			-	-
Notes due 2006		-			-	-
Notes due 2009		-			-	-
Notes due 2010		-			-	-
Medium-Term Notes		-			-	-
Senior Notes		-			-	-
Other		-			-	-
Accrued Interest		-			-	-
Total Unsecured Non-Priority Claims		138			138	138
Total Unsecured Non-Priority Claims		34,538			3,822	3,893
Estimated Payout per Dollar of Unsecured Non-Priority Claims					0.11	0.11
Proceeds Remaining for Distribution to Equity Holders					-	-
Excess (Shortfall) of Net Proceeds vs. Claims					(30,717)	(30,645)

Note - (1) Based on asset purchase agreements from 2002 the intercompany notes are subordinated to the unsecured trade claims and approximately \$3.4 million of intercompany debt owing to T&N, Ltd.

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Ignition (U.K.) Limited
(in 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B) 2,421	100%	100%	2,421	2,421
Accounts Receivable	(C) 9,236	58%	78%	5,388	7,240
Notes Receivable	(D) -	N/A	N/A	-	-
Other Receivables	(D) -	N/A	N/A	-	-
Inventory	(E) 16,073	41%	55%	6,607	8,824
Other Current Assets	(F) 4,895	8%	18%	410	851
Net Plant, Property & Equipment	(G) 28,525	16%	25%	4,188	6,500
Other Assets	(H) -	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I) -	N/A	N/A	-	-
Asbestos Insurance Recoverable	(J) -	N/A	N/A	-	-
Intercompany Receivables	(K) 9,368	81%	70%	5,877	6,518
Going Concern Value of Non-Debtor Legal Entities	(L) -	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M) -	N/A	N/A	-	-
Total Assets Available for Distribution	88,216			24,890	32,355
Less Costs Associated with Liquidation	(N)				
Professional Fees				247	324
Other				-	-
Winddown Costs				738	738
Trustee Fees				498	702
Total Costs Associated with Liquidation				1,481	1,762
Net Proceeds Available for Distribution				23,209	30,592
Less: Superpriority Administrative Claims	(O)				
DIP Facility	-			-	-
DIP Letters of Credit	-			-	-
DIP Tranche C	-			-	-
DIP Tranche C Letters of Credit	-			-	-
Taxes	58			58	58
Other	-			-	-
Professional Fees Carve Out	-			-	-
Total Superpriority Administrative Claims	58			58	58
Estimated Payout per Dollar of Superpriority Administrative Claims				1.00	1.00
Proceeds Remaining for Distribution				23,151	30,534
Less: Secured Claims	(P)				
Bank Debt and Surety Bonds	-			-	-
Letters of Credit	-			-	-
Total Secured Claims	-			-	-
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution				23,151	30,534
Less: Administrative Claims	(Q)				
Reclamations	-			-	-
Accrued Professional Fees	-			-	-
Adequate Protection Payments	-			-	-
Trade Accounts Payable (Post-Petition)	3,089			3,089	3,089
Intercompany Trade and Loans Payable (Post-Petition)	-			-	-
Accrued Compensation	1,255			1,255	1,255
Other Accrued Liabilities	540			540	540
Other Administrative Claims	-			-	-
Total Administrative Claims	4,883			4,883	4,883
Estimated Payout per Dollar of Administrative Claims				1.00	1.00
Proceeds Remaining for Distribution				18,268	25,651
Less: Priority Unsecured Claims	(Q)				
Lease Rejection Claims	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Total Priority Unsecured Claims	-			-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				18,268	25,651
Less Unsecured Non-Priority Claims	(R)				
Executory Contracts	-			-	-
Severance	-			-	-
Pre-Petition Employee and Tax Obligations	87,200			8,180	11,487
Pre-Petition Asbestos Liability	-			-	-
Trade Accounts Payable (Pre-Petition)	1,804			232	328
Intercompany Trade and Loans Payable (Pre-Petition)	80,881			9,858	13,839
Term Loans	-			-	-
Multi-Currency Revolving Credit Facility	-			-	-
Notes due 2004	-			-	-
Notes due 2006	-			-	-
Notes due 2008	-			-	-
Notes due 2009	-			-	-
Notes due 2010	-			-	-
Medium-Term Notes	-			-	-
Senior Notes	-			-	-
Other	-			-	-
Accrued Interest	-			-	-
Other Unsecured Non-Priority Claims	-			-	-
Total Unsecured Non-Priority Claims	150,088			18,268	25,651
Estimated Payout per Dollar of Unsecured Non-Priority Claims				0.12	0.17
Proceeds Remaining for Distribution to Equity Holders				-	-
Excess (Shortfall) of Net Proceeds vs. Claims				(131,795)	(124,414)

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: AE International Limited
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B) 42,847	100%	100%	42,847	42,847
Accounts Receivable	(C) -	N/A	N/A	-	-
Notes Receivable	(D) -	N/A	N/A	-	-
Other Receivables	(D) -	N/A	N/A	-	-
Inventory	(E) -	N/A	N/A	-	-
Other Current Assets	(F) -	N/A	N/A	-	-
Net Plant, Property & Equipment	(G) -	N/A	N/A	-	-
Other Assets	(H) -	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I) -	N/A	N/A	-	-
Asbestos Insurance Recoverable	(J) -	N/A	N/A	-	-
Intercompany Receivables	(K) 328,446	0%	0%	280	312
Going Concern Value of Non-Debtor Legal Entities	(L) -	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M) -	N/A	N/A	1,210	1,703
Total Assets Available for Distribution	369,292			44,317	44,853
Less Costs Associated with Liquidation	(N)				
Professional Fees				443	449
Other				-	-
Winddown Costs				-	-
Trustee Fees				-	-
Total Costs Associated with Liquidation				443	449
Net Proceeds Available for Distribution				43,874	44,414
Less: Superpriority Administrative Claims	(O)				
DIP Facility	-			-	-
DIP Letters of Credit	-			-	-
DIP Tranche C	-			-	-
DIP Tranche C Letters of Credit	-			-	-
Taxes	4,974			4,974	4,974
Other	-			-	-
Professional Fees Carve Out	-			-	-
Total Superpriority Administrative Claims	4,974			4,974	4,974
Estimated Payout per Dollar of Superpriority Administrative Claims				1.00	1.00
Proceeds Remaining for Distribution				38,900	39,440
Less: Secured Claims	(P)				
Bank Debt and Surety Bonds	-			-	-
Letters of Credit	-			-	-
Total Secured Claims	-			-	-
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution				38,900	39,440
Less: Administrative Claims	(Q)				
Reclamations	-			-	-
Accrued Professional Fees	-			-	-
Adequate Protection Payments	-			-	-
Trade Accounts Payable (Post-Petition)	-			-	-
Intercompany Trade and Loans Payable (Post-Petition)	-			-	-
Accrued Compensation	-			-	-
Other Accrued Liabilities	871			871	871
Other Administrative Claims	-			-	-
Total Administrative Claims	871			871	871
Estimated Payout per Dollar of Administrative Claims				1.00	1.00
Proceeds Remaining for Distribution				38,029	38,569
Less: Priority Unsecured Claims	(Q)				
Lease Rejection Claims	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Total Priority Unsecured Claims	-			-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				38,029	38,569
Less Unsecured Non-Priority Claims	(R)				
Executory Contracts	-			-	-
Severance	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Pre-Petition Asbestos Liability	-			-	-
Trade Accounts Payable (Pre-Petition)	-			-	-
Intercompany Trade and Loans Payable (Pre-Petition)	-			-	-
Term Loans	-			-	-
Multi-Currency Revolving Credit Facility	-			-	-
Notes due 2004	-			-	-
Notes due 2006	-			-	-
Notes due 2008	-			-	-
Notes due 2009	-			-	-
Notes due 2010	-			-	-
Medium-Term Notes	-			-	-
Senior Notes	-			-	-
Other	-			-	-
Accrued Interest	-			-	-
Other Unsecured Non-Priority Claims	-			-	-
Total Unsecured Non-Priority Claims	-			-	-
Estimated Payout per Dollar of Unsecured Non-Priority Claims				-	-
Proceeds Remaining for Distribution to Equity Holders				38,029	38,569
Excess (Shortfall of) Net Proceeds vs. Claims				38,029	38,569

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: T&N International Limited
(In 000's)

	Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
			Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B)	100,065	100%	100%	100,065	100,065
Accounts Receivable	(C)	-	N/A	N/A	-	-
Notes Receivable	(D)	-	N/A	N/A	-	-
Other Receivables	(E)	-	N/A	N/A	-	-
Inventory	(F)	-	N/A	N/A	-	-
Other Current Assets	(G)	-	N/A	N/A	-	-
Net Plant, Property & Equipment	(H)	-	N/A	N/A	-	-
Other Assets	(I)	-	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(J)	-	N/A	N/A	-	-
Asbestos Insurance Recoverable	(K)	-	N/A	N/A	-	-
Intercompany Receivables	(L)	672,008	25%	52%	170,518	350,534
Going Concern Value of Non-Debtor Legal Entities	(M)	-	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(N)	-	N/A	N/A	41,621	48,888
Total Assets Available for Distribution		772,073			312,201	489,458
Less Costs Associated with Liquidation						
Professional Fees	(O)	-	-	-	3,122	4,984
Other		-	-	-	-	-
Winddown Costs		-	-	-	-	-
Trustee Fees		-	-	-	-	-
Total Costs Associated with Liquidation					3,122	4,984
Net Proceeds Available for Distribution					309,079	484,474
Less: Superpriority Administrative Claims	(P)					
DIP Facility		-	-	-	-	-
DIP Letters of Credit		-	-	-	-	-
DIP Tranche C		-	-	-	-	-
DIP Tranche C Letters of Credit		-	-	-	-	-
Taxes		5,832	-	-	5,832	5,832
Other		-	-	-	-	-
Professional Fees Carve Out		-	-	-	-	-
Total Superpriority Administrative Claims		5,832			5,832	5,832
Estimated Payout per Dollar of Superpriority Administrative Claims					1.00	1.00
Proceeds Remaining for Distribution					303,247	488,561
Less: Secured Claims	(Q)					
Bank Debt and Surety Bonds		-	-	-	-	-
Letters of Credit		-	-	-	-	-
Total Secured Claims		-			-	-
Estimated Payout per Dollar of Secured Claims					-	-
Proceeds Remaining for Distribution					303,247	488,561
Less: Administrative Claims	(R)					
Reclamations		-	-	-	-	-
Accrued Professional Fees		-	-	-	-	-
Adequate Protection Payments		-	-	-	-	-
Trade Accounts Payable (Post-Petition)		-	-	-	-	-
Intercompany Trade and Loans Payable (Post-Petition)		-	-	-	-	-
Accrued Compensation		-	-	-	-	-
Other Accrued Liabilities		4,434	-	-	4,434	4,434
Other Administrative Claims		-	-	-	-	-
Total Administrative Claims		4,434			4,434	4,434
Estimated Payout per Dollar of Administrative Claims					1.00	1.00
Proceeds Remaining for Distribution					298,813	484,147
Less: Priority Unsecured Claims	(S)					
Lease Rejection Claims		-	-	-	-	-
Pre-Petition Employee and Tax Obligations		-	-	-	-	-
Total Priority Unsecured Claims		-			-	-
Estimated Payout per Dollar of Priority Unsecured Claims					-	-
Proceeds Remaining for Distribution					298,813	484,147
Less Unsecured Non-Priority Claims	(T)					
Executory Contracts		-	-	-	-	-
Severance		-	-	-	-	-
Pre-Petition Employee and Tax Obligations		-	-	-	-	-
Pre-Petition Asbestos Liability		-	-	-	-	-
Trade Accounts Payable (Pre-Petition)		-	-	-	-	-
Intercompany Trade and Loans Payable (Pre-Petition)		-	-	-	-	-
Term Loans		-	-	-	-	-
Multi-Currency Revolving Credit Facility		-	-	-	-	-
Notes due 2004		-	-	-	-	-
Notes due 2006		-	-	-	-	-
Notes due 2006		-	-	-	-	-
Notes due 2009		-	-	-	-	-
Notes due 2010		-	-	-	-	-
Medium-Term Notes		-	-	-	-	-
Senior Notes		-	-	-	-	-
Other		-	-	-	-	-
Accrued Interest		-	-	-	-	-
Other Unsecured Non-Priority Claims		-	-	-	-	-
Total Unsecured Non-Priority Claims		-			-	-
Estimated Payout per Dollar of Unsecured Non-Priority Claims					-	-
Proceeds Remaining for Distribution to Equity Holders					298,813	484,147
Excess (Shortfall) of Net Proceeds vs. Claims					298,813	484,147

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: T&N Investments Limited
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B) 2,883	100%	100%	2,883	2,883
Accounts Receivable	(C) -	N/A	N/A	-	-
Notes Receivable	(D) -	N/A	N/A	-	-
Other Receivables	(D) -	N/A	N/A	-	-
Inventory	(E) -	N/A	N/A	-	-
Other Current Assets	(F) -	N/A	N/A	-	-
Net Plant, Property & Equipment	(G) -	N/A	N/A	-	-
Other Assets	(H) -	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I) -	N/A	N/A	-	-
Asbestos Insurance Recoverable	(J) -	N/A	N/A	-	-
Intercompany Receivables	(K) 1,074,372	1%	2%	13,473	17,470
Going Concern Value of Non-Debtor Legal Entities	(L) -	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M) -	N/A	N/A	33,229	48,577
Total Assets Available for Distribution	1,077,054			49,385	88,530
Less Costs Associated with Liquidation	(N)				
Professional Fees				494	685
Other				-	-
Winddown Costs				-	-
Trustee Fees				-	-
Total Costs Associated with Liquidation				494	685
Net Proceeds Available for Distribution				48,891	87,845
Less: Superpriority Administrative Claims	(O)				
DIP Facility	-			-	-
DIP Letters of Credit	-			-	-
DIP Tranche C	-			-	-
DIP Tranche C Letters of Credit	-			-	-
Taxes	9,844			9,844	9,844
Other	-			-	-
Professional Fees Carve Out	-			-	-
Total Superpriority Administrative Claims	9,844			9,844	9,844
Estimated Payout per Dollar of Superpriority Administrative Claims				1.00	1.00
Proceeds Remaining for Distribution				39,047	58,000
Less: Secured Claims	(P)				
Bank Debt and Surety Bonds	-			-	-
Letters of Credit	-			-	-
Total Secured Claims	-			-	-
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution				39,047	58,000
Less: Administrative Claims	(Q)				
Reclamations	-			-	-
Accrued Professional Fees	-			-	-
Adequate Protection Payments	-			-	-
Trade Accounts Payable (Post-Petition)	-			-	-
Intercompany Trade and Loans Payable (Post-Petition)	-			-	-
Accrued Compensation	-			-	-
Other Accrued Liabilities	-			-	-
Other Administrative Claims	-			-	-
Total Administrative Claims	-			-	-
Estimated Payout per Dollar of Administrative Claims				-	-
Proceeds Remaining for Distribution				39,047	58,000
Less: Priority Unsecured Claims	(Q)				
Lease Rejection Claims	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Total Priority Unsecured Claims	-			-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				39,047	58,000
Less Unsecured Non-Priority Claims	(R)				
Executory Contracts	-			-	-
Severance	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Pre-Petition Asbestos Liability	-			-	-
Trade Accounts Payable (Pre-Petition)	-			-	-
Intercompany Trade and Loans Payable (Pre-Petition)	7,275			7,275	7,275
Term Loans	-			-	-
Multi-Currency Revolving Credit Facility	-			-	-
Notes due 2004	-			-	-
Notes due 2006	-			-	-
Notes due 2008	-			-	-
Notes due 2009	-			-	-
Notes due 2010	-			-	-
Medium-Term Notes	-			-	-
Senior Notes	-			-	-
Other	-			-	-
Accrued Interest	-			-	-
Other Unsecured Non-Priority Claims	-			-	-
Total Unsecured Non-Priority Claims	7,275			7,275	7,275
Estimated Payout per Dollar of Unsecured Non-Priority Claims				1.00	1.00
Proceeds Remaining for Distribution to Equity Holders				31,772	50,725
Excess (Short/fall of) Net Proceeds vs. Claims				31,772	50,725

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Systems Protection Group Limited
(In 000's)

	Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
			Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B)	3,583	100%	100%	3,583	3,583
Accounts Receivable	(C)	559	48%	83%	255	353
Notes Receivable	(D)	-	N/A	N/A	-	-
Other Receivables	(D)	-	N/A	N/A	-	-
Inventory	(E)	210	28%	38%	58	81
Other Current Assets	(F)	38	0%	6%	-	2
Net Plant, Property & Equipment	(G)	2,029	14%	15%	285	313
Other Assets	(H)	-	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I)	27,084	0%	0%	-	-
Asbestos Insurance Recoverable	(J)	-	N/A	N/A	-	-
Intercompany Receivables	(K)	1,149	98%	100%	1,135	1,143
Going Concern Value of Non-Debtor Legal Entities	(L)	-	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M)	-	N/A	N/A	-	-
Total Assets Available for Distribution		34,610			5,297	5,437
Less Costs Associated with Liquidation	(N)					
Professional Fees					59	55
Other					-	-
Winddown Costs					81	81
Trustee Fees					18	23
Total Costs Associated with Liquidation					152	158
Net Proceeds Available for Distribution					5,145	5,289
Less: Superpriority Administrative Claims	(O)					
DIP Facility		-			-	-
DIP Letters of Credit		-			-	-
DIP Tranche C		-			-	-
DIP Tranche C Letters of Credit		-			-	-
Taxes		-			-	-
Other		-			-	-
Professional Fees Carve Out		-			-	-
Total Superpriority Administrative Claims		-			-	-
Estimated Payout per Dollar of Superpriority Administrative Claims					-	-
Proceeds Remaining for Distribution					5,145	5,289
Less: Secured Claims	(P)					
Bank Debt and Surety Bonds		-			-	-
Letters of Credit		-			-	-
Total Secured Claims		-			-	-
Estimated Payout per Dollar of Secured Claims					-	-
Proceeds Remaining for Distribution					5,145	5,289
Less: Administrative Claims	(Q)					
Reclamations		-			-	-
Accrued Professional Fees		-			-	-
Adequate Protection Payments		-			-	-
Trade Accounts Payable (Post-Petition)		458			458	458
Intercompany Trade and Loans Payable (Post-Petition)		-			-	-
Accrued Compensation		140			140	140
Other Accrued Liabilities		33			33	33
Other Administrative Claims		-			-	-
Total Administrative Claims		632			632	632
Estimated Payout per Dollar of Administrative Claims					1.00	1.00
Proceeds Remaining for Distribution					4,513	4,687
Less: Priority Unsecured Claims	(Q)					
Less: Rejection Claims		-			-	-
Pre-Petition Employee and Tax Obligations		-			-	-
Total Priority Unsecured Claims		-			-	-
Estimated Payout per Dollar of Priority Unsecured Claims					-	-
Proceeds Remaining for Distribution					4,513	4,687
Less Unsecured Non-Priority Claims	(R)					
Executory Contracts		-			-	-
Severance		-			-	-
Pre-Petition Employee and Tax Obligations		32			32	32
Pre-Petition Asbestos Liability		-			-	-
Trade Accounts Payable (Pre-Petition)		250			250	250
Intercompany Trade and Loans Payable (Pre-Petition)		814			814	814
Term Loans		-			-	-
Multi-Currency Revolving Credit Facility		-			-	-
Notes due 2004		-			-	-
Notes due 2006		-			-	-
Notes due 2008		-			-	-
Notes due 2009		-			-	-
Notes due 2010		-			-	-
Medium-Term Notes		-			-	-
Senior Notes		-			-	-
Other		-			-	-
Accrued Interest		-			-	-
Other Unsecured Non-Priority Claims		-			-	-
Total Unsecured Non-Priority Claims		1,087			1,087	1,087
Estimated Payout per Dollar of Unsecured Non-Priority Claims					1.00	1.00
Proceeds Remaining for Distribution to Equity Holders					3,418	3,570
Excess (Shortfall of) Net Proceeds vs. Claims					3,418	3,570

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Aftermarket UK Limited
(in 000's)

	Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
			Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B)	5,328	100%	100%	5,328	5,328
Accounts Receivable	(C)	14,532	80%	80%	8,050	11,586
Notes Receivable	(D)	-	N/A	N/A	-	-
Other Receivables	(D)	251	20%	50%	50	125
Inventory	(E)	27,477	45%	80%	12,385	16,468
Other Current Assets	(F)	103	0%	20%	-	21
Net Plant, Property & Equipment	(G)	8,514	18%	21%	1,817	1,779
Other Assets	(H)	-	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I)	-	N/A	N/A	-	-
Asbestos Insurance Recoverable	(J)	-	N/A	N/A	-	-
Intercompany Receivables	(K)	14,700	48%	57%	7,130	8,387
Going Concern Value of Non-Debtor Legal Entities	(L)	-	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M)	-	N/A	N/A	-	-
Total Assets Available for Distribution		70,903			35,144	43,691
Less Costs Associated with Liquidation	(N)					
Professional Fees					351	437
Other					-	-
Winddown Costs					3,169	3,169
Trustee Fees					881	888
Total Costs Associated with Liquidation					4,201	4,505
Net Proceeds Available for Distribution					30,943	39,186
Less: Superpriority Administrative Claims	(O)					
DIP Facility		-			-	-
DIP Letters of Credit		-			-	-
DIP Tranche C		-			-	-
DIP Tranche C Letters of Credit		-			-	-
Taxes		-			-	-
Other		-			-	-
Professional Fees Carve Out		-			-	-
Total Superpriority Administrative Claims		-			-	-
Estimated Payout per Dollar of Superpriority Administrative Claims					-	-
Proceeds Remaining for Distribution					30,943	39,186
Less: Secured Claims	(P)					
Bank Debt and Surety Bonds		-			-	-
Letters of Credit		-			-	-
Total Secured Claims		-			-	-
Estimated Payout per Dollar of Secured Claims					-	-
Proceeds Remaining for Distribution					30,943	39,186
Less: Administrative Claims	(Q)					
Reclamations		-			-	-
Accrued Professional Fees		-			-	-
Adequate Protection Payments		-			-	-
Trade Accounts Payable (Post-Petition)		1,878			1,878	1,878
Intercompany Trade and Loans Payable (Post-Petition)		-			-	-
Accrued Compensation		1,058			1,058	1,058
Other Accrued Liabilities		4,239			4,239	4,239
Other Administrative Claims		-			-	-
Total Administrative Claims		6,973			6,973	6,973
Estimated Payout per Dollar of Administrative Claims					1.00	1.00
Proceeds Remaining for Distribution					23,970	32,213
Less: Priority Unsecured Claims	(Q)					
Lease Rejection Claims		-			-	-
Pre-Petition Employee and Tax Obligations		-			-	-
Total Priority Unsecured Claims		-			-	-
Estimated Payout per Dollar of Priority Unsecured Claims					-	-
Proceeds Remaining for Distribution					23,970	32,213
Less Unsecured Non-Priority Claims	(R)					
Executory Contracts		-			-	-
Severance		-			-	-
Pre-Petition Employee and Tax Obligations		1,082			842	882
Pre-Petition Asbestos Liability		-			-	-
Trade Accounts Payable (Pre-Petition)		1,989			1,189	1,588
Intercompany Trade and Loans Payable (Pre-Petition)		36,223			21,873	29,395
Term Loans		-			-	-
Multi-Currency Revolving Credit Facility		-			-	-
Notes due 2004		-			-	-
Notes due 2006		-			-	-
Notes due 2006		-			-	-
Notes due 2009		-			-	-
Notes due 2010		-			-	-
Medium-Term Notes		-			-	-
Senior Notes		-			-	-
Other		-			-	-
Accrued Interest		-			-	-
Other Unsecured Non-Priority Claims		441			287	358
Total Unsecured Non-Priority Claims		39,896			23,970	32,213
Estimated Payout per Dollar of Unsecured Non-Priority Claims					0.80	0.81
Proceeds Remaining for Distribution to Equity Holders					-	-
Excess (Shortfall of) Net Proceeds vs. Claims					(15,728)	(7,483)

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Powertrain Systems International Limited
(In 000's)

	Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
			Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B)	1,409	100%	100%	1,409	1,409
Accounts Receivable	(C)	-	N/A	N/A	-	-
Notes Receivable	(D)	-	N/A	N/A	-	-
Other Receivables	(D)	-	N/A	N/A	-	-
Inventory	(E)	-	N/A	N/A	-	-
Other Current Assets	(F)	3,117	0%	20%	-	623
Net Plant, Property & Equipment	(G)	145	8%	7%	9	9
Other Assets	(H)	-	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I)	-	N/A	N/A	-	-
Asbestos Insurance Recoverable	(J)	-	N/A	N/A	-	-
Intercompany Receivables	(K)	4,018	90%	93%	3,604	3,748
Going Concern Value of Non-Debtor Legal Entities	(L)	-	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M)	-	N/A	N/A	-	-
Total Assets Available for Distribution		8,889			5,022	5,780
Less: Costs Associated with Liquidation	(N)					
Professional Fees					50	50
Other					-	-
Winddown Costs					848	848
Trustee Fees					0	19
Total Costs Associated with Liquidation					898	725
Net Proceeds Available for Distribution					4,323	5,084
Less: Superpriority Administrative Claims	(O)					
DIP Facility		-			-	-
DIP Letters of Credit		-			-	-
DIP Tranche C		-			-	-
DIP Tranche C Letters of Credit		-			-	-
Taxes		-			-	-
Other		-			-	-
Professional Fees Carve Out		-			-	-
Total Superpriority Administrative Claims		-			-	-
Estimated Payout per Dollar of Superpriority Administrative Claims					-	-
Proceeds Remaining for Distribution					4,323	5,084
Less: Secured Claims	(P)					
Bank Debt and Surety Bonds		-			-	-
Letters of Credit		-			-	-
Total Secured Claims		-			-	-
Estimated Payout per Dollar of Secured Claims					-	-
Proceeds Remaining for Distribution					4,323	5,084
Less: Administrative Claims	(Q)					
Reclamations		-			-	-
Accrued Professional Fees		-			-	-
Adequate Protection Payments		-			-	-
Trade Accounts Payable (Post-Petition)		2,290			2,290	2,290
Intercompany Trade and Loans Payable (Post-Petition)		-			-	-
Accrued Compensation		389			389	389
Other Accrued Liabilities		87			87	87
Other Administrative Claims		56			56	56
Total Administrative Claims		2,823			2,823	2,823
Estimated Payout per Dollar of Administrative Claims					1.00	1.00
Proceeds Remaining for Distribution					1,500	2,242
Less: Priority Unsecured Claims	(R)					
Lease Rejection Claims		-			-	-
Pre-Petition Employee and Tax Obligations		-			-	-
Total Priority Unsecured Claims		-			-	-
Estimated Payout per Dollar of Priority Unsecured Claims					-	-
Proceeds Remaining for Distribution					1,500	2,242
Less Unsecured Non-Priority Claims	(R)					
Executory Contracts		-			-	-
Severance		-			-	-
Pre-Petition Employee and Tax Obligations		-			-	-
Pre-Petition Asbestos Liability		-			-	-
Trade Accounts Payable (Pre-Petition)		115			115	116
Intercompany Trade and Loans Payable (Pre-Petition)		271			271	271
Term Loans		-			-	-
Multi-Currency Revolving Credit Facility		-			-	-
Notes due 2004		-			-	-
Notes due 2006		-			-	-
Notes due 2008		-			-	-
Notes due 2010		-			-	-
Medium-Term Notes		-			-	-
Senior Notes		-			-	-
Other		-			-	-
Accrued Interest		-			-	-
Other Unsecured Non-Priority Claims		-			-	-
Total Unsecured Non-Priority Claims		388			388	388
Estimated Payout per Dollar of Unsecured Non-Priority Claims					1.00	1.00
Proceeds Remaining for Distribution to Equity Holders					1,114	1,858
Excess (Shortfall) of Net Proceeds vs. Claims					1,114	1,858

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Bridgwater Limited
(In 000's)

	Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
			Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B)	6,099	100%	100%	6,099	6,099
Accounts Receivable	(C)	1,855	51%	72%	945	1,347
Notes Receivable	(D)	-	N/A	N/A	-	-
Other Receivables	(D)	(5)	0%	0%	-	-
Inventory	(E)	0	15%	25%	0	0
Other Current Assets	(F)	70	0%	2%	0	1
Net Plant, Property & Equipment	(G)	3,021	103%	113%	3,110	3,421
Other Assets	(H)	-	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I)	-	N/A	N/A	-	-
Asbestos Insurance Recoverable	(J)	-	N/A	N/A	-	-
Intercompany Receivables	(K)	535	66%	69%	358	371
Going Concern Value of Non-Debtor Legal Entities	(L)	-	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M)	-	N/A	N/A	-	-
Total Assets Available for Distribution		11,376			10,410	11,080
Less Costs Associated with Liquidation	(N)					
Professional Fees					104	111
Other					-	-
Winddown Costs					-	-
Trustee Fees					119	138
Total Costs Associated with Liquidation					223	249
Net Proceeds Available for Distribution					10,187	10,831
Less: Superpriority Administrative Claims	(O)					
DIP Facility		-			-	-
DIP Letters of Credit		-			-	-
DIP Tranche C		-			-	-
DIP Tranche C Letters of Credit		-			-	-
Term		-			-	-
Other		-			-	-
Professional Fees Carve Out		-			-	-
Total Superpriority Administrative Claims		-			-	-
Estimated Payout per Dollar of Superpriority Administrative Claims					-	-
Proceeds Remaining for Distribution					10,187	10,831
Less: Secured Claims	(P)					
Bank Debt and Surety Bonds		-			-	-
Letters of Credit		-			-	-
Total Secured Claims		-			-	-
Estimated Payout per Dollar of Secured Claims					-	-
Proceeds Remaining for Distribution					10,187	10,831
Less: Administrative Claims	(Q)					
Redemptions		-			-	-
Accrued Professional Fees		-			-	-
Adequate Protection Payments		-			-	-
Trade Accounts Payable (Post-Petition)		358			358	358
Intercompany Trade and Loans Payable (Post-Petition)		-			-	-
Accrued Compensation		164			164	164
Other Accrued Liabilities		-			-	-
Other Administrative Claims		1,204			1,204	1,204
Total Administrative Claims		1,726			1,728	1,726
Estimated Payout per Dollar of Administrative Claims					1.00	1.00
Proceeds Remaining for Distribution					8,461	9,105
Less: Priority Unsecured Claims	(R)					
Lease Rejection Claims		-			-	-
Pre-Petition Employee and Tax Obligations		-			-	-
Total Priority Unsecured Claims		-			-	-
Estimated Payout per Dollar of Priority Unsecured Claims					-	-
Proceeds Remaining for Distribution					8,461	9,105
Less Unsecured Non-Priority Claims	(R)					
Executory Contracts		-			-	-
Severance		-			-	-
Pre-Petition Employee and Tax Obligations		1,119			1,119	1,119
Pre-Petition Asbestos Liability		-			-	-
Trade Accounts Payable (Pre-Petition)		2,070			2,070	2,070
Intercompany Trade and Loans Payable (Pre-Petition)		3,111			3,111	3,111
Term Loans		-			-	-
Multi-Currency Revolving Credit Facility		-			-	-
Notes due 2004		-			-	-
Notes due 2006		-			-	-
Notes due 2008		-			-	-
Notes due 2009		-			-	-
Notes due 2010		-			-	-
Medium-Term Notes		-			-	-
Senior Notes		-			-	-
Other		-			-	-
Accrued Interest		-			-	-
Other Unsecured Non-Priority Claims		-			-	-
Total Unsecured Non-Priority Claims		6,300			6,300	6,300
Estimated Payout per Dollar of Unsecured Non-Priority Claims					1.00	1.00
Proceeds Remaining for Distribution to Equity Holders					2,161	2,805
Excess (Shortfall of) Net Proceeds vs. Claims					2,161	2,805

Note: The analysis uses the December 31, 2003 balance sheet as a proxy for the balance sheet at the time the liquidation commences.

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Engineered Products Limited
(In 000's)

	Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
			Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B)	12,718	100%	100%	12,718	12,718
Accounts Receivable	(C)	9,734	58%	78%	5,652	7,599
Notes Receivable	(D)	-	N/A	N/A	-	-
Other Receivables	(D)	1,505	20%	50%	301	752
Inventory	(E)	2,220	41%	54%	911	1,204
Other Current Assets	(F)	-	N/A	N/A	-	-
Net Plant, Property & Equipment	(G)	37,857	25%	27%	9,301	10,231
Other Assets	(H)	-	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I)	19,577	5%	20%	979	3,915
Asbestos Insurance Recoverable	(J)	-	N/A	N/A	-	-
Intercompany Receivables	(K)	802	84%	85%	675	681
Going Concern Value of Non-Debtor Legal Entities	(L)	-	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M)	-	N/A	N/A	-	-
Total Assets Available for Distribution		84,214			30,537	37,102
Less Costs Associated with Liquidation	(N)					
Professional Fees					305	371
Other					-	-
Winddown Costs					848	846
Trustee Fees					514	711
Total Costs Associated with Liquidation					1,668	1,928
Net Proceeds Available for Distribution					28,871	35,173
Less: Superpriority Administrative Claims	(O)					
DIP Facility		-			-	-
DIP Letters of Credit		-			-	-
DIP Tranche C		-			-	-
DIP Tranche C Letters of Credit		-			-	-
Taxes		-			-	-
Other		-			-	-
Professional Fees Carry Out		-			-	-
Total Superpriority Administrative Claims		-			-	-
Estimated Payout per Dollar of Superpriority Administrative Claims					-	-
Proceeds Remaining for Distribution					28,871	35,173
Less: Secured Claims	(P)					
Bank Debt and Surety Bonds		-			-	-
Letters of Credit		-			-	-
Total Secured Claims		-			-	-
Estimated Payout per Dollar of Secured Claims					-	-
Proceeds Remaining for Distribution					28,871	35,173
Less: Administrative Claims	(Q)					
Reclamations		-			-	-
Accrued Professional Fees		-			-	-
Adequate Protection Payments		-			-	-
Trade Accounts Payable (Post-Petition)		3,574			3,574	3,574
Intercompany Trade and Loans Payable (Post-Petition)		-			-	-
Accrued Compensation		1,181			1,181	1,181
Other Accrued Liabilities		824			824	824
Other Administrative Claims		-			-	-
Total Administrative Claims		5,579			5,579	5,579
Estimated Payout per Dollar of Administrative Claims					1.00	1.00
Proceeds Remaining for Distribution					23,292	29,595
Less: Priority Unsecured Claims	(Q)					
Lease Rejection Claims		-			-	-
Pre-Petition Employee and Tax Obligations		-			-	-
Total Priority Unsecured Claims		-			-	-
Estimated Payout per Dollar of Priority Unsecured Claims					-	-
Proceeds Remaining for Distribution					23,292	29,595
Less Unsecured Non-Priority Claims	(R)					
Executory Contracts		-			-	-
Servance		-			-	-
Pre-Petition Employee and Tax Obligations		1,146			1,146	1,146
Pre-Petition Asbestos Liability		-			-	-
Trade Accounts Payable (Pre-Petition)		2,083			2,083	2,083
Intercompany Trade and Loans Payable (Pre-Petition)		1,654			1,654	1,654
Term Loans		-			-	-
Multi-Currency Revolving Credit Facility		-			-	-
Notes due 2004		-			-	-
Notes due 2006		-			-	-
Notes due 2006		-			-	-
Notes due 2009		-			-	-
Notes due 2010		-			-	-
Medium-Term Notes		-			-	-
Senior Notes		-			-	-
Other		-			-	-
Accrued Interest		-			-	-
Other Unsecured Non-Priority Claims		-			-	-
Total Unsecured Non-Priority Claims		4,884			4,884	4,884
Estimated Payout per Dollar of Unsecured Non-Priority Claims					1.00	1.00
Proceeds Remaining for Distribution to Equity Holders					18,408	24,711
Excess (Shortfall of) Net Proceeds vs. Claims					18,408	24,711

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Sealing Systems (Slough) Limited
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B) 3,434	100%	100%	3,434	3,434
Accounts Receivable	(C) 2,057	59%	80%	1,221	1,639
Notes Receivable	(D) -	N/A	N/A	-	-
Other Receivables	(D) -	N/A	N/A	-	-
Inventory	(E) 2,771	37%	49%	1,014	1,368
Other Current Assets	(F) 342	0%	20%	-	68
Net Plant, Property & Equipment	(G) 3,824	24%	27%	933	1,026
Other Assets	(H) -	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I) -	N/A	N/A	-	-
Asbestos Insurance Recoverable	(J) -	N/A	N/A	-	-
Intercompany Receivables	(K) 2,169	76%	87%	1,656	1,889
Going Concern Value of Non-Debtor Legal Entities	(L) -	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M) -	N/A	N/A	-	-
Total Assets Available for Distribution	14,598			8,258	9,422
Less Costs Associated with Liquidation	(N)				
Professional Fees				83	94
Other				-	-
Winddown Costs				149	149
Trustee Fees				95	123
Total Costs Associated with Liquidation				326	366
Net Proceeds Available for Distribution				7,932	9,056
Less: Superpriority Administrative Claims	(O)				
DIP Facility	-			-	-
DIP Letters of Credit	-			-	-
DIP Tranche C	-			-	-
DIP Tranche C Letters of Credit	-			-	-
Taxes	-			-	-
Other	-			-	-
Professional Fees Carve Out	-			-	-
Total Superpriority Administrative Claims	-			-	-
Estimated Payout per Dollar of Superpriority Administrative Claims				-	-
Proceeds Remaining for Distribution				7,932	9,056
Less: Secured Claims	(P)				
Bank Debt and Surety Bonds	-			-	-
Letters of Credit	-			-	-
Total Secured Claims	-			-	-
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution				7,932	9,056
Less: Administrative Claims	(Q)				
Reclamations	-			-	-
Accrued Professional Fees	-			-	-
Adequate Protection Payments	-			-	-
Trade Accounts Payable (Post-Petition)	1,835			1,835	1,635
Intercompany Trade and Loans Payable (Post-Petition)	-			-	-
Accrued Compensation	442			442	442
Other Accrued Liabilities	904			904	904
Other Administrative Claims	-			-	-
Total Administrative Claims	2,980			2,980	2,980
Estimated Payout per Dollar of Administrative Claims				1.00	1.00
Proceeds Remaining for Distribution				4,952	6,076
Less: Priority Unsecured Claims	(R)				
Lease Rejection Claims	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Total Priority Unsecured Claims	-			-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				4,952	6,076
Less Unsecured Non-Priority Claims	(R)				
Executory Contracts	-			-	-
Severance	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Pre-Petition Asbestos Liability	-			-	-
Trade Accounts Payable (Pre-Petition)	-			-	-
Intercompany Trade and Loans Payable (Pre-Petition)	-			-	-
Term Loans	-			-	-
Multi-Currency Revolving Credit Facility	-			-	-
Notes due 2004	-			-	-
Notes due 2006	-			-	-
Notes due 2008	-			-	-
Notes due 2009	-			-	-
Notes due 2010	-			-	-
Medium-Term Notes	-			-	-
Senior Notes	-			-	-
Other	-			-	-
Accrued Interest	-			-	-
Other Unsecured Non-Priority Claims	-			-	-
Total Unsecured Non-Priority Claims	-			-	-
Estimated Payout per Dollar of Unsecured Non-Priority Claims				-	-
Proceeds Remaining for Distribution to Equity Holders				-	-
Excess (Shortfall of) Net Proceeds vs. Claims				-	-

Pre-Petition Asbestos Liability
The Plan Proponents believe that this entity produced and distributed products containing asbestos into the world-wide stream of commerce for many years, and therefore, the Plan Proponents believe that it has substantial liability for future claims, even though only a limited number of asbestos claims have asserted against it to date.

Estimated Payout per Dollar of Unsecured Non-Priority Claims
Due to the estimated size of this legal entity's asbestos liability, the Plan Proponents believe that the unsecured creditors of this legal entity would receive a distribution on their claims no greater than T&N Distribution Ratio 2 in a liquidation, and accordingly, that the distribution unsecured creditors will receive under the Plan is not less than they would receive in a liquidation.

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Friction Products Limited
(In 000's)

	Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
			Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B)	38,615	100%	100%	38,615	38,615
Accounts Receivable	(C)	20,962	55%	74%	11,575	15,472
Notes Receivable	(D)	-	N/A	N/A	-	-
Other Receivables	(D)	1,708	20%	50%	341	853
Inventory	(E)	5,480	33%	45%	2,120	2,927
Other Current Assets	(F)	581	0%	0%	-	-
Net Plant, Property & Equipment	(G)	50,030	12%	13%	5,821	6,403
Other Assets	(H)	-	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I)	44,555	5%	20%	2,228	8,911
Asbestos Insurance Recoverable	(J)	-	N/A	N/A	-	-
Intracompany Receivables	(K)	14,070	74%	78%	10,381	10,997
Going Concern Value of Non-Debtor Legal Entities	(L)	-	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M)	-	N/A	N/A	-	-
Total Assets Available for Distribution		174,978			89,081	82,178
Less Costs Associated with Liquidation	(N)					
Professional Fees					891	822
Other					-	-
Winddown Costs					3,118	3,118
Trustee Fees					683	1,037
Total Costs Associated with Liquidation					4,471	4,877
Net Proceeds Available for Distribution					84,610	77,201
Less: Superpriority Administrative Claims	(O)					
DIP Facility		-			-	-
DIP Letters of Credit		-			-	-
DIP Tranche C		-			-	-
DIP Tranche C Letters of Credit		-			-	-
Texas		-			-	-
Other		-			-	-
Professional Fees Carve Out		-			-	-
Total Superpriority Administrative Claims		-			-	-
Estimated Payout per Dollar of Superpriority Administrative Claims					-	-
Proceeds Remaining for Distribution					84,610	77,201
Less: Secured Claims	(P)					
Bank Debt and Surety Bonds		-			-	-
Letters of Credit		-			-	-
Total Secured Claims		-			-	-
Estimated Payout per Dollar of Secured Claims					-	-
Proceeds Remaining for Distribution					84,610	77,201
Less: Administrative Claims	(Q)					
Reclamations		-			-	-
Accrued Professional Fees		-			-	-
Adequate Protection Payments		-			-	-
Trade Accounts Payable (Post-Petition)		9,289			9,289	9,289
Intracompany Trade and Loans Payable (Post-Petition)		-			-	-
Accrued Compensation		3,845			3,845	3,845
Other Accrued Liabilities		999			999	999
Other Administrative Claims		-			-	-
Total Administrative Claims		14,133			14,133	14,133
Estimated Payout per Dollar of Administrative Claims					1.00	1.00
Proceeds Remaining for Distribution					60,477	63,069
Less: Priority Unsecured Claims	(R)					
Less Rejection Claims		-			-	-
Pre-Petition Employee and Tax Obligations		-			-	-
Total Priority Unsecured Claims		-			-	-
Estimated Payout per Dollar of Priority Unsecured Claims					-	-
Proceeds Remaining for Distribution					60,477	63,069
Less Unsecured Non-Priority Claims	(R)					
Executory Contracts		-			-	-
Severance		-			-	-
Pre-Petition Employee and Tax Obligations		-			-	-
Pre-Petition Asbestos Liability		-			-	-
Trade Accounts Payable (Pre-Petition)		-			-	-
Intracompany Trade and Loans Payable (Pre-Petition)		-			-	-
Term Loans		-			-	-
Multi-Currency Revolving Credit Facility		-			-	-
Notes due 2004		-			-	-
Notes due 2006		-			-	-
Notes due 2008		-			-	-
Notes due 2009		-			-	-
Notes due 2010		-			-	-
Medium-Term Notes		-			-	-
Senior Notes		-			-	-
Other		-			-	-
Accrued Interest		-			-	-
Other Unsecured Non-Priority Claims		-			-	-
Total Unsecured Non-Priority Claims		-			-	-
Estimated Payout per Dollar of Unsecured Non-Priority Claims					-	-
Proceeds Remaining for Distribution to Equity Holders					-	-
Excess (Shortfall of) Net Proceeds vs. Claims					-	-

Pre-Petition Asbestos Liability
The Plan Proponents believe that this entity produced and distributed products containing asbestos into the world-wide stream of commerce for many years, and therefore, the Plan Proponents believe that it has substantial liability for future claims, even though only a limited number of asbestos claims have asserted against it to date.

Estimated Payout per Dollar of Unsecured Non-Priority Claims
Due to the estimated size of this legal entity's asbestos liability, the Plan Proponents believe that the unsecured creditors of this legal entity would receive a distribution on their claims no greater than T&N Distribution Ratio 2 in a liquidation, and accordingly, that the distribution unsecured creditors will receive under the Plan is not less than they would receive in a liquidation.

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Sealing Systems Limited
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B) 723	100%	100%	723	723
Accounts Receivable	(C) -	N/A	N/A	-	-
Notes Receivable	(D) -	N/A	N/A	-	-
Other Receivables	(E) -	N/A	N/A	-	-
Inventory	(F) -	N/A	N/A	-	-
Other Current Assets	(G) 22	0%	20%	-	4
Net Plant, Property & Equipment	(H) 4	25%	40%	1	1
Other Assets	(I) -	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(J) 19,459	0%	0%	-	-
Asbestos Insurance Recoverable	(K) -	N/A	N/A	-	-
Intercompany Receivables	(L) 3,021	88%	80%	2,072	2,419
Going Concern Value of Non-Debtor Legal Entities	(M) -	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(N) -	N/A	N/A	-	-
Total Assets Available for Distribution	23,228			2,795	3,148
Less Costs Associated with Liquidation	(O)				
Professional Fees				28	31
Other				-	-
Winddown Costs				79	79
Trustee Fees				0	0
Total Costs Associated with Liquidation				107	110
Net Proceeds Available for Distribution				2,688	3,038
Less: Superpriority Administrative Claims	(P)				
DIP Facility	-			-	-
DIP Letters of Credit	-			-	-
DIP Tranche C	-			-	-
DIP Tranche C Letters of Credit	-			-	-
Texas	-			-	-
Other	-			-	-
Professional Fees Carve Out	-			-	-
Total Superpriority Administrative Claims	-			-	-
Estimated Payout per Dollar of Superpriority Administrative Claims				-	-
Proceeds Remaining for Distribution				2,688	3,038
Less: Secured Claims	(Q)				
Bank Debt and Surety Bonds	-			-	-
Letters of Credit	-			-	-
Total Secured Claims	-			-	-
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution				2,688	3,038
Less: Administrative Claims	(R)				
Reclamations	-			-	-
Accrued Professional Fees	-			-	-
Adequate Protection Payments	-			-	-
Trade Accounts Payable (Post-Petition)	99			99	99
Intercompany Trade and Loans Payable (Post-Petition)	-			-	-
Accrued Compensation	-			-	-
Other Accrued Liabilities	160			160	160
Other Administrative Claims	-			-	-
Total Administrative Claims	259			269	259
Estimated Payout per Dollar of Administrative Claims				1.00	1.00
Proceeds Remaining for Distribution				2,428	2,778
Less: Priority Unsecured Claims	(S)				
Lease Rejection Claims	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Total Priority Unsecured Claims	-			-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				2,428	2,778
Less Unsecured Non-Priority Claims	(T)				
Executory Contracts	-			-	-
Severance	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Pre-Petition Asbestos Liability	-			-	-
Trade Accounts Payable (Pre-Petition)	16			16	16
Intercompany Trade and Loans Payable (Pre-Petition)	667			667	667
Term Loans	-			-	-
Multi-Currency Revolving Credit Facility	-			-	-
Notes due 2004	-			-	-
Notes due 2006	-			-	-
Notes due 2008	-			-	-
Notes due 2009	-			-	-
Notes due 2010	-			-	-
Medium-Term Notes	-			-	-
Senior Notes	-			-	-
Other	-			-	-
Accrued Interest	-			-	-
Other Unsecured Non-Priority Claims	-			-	-
Total Unsecured Non-Priority Claims	683			683	683
Estimated Payout per Dollar of Unsecured Non-Priority Claims				1.00	1.00
Proceeds Remaining for Distribution to Equity Holders				1,528	1,875
Excess (Shortfall of) Net Proceeds vs. Claims				1,528	1,875

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Sealing Systems (Rochdale) Limited
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B) 2,168	100%	100%	2,168	2,168
Accounts Receivable	(C) 2,252	43%	60%	971	1,354
Notes Receivable	(D) -	N/A	N/A	-	-
Other Receivables	(D) -	N/A	N/A	-	-
Inventory	(E) 1,149	28%	37%	295	428
Other Current Assets	(F) 1,200	0%	3%	-	41
Net Plant, Property & Equipment	(G) 8,188	19%	21%	1,201	1,321
Other Assets	(H) 0	0%	30%	-	0
Other Intangibles (non-goodwill)	(I) -	N/A	N/A	-	-
Asbestos Insurance Recoverable	(J) -	N/A	N/A	-	-
Intercompany Receivables	(K) 84	100%	100%	84	84
Going Concern Value of Non-Debtor Legal Entities	(L) -	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M) -	N/A	N/A	-	-
Total Assets Available for Distribution	12,998			4,697	5,372
Less Costs Associated with Liquidation	(N)				
Professional Fees				47	64
Other				-	-
Winddown Costs				45	45
Trustee Fees				74	84
Total Costs Associated with Liquidation				166	193
Net Proceeds Available for Distribution				4,531	5,179
Less: Superpriority Administrative Claims	(O)				
DIP Facility	-			-	-
DIP Letters of Credit	-			-	-
DIP Tranche C	-			-	-
DIP Tranche C Letters of Credit	-			-	-
Taxes	-			-	-
Other	-			-	-
Professional Fees Carve Out	-			-	-
Total Superpriority Administrative Claims					
Estimated Payout per Dollar of Superpriority Administrative Claims				-	-
Proceeds Remaining for Distribution				4,531	5,179
Less: Secured Claims	(P)				
Bank Debt and Surety Bonds	-			-	-
Letters of Credit	-			-	-
Total Secured Claims					
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution				4,531	5,179
Less: Administrative Claims	(Q)				
Reclamations	-			-	-
Accrued Professional Fees	-			-	-
Adequate Protection Payments	-			-	-
Trade Accounts Payable (Post-Petition)	974			974	974
Intercompany Trade and Loans Payable (Post-Petition)	-			-	-
Accrued Compensation	-			-	-
Other Accrued Liabilities	229			229	229
Other Administrative Claims	-			-	-
Total Administrative Claims	1,203			1,203	1,203
Estimated Payout per Dollar of Administrative Claims				1.00	1.00
Proceeds Remaining for Distribution				3,328	3,976
Less: Priority Unsecured Claims	(R)				
Lease Rejection Claims	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Total Priority Unsecured Claims					
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				3,328	3,976
Less Unsecured Non-Priority Claims	(R)				
Executory Contracts					
Severance					
Pre-Petition Employee and Tax Obligations					
Pre-Petition Asbestos Liability					
Trade Accounts Payable (Pre-Petition)					
Intercompany Trade and Loans Payable (Pre-Petition)					
Term Loans					
Multi-Currency Revolving Credit Facility					
Notes due 2004					
Notes due 2006					
Notes due 2008					
Notes due 2009					
Notes due 2010					
Medium-Term Notes					
Senior Notes					
Other					
Accrued Interest					
Other Unsecured Non-Priority Claims					
Total Unsecured Non-Priority Claims					
Estimated Payout per Dollar of Unsecured Non-Priority Claims					
Proceeds Remaining for Distribution to Equity Holders					
Excess (Shortfall of) Net Proceeds vs. Claims					

Pre-Petition Asbestos Liability
The Plan Proponents believe that this entity produced and distributed products containing asbestos into the world-wide stream of commerce for many years, and therefore, the Plan Proponents believe that it has substantial liability for future claims, even though only a limited number of asbestos claims have asserted against it to date.

Estimated Payout per Dollar of Unsecured Non-Priority Claims
Due to the estimated size of this legal entity's asbestos liability, the Plan Proponents believe that the unsecured creditors of this legal entity would receive a distribution on their claims no greater than T&N Distribution Ratio 2 in a liquidation, and accordingly, that the distribution unsecured creditors will receive under the Plan is not less than they would receive in a liquidation.

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Export Services Limited
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B) 5,282	100%	100%	5,282	5,282
Accounts Receivable	(C) -	N/A	N/A	-	-
Notes Receivable	(D) -	N/A	N/A	-	-
Other Receivables	(D) (9)	0%	0%	-	-
Inventory	(E) -	N/A	N/A	-	-
Other Current Assets	(F) -	N/A	N/A	-	-
Net Plant, Property & Equipment	(G) -	N/A	N/A	29	32
Other Assets	(H) -	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I) -	N/A	N/A	-	-
Asbestos Insurance Recoverable	(J) -	N/A	N/A	-	-
Intercompany Receivables	(K) 11,660	66%	64%	10,233	10,971
Going Concern Value of Non-Debtor Legal Entities	(L) -	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M) -	N/A	N/A	-	-
Total Assets Available for Distribution	16,953			15,544	16,285
Less Costs Associated with Liquidation	(N)				
Professional Fees				155	163
Other				-	-
Winddown Costs				-	-
Trustee Fees				1	1
Total Costs Associated with Liquidation				156	164
Net Proceeds Available for Distribution				15,388	16,121
Less: Superpriority Administrative Claims	(O)				
DIP Facility	-			-	-
DIP Letters of Credit	-			-	-
DIP Tranche C	-			-	-
DIP Tranche C Letters of Credit	-			-	-
Taxes	0			0	0
Other	-			-	-
Professional Fees Carve Out	-			-	-
Total Superpriority Administrative Claims	0			0	0
Estimated Payout per Dollar of Superpriority Administrative Claims				1.00	1.00
Proceeds Remaining for Distribution				15,388	16,121
Less: Secured Claims	(P)				
Bank Debt and Surety Bonds	-			-	-
Letters of Credit	-			-	-
Total Secured Claims	-			-	-
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution				15,388	16,121
Less: Administrative Claims	(Q)				
Reclamations	-			-	-
Accrued Professional Fees	-			-	-
Adequate Protection Payments	-			-	-
Trade Accounts Payable (Post-Petition)	-			-	-
Intercompany Trade and Loans Payable (Post-Petition)	-			-	-
Accrued Compensation	-			-	-
Other Accrued Liabilities	2,882			2,882	2,882
Other Administrative Claims	-			-	-
Total Administrative Claims	2,882			2,882	2,882
Estimated Payout per Dollar of Administrative Claims				1.00	1.00
Proceeds Remaining for Distribution				12,526	13,259
Less: Priority Unsecured Claims	(Q)				
Lease Rejection Claims	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Total Priority Unsecured Claims	-			-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				12,526	13,259
Less Unsecured Non-Priority Claims	(R)				
Executory Contracts	-			-	-
Severance	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Pre-Petition Asbestos Liability	-			-	-
Trade Accounts Payable (Pre-Petition)	12			12	12
Intercompany Trade and Loans Payable (Pre-Petition)	8,874			8,874	8,874
Term Loans	-			-	-
Multi-Currency Revolving Credit Facility	-			-	-
Notes due 2004	-			-	-
Notes due 2006	-			-	-
Notes due 2008	-			-	-
Notes due 2009	-			-	-
Notes due 2010	-			-	-
Medium-Term Notes	-			-	-
Senior Notes	-			-	-
Other	-			-	-
Accrued Interest	-			-	-
Other Unsecured Non-Priority Claims	-			-	-
Total Unsecured Non-Priority Claims	8,886			8,886	8,886
Estimated Payout per Dollar of Unsecured Non-Priority Claims				1.00	1.00
Proceeds Remaining for Distribution to Equity Holders				3,640	4,374
Excess (Shortfall) of Net Proceeds vs. Claims				3,640	4,374

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Technology Limited
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B) 7,725	100%	100%	7,725	7,725
Accounts Receivable	(C) (1)	0%	0%	-	-
Notes Receivable	(D) -	N/A	N/A	-	-
Other Receivables	(D) -	N/A	N/A	-	-
Inventory	(E) -	N/A	N/A	-	-
Other Current Assets	(F) (1)	0%	0%	-	-
Net Plant, Property & Equipment	(G) -	N/A	N/A	-	-
Other Assets	(H) -	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I) -	N/A	N/A	-	-
Asbestos Insurance Recoverable	(J) -	N/A	N/A	-	-
Intercompany Receivables	(K) 29,551	17%	18%	5,105	5,187
Going Concern Value of Non-Debtor Legal Entities	(L) -	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M) -	N/A	N/A	-	-
Total Assets Available for Distribution	37,274			12,829	12,811
Less Costs Associated with Liquidation	(N)				
Professional Fees				128	129
Other				-	-
Winddown Costs				-	-
Trustee Fees				-	-
Total Costs Associated with Liquidation				128	129
Net Proceeds Available for Distribution				12,701	12,782
Less: Superpriority Administrative Claims	(O)				
DIP Facility	-			-	-
DIP Letters of Credit	-			-	-
DIP Tranche C	-			-	-
DIP Tranche C Letters of Credit	-			-	-
Texas	-			-	-
Other	-			-	-
Professional Fees Carve Out	-			-	-
Total Superpriority Administrative Claims	-			-	-
Estimated Payout per Dollar of Superpriority Administrative Claims				-	-
Proceeds Remaining for Distribution				12,701	12,782
Less: Secured Claims	(P)				
Bank Debt and Surety Bonds	-			-	-
Letters of Credit	-			-	-
Total Secured Claims	-			-	-
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution				12,701	12,782
Less: Administrative Claims	(Q)				
Reclamations	-			-	-
Accrued Professional Fees	-			-	-
Adequate Protection Payments	-			-	-
Trade Accounts Payable (Post-Petition)	-			-	-
Intercompany Trade and Loans Payable (Post-Petition)	-			-	-
Accrued Compensation	-			-	-
Other Accrued Liabilities	-			-	-
Other Administrative Claims	101			101	101
Total Administrative Claims	101			101	101
Estimated Payout per Dollar of Administrative Claims				1.00	1.00
Proceeds Remaining for Distribution				12,600	12,681
Less: Priority Unsecured Claims	(R)				
Lease Rejection Claims	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Total Priority Unsecured Claims	-			-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				12,600	12,681
Less Unsecured Non-Priority Claims	(R)				
Executory Contracts	-			-	-
Severance	-			-	-
Pre-Petition Employee and Tax Obligations	1,019			1,019	1,019
Pre-Petition Asbestos Liability	-			-	-
Trade Accounts Payable (Pre-Petition)	148			148	148
Intercompany Trade and Loans Payable (Pre-Petition)	230			230	230
Term Loans	-			-	-
Multi-Currency Revolving Credit Facility	-			-	-
Notes due 2004	-			-	-
Notes due 2006	-			-	-
Notes due 2008	-			-	-
Notes due 2009	-			-	-
Notes due 2010	-			-	-
Medium-Term Notes	-			-	-
Senior Notes	-			-	-
Other	-			-	-
Accrued Interest	-			-	-
Other Unsecured Non-Priority Claims	90			90	90
Total Unsecured Non-Priority Claims	1,487			1,487	1,487
Estimated Payout per Dollar of Unsecured Non-Priority Claims				1.00	1.00
Proceeds Remaining for Distribution to Equity Holders				11,112	11,194
Excess (Shortfall of) Net Proceeds vs. Claims				11,112	11,194

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: T&N Trade Marks Limited
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B) 5,882	100%	100%	5,882	5,882
Accounts Receivable	(C) -	N/A	N/A	-	-
Notes Receivable	(D) -	N/A	N/A	-	-
Other Receivables	(D) -	N/A	N/A	-	-
Inventory	(E) -	N/A	N/A	-	-
Other Current Assets	(F) -	N/A	N/A	-	-
Net Plant, Property & Equipment	(G) -	N/A	N/A	-	-
Other Assets	(H) -	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I) 18,068	5%	20%	903	3,813
Asbestos Insurance Recoverable	(J) -	N/A	N/A	-	-
Intercompany Receivables	(K) 6,712	17%	18%	1,149	1,284
Going Concern Value of Non-Debtor Legal Entities	(L) -	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M) -	N/A	N/A	-	-
Total Assets Available for Distribution	30,440			7,715	10,540
Less: Costs Associated with Liquidation	(N)				
Professional Fees				77	105
Other				-	-
Winddown Costs				-	-
Trustee Fees				27	168
Total Costs Associated with Liquidation				104	214
Net Proceeds Available for Distribution				7,610	10,326
Less: Superpriority Administrative Claims	(O)				
DIP Facility	-			-	-
DIP Letters of Credit	-			-	-
DIP Tranche C	-			-	-
DIP Tranche C Letters of Credit	-			-	-
Taxes	579			579	579
Other	-			-	-
Professional Fees Carve Out	-			-	-
Total Superpriority Administrative Claims	579			579	579
Estimated Payout per Dollar of Superpriority Administrative Claims				1.00	1.00
Proceeds Remaining for Distribution				7,032	9,747
Less: Secured Claims	(P)				
Bank Debt and Surety Bonds	-			-	-
Letters of Credit	-			-	-
Total Secured Claims	-			-	-
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution				7,032	9,747
Less: Administrative Claims	(Q)				
Reclamations	-			-	-
Accrued Professional Fees	-			-	-
Adequate Protection Payments	-			-	-
Trade Accounts Payable (Post-Petition)	-			-	-
Intercompany Trade and Loans Payable (Post-Petition)	-			-	-
Accrued Compensation	-			-	-
Other Accrued Liabilities	135			135	135
Other Administrative Claims	-			-	-
Total Administrative Claims	135			135	135
Estimated Payout per Dollar of Administrative Claims				1.00	1.00
Proceeds Remaining for Distribution				6,897	9,612
Less: Priority Unsecured Claims	(R)				
Lease Rejection Claims	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Total Priority Unsecured Claims	-			-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				6,897	9,612
Less: Unsecured Non-Priority Claims	(R)				
Executory Contracts	-			-	-
Severance	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Pre-Petition Asbestos Liability	-			-	-
Trade Accounts Payable (Pre-Petition)	-			-	-
Intercompany Trade and Loans Payable (Pre-Petition)	-			-	-
Term Loans	-			-	-
Multi-Currency Revolving Credit Facility	-			-	-
Notes due 2004	-			-	-
Notes due 2006	-			-	-
Notes due 2008	-			-	-
Notes due 2010	-			-	-
Medium-Term Notes	-			-	-
Senior Notes	-			-	-
Other	-			-	-
Accrued Interest	-			-	-
Other Unsecured Non-Priority Claims	-			-	-
Total Unsecured Non-Priority Claims	-			-	-
Estimated Payout per Dollar of Unsecured Non-Priority Claims				-	-
Proceeds Remaining for Distribution to Equity Holders				6,897	9,612
Excess (Shortfall) of Net Proceeds vs. Claims				6,897	9,612

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: TBA Industrial Products Limited
(in 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B) 1,439	100%	100%	1,439	1,439
Accounts Receivable	(C) -	N/A	N/A	-	-
Notes Receivable	(D) -	N/A	N/A	-	-
Other Receivables	(D) 343	20%	50%	69	171
Inventory	(E) -	N/A	N/A	-	-
Other Current Assets	(F) 39	0%	3%	-	1
Net Plant, Property & Equipment	(G) 10,519	105%	105%	11,083	11,083
Other Assets	(H) -	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I) -	N/A	N/A	-	-
Asbestos Insurance Recoverable	(J) -	N/A	N/A	-	-
Intercompany Receivables	(K) 103	85%	89%	88	102
Going Concern Value of Non-Debtor Legal Entities	(L) -	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M) -	N/A	N/A	-	-
Total Assets Available for Distribution	12,443			12,658	12,778
Less Costs Associated with Liquidation	(N)				
Professional Fees				127	128
Other				-	-
Winddown Costs				650	650
Trustee Fees				334	337
Total Costs Associated with Liquidation				1,111	1,115
Net Proceeds Available for Distribution				11,547	11,681
Less: Superpriority Administrative Claims	(O)				
DIP Facility	-			-	-
DIP Letters of Credit	-			-	-
DIP Tranche C	-			-	-
DIP Tranche C Letters of Credit	-			-	-
Taxes	-			-	-
Other	-			-	-
Professional Fees Carve Out	-			-	-
Total Superpriority Administrative Claims	-			-	-
Estimated Payout per Dollar of Superpriority Administrative Claims				-	-
Proceeds Remaining for Distribution				11,547	11,681
Less: Secured Claims	(P)				
Bank Debt and Surety Bonds	-			-	-
Letters of Credit	-			-	-
Total Secured Claims	-			-	-
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution				11,547	11,681
Less: Administrative Claims	(Q)				
Reclamations	-			-	-
Accrued Professional Fees	-			-	-
Adequate Protection Payments	-			-	-
Trade Accounts Payable (Post-Petition)	19			19	19
Intercompany Trade and Loans Payable (Post-Petition)	-			-	-
Accrued Compensation	15			15	15
Other Accrued Liabilities	619			619	619
Other Administrative Claims	-			-	-
Total Administrative Claims	652			652	652
Estimated Payout per Dollar of Administrative Claims				1.00	1.00
Proceeds Remaining for Distribution				10,895	11,009
Less: Priority Unsecured Claims	(Q)				
Lease Rejection Claims	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Total Priority Unsecured Claims	-			-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				10,895	11,009
Less Unsecured Non-Priority Claims	(R)				
Executive Contracts					
Severance					
Pre-Petition Employee and Tax Obligations					
Pre-Petition Asbestos Liability					
Trade Accounts Payable (Pre-Petition)					
Intercompany Trade and Loans Payable (Pre-Petition)					
Term Loans					
Multi-Currency Revolving Credit Facility					
Notes due 2004					
Notes due 2005					
Notes due 2006					
Notes due 2009					
Notes due 2010					
Medium-Term Notes					
Senior Notes					
Other					
Accrued Interest					
Other Unsecured Non-Priority Claims					
Total Unsecured Non-Priority Claims	-			-	-
Estimated Payout per Dollar of Unsecured Non-Priority Claims				-	-
Proceeds Remaining for Distribution to Equity Holders				-	-
Excess (Shortfall of) Net Proceeds vs. Claims				-	-

Pre-Petition Asbestos Liability
The Plan Proponents believe that this entity produced and distributed products containing asbestos into the world-wide stream of commerce for many years, and therefore, the Plan Proponents believe that it has substantial liability for future claims, even though only a limited number of asbestos claims have asserted against it to date.

Estimated Payout per Dollar of Unsecured Non-Priority Claims
Due to the estimated size of this legal entity's asbestos liability, the Plan Proponents believe that the unsecured creditors of this legal entity would receive a distribution on their claims no greater than T&N Distribution Ratio 2 in a liquidation, and accordingly, that the distribution unsecured creditors will receive under the Plan is not less than they would receive in a liquidation.

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Camshaft Castings Limited
(In 000's)

	Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
			Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B)	1,487	100%	100%	1,487	1,487
Accounts Receivable	(C)	8,910	48%	68%	3,298	4,886
Notes Receivable	(D)	-	N/A	N/A	-	-
Other Receivables	(D)	368	20%	50%	73	183
Inventory	(E)	575	36%	47%	208	273
Other Current Assets	(F)	1,505	7%	13%	99	198
Net Plant, Property & Equipment	(G)	14,113	20%	22%	2,810	3,091
Other Assets	(H)	-	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I)	-	N/A	N/A	-	-
Asbestos Insurance Recoverable	(J)	-	N/A	N/A	-	-
Intercompany Receivables	(K)	1,161	41%	79%	477	919
Going Concern Value of Non-Debtor Legal Entities	(L)	-	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M)	-	N/A	N/A	-	-
Total Assets Available for Distribution		28,117			8,450	10,836
Less Costs Associated with Liquidation	(N)					
Professional Fees					85	108
Other					-	-
Winddown Costs					204	204
Trustee Fees					195	253
Total Costs Associated with Liquidation					483	568
Net Proceeds Available for Distribution					7,967	10,272
Less: Superpriority Administrative Claims	(O)					
DIP Facility		-			-	-
DIP Letters of Credit		-			-	-
DIP Tranche C		-			-	-
DIP Tranche C Letters of Credit		-			-	-
Taxes		-			-	-
Other		-			-	-
Professional Fees Carve Out		-			-	-
Total Superpriority Administrative Claims		-			-	-
Estimated Payout per Dollar of Superpriority Administrative Claims					-	-
Proceeds Remaining for Distribution					7,967	10,272
Less: Secured Claims	(P)					
Bank Debt and Surety Bonds		-			-	-
Letters of Credit		-			-	-
Total Secured Claims		-			-	-
Estimated Payout per Dollar of Secured Claims					-	-
Proceeds Remaining for Distribution					7,967	10,272
Less: Administrative Claims	(Q)					
Reclamations		-			-	-
Accrued Professional Fees		-			-	-
Adequate Protection Payments		-			-	-
Trade Accounts Payable (Post-Petition)		2,560			2,560	2,560
Intercompany Trade and Loans Payable (Post-Petition)		-			-	-
Accrued Compensation		558			558	558
Other Accrued Liabilities		1,512			1,512	1,512
Other Administrative Claims		-			-	-
Total Administrative Claims		4,628			4,628	4,628
Estimated Payout per Dollar of Administrative Claims					1.00	1.00
Proceeds Remaining for Distribution					3,338	5,644
Less: Priority Unsecured Claims	(Q)					
Lease Rejection Claims		-			-	-
Pre-Petition Employee and Tax Obligations		-			-	-
Total Priority Unsecured Claims		-			-	-
Estimated Payout per Dollar of Priority Unsecured Claims					-	-
Proceeds Remaining for Distribution					3,338	5,644
Less Unsecured Non-Priority Claims	(R)					
Executory Contracts		-			-	-
Severance		-			-	-
Pre-Petition Employee and Tax Obligations		893			737	893
Pre-Petition Asbestos Liability		-			-	-
Trade Accounts Payable (Pre-Petition)		1,457			1,201	1,457
Intercompany Trade and Loans Payable (Pre-Petition)		1,228			1,013	1,228
Term Loans		-			-	-
Multi-Currency Revolving Credit Facility		-			-	-
Notes due 2004		-			-	-
Notes due 2006		-			-	-
Notes due 2008		-			-	-
Notes due 2010		-			-	-
Medium-Term Notes		-			-	-
Senior Notes		-			-	-
Other		-			-	-
Accrued Interest		-			-	-
Other Unsecured Non-Priority Claims		489			387	489
Total Unsecured Non-Priority Claims		4,047			3,338	4,047
Estimated Payout per Dollar of Unsecured Non-Priority Claims					0.82	1.00
Proceeds Remaining for Distribution to Equity Holders					-	1,597
Excess (Shortfall) of Net Proceeds vs. Claims					(709)	1,597

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Bradford Limited
(in 000's)

	Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
			Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B)	434	100%	100%	434	434
Accounts Receivable	(C)	9,477	58%	78%	5,349	7,249
Notes Receivable	(D)	-	N/A	N/A	-	-
Other Receivables	(D)	-	N/A	N/A	-	-
Inventory	(E)	7,085	37%	48%	2,601	3,370
Other Current Assets	(F)	8,377	7%	19%	439	1,184
Net Plant, Property & Equipment	(G)	32,683	25%	27%	8,084	8,893
Other Assets	(H)	-	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I)	19,965	0%	0%	-	-
Asbestos Insurance Recoverable	(J)	-	N/A	N/A	-	-
Intercompany Receivables	(K)	8,250	36%	45%	2,403	2,808
Going Concern Value of Non-Debtor Legal Entities	(L)	-	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M)	-	N/A	N/A	-	-
Total Assets Available for Distribution		82,270			19,312	23,947
Less Costs Associated with Liquidation	(N)					
Professional Fees					193	239
Other					-	-
Winddown Costs					620	620
Trustee Fees					484	621
Total Costs Associated with Liquidation					1,307	1,481
Net Proceeds Available for Distribution					18,004	22,466
Less: Superpriority Administrative Claims	(O)					
DIP Facility		-			-	-
DIP Letters of Credit		-			-	-
DIP Tranche C		-			-	-
DIP Tranche C Letters of Credit		-			-	-
Taxes		-			-	-
Other		-			-	-
Professional Fees Carve Out		-			-	-
Total Superpriority Administrative Claims						
Estimated Payout per Dollar of Superpriority Administrative Claims					-	-
Proceeds Remaining for Distribution					18,004	22,466
Less: Secured Claims	(P)					
Bank Debt and Surety Bonds		-			-	-
Letters of Credit		-			-	-
Total Secured Claims						
Estimated Payout per Dollar of Secured Claims					-	-
Proceeds Remaining for Distribution					18,004	22,466
Less: Administrative Claims	(Q)					
Reclamations		-			-	-
Accrued Professional Fees		-			-	-
Adequate Protection Payments		-			-	-
Trade Accounts Payable (Post-Petition)		4,170			4,170	4,170
Intercompany Trade and Loans Payable (Post-Petition)		-			-	-
Accrued Compensation		1,543			1,543	1,543
Other Accrued Liabilities		4,381			4,381	4,381
Other Administrative Claims		-			-	-
Total Administrative Claims		10,094			10,094	10,094
Estimated Payout per Dollar of Administrative Claims					1.00	1.00
Proceeds Remaining for Distribution					7,910	12,372
Less: Priority Unsecured Claims	(Q)					
Lease Rejection Claims		-			-	-
Pre-Petition Employee and Tax Obligations		-			-	-
Total Priority Unsecured Claims						
Estimated Payout per Dollar of Priority Unsecured Claims					-	-
Proceeds Remaining for Distribution					7,910	12,372
Less Unsecured Non-Priority Claims	(R)					
Executory Contracts		-			-	-
Severance		-			-	-
Pre-Petition Employee and Tax Obligations		4,935			4,944	4,935
Pre-Petition Asbestos Liability		213			200	213
Trade Accounts Payable (Pre-Petition)		3,258			3,068	3,258
Intercompany Trade and Loans Payable (Pre-Petition)		31,634			-	3,968
Term Loans		-			-	-
Multi-Currency Revolving Credit Facility		-			-	-
Notes due 2004		-			-	-
Notes due 2005		-			-	-
Notes due 2006		-			-	-
Notes due 2009		-			-	-
Notes due 2010		-			-	-
Medium-Term Notes		-			-	-
Senior Notes		-			-	-
Other		-			-	-
Accrued Interest		-			-	-
Other Unsecured Non-Priority Claims		-			-	-
Total Unsecured Non-Priority Claims		39,940			7,910	12,372
Estimated Payout per Dollar of Unsecured Non-Priority Claims					0.20	0.31
Proceeds Remaining for Distribution to Equity Holders						
Excess (Shortfall) of Net Proceeds vs. Claims					(32,030)	(27,568)

Note: Based on agreements between Federal-Mogul Bradford Limited and a related party intercompany notes are subordinated to other unsecured claims.

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Engineering Limited
(In \$00's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B) 6,482	100%	100%	6,482	6,482
Accounts Receivable	(C) 119	0%	0%	-	-
Notes Receivable	(D) -	N/A	N/A	-	-
Other Receivables	(D) 0	20%	50%	0	0
Inventory	(E) -	N/A	N/A	-	-
Other Current Assets	(F) -	N/A	N/A	-	-
Net Plant, Property & Equipment	(G) -	N/A	N/A	-	-
Other Assets	(H) -	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I) 1,027	5%	20%	51	205
Asbestos Insurance Recoverable	(J) -	N/A	N/A	-	-
Intercompany Receivables	(K) -	N/A	N/A	-	-
Going Concern Value of Non-Debtor Legal Entities	(L) -	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M) -	N/A	N/A	-	-
Total Assets Available for Distribution	7,638			6,544	6,698
Less Costs Associated with Liquidation	(N)				
Professional Fees				65	67
Other				-	-
Winddown Costs				-	-
Trustee Fees				2	6
Total Costs Associated with Liquidation				67	73
Net Proceeds Available for Distribution				6,477	6,625
Less: Superpriority Administrative Claims	(O)				
DIP Facility				-	-
DIP Letters of Credit				-	-
DIP Tranche C				-	-
DIP Tranche C Letters of Credit				-	-
Taxes				-	-
Other				-	-
Professional Fees Carve Out				-	-
Total Superpriority Administrative Claims				-	-
Estimated Payout per Dollar of Superpriority Administrative Claims				-	-
Proceeds Remaining for Distribution				6,477	6,625
Less: Secured Claims	(P)				
Bank Debt and Surety Bonds				-	-
Letters of Credit				-	-
Total Secured Claims				-	-
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution				6,477	6,625
Less: Administrative Claims	(Q)				
Reclamations				-	-
Accrued Professional Fees				-	-
Adequate Protection Payments				-	-
Trade Accounts Payable (Post-Petition)				-	-
Intercompany Trade and Loans Payable (Post-Petition)				-	-
Accrued Compensation				-	-
Other Accrued Liabilities	682			682	682
Other Administrative Claims	7			7	7
Total Administrative Claims	689			689	689
Estimated Payout per Dollar of Administrative Claims				1.00	1.00
Proceeds Remaining for Distribution				5,808	5,936
Less: Priority Unsecured Claims	(Q)				
Loss Rejection Claims				-	-
Pre-Petition Employee and Tax Obligations				-	-
Total Priority Unsecured Claims				-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				5,808	5,936
Less Unsecured Non-Priority Claims	(R)				
Executory Contracts				-	-
Severance				-	-
Pre-Petition Employee and Tax Obligations				-	-
Pre-Petition Asbestos Liability				-	-
Trade Accounts Payable (Pre-Petition)	272			272	272
Intercompany Trade and Loans Payable (Pre-Petition)	29			29	29
Term Loans				-	-
Multi-Currency Revolving Credit Facility				-	-
Notes due 2004				-	-
Notes due 2006				-	-
Notes due 2008				-	-
Notes due 2009				-	-
Notes due 2010				-	-
Medium-Term Notes				-	-
Senior Notes				-	-
Other				-	-
Accrued Interest				-	-
Other Unsecured Non-Priority Claims	12			12	12
Total Unsecured Non-Priority Claims	313			313	313
Estimated Payout per Dollar of Unsecured Non-Priority Claims				1.00	1.00
Proceeds Remaining for Distribution to Equity Holders				5,495	5,643
Excess (Shortfall) of Net Proceeds vs. Claims				5,495	5,643

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Camshaft Limited
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B)	-	N/A	N/A	-
Accounts Receivable	(C)	4,358	58%	78%	2,509
Notes Receivable	(D)	-	N/A	N/A	-
Other Receivables	(D)	443	20%	50%	89
Inventory	(E)	1,818	31%	42%	508
Other Current Assets	(F)	1,240	10%	20%	124
Net Plant, Property & Equipment	(G)	25,099	37%	41%	9,370
Other Assets	(H)	(0)	0%	0%	-
Other Intangibles (non-goodwill)	(I)	-	N/A	N/A	-
Asbestos Insurance Recoverable	(J)	-	N/A	N/A	-
Intercompany Receivables	(K)	15	98%	100%	14
Going Concern Value of Non-Debtor Legal Entities	(L)	-	N/A	N/A	-
Equity Value of Liquidated Subsidiaries	(M)	-	N/A	N/A	-
Total Assets Available for Distribution		32,788			12,823
Less Costs Associated with Liquidation	(N)				
Professional Fees				128	140
Other				-	-
Winddown Costs				81	81
Trustee Fees				378	447
Total Costs Associated with Liquidation				585	677
Net Proceeds Available for Distribution				12,038	14,234
Less: Superpriority Administrative Claims	(O)				
DIP Facility		-		-	-
DIP Letters of Credit		-		-	-
DIP Tranche C		-		-	-
DIP Tranche C Letters of Credit		-		-	-
Taxes		-		-	-
Other		-		-	-
Professional Fees Carve Out		-		-	-
Total Superpriority Administrative Claims		-		-	-
Estimated Payout per Dollar of Superpriority Administrative Claims				-	-
Proceeds Remaining for Distribution				12,038	14,234
Less: Secured Claims	(P)				
Bank Debt and Surety Bonds		-		-	-
Letters of Credit		-		-	-
Total Secured Claims		-		-	-
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution				12,038	14,234
Less: Administrative Claims	(Q)				
Reclamations		-		-	-
Accrued Professional Fees		-		-	-
Adequate Protection Payments		-		-	-
Trade Accounts Payable (Post-Petition)		8,167		8,167	8,167
Intercompany Trade and Loans Payable (Post-Petition)		-		-	-
Accrued Compensation		1,057		1,057	1,057
Other Accrued Liabilities		447		447	447
Other Administrative Claims		-		-	-
Total Administrative Claims		9,671		9,671	9,671
Estimated Payout per Dollar of Administrative Claims				1.00	1.00
Proceeds Remaining for Distribution				2,387	4,583
Less: Priority Unsecured Claims	(Q)				
Lease Rejection Claims		-		-	-
Pre-Petition Employee and Tax Obligations		-		-	-
Total Priority Unsecured Claims		-		-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				2,387	4,583
Less Unsecured Non-Priority Claims	(R)				
Executory Contracts		-		-	-
Severance		-		-	-
Pre-Petition Employee and Tax Obligations		718		295	568
Pre-Petition Asbestos Liability		-		-	-
Trade Accounts Payable (Pre-Petition)		2,269		932	1,796
Intercompany Trade and Loans Payable (Pre-Petition)		2,557		1,050	2,024
Term Loans		-		-	-
Multi-Currency Revolving Credit Facility		-		-	-
Notes due 2004		-		-	-
Notes due 2006		-		-	-
Notes due 2008		-		-	-
Notes due 2009		-		-	-
Notes due 2010		-		-	-
Medium-Term Notes		-		-	-
Senior Notes		-		-	-
Other		-		-	-
Accrued Interest		-		-	-
Other Unsecured Non-Priority Claims		220		90	174
Total Unsecured Non-Priority Claims		5,764		2,387	4,583
Estimated Payout per Dollar of Unsecured Non-Priority Claims				0.41	0.79
Proceeds Remaining for Distribution to Equity Holders				-	-
Excess (Shortfall of) Net Proceeds vs. Claims				(3,387)	(1,202)

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Eurofriction Limited
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B) 4,032	100%	100%	4,032	4,032
Accounts Receivable	(C) 1,501	59%	79%	882	1,182
Notes Receivable	(D) -	N/A	N/A	-	-
Other Receivables	(D) -	N/A	N/A	-	-
Inventory	(E) 1,041	28%	38%	275	396
Other Current Assets	(F) 487	0%	0%	-	-
Net Plant, Property & Equipment	(G) 1,890	30%	33%	499	549
Other Assets	(H) -	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I) -	N/A	N/A	-	-
Asbestos Insurance Recoverable	(J) -	N/A	N/A	-	-
Intercompany Receivables	(K) 1,131	47%	58%	531	630
Going Concern Value of Non-Debtor Legal Entities	(L) -	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M) -	N/A	N/A	-	-
Total Assets Available for Distribution	9,872			6,229	6,799
Less Costs Associated with Liquidation	(N)				
Professional Fees				82	88
Other				-	-
Winddown Costs				28	26
Trustee Fees				50	84
Total Costs Associated with Liquidation				138	158
Net Proceeds Available for Distribution				6,091	6,642
Less: Superpriority Administrative Claims	(O)				
DIP Facility	-			-	-
DIP Letters of Credit	-			-	-
DIP Tranche C	-			-	-
DIP Tranche C Letters of Credit	-			-	-
Taxes	-			-	-
Other	-			-	-
Professional Fees Carve Out	-			-	-
Total Superpriority Administrative Claims	-			-	-
Estimated Payout per Dollar of Superpriority Administrative Claims				-	-
Proceeds Remaining for Distribution				6,091	6,642
Less: Secured Claims	(P)				
Bank Debt and Surety Bonds	-			-	-
Letters of Credit	-			-	-
Total Secured Claims	-			-	-
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution				6,091	6,642
Less: Administrative Claims	(Q)				
Reclamations	-			-	-
Accrued Professional Fees	-			-	-
Adequate Protection Payments	-			-	-
Trade Accounts Payable (Post-Petition)	850			850	850
Intercompany Trade and Loans Payable (Post-Petition)	-			-	-
Accrued Compensation	101			101	101
Other Accrued Liabilities	145			145	145
Other Administrative Claims	-			-	-
Total Administrative Claims	1,095			1,095	1,095
Estimated Payout per Dollar of Administrative Claims				1.00	1.00
Proceeds Remaining for Distribution				4,996	5,546
Less: Priority Unsecured Claims	(R)				
Lease Rejection Claims	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Total Priority Unsecured Claims	-			-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				4,996	5,546
Less Unsecured Non-Priority Claims	(R)				
Executory Contracts	-			-	-
Severance	-			-	-
Pre-Petition Employee and Tax Obligations	27			27	27
Pre-Petition Asbestos Liability	-			-	-
Trade Accounts Payable (Pre-Petition)	488			488	488
Intercompany Trade and Loans Payable (Pre-Petition)	1,182			1,182	1,182
Term Loans	-			-	-
Multi-Currency Revolving Credit Facility	-			-	-
Notes due 2004	-			-	-
Notes due 2006	-			-	-
Notes due 2008	-			-	-
Notes due 2009	-			-	-
Notes due 2010	-			-	-
Medium-Term Notes	-			-	-
Senior Notes	-			-	-
Other	-			-	-
Accrued Interest	-			-	-
Other Unsecured Non-Priority Claims	-			-	-
Total Unsecured Non-Priority Claims	1,697			1,697	1,697
Estimated Payout per Dollar of Unsecured Non-Priority Claims				1.00	1.00
Proceeds Remaining for Distribution to Equity Holders				3,299	3,850
Excess (Shortfall of) Net Proceeds vs. Claims				3,299	3,850

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Shoreham Limited
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B) 4,247	100%	100%	4,247	4,247
Accounts Receivable	(C) -	N/A	N/A	-	-
Notes Receivable	(D) -	N/A	N/A	-	-
Other Receivables	(D) -	N/A	N/A	-	-
Inventory	(E) -	N/A	N/A	-	-
Other Current Assets	(F) -	N/A	N/A	-	-
Net Plant, Property & Equipment	(G) -	N/A	N/A	-	-
Other Assets	(H) -	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I) -	N/A	N/A	-	-
Asbestos Insurance Recoverable	(J) -	N/A	N/A	-	-
Intercompany Receivables	(K) -	N/A	N/A	-	-
Going Concern Value of Non-Debtor Legal Entities	(L) -	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M) -	N/A	N/A	-	-
Total Assets Available for Distribution	4,247			4,247	4,247
Less Costs Associated with Liquidation	(N)				
Professional Fees				42	42
Other				-	-
Winddown Costs				-	-
Trustee Fees				-	-
Total Costs Associated with Liquidation				42	42
Net Proceeds Available for Distribution				4,204	4,204
Less: Superpriority Administrative Claims	(O)				
DIP Facility	-			-	-
DIP Letters of Credit	-			-	-
DIP Tranche C	-			-	-
DIP Tranche C Letters of Credit	-			-	-
Taxes	-			-	-
Other	-			-	-
Professional Fees Carve Out	-			-	-
Total Superpriority Administrative Claims	-			-	-
Estimated Payout per Dollar of Superpriority Administrative Claims				-	-
Proceeds Remaining for Distribution				4,204	4,204
Less: Secured Claims	(P)				
Bank Debt and Surety Bonds	-			-	-
Letters of Credit	-			-	-
Total Secured Claims	-			-	-
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution				4,204	4,204
Less: Administrative Claims	(Q)				
Reclamations	-			-	-
Accrued Professional Fees	-			-	-
Adequate Protection Payments	-			-	-
Trade Accounts Payable (Post-Petition)	15			15	15
Intercompany Trade and Loans Payable (Post-Petition)	-			-	-
Accrued Compensation	-			-	-
Other Accrued Liabilities	1,284			1,284	1,284
Other Administrative Claims	-			-	-
Total Administrative Claims	1,279			1,279	1,279
Estimated Payout per Dollar of Administrative Claims				1.00	1.00
Proceeds Remaining for Distribution				2,925	2,925
Less: Priority Unsecured Claims	(R)				
Lease Rejection Claims	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Total Priority Unsecured Claims	-			-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				2,925	2,925
Less Unsecured Non-Priority Claims	(R)				
Executory Contracts	-			-	-
Severance	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Pre-Petition Asbestos Liability	-			-	-
Trade Accounts Payable (Pre-Petition)	-			-	-
Intercompany Trade and Loans Payable (Pre-Petition)	5,206			2,925	2,925
Term Loans	-			-	-
Multi-Currency Revolving Credit Facility	-			-	-
Notes due 2004	-			-	-
Notes due 2006	-			-	-
Notes due 2006	-			-	-
Notes due 2009	-			-	-
Notes due 2010	-			-	-
Medium-Term Notes	-			-	-
Senior Notes	-			-	-
Other	-			-	-
Accrued Interest	-			-	-
Other Unsecured Non-Priority Claims	-			-	-
Total Unsecured Non-Priority Claims	5,206			2,925	2,925
Estimated Payout per Dollar of Unsecured Non-Priority Claims				0.55	0.55
Proceeds Remaining for Distribution to Equity Holders				-	-
Excess (Shortfall of) Net Proceeds vs. Claims				(2,381)	(2,381)

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Piston Rings, Inc.
(in 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B)	-	N/A	N/A	-
Accounts Receivable	(C)	-	N/A	N/A	-
Notes Receivable	(D)	-	N/A	N/A	-
Other Receivables	(D)	3,482	20%	50%	898
Inventory	(E)	8,380	40%	52%	2,639
Other Current Assets	(F)	880	0%	17%	-
Net Plant, Property & Equipment	(G)	62,858	24%	38%	15,319
Other Assets	(H)	-	N/A	N/A	-
Other Intangibles (non-goodwill)	(I)	(220)	0%	0%	-
Asbestos Insurance Recoverable	(J)	-	N/A	N/A	-
Intercompany Receivables	(K)	160,007	0%	0%	18
Going Concern Value of Non-Debtor Legal Entities	(L)	-	N/A	N/A	-
Equity Value of Liquidated Subsidiaries	(M)	-	N/A	N/A	-
Total Assets Available for Distribution		233,166			16,570
Less Costs Associated with Liquidation	(N)				
Professional Fees				186	285
Other				-	-
Winddown Costs				-	-
Trustee Fees				557	884
Total Costs Associated with Liquidation				742	1,178
Net Proceeds Available for Distribution				17,828	28,295
Less: Superpriority Administrative Claims	(O)				
DIP Facility		-		-	-
DIP Letters of Credit		-		-	-
DIP Tranche C		-		-	-
DIP Tranche C Letters of Credit		-		-	-
Taxes		2		2	2
Other		-		-	-
Professional Fees Carve Out		-		-	-
Total Superpriority Administrative Claims		2		2	2
Estimated Payout per Dollar of Superpriority Administrative Claims				1.00	1.00
Proceeds Remaining for Distribution				17,826	28,294
Less: Secured Claims	(P)				
Bank Debt and Surety Bonds		-		17,826	28,294
Letters of Credit		-		-	-
Total Secured Claims		-		17,826	28,294
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution				-	-
Less: Administrative Claims	(Q)				
Reclamations		-		-	-
Accrued Professional Fees		-		-	-
Adequate Protection Payments		-		-	-
Trade Accounts Payable (Post-Petition)		3,153		-	-
Intercompany Trade and Loans Payable (Post-Petition)		-		-	-
Accrued Compensation		2,850		-	-
Other Accrued Liabilities		3,550		-	-
Other Administrative Claims		-		-	-
Total Administrative Claims		9,354		-	-
Estimated Payout per Dollar of Administrative Claims				-	-
Proceeds Remaining for Distribution				-	-
Less: Priority Unsecured Claims	(Q)				
Lease Rejection Claims		-		-	-
Pre-Petition Employee and Tax Obligations		-		-	-
Total Priority Unsecured Claims		-		-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				-	-
Less Unsecured Non-Priority Claims	(R)				
Executory Contracts		-		-	-
Severance		-		-	-
Pre-Petition Employee and Tax Obligations		-		-	-
Pre-Petition Asbestos Liability		-		-	-
Trade Accounts Payable (Pre-Petition)		4,358		-	-
Intercompany Trade and Loans Payable (Pre-Petition)		141,248		-	-
Term Loans		-		-	-
Multi-Currency Revolving Credit Facility		-		-	-
Notes due 2004		-		-	-
Notes due 2006		-		-	-
Notes due 2008		-		-	-
Notes due 2009		-		-	-
Notes due 2010		-		-	-
Medium-Term Notes		-		-	-
Senior Notes		-		-	-
Other		-		-	-
Accrued Interest		-		-	-
Other Unsecured Non-Priority Claims		-		-	-
Total Unsecured Non-Priority Claims		145,808		-	-
Estimated Payout per Dollar of Unsecured Non-Priority Claims				-	-
Proceeds Remaining for Distribution to Equity Holders				-	-
Excess (Shortfall of) Net Proceeds vs. Claims				(137,133)	(128,666)

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Ferodo America, Inc.
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash (B)	-	N/A	N/A	-	-
Accounts Receivable (C)	-	N/A	N/A	-	-
Notes Receivable (D)	-	N/A	N/A	-	-
Other Receivables (D)	-	N/A	N/A	-	-
Inventory (E)	-	N/A	N/A	-	-
Other Current Assets (F)	-	N/A	N/A	-	-
Net Plant, Property & Equipment (G)	-	N/A	N/A	-	-
Other Assets (H)	-	N/A	N/A	-	-
Other Intangibles (non-goodwill) (I)	-	N/A	N/A	-	-
Asbestos Insurance Recoverable (J)	2,010	0%	0%	-	-
Intercompany Receivables (K)	81,245	0%	1%	208	318
Going Concern Value of Non-Debtor Legal Entities (L)	-	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries (M)	-	N/A	N/A	-	-
Total Assets Available for Distribution	83,255			8,297	13,097
Less Costs Associated with Liquidation (N)					
Professional Fees	-	-	-	85	134
Other	-	-	-	-	-
Winddown Costs	-	-	-	-	-
Trustee Fees	-	-	-	-	-
Total Costs Associated with Liquidation				85	134
Net Proceeds Available for Distribution				8,420	13,268
Less: Superpriority Administrative Claims (O)					
DIP Facility	-	-	-	-	-
DIP Letters of Credit	-	-	-	-	-
DIP Tranche C	-	-	-	-	-
DIP Tranche C Letters of Credit	-	-	-	-	-
Taxes	-	-	-	-	-
Other	-	-	-	-	-
Professional Fees Curve Out	-	-	-	-	-
Total Superpriority Administrative Claims					
Estimated Payout per Dollar of Superpriority Administrative Claims				-	-
Proceeds Remaining for Distribution				8,420	13,268
Less: Secured Claims (P)					
Bank Debt and Surety Bonds	8,420	8,420	13,268	8,420	13,268
Letters of Credit	-	-	-	-	-
Total Secured Claims	8,420	8,420	13,268	8,420	13,268
Estimated Payout per Dollar of Secured Claims				1.00	1.00
Proceeds Remaining for Distribution				-	-
Less: Administrative Claims (Q)					
Reclamations	-	-	-	-	-
Accrued Professional Fees	-	-	-	-	-
Adequate Protection Payments	-	-	-	-	-
Trade Accounts Payable (Post-Petition)	-	-	-	-	-
Intercompany Trade and Loans Payable (Post-Petition)	-	-	-	-	-
Accrued Compensation	-	-	-	-	-
Other Accrued Liabilities	-	-	-	-	-
Other Administrative Claims	-	-	-	-	-
Total Administrative Claims					
Estimated Payout per Dollar of Administrative Claims				-	-
Proceeds Remaining for Distribution				-	-
Less: Priority Unsecured Claims (R)					
Lease Rejection Claims	-	-	-	-	-
Pre-Petition Employee and Tax Obligations	-	-	-	-	-
Total Priority Unsecured Claims					
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				-	-
Less Unsecured Non-Priority Claims (R)					
Executory Contracts	-	-	-	-	-
Beverance	-	-	-	-	-
Pre-Petition Employee and Tax Obligations	-	-	-	-	-
Pre-Petition Asbestos Liability	-	-	-	-	-
Trade Accounts Payable (Pre-Petition)	378,400	-	-	-	-
Intercompany Trade and Loans Payable (Pre-Petition)	62,983	-	-	-	-
Term Loans	-	-	-	-	-
Multi-Currency Revolving Credit Facility	-	-	-	-	-
Notes due 2004	-	-	-	-	-
Notes due 2006	-	-	-	-	-
Notes due 2008	-	-	-	-	-
Notes due 2009	-	-	-	-	-
Notes due 2010	-	-	-	-	-
Medium-Term Notes	-	-	-	-	-
Senior Notes	-	-	-	-	-
Other	-	-	-	-	-
Accrued Interest	-	-	-	-	-
Other Unsecured Non-Priority Claims	-	-	-	-	-
Total Unsecured Non-Priority Claims	439,383				
Estimated Payout per Dollar of Unsecured Non-Priority Claims				-	-
Proceeds Remaining for Distribution to Equity Holders				-	-
Excess (Shortfall) of Net Proceeds vs. Claims				(439,383)	(434,534)

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Powertrain, Inc.
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B) -	N/A	N/A	-	-
Accounts Receivable	(C) 4	60%	80%	2	3
Notes Receivable	(D) -	N/A	N/A	-	-
Other Receivables	(D) 2,450	20%	50%	490	1,225
Inventory	(E) 26,237	34%	46%	8,901	12,071
Other Current Assets	(F) 5,122	1%	12%	51	607
Net Plant, Property & Equipment	(G) 177,578	24%	38%	43,276	68,285
Other Assets	(H) -	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I) -	N/A	N/A	-	-
Asbestos Insurance Recoverable	(J) -	N/A	N/A	-	-
Intercompany Receivables	(K) 1,077,236	0%	0%	2,921	2,895
Going Concern Value of Non-Debtor Legal Entities	(L) -	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M) -	N/A	N/A	34	48
Total Assets Available for Distribution	1,288,626			55,677	85,234
Less Costs Associated with Liquidation	(N)				
Professional Fees				557	852
Other				-	-
Winddown Costs				1,817	1,817
Trustee Fees				1,582	2,466
Total Costs Associated with Liquidation				3,756	4,935
Net Proceeds Available for Distribution				51,922	80,299
Less: Superpriority Administrative Claims	(O)				
DIP Facility	-			-	-
DIP Letters of Credit	-			-	-
DIP Tranche C	-			-	-
DIP Tranche C Letters of Credit	-			-	-
Taxes	-			-	-
Other	-			-	-
Professional Fees Carve Out	-			-	-
Total Superpriority Administrative Claims					
Estimated Payout per Dollar of Superpriority Administrative Claims				-	-
Proceeds Remaining for Distribution				51,922	80,299
Less: Secured Claims	(P)	Pessimistic Book Value	Optimistic Book Value		
Bank Debt and Surety Bonds		51,922	80,299	51,922	80,299
Letters of Credit		-	-	-	-
Total Secured Claims		51,922	80,299	51,922	80,299
Estimated Payout per Dollar of Secured Claims				1.00	1.00
Proceeds Remaining for Distribution					
Less: Administrative Claims	(Q)				
Reclamations	-			-	-
Accrued Professional Fees	-			-	-
Adequate Protection Payments	-			-	-
Trade Accounts Payable (Post-Petition)	16,378			-	-
Intercompany Trade and Loans Payable (Post-Petition)	-			-	-
Accrued Compensation	6,321			-	-
Other Accrued Liabilities	3,793			-	-
Other Administrative Claims	4,843			-	-
Total Administrative Claims	33,133				
Estimated Payout per Dollar of Administrative Claims				-	-
Proceeds Remaining for Distribution					
Less: Priority Unsecured Claims	(R)				
Lease Rejection Claims	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Total Priority Unsecured Claims					
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution					
Less Unsecured Non-Priority Claims	(R)				
Executory Contracts	-			-	-
Severance	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Pre-Petition Asbestos Liability	-			-	-
Trade Accounts Payable (Pre-Petition)	22,115			-	-
Intercompany Trade and Loans Payable (Pre-Petition)	457,487			-	-
Term Loans	-			-	-
Multi-Currency Revolving Credit Facility	-			-	-
Notes due 2004	-			-	-
Notes due 2005	-			-	-
Notes due 2006	-			-	-
Notes due 2009	-			-	-
Notes due 2010	-			-	-
Medium-Term Notes	-			-	-
Senior Notes	-			-	-
Other	-			-	-
Accrued Interest	170			-	-
Other Unsecured Non-Priority Claims	19			-	-
Total Unsecured Non-Priority Claims	478,771				
Estimated Payout per Dollar of Unsecured Non-Priority Claims				-	-
Proceeds Remaining for Distribution to Equity Holders					
Excess (Shortfall of) Net Proceeds vs. Claims				(512,803)	(484,528)

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: McCord Sealing Inc.
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash (B)	-	N/A	N/A	-	-
Accounts Receivable (C)	-	N/A	N/A	-	-
Notes Receivable (D)	-	N/A	N/A	-	-
Other Receivables (E)	-	N/A	N/A	-	-
Inventory (F)	-	N/A	N/A	-	-
Other Current Assets (G)	-	N/A	N/A	-	-
Net Plant, Property & Equipment (H)	-	N/A	N/A	-	-
Other Assets (I)	-	N/A	N/A	-	-
Other Intangibles (non-goodwill) (J)	-	N/A	N/A	-	-
Asbestos Insurance Recoverable (K)	20,000	0%	0%	-	-
Intercompany Receivables (L)	-	N/A	N/A	-	-
Going Concern Value of Non-Debtor Legal Entities (M)	-	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	-	-	-	-	-
Total Assets Available for Distribution	20,000				
Less Costs Associated with Liquidation (N)					
Professional Fees	-	-	-	-	-
Other	-	-	-	-	-
Winddown Costs	-	-	-	-	-
Trustee Fees	-	-	-	-	-
Total Costs Associated with Liquidation					
Net Proceeds Available for Distribution					
Less: Superpriority Administrative Claims (O)					
DIP Facility	-	-	-	-	-
DIP Letters of Credit	-	-	-	-	-
DIP Tranche C	-	-	-	-	-
DIP Tranche C Letters of Credit	-	-	-	-	-
Taxes	-	-	-	-	-
Other	-	-	-	-	-
Professional Fees Curve Out	-	-	-	-	-
Total Superpriority Administrative Claims					
Estimated Payout per Dollar of Superpriority Administrative Claims					
Proceeds Remaining for Distribution					
Less: Secured Claims (P)					
Bank Debt and Surety Bonds	-	-	-	-	-
Letters of Credit	-	-	-	-	-
Total Secured Claims					
Estimated Payout per Dollar of Secured Claims					
Proceeds Remaining for Distribution					
Less: Administrative Claims (Q)					
Reclamations	-	-	-	-	-
Accrued Professional Fees	-	-	-	-	-
Adequate Protection Payments	-	-	-	-	-
Trade Accounts Payable (Post-Petition)	-	-	-	-	-
Intercompany Trade and Loans Payable (Post-Petition)	-	-	-	-	-
Accrued Compensation	-	-	-	-	-
Other Accrued Liabilities	-	-	-	-	-
Other Administrative Claims	-	-	-	-	-
Total Administrative Claims					
Estimated Payout per Dollar of Administrative Claims					
Proceeds Remaining for Distribution					
Less: Priority Unsecured Claims (R)					
Lease Rejection Claims	-	-	-	-	-
Pre-Petition Employee and Tax Obligations	-	-	-	-	-
Total Priority Unsecured Claims					
Estimated Payout per Dollar of Priority Unsecured Claims					
Proceeds Remaining for Distribution					
Less Unsecured Non-Priority Claims (S)					
Executory Contracts	-	-	-	-	-
Severance	-	-	-	-	-
Pre-Petition Employee and Tax Obligations	-	-	-	-	-
Pre-Petition Asbestos Liability	-	-	-	-	-
Trade Accounts Payable (Pre-Petition)	-	-	-	-	-
Intercompany Trade and Loans Payable (Pre-Petition)	-	-	-	-	-
Term Loans	-	-	-	-	-
Multi-Currency Revolving Credit Facility	-	-	-	-	-
Notes due 2004	-	-	-	-	-
Notes due 2005	-	-	-	-	-
Notes due 2006	-	-	-	-	-
Notes due 2009	-	-	-	-	-
Notes due 2010	-	-	-	-	-
Medium-Term Notes	-	-	-	-	-
Senior Notes	-	-	-	-	-
Other	-	-	-	-	-
Accrued Interest	-	-	-	-	-
Other Unsecured Non-Priority Claims	-	-	-	-	-
Total Unsecured Non-Priority Claims					
Estimated Payout per Dollar of Unsecured Non-Priority Claims					
Proceeds Remaining for Distribution to Equity Holders					
Excess (Shortfall) of Net Proceeds vs. Claims					

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal Mogul Ignition Company
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash (B)	2	100%	100%	2	2
Accounts Receivable (C)	1,828	57%	77%	1,102	1,489
Notes Receivable (D)	-	N/A	N/A	-	-
Other Receivables (D)	2,680	20%	50%	536	1,340
Inventory (E)	105,595	40%	52%	41,714	55,180
Other Current Assets (F)	11,081	10%	20%	1,098	2,228
Net Plant, Property & Equipment (G)	110,545	24%	38%	26,577	41,879
Other Assets (H)	-	N/A	N/A	-	-
Other Intangibles (non-goodwill) (I)	144,842	5%	20%	7,232	28,928
Asbestos Insurance Recoverable (J)	-	N/A	N/A	-	-
Intercompany Receivables (K)	150,381	24%	28%	36,385	39,575
Going Concern Value of Non-Debtor Legal Entities (L)	-	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries (M)	-	N/A	N/A	54,205	79,693
Total Assets Available for Distribution	528,810			168,848	250,431
Less Costs Associated with Liquidation (N)					
Professional Fees				1,688	2,504
Other				-	-
Winddown Costs				6,439	6,439
Trustee Fees				2,348	3,935
Total Costs Associated with Liquidation				10,475	12,878
Net Proceeds Available for Distribution				158,373	237,553
Less: Superpriority Administrative Claims (O)					
DIP Facility	50,000			50,000	50,000
DIP Letters of Credit	-			-	-
DIP Tranche C	-			-	-
DIP Tranche C Letters of Credit	-			-	-
Taxes	-			-	-
Other	-			-	-
Professional Fees Carve Out	-			-	-
Total Superpriority Administrative Claims	50,000			50,000	50,000
Estimated Payout per Dollar of Superpriority Administrative Claims				1.00	1.00
Proceeds Remaining for Distribution				108,373	187,553
Less: Secured Claims (P)					
Bank Debt and Surety Bonds	108,373	108,373	187,553	108,373	187,553
Letters of Credit	-	-	-	-	-
Total Secured Claims	108,373	108,373	187,553	108,373	187,553
Estimated Payout per Dollar of Secured Claims				1.00	1.00
Proceeds Remaining for Distribution				-	-
Less: Administrative Claims (Q)					
Reclamations	-	-	-	-	-
Accrued Professional Fees	-	-	-	-	-
Adequate Protection Payments	-	-	-	-	-
Trade Accounts Payable (Post-Petition)	12,603	-	-	-	-
Intercompany Trade and Loans Payable (Post-Petition)	-	-	-	-	-
Accrued Compensation	2,645	-	-	-	-
Other Accrued Liabilities	5,287	-	-	-	-
Other Administrative Claims	74	-	-	-	-
Total Administrative Claims	20,589	-	-	-	-
Estimated Payout per Dollar of Administrative Claims				-	-
Proceeds Remaining for Distribution				-	-
Less: Priority Unsecured Claims (Q)					
Lease Rejection Claims	-	-	-	-	-
Pre-Petition Employee and Tax Obligations	-	-	-	-	-
Total Priority Unsecured Claims	-	-	-	-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				-	-
Less Unsecured Non-Priority Claims (R)					
Executory Contracts	-	-	-	-	-
Severance	-	-	-	-	-
Pre-Petition Employee and Tax Obligations	-	-	-	-	-
Pre-Petition Asbestos Liability	-	-	-	-	-
Trade Accounts Payable (Pre-Petition)	32,856	-	-	-	-
Intercompany Trade and Loans Payable (Pre-Petition)	314,493	-	-	-	-
Term Loans	-	-	-	-	-
Multi-Currency Revolving Credit Facility	-	-	-	-	-
Notes due 2004	-	-	-	-	-
Notes due 2006	-	-	-	-	-
Notes due 2008	-	-	-	-	-
Notes due 2009	-	-	-	-	-
Notes due 2010	-	-	-	-	-
Medium-Term Notes	-	-	-	-	-
Senior Notes	-	-	-	-	-
Other	-	-	-	-	-
Accrued Interest	-	-	-	-	-
Other Unsecured Non-Priority Claims	-	-	-	-	-
Total Unsecured Non-Priority Claims	347,148	-	-	-	-
Estimated Payout per Dollar of Unsecured Non-Priority Claims				-	-
Proceeds Remaining for Distribution to Equity Holders				-	-
Excess (Shortfall of) Net Proceeds vs. Claims				(367,738)	(288,557)

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Products, Inc.
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B)	-	N/A	-	-
Accounts Receivable	(C)	(0)	0%	-	-
Notes Receivable	(D)	-	N/A	-	-
Other Receivables	(D)	237	20%	47	119
Inventory	(E)	168,167	38%	62,345	64,431
Other Current Assets	(F)	12,290	9%	1,078	2,351
Net Plant, Property & Equipment	(G)	290,753	12%	31,803	50,292
Other Assets	(H)	-	N/A	-	-
Other Intangibles (non-goodwill)	(I)	81,708	5%	4,085	16,342
Asbestos Insurance Recoverable	(J)	169,262	0%	-	-
Intercompany Receivables	(K)	805,104	18%	125,359	151,359
Going Concern Value of Non-Debtor Legal Entities	(L)	-	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M)	-	N/A	-	-
Total Assets Available for Distribution		1,496,521		224,618	304,694
Less Costs Associated with Liquidation	(N)				
Professional Fees				2,246	3,049
Other				-	-
Winddown Costs				21,577	21,577
Trustee Fees				2,984	4,606
Total Costs Associated with Liquidation				26,809	29,232
Net Proceeds Available for Distribution				198,009	275,662
Less: Superpriority Administrative Claims	(O)				
DIP Facility		100,000		100,000	100,000
DIP Letters of Credit		-		-	-
DIP Tranche C		-		-	-
DIP Tranche C Letters of Credit		-		-	-
Taxes		-		-	-
Other		-		-	-
Professional Fees Curve Out		-		-	-
Total Superpriority Administrative Claims		100,000		100,000	100,000
Estimated Payout per Dollar of Superpriority Administrative Claims				1.00	1.00
Proceeds Remaining for Distribution				98,009	175,662
Less: Secured Claims	(P)				
Bank Debt and Surety Bonds		98,009	175,662	98,009	175,662
Letters of Credit		-	-	-	-
Total Secured Claims		98,009	175,662	98,009	175,662
Estimated Payout per Dollar of Secured Claims				1.00	1.00
Proceeds Remaining for Distribution				-	-
Less: Administrative Claims	(Q)				
Reclamations		-		-	-
Accrued Professional Fees		-		-	-
Adequate Protection Payments		-		-	-
Trade Accounts Payable (Post-Petition)		22,038		-	-
Intercompany Trade and Loans Payable (Post-Petition)		-		-	-
Accrued Compensation		10,114		-	-
Other Accrued Liabilities		4,758		-	-
Other Administrative Claims		5,694		-	-
Total Administrative Claims		42,602		-	-
Estimated Payout per Dollar of Administrative Claims				-	-
Proceeds Remaining for Distribution				-	-
Less: Priority Unsecured Claims	(R)				
Lease Rejection Claims		-		-	-
Pre-Petition Employee and Tax Obligations		-		-	-
Total Priority Unsecured Claims		-		-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				-	-
Less Unsecured Non-Priority Claims	(R)				
Executory Contracts		-		-	-
Severance		-		-	-
Pre-Petition Employee and Tax Obligations		-		-	-
Pre-Petition Asbestos Liability		728,700		-	-
Trade Accounts Payable (Pre-Petition)		55,841		-	-
Intercompany Trade and Loans Payable (Pre-Petition)		847,152		-	-
Term Loans		-		-	-
Multi-Currency Revolving Credit Facility		-		-	-
Notes due 2004		-		-	-
Notes due 2006		-		-	-
Notes due 2008		-		-	-
Notes due 2009		-		-	-
Notes due 2010		-		-	-
Medium-Term Notes		-		-	-
Senior Notes		-		-	-
Other		-		-	-
Accrued Interest		-		-	-
Other Unsecured Non-Priority Claims		-		-	-
Total Unsecured Non-Priority Claims		1,322,793		-	-
Estimated Payout per Dollar of Unsecured Non-Priority Claims				-	-
Proceeds Remaining for Distribution to Equity Holders				-	-
Excess (Shortfall) of Net Proceeds vs. Claims				(1,775,595)	(1,897,942)

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Global Growth Limited
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B) 7,091	100%	100%	7,091	7,091
Accounts Receivable	(C) -	N/A	N/A	-	-
Notes Receivable	(D) -	N/A	N/A	-	-
Other Receivables	(E) -	N/A	N/A	-	-
Inventory	(F) -	N/A	N/A	-	-
Other Current Assets	(G) -	N/A	N/A	-	-
Net Plant, Property & Equipment	(H) -	N/A	N/A	-	-
Other Assets	(I) -	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(J) -	N/A	N/A	-	-
Asbestos Insurance Recoverable	(K) -	N/A	N/A	-	-
Intercompany Receivables	(L) 477,042	8%	8%	26,439	36,280
Going Concern Value of Non-Debtor Legal Entities	(M) -	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(N) -	N/A	N/A	-	-
Total Assets Available for Distribution	484,132			33,530	43,381
Less Costs Associated with Liquidation	(O)				
Professional Fees				335	434
Other				-	-
Winddown Costs				-	-
Trustee Fees				-	-
Total Costs Associated with Liquidation				335	434
Net Proceeds Available for Distribution				33,195	42,947
Less: Superpriority Administrative Claims	(P)				
DIP Facility	-			-	-
DIP Letters of Credit	-			-	-
DIP Tranche C	-			-	-
DIP Tranche C Letters of Credit	-			-	-
Taxes	18			18	18
Other	-			-	-
Professional Fees Carve Out	-			-	-
Total Superpriority Administrative Claims	18			18	18
Estimated Payout per Dollar of Superpriority Administrative Claims				1.00	1.00
Proceeds Remaining for Distribution				33,179	42,932
Less: Secured Claims	(Q)				
Bank Debt and Surety Bonds	-			-	-
Letters of Credit	-			-	-
Total Secured Claims	-			-	-
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution				33,179	42,932
Less: Administrative Claims	(R)				
Reclamations	-			-	-
Accrued Professional Fees	-			-	-
Adequate Protection Payments	-			-	-
Trade Accounts Payable (Post-Petition)	-			-	-
Intercompany Trade and Loans Payable (Post-Petition)	-			-	-
Accrued Compensation	-			-	-
Other Accrued Liabilities	-			-	-
Other Administrative Claims	-			-	-
Total Administrative Claims	-			-	-
Estimated Payout per Dollar of Administrative Claims				-	-
Proceeds Remaining for Distribution				33,179	42,932
Less: Priority Unsecured Claims	(S)				
Lease Rejection Claims	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Total Priority Unsecured Claims	-			-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				33,179	42,932
Less Unsecured Non-Priority Claims	(T)				
Executory Contracts	-			-	-
Severance	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Pre-Petition Asbestos Liability	-			-	-
Trade Accounts Payable (Pre-Petition)	-			-	-
Intercompany Trade and Loans Payable (Pre-Petition)	2,875,482			33,169	42,918
Term Loans	-			-	-
Multi-Currency Revolving Credit Facility	-			-	-
Notes due 2004	-			-	-
Notes due 2006	-			-	-
Notes due 2008	-			-	-
Notes due 2009	-			-	-
Notes due 2010	-			-	-
Medium-Term Notes	-			-	-
Senior Notes	-			-	-
Other	-			-	-
Accrued Interest	-			-	-
Other Unsecured Non-Priority Claims	845			10	14
Total Unsecured Non-Priority Claims	2,878,337			33,179	42,932
Estimated Payout per Dollar of Unsecured Non-Priority Claims				0.01	0.02
Proceeds Remaining for Distribution to Equity Holders				-	-
Excess (Shortfall of) Net Proceeds vs. Claims				(2,843,158)	(2,833,406)

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: AE Limited
(In 000's)

	Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
			Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B)	2	100%	100%	2	2
Accounts Receivable	(C)	-	N/A	N/A	-	-
Notes Receivable	(D)	-	N/A	N/A	-	-
Other Receivables	(D)	-	N/A	N/A	-	-
Inventory	(E)	-	N/A	N/A	-	-
Other Current Assets	(F)	-	N/A	N/A	-	-
Net Plant, Property & Equipment	(G)	-	N/A	N/A	-	-
Other Assets	(H)	-	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I)	-	N/A	N/A	-	-
Asbestos Insurance Recoverable	(J)	-	N/A	N/A	-	-
Intercompany Receivables	(K)	211,941	3%	5%	6,412	9,742
Going Concern Value of Non-Debtor Legal Entities	(L)	-	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M)	-	N/A	N/A	15,976	19,080
Total Assets Available for Distribution		211,943			22,390	28,804
Less: Costs Associated with Liquidation	(N)					
Professional Fees					224	288
Other					-	-
Winddown Costs					-	-
Trustee Fees					-	-
Total Costs Associated with Liquidation					224	288
Net Proceeds Available for Distribution					22,166	28,516
Less: Superpriority Administrative Claims	(O)					
DIP Facility		-			-	-
DIP Letters of Credit		-			-	-
DIP Tranche C		-			-	-
DIP Tranche C Letters of Credit		-			-	-
Taxes		-			-	-
Other		-			-	-
Professional Fees Carve Out		-			-	-
Total Superpriority Administrative Claims		-			-	-
Estimated Payout per Dollar of Superpriority Administrative Claims					-	-
Proceeds Remaining for Distribution					22,166	28,516
Less: Secured Claims	(P)					
Bank Debt and Surety Bonds		-			-	-
Letters of Credit		-			-	-
Total Secured Claims		-			-	-
Estimated Payout per Dollar of Secured Claims					-	-
Proceeds Remaining for Distribution					22,166	28,516
Less: Administrative Claims	(Q)					
Reclamations		-			-	-
Accrued Professional Fees		-			-	-
Adequate Protection Payments		-			-	-
Trade Accounts Payable (Post-Petition)		-			-	-
Intercompany Trade and Loans Payable (Post-Petition)		-			-	-
Accrued Compensation		-			-	-
Other Accrued Liabilities		0			0	0
Other Administrative Claims		-			-	-
Total Administrative Claims		0			0	0
Estimated Payout per Dollar of Administrative Claims					1.00	1.00
Proceeds Remaining for Distribution					22,166	28,516
Less: Priority Unsecured Claims	(Q)					
Lease Rejection Claims		-			-	-
Pre-Petition Employee and Tax Obligations		-			-	-
Total Priority Unsecured Claims		-			-	-
Estimated Payout per Dollar of Priority Unsecured Claims					-	-
Proceeds Remaining for Distribution					22,166	28,516
Less Unsecured Non-Priority Claims	(R)					
Executory Contracts		-			-	-
Severance		-			-	-
Pre-Petition Employee and Tax Obligations		-			-	-
Pre-Petition Asbestos Liability		-			-	-
Trade Accounts Payable (Pre-Petition)		-			-	-
Intercompany Trade and Loans Payable (Pre-Petition)		-			-	-
Term Loans		-			-	-
Multi-Currency Revolving Credit Facility		-			-	-
Notes due 2004		-			-	-
Notes due 2006		-			-	-
Notes due 2008		-			-	-
Notes due 2009		-			-	-
Notes due 2010		-			-	-
Medium-Term Notes		-			-	-
Senior Notes		-			-	-
Other		-			-	-
Accrued Interest		-			-	-
Other Unsecured Non-Priority Claims		-			-	-
Total Unsecured Non-Priority Claims		-			-	-
Estimated Payout per Dollar of Unsecured Non-Priority Claims					-	-
Proceeds Remaining for Distribution to Equity Holders					22,166	28,516
Excess (Shortfall of) Net Proceeds vs. Claims					22,166	28,518

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul World Wide, Inc.
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash (B)	-	N/A	N/A	-	-
Accounts Receivable (C)	-	N/A	N/A	-	-
Notes Receivable (D)	-	N/A	N/A	-	-
Other Receivables (D)	-	N/A	N/A	-	-
Inventory (E)	-	N/A	N/A	-	-
Other Current Assets (F)	-	N/A	N/A	-	-
Net Plant, Property & Equipment (G)	1,148	88%	130%	991	1,481
Other Assets (H)	-	N/A	N/A	-	-
Other Intangibles (non-goodwill) (I)	1	5%	20%	0	0
Asbestos Insurance Recoverable (J)	-	N/A	N/A	-	-
Intercompany Receivables (K)	397,995	0%	0%	132	189
Going Concern Value of Non-Debtor Legal Entities (L)	-	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries (M)	-	N/A	N/A	-	-
Total Assets Available for Distribution	389,142			1,123	1,680
Less Costs Associated with Liquidation (N)					
Professional Fees				11	17
Other				-	-
Winddown Costs				115	115
Trustee Fees				30	45
Total Costs Associated with Liquidation				156	177
Net Proceeds Available for Distribution				967	1,504
Less: Superpriority Administrative Claims (O)					
DIP Facility	-			-	-
DIP Letters of Credit	-			-	-
DIP Tranche C	-			-	-
DIP Tranche C Letters of Credit	-			-	-
Taxes	11,182			967	1,504
Other	-			-	-
Professional Fees Carve Out	-			-	-
Total Superpriority Administrative Claims	11,182			967	1,504
Estimated Payout per Dollar of Superpriority Administrative Claims				0.09	0.13
Proceeds Remaining for Distribution					
Less: Secured Claims (P)		Pessimistic Book Value	Optimistic Book Value		
Bank Debt and Surety Bonds	-	-	-	-	-
Letters of Credit	-	-	-	-	-
Total Secured Claims	-	-	-	-	-
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution					
Less: Administrative Claims (Q)					
Reclamations	-	-	-	-	-
Accrued Professional Fees	-	-	-	-	-
Adequate Protection Payments	-	-	-	-	-
Trade Accounts Payable (Post-Petition)	-	-	-	-	-
Intercompany Trade and Loans Payable (Post-Petition)	-	-	-	-	-
Accrued Compensation	6	-	-	-	-
Other Accrued Liabilities	-	-	-	-	-
Other Administrative Claims	-	-	-	-	-
Total Administrative Claims	6	-	-	-	-
Estimated Payout per Dollar of Administrative Claims				-	-
Proceeds Remaining for Distribution					
Less: Priority Unsecured Claims (R)					
Less: Rejection Claims	-	-	-	-	-
Pre-Petition Employee and Tax Obligations	-	-	-	-	-
Total Priority Unsecured Claims	-	-	-	-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution					
Less Unsecured Non-Priority Claims (R)					
Executory Contracts	-	-	-	-	-
Severance	-	-	-	-	-
Pre-Petition Employee and Tax Obligations	-	-	-	-	-
Pre-Petition Asbestos Liability	-	-	-	-	-
Trade Accounts Payable (Pre-Petition)	-	-	-	-	-
Intercompany Trade and Loans Payable (Pre-Petition)	23,037	-	-	-	-
Term Loans	-	-	-	-	-
Multi-Currency Revolving Credit Facility	-	-	-	-	-
Notes due 2004	-	-	-	-	-
Notes due 2005	-	-	-	-	-
Notes due 2006	-	-	-	-	-
Notes due 2009	-	-	-	-	-
Notes due 2010	-	-	-	-	-
Medium-Term Notes	-	-	-	-	-
Senior Notes	-	-	-	-	-
Other	-	-	-	-	-
Accrued Interest	-	-	-	-	-
Other Unsecured Non-Priority Claims	-	-	-	-	-
Total Unsecured Non-Priority Claims	23,037	-	-	-	-
Estimated Payout per Dollar of Unsecured Non-Priority Claims				-	-
Proceeds Remaining for Distribution to Equity Holders					
Excess (Shortfall) of Net Proceeds vs. Claims				(33,259)	(32,721)

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Venture Corporation
(in \$'000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B)	-	N/A	N/A	-
Accounts Receivable	(C)	-	N/A	N/A	-
Notes Receivable	(D)	-	N/A	N/A	-
Other Receivables	(D)	-	N/A	N/A	-
Inventory	(E)	-	N/A	N/A	-
Other Current Assets	(F)	-	N/A	N/A	-
Net Plant, Property & Equipment	(G)	-	N/A	N/A	-
Other Assets	(H)	(17)	0%	0%	-
Other Intangibles (non-goodwill)	(I)	-	N/A	N/A	-
Asbestos Insurance Recoverable	(J)	-	N/A	N/A	-
Intercompany Receivables	(K)	4,110	0%	0%	-
Going Concern Value of Non-Debtor Legal Entities	(L)	-	N/A	N/A	-
Equity Value of Liquidated Subsidiaries	(M)	-	N/A	N/A	-
Total Assets Available for Distribution		4,093			
Less Costs Associated with Liquidation	(N)				
Professional Fees				-	-
Other				-	-
Winddown Costs				-	-
Trustee Fees				-	-
Total Costs Associated with Liquidation					
Net Proceeds Available for Distribution					
Less: Superpriority Administrative Claims	(O)				
DIP Facility		-		-	-
DIP Letters of Credit		-		-	-
DIP Tranche C		-		-	-
DIP Tranche C Letters of Credit		-		-	-
Taxes		1,081		-	-
Other		-		-	-
Professional Fees Carve Out		-		-	-
Total Superpriority Administrative Claims		1,081			
Estimated Payout per Dollar of Superpriority Administrative Claims					
Proceeds Remaining for Distribution					
Less: Secured Claims	(P)	Pessimistic Book Value	Optimistic Book Value		
Bank Debt and Surety Bonds		-	-	-	-
Letters of Credit		-	-	-	-
Total Secured Claims					
Estimated Payout per Dollar of Secured Claims					
Proceeds Remaining for Distribution					
Less: Administrative Claims	(Q)				
Reclamations		-		-	-
Accrued Professional Fees		-		-	-
Adequate Protection Payments		-		-	-
Trade Accounts Payable (Post-Petition)		-		-	-
Intercompany Trade and Loans Payable (Post-Petition)		-		-	-
Accrued Compensation		-		-	-
Other Accrued Liabilities		399		-	-
Other Administrative Claims		-		-	-
Total Administrative Claims		399			
Estimated Payout per Dollar of Administrative Claims					
Proceeds Remaining for Distribution					
Less: Priority Unsecured Claims	(Q)				
Lease Rejection Claims		-		-	-
Pre-Petition Employee and Tax Obligations		-		-	-
Total Priority Unsecured Claims					
Estimated Payout per Dollar of Priority Unsecured Claims					
Proceeds Remaining for Distribution					
Less Unsecured Non-Priority Claims	(R)				
Executory Contracts		-		-	-
Severance		-		-	-
Pre-Petition Employee and Tax Obligations		-		-	-
Pre-Petition Asbestos Liability		-		-	-
Trade Accounts Payable (Pre-Petition)		-		-	-
Intercompany Trade and Loans Payable (Pre-Petition)		-		-	-
Term Loans		-		-	-
Multi-Currency Revolving Credit Facility		-		-	-
Notes due 2004		-		-	-
Notes due 2006		-		-	-
Notes due 2008		-		-	-
Notes due 2009		-		-	-
Notes due 2010		-		-	-
Medium-Term Notes		-		-	-
Senior Notes		-		-	-
Other		-		-	-
Accrued Interest		-		-	-
Other Unsecured Non-Priority Claims		-		-	-
Total Unsecured Non-Priority Claims					
Estimated Payout per Dollar of Unsecured Non-Priority Claims					
Proceeds Remaining for Distribution to Equity Holders					
Excess (Shortfall of) Net Proceeds vs. Claims				(1,480)	(1,480)

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Felt Products Manufacturing Co.
(In 000's)

	Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
			Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B)	-	N/A	N/A	-	-
Accounts Receivable	(C)	-	N/A	N/A	-	-
Notes Receivable	(D)	-	N/A	N/A	-	-
Other Receivables	(D)	-	N/A	N/A	-	-
Inventory	(E)	-	N/A	N/A	-	-
Other Current Assets	(F)	-	N/A	N/A	-	-
Net Plant, Property & Equipment	(G)	-	N/A	N/A	-	-
Other Assets	(H)	-	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I)	-	N/A	N/A	-	-
Asbestos Insurance Recoverable	(J)	-	N/A	N/A	-	-
Intercompany Receivables	(K)	-	N/A	N/A	-	-
Going Concern Value of Non-Debtor Legal Entities	(L)	-	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M)	-	N/A	N/A	-	-
Total Assets Available for Distribution		-			-	-
Less Costs Associated with Liquidation	(N)					
Professional Fees					-	-
Other					-	-
Winddown Costs					-	-
Trustee Fees					-	-
Total Costs Associated with Liquidation					-	-
Net Proceeds Available for Distribution					-	-
Less: Superpriority Administrative Claims	(O)					
DIP Facility		-			-	-
DIP Letters of Credit		-			-	-
DIP Tranche C		-			-	-
DIP Tranche C Letters of Credit		-			-	-
Texas		-			-	-
Other		-			-	-
Professional Fees Carve Out		-			-	-
Total Superpriority Administrative Claims		-			-	-
Estimated Payout per Dollar of Superpriority Administrative Claims					-	-
Proceeds Remaining for Distribution					-	-
Less: Secured Claims	(P)					
Bank Debt and Surety Bonds		-			-	-
Letters of Credit		-			-	-
Total Secured Claims		-			-	-
Estimated Payout per Dollar of Secured Claims					-	-
Proceeds Remaining for Distribution					-	-
Less: Administrative Claims	(Q)					
Reclamations		-			-	-
Accrued Professional Fees		-			-	-
Adequate Protection Payments		-			-	-
Trade Accounts Payable (Post-Petition)		-			-	-
Intercompany Trade and Loans Payable (Post-Petition)		-			-	-
Accrued Compensation		-			-	-
Other Accrued Liabilities		-			-	-
Other Administrative Claims		-			-	-
Total Administrative Claims		-			-	-
Estimated Payout per Dollar of Administrative Claims					-	-
Proceeds Remaining for Distribution					-	-
Less: Priority Unsecured Claims	(Q)					
Lease Rejection Claims		-			-	-
Pre-Petition Employee and Tax Obligations		-			-	-
Total Priority Unsecured Claims		-			-	-
Estimated Payout per Dollar of Priority Unsecured Claims					-	-
Proceeds Remaining for Distribution					-	-
Less Unsecured Non-Priority Claims	(R)					
Executory Contracts		-			-	-
Severance		-			-	-
Pre-Petition Employee and Tax Obligations		-			-	-
Pre-Petition Asbestos Liability		-			-	-
Trade Accounts Payable (Pre-Petition)		-			-	-
Intercompany Trade and Loans Payable (Pre-Petition)		-			-	-
Term Loans		-			-	-
Multi-Currency Revolving Credit Facility		-			-	-
Notes due 2004		-			-	-
Notes due 2006		-			-	-
Notes due 2008		-			-	-
Notes due 2009		-			-	-
Notes due 2010		-			-	-
Medium-Term Notes		-			-	-
Senior Notes		-			-	-
Other		-			-	-
Accrued Interest		-			-	-
Other Unsecured Non-Priority Claims		-			-	-
Total Unsecured Non-Priority Claims		1,346			-	-
Estimated Payout per Dollar of Unsecured Non-Priority Claims					-	-
Proceeds Remaining for Distribution to Equity Holders					-	-
Excess (Shortfall) of Net Proceeds vs. Claims					(1,346)	(1,346)

Federal-Mogul Corporation
Liquidation Analysis
 Debtor Name: FM International, LLC (formation 4/13/00)
 (In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B)	-	N/A	N/A	-
Accounts Receivable	(C)	-	N/A	N/A	-
Notes Receivable	(D)	-	N/A	N/A	-
Other Receivables	(E)	-	N/A	N/A	-
Inventory	(F)	-	N/A	N/A	-
Other Current Assets	(G)	-	N/A	N/A	-
Net Plant, Property & Equipment	(H)	-	N/A	N/A	-
Other Assets	(I)	-	N/A	N/A	-
Other Intangibles (non-goodwill)	(J)	-	N/A	N/A	-
Asbestos Insurance Recoverable	(K)	-	N/A	N/A	-
Intercompany Receivables	(L)	-	N/A	N/A	-
Going Concern Value of Non-Debtor Legal Entities	(M)	-	N/A	N/A	-
Equity Value of Liquidated Subsidiaries		-	N/A	N/A	-
Total Assets Available for Distribution		-			-
Less Costs Associated with Liquidation	(N)				
Professional Fees		-	-	-	-
Other		-	-	-	-
Winddown Costs		-	-	-	-
Trustee Fees		-	-	-	-
Total Costs Associated with Liquidation		-	-	-	-
Net Proceeds Available for Distribution		-	-	-	-
Less: Superpriority Administrative Claims	(O)				
DIP Facility		-	-	-	-
DIP Letters of Credit		-	-	-	-
DIP Tranche C		-	-	-	-
DIP Tranche C Letters of Credit		-	-	-	-
Taxes		-	-	-	-
Other		-	-	-	-
Professional Fees Carve Out		-	-	-	-
Total Superpriority Administrative Claims		-	-	-	-
Estimated Payout per Dollar of Superpriority Administrative Claims				-	-
Proceeds Remaining for Distribution		-	-	-	-
Less: Secured Claims	(P)				
Bank Debt and Surety Bonds		-	-	-	-
Letters of Credit		-	-	-	-
Total Secured Claims		-	-	-	-
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution		-	-	-	-
Less: Administrative Claims	(Q)				
Reclamations		-	-	-	-
Accrued Professional Fees		-	-	-	-
Adequate Protection Payments		-	-	-	-
Trade Accounts Payable (Post-Petition)		-	-	-	-
Intercompany Trade and Loans Payable (Post-Petition)		-	-	-	-
Accrued Compensation		-	-	-	-
Other Accrued Liabilities		-	-	-	-
Other Administrative Claims		-	-	-	-
Total Administrative Claims		-	-	-	-
Estimated Payout per Dollar of Administrative Claims				-	-
Proceeds Remaining for Distribution		-	-	-	-
Less: Priority Unsecured Claims	(R)				
Lease Rejection Claims		-	-	-	-
Pre-Petition Employee and Tax Obligations		-	-	-	-
Total Priority Unsecured Claims		-	-	-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution		-	-	-	-
Less Unsecured Non-Priority Claims	(S)				
Executory Contracts		-	-	-	-
Severance		-	-	-	-
Pre-Petition Employee and Tax Obligations		-	-	-	-
Pre-Petition Asbestos Liability		-	-	-	-
Trade Accounts Payable (Pre-Petition)		-	-	-	-
Intercompany Trade and Loans Payable (Pre-Petition)		-	-	-	-
Term Loans		-	-	-	-
Multi-Currency Revolving Credit Facility		-	-	-	-
Notes due 2004		-	-	-	-
Notes due 2005		-	-	-	-
Notes due 2006		-	-	-	-
Notes due 2009		-	-	-	-
Notes due 2010		-	-	-	-
Medium-Term Notes		-	-	-	-
Senior Notes		-	-	-	-
Other		-	-	-	-
Accrued Interest		-	-	-	-
Other Unsecured Non-Priority Claims		-	-	-	-
Total Unsecured Non-Priority Claims		-	-	-	-
Estimated Payout per Dollar of Unsecured Non-Priority Claims				-	-
Proceeds Remaining for Distribution to Equity Holders		-	-	-	-
Excess (Shortfall) of Net Proceeds vs. Claims		-	-	-	-

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul U.K. Holdings, Inc.
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount		
		Pessimistic	Optimistic	Pessimistic	Optimistic	
Cash	(B)	-	N/A	N/A	-	-
Accounts Receivable	(C)	-	N/A	N/A	-	-
Notes Receivable	(D)	-	N/A	N/A	-	-
Other Receivables	(D)	-	N/A	N/A	-	-
Inventory	(E)	-	N/A	N/A	-	-
Other Current Assets	(F)	-	N/A	N/A	-	-
Net Plant, Property & Equipment	(G)	-	N/A	N/A	-	-
Other Assets	(H)	-	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I)	-	N/A	N/A	-	-
Asbestos Insurance Recoverable	(J)	-	N/A	N/A	-	-
Intercompany Receivables	(K)	348,388	0%	0%	1	1
Going Concern Value of Non-Debtor Legal Entities	(L)	-	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M)	-	N/A	N/A	-	-
Total Assets Available for Distribution		348,388			1	1
Less Costs Associated with Liquidation	(N)					
Professional Fees				0		0
Other				-		-
Winddown Costs				-		-
Trustee Fees				-		-
Total Costs Associated with Liquidation				0		0
Net Proceeds Available for Distribution				1		1
Less: Superpriority Administrative Claims	(O)					
DIP Facility		-		-		-
DIP Letters of Credit		-		-		-
DIP Tranche C		-		-		-
DIP Tranche C Letters of Credit		-		-		-
Taxes		-		-		-
Other		-		-		-
Professional Fees Curve Out		-		-		-
Total Superpriority Administrative Claims		-		-		-
Estimated Payout per Dollar of Superpriority Administrative Claims				-		-
Proceeds Remaining for Distribution				1		1
Less: Secured Claims	(P)					
Bank Debt and Surety Bonds		1	1	1		1
Letters of Credit		-	-	-		-
Total Secured Claims		1	1	1		1
Estimated Payout per Dollar of Secured Claims				1.00		1.00
Proceeds Remaining for Distribution				-		-
Less: Administrative Claims	(Q)					
Reclamations		-		-		-
Accrued Professional Fees		-		-		-
Adequate Protection Payments		-		-		-
Trade Accounts Payable (Post-Petition)		-		-		-
Intercompany Trade and Loans Payable (Post-Petition)		-		-		-
Accrued Compensation		-		-		-
Other Accrued Liabilities		-		-		-
Other Administrative Claims		-		-		-
Total Administrative Claims		-		-		-
Estimated Payout per Dollar of Administrative Claims				-		-
Proceeds Remaining for Distribution				-		-
Less: Priority Unsecured Claims	(Q)					
Lease Rejection Claims		-		-		-
Pre-Petition Employee and Tax Obligations		-		-		-
Total Priority Unsecured Claims		-		-		-
Estimated Payout per Dollar of Priority Unsecured Claims				-		-
Proceeds Remaining for Distribution				-		-
Less Unsecured Non-Priority Claims	(R)					
Executory Contracts		-		-		-
Severance		-		-		-
Pre-Petition Employee and Tax Obligations		-		-		-
Pre-Petition Asbestos Liability		-		-		-
Trade Accounts Payable (Pre-Petition)		-		-		-
Intercompany Trade and Loans Payable (Pre-Petition)		11,520		-		-
Term Loans		-		-		-
Multi-Currency Revolving Credit Facility		-		-		-
Notes due 2004		-		-		-
Notes due 2006		-		-		-
Notes due 2006		-		-		-
Notes due 2009		-		-		-
Notes due 2010		-		-		-
Medium-Term Notes		-		-		-
Senior Notes		-		-		-
Other		-		-		-
Accrued Interest		-		-		-
Other Unsecured Non-Priority Claims		-		-		-
Total Unsecured Non-Priority Claims		11,520		-		-
Estimated Payout per Dollar of Unsecured Non-Priority Claims				-		-
Proceeds Remaining for Distribution to Equity Holders				-		-
Excess (Shortfall of) Net Proceeds vs. Claims				(11,520)		(11,520)

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Global, Inc.
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B)	-	N/A	-	-
Accounts Receivable	(C)	-	N/A	-	-
Notes Receivable	(D)	-	N/A	-	-
Other Receivables	(D)	-	N/A	-	-
Inventory	(E)	-	N/A	-	-
Other Current Assets	(F)	-	N/A	-	-
Net Plant, Property & Equipment	(G)	-	N/A	-	-
Other Assets	(H)	-	N/A	-	-
Other Intangibles (non-goodwill)	(I)	-	N/A	-	-
Asbestos Insurance Recoverable	(J)	-	N/A	-	-
Intercompany Receivables	(K)	2,788,742	1%	19,441	25,017
Going Concern Value of Non-Debtor Legal Entities	(L)	-	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M)	-	N/A	-	-
Total Assets Available for Distribution		<u>2,788,742</u>		<u>19,441</u>	<u>25,017</u>
Less Costs Associated with Liquidation	(N)				
Professional Fees				194	250
Other				-	-
Winddown Costs				-	-
Trustee Fees				-	-
Total Costs Associated with Liquidation				<u>194</u>	<u>250</u>
Net Proceeds Available for Distribution				<u>19,248</u>	<u>24,768</u>
Less: Superpriority Administrative Claims	(O)				
DIP Facility		-	-	-	-
DIP Letters of Credit		-	-	-	-
DIP Tranche C		-	-	-	-
DIP Tranche C Letters of Credit		-	-	-	-
Taxes		-	-	-	-
Other		-	-	-	-
Professional Fees Curve Out		-	-	-	-
Total Superpriority Administrative Claims		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Estimated Payout per Dollar of Superpriority Administrative Claims				<u>-</u>	<u>-</u>
Proceeds Remaining for Distribution				<u>19,248</u>	<u>24,768</u>
Less: Secured Claims	(P)				
Bank Debt and Surety Bonds		19,248	24,768	19,248	24,768
Letters of Credit		-	-	-	-
Total Secured Claims		<u>19,248</u>	<u>24,768</u>	<u>19,248</u>	<u>24,768</u>
Estimated Payout per Dollar of Secured Claims				<u>1.00</u>	<u>1.00</u>
Proceeds Remaining for Distribution				<u>-</u>	<u>-</u>
Less: Administrative Claims	(Q)				
Reclamations		-	-	-	-
Accrued Professional Fees		-	-	-	-
Adequate Protection Payments		-	-	-	-
Trade Accounts Payable (Post-Petition)		-	-	-	-
Intercompany Trade and Loans Payable (Post-Petition)		-	-	-	-
Accrued Compensation		-	-	-	-
Other Accrued Liabilities		-	-	-	-
Other Administrative Claims		-	-	-	-
Total Administrative Claims		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Estimated Payout per Dollar of Administrative Claims				<u>-</u>	<u>-</u>
Proceeds Remaining for Distribution				<u>-</u>	<u>-</u>
Less: Priority Unsecured Claims	(R)				
Lease Rejection Claims		-	-	-	-
Pre-Petition Employee and Tax Obligations		-	-	-	-
Total Priority Unsecured Claims		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Estimated Payout per Dollar of Priority Unsecured Claims				<u>-</u>	<u>-</u>
Proceeds Remaining for Distribution				<u>-</u>	<u>-</u>
Less Unsecured Non-Priority Claims	(R)				
Executory Contracts		-	-	-	-
Severance		-	-	-	-
Pre-Petition Employee and Tax Obligations		-	-	-	-
Pre-Petition Asbestos Liability		-	-	-	-
Trade Accounts Payable (Pre-Petition)		-	-	-	-
Intercompany Trade and Loans Payable (Pre-Petition)		2,072,687	-	-	-
Term Loans		-	-	-	-
Multi-Currency Revolving Credit Facility		-	-	-	-
Notes due 2004		-	-	-	-
Notes due 2006		-	-	-	-
Notes due 2008		-	-	-	-
Notes due 2009		-	-	-	-
Notes due 2010		-	-	-	-
Medium-Term Notes		-	-	-	-
Senior Notes		-	-	-	-
Other		-	-	-	-
Accrued Interest		-	-	-	-
Other Unsecured Non-Priority Claims		-	-	-	-
Total Unsecured Non-Priority Claims		<u>2,072,687</u>	<u>-</u>	<u>-</u>	<u>-</u>
Estimated Payout per Dollar of Unsecured Non-Priority Claims				<u>-</u>	<u>-</u>
Proceeds Remaining for Distribution to Equity Holders				<u>-</u>	<u>-</u>
Excess (Shortfall of) Net Proceeds vs. Claims				<u>(2,072,687)</u>	<u>(2,067,147)</u>

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: F-M UK Holding Ltd.
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B) 1	100%	100%	1	1
Accounts Receivable	(C) -	N/A	N/A	-	-
Notes Receivable	(D) -	N/A	N/A	-	-
Other Receivables	(E) -	N/A	N/A	-	-
Inventory	(F) -	N/A	N/A	-	-
Other Current Assets	(G) -	N/A	N/A	-	-
Net Plant, Property & Equipment	(H) -	N/A	N/A	-	-
Other Assets	(I) -	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(J) -	N/A	N/A	-	-
Asbestos Insurance Recoverable	(K) -	N/A	N/A	-	-
Intercompany Receivables	(L) 21,402	0%	0%	-	-
Going Concern Value of Non-Debtor Legal Entities	(M) -	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(N) -	N/A	N/A	-	-
Total Assets Available for Distribution	21,404			1	1
Less Costs Associated with Liquidation	(O)				
Professional Fees				0	0
Other				-	-
Winddown Costs				-	-
Trustee Fees				-	-
Total Costs Associated with Liquidation				0	0
Net Proceeds Available for Distribution				1	1
Less: Superpriority Administrative Claims	(P)				
DIP Facility				-	-
DIP Letters of Credit				-	-
DIP Tranche C				-	-
DIP Tranche C Letters of Credit				-	-
Taxes				-	-
Other				-	-
Professional Fees Carve Out				-	-
Total Superpriority Administrative Claims				-	-
Estimated Payout per Dollar of Superpriority Administrative Claims				-	-
Proceeds Remaining for Distribution				1	1
Less: Secured Claims	(Q)				
Bank Debt and Surety Bonds				-	-
Letters of Credit				-	-
Total Secured Claims				-	-
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution				1	1
Less: Administrative Claims	(R)				
Reclamations				-	-
Accrued Professional Fees				-	-
Adequate Protection Payments				-	-
Trade Accounts Payable (Post-Petition)				-	-
Intercompany Trade and Loans Payable (Post-Petition)				-	-
Accrued Compensation				-	-
Other Accrued Liabilities				-	-
Other Administrative Claims				-	-
Total Administrative Claims				-	-
Estimated Payout per Dollar of Administrative Claims				-	-
Proceeds Remaining for Distribution				1	1
Less: Priority Unsecured Claims	(S)				
Lease Rejection Claims				-	-
Pre-Petition Employee and Tax Obligations				-	-
Total Priority Unsecured Claims				-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				1	1
Less Unsecured Non-Priority Claims	(T)				
Executory Contracts				-	-
Severance				-	-
Pre-Petition Employee and Tax Obligations				-	-
Pre-Petition Asbestos Liability				-	-
Trade Accounts Payable (Pre-Petition)				-	-
Intercompany Trade and Loans Payable (Pre-Petition)		338,893		1	1
Term Loans				-	-
Multi-Currency Revolving Credit Facility				-	-
Notes due 2004				-	-
Notes due 2008				-	-
Notes due 2008				-	-
Notes due 2009				-	-
Notes due 2010				-	-
Medium-Term Notes				-	-
Senior Notes				-	-
Other				-	-
Accrued Interest				-	-
Other Unsecured Non-Priority Claims				-	-
Total Unsecured Non-Priority Claims		338,893		1	1
Estimated Payout per Dollar of Unsecured Non-Priority Claims				0.00	0.00
Proceeds Remaining for Distribution to Equity Holders				-	-
Excess (Shortfall) of Net Proceeds vs. Claims				(338,892)	(338,892)

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Acquisition Company, Limited
(In 000's)

	Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
			Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B)	0	100%	100%	0	0
Accounts Receivable	(C)	-	N/A	N/A	-	-
Notes Receivable	(D)	-	N/A	N/A	-	-
Other Receivables	(E)	-	N/A	N/A	-	-
Inventory	(F)	-	N/A	N/A	-	-
Other Current Assets	(G)	-	N/A	N/A	-	-
Net Plant, Property & Equipment	(H)	-	N/A	N/A	-	-
Other Assets	(I)	-	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(J)	-	N/A	N/A	-	-
Asbestos Insurance Recoverable	(K)	-	N/A	N/A	-	-
Intercompany Receivables	(L)	14,071	11%	11%	1,563	1,592
Going Concern Value of Non-Debtor Legal Entities	(M)	-	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(N)	-	N/A	N/A	-	-
Total Assets Available for Distribution		14,071			1,564	1,593
Less Costs Associated with Liquidation	(O)					
Professional Fees					16	16
Other					-	-
Winddown Costs					-	-
Trustee Fees					-	-
Total Costs Associated with Liquidation					16	16
Net Proceeds Available for Distribution					1,548	1,577
Less: Superpriority Administrative Claims	(P)					
DIP Facility		-			-	-
DIP Letters of Credit		-			-	-
DIP Tranche C		-			-	-
DIP Tranche G Letters of Credit		-			-	-
Taxes		-			-	-
Other		-			-	-
Professional Fees Carve Out		-			-	-
Total Superpriority Administrative Claims		-			-	-
Estimated Payout per Dollar of Superpriority Administrative Claims					-	-
Proceeds Remaining for Distribution					1,548	1,577
Less: Secured Claims	(Q)					
Bank Debt and Surety Bonds		-			-	-
Letters of Credit		-			-	-
Total Secured Claims		-			-	-
Estimated Payout per Dollar of Secured Claims					-	-
Proceeds Remaining for Distribution					1,548	1,577
Less: Administrative Claims	(R)					
Reclaimations		-			-	-
Accrued Professional Fees		-			-	-
Adequate Protection Payments		-			-	-
Trade Accounts Payable (Post-Petition)		-			-	-
Intercompany Trade and Loans Payable (Post-Petition)		-			-	-
Accrued Compensation		-			-	-
Other Accrued Liabilities		-			-	-
Other Administrative Claims		-			-	-
Total Administrative Claims		-			-	-
Estimated Payout per Dollar of Administrative Claims					-	-
Proceeds Remaining for Distribution					1,548	1,577
Less: Priority Unsecured Claims	(S)					
Lease Rejection Claims		-			-	-
Pre-Petition Employee and Tax Obligations		-			-	-
Total Priority Unsecured Claims		-			-	-
Estimated Payout per Dollar of Priority Unsecured Claims					-	-
Proceeds Remaining for Distribution					1,548	1,577
Less Unsecured Non-Priority Claims	(T)					
Executory Contracts		-			-	-
Severance		-			-	-
Pre-Petition Employee and Tax Obligations		-			-	-
Pre-Petition Asbestos Liability		-			-	-
Trade Accounts Payable (Pre-Petition)		-			-	-
Intercompany Trade and Loans Payable (Pre-Petition)		-			-	-
Term Loans		10,527			1,548	1,577
Multi-Currency Revolving Credit Facility		-			-	-
Notes due 2004		-			-	-
Notes due 2006		-			-	-
Notes due 2008		-			-	-
Notes due 2010		-			-	-
Medium-Term Notes		-			-	-
Senior Notes		-			-	-
Other		-			-	-
Accrued Interest		-			-	-
Other Unsecured Non-Priority Claims		-			-	-
Total Unsecured Non-Priority Claims		10,527			1,548	1,577
Estimated Payout per Dollar of Unsecured Non-Priority Claims					0.15	0.15
Proceeds Remaining for Distribution to Equity Holders					-	-
Excess (Shortfall of) Net Proceeds vs. Claims					(8,979)	(8,850)

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: T&N Holdings Limited
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B) 2	100%	100%	2	2
Accounts Receivable	(C) -	N/A	N/A	-	-
Notes Receivable	(D) -	N/A	N/A	-	-
Other Receivables	(D) -	N/A	N/A	-	-
Inventory	(E) -	N/A	N/A	-	-
Other Current Assets	(F) -	N/A	N/A	-	-
Net Plant, Property & Equipment	(G) -	N/A	N/A	-	-
Other Assets	(H) -	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(I) -	N/A	N/A	-	-
Asbestos Insurance Recoverable	(J) -	N/A	N/A	-	-
Intercompany Receivables	(K) 27,351	3%	5%	827	1,257
Going Concern Value of Non-Debtor Legal Entities	(L) -	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M) -	N/A	N/A	-	-
Total Assets Available for Distribution	27,354			368,813	574,441
Less Costs Associated with Liquidation	(N)				
Professional Fees				3,694	5,747
Other				-	-
Winddown Costs				-	-
Trustee Fees				-	-
Total Costs Associated with Liquidation				3,694	5,747
Net Proceeds Available for Distribution				365,749	568,953
Less: Superpriority Administrative Claims	(O)				
DIP Facility	-			-	-
DIP Letters of Credit	-			-	-
DIP Tranche C	-			-	-
DIP Tranche C Letters of Credit	-			-	-
Taxes	-			-	-
Other	-			-	-
Professional Fees Curve Out	-			-	-
Total Superpriority Administrative Claims					
Estimated Payout per Dollar of Superpriority Administrative Claims				-	-
Proceeds Remaining for Distribution				365,749	568,953
Less: Secured Claims	(P)				
Bank Debt and Surety Bonds	-			-	-
Letters of Credit	-			-	-
Total Secured Claims					
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution				365,749	568,953
Less: Administrative Claims	(Q)				
Reclamations	-			-	-
Accrued Professional Fees	-			-	-
Adequate Protection Payments	-			-	-
Trade Accounts Payable (Post-Petition)	-			-	-
Intercompany Trade and Loans Payable (Post-Petition)	-			-	-
Accrued Compensation	-			-	-
Other Accrued Liabilities	-			-	-
Other Administrative Claims	-			-	-
Total Administrative Claims					
Estimated Payout per Dollar of Administrative Claims				-	-
Proceeds Remaining for Distribution				365,749	568,953
Less: Priority Unsecured Claims	(Q)				
Lease Rejection Claims	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Total Priority Unsecured Claims					
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				365,749	568,953
Less Unsecured Non-Priority Claims	(R)				
Executory Contracts	-			-	-
Severance	-			-	-
Pre-Petition Employee and Tax Obligations	-			-	-
Pre-Petition Asbestos Liability	-			-	-
Trade Accounts Payable (Pre-Petition)	-			-	-
Intercompany Trade and Loans Payable (Pre-Petition)	-			-	-
Term Loans	-			-	-
Multi-Currency Revolving Credit Facility	-			-	-
Notes due 2004	-			-	-
Notes due 2006	-			-	-
Notes due 2008	-			-	-
Notes due 2009	-			-	-
Notes due 2010	-			-	-
Medium-Term Notes	-			-	-
Senior Notes	-			-	-
Other	-			-	-
Accrued Interest	-			-	-
Other Unsecured Non-Priority Claims	-			-	-
Total Unsecured Non-Priority Claims					
Estimated Payout per Dollar of Unsecured Non-Priority Claims				-	-
Proceeds Remaining for Distribution to Equity Holders				365,749	568,953
Excess (Shortfall of) Net Proceeds vs. Claims				365,749	568,953

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: TBA Bellini Limited
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B) 15	100%	100%	15	15
Accounts Receivable	(C) -	N/A	N/A	-	-
Notes Receivable	(D) -	N/A	N/A	-	-
Other Receivables	(E) -	N/A	N/A	-	-
Inventory	(F) -	N/A	N/A	-	-
Other Current Assets	(G) -	N/A	N/A	-	-
Net Plant, Property & Equipment	(H) -	N/A	N/A	-	-
Other Assets	(I) -	N/A	N/A	-	-
Other Intangibles (non-goodwill)	(J) -	N/A	N/A	-	-
Asbestos Insurance Recoverable	(K) -	N/A	N/A	-	-
Intercompany Receivables	(L) -	N/A	N/A	-	-
Going Concern Value of Non-Debtor Legal Entities	(M) -	N/A	N/A	-	-
Equity Value of Liquidated Subsidiaries	(N) -	N/A	N/A	-	-
Total Assets Available for Distribution	15			15	15
Less Costs Associated with Liquidation	(O)				
Professional Fees				0	0
Other				-	-
Winddown Costs				-	-
Trustee Fees				-	-
Total Costs Associated with Liquidation				0	0
Net Proceeds Available for Distribution				15	15
Less: Superpriority Administrative Claims	(P)				
DIP Facility				-	-
DIP Letters of Credit				-	-
DIP Tranche C				-	-
DIP Tranche C Letters of Credit				-	-
Taxes				-	-
Other				-	-
Professional Fees Carve Out				-	-
Total Superpriority Administrative Claims				-	-
Estimated Payout per Dollar of Superpriority Administrative Claims				-	-
Proceeds Remaining for Distribution				15	15
Less: Secured Claims	(Q)				
Bank Debt and Surety Bonds				-	-
Letters of Credit				-	-
Total Secured Claims				-	-
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution				15	15
Less: Administrative Claims	(R)				
Reclamations				-	-
Accrued Professional Fees				-	-
Adequate Protection Payments				-	-
Trade Accounts Payable (Post-Petition)				-	-
Intercompany Trade and Loans Payable (Post-Petition)				-	-
Accrued Compensation				-	-
Other Accrued Liabilities				-	-
Other Administrative Claims				-	-
Total Administrative Claims				-	-
Estimated Payout per Dollar of Administrative Claims				-	-
Proceeds Remaining for Distribution				15	15
Less: Priority Unsecured Claims	(S)				
Lease Rejection Claims				-	-
Pre-Petition Employee and Tax Obligations				-	-
Total Priority Unsecured Claims				-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				15	15
Less Unsecured Non-Priority Claims	(T)				
Executory Contracts				-	-
Severance				-	-
Pre-Petition Employee and Tax Obligations				-	-
Pre-Petition Asbestos Liability				-	-
Trade Accounts Payable (Pre-Petition)				-	-
Intercompany Trade and Loans Payable (Pre-Petition)				-	-
Term Loans				-	-
Multi-Currency Revolving Credit Facility				-	-
Notes due 2004				-	-
Notes due 2006				-	-
Notes due 2008				-	-
Notes due 2009				-	-
Notes due 2010				-	-
Medium-Term Notes				-	-
Senior Notes				-	-
Other				-	-
Accrued Interest				-	-
Other Unsecured Non-Priority Claims				-	-
Total Unsecured Non-Priority Claims				-	-
Estimated Payout per Dollar of Unsecured Non-Priority Claims				-	-
Proceeds Remaining for Distribution to Equity Holders				15	15
Excess (Shortfall of) Net Proceeds vs. Claims				15	15

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: T&N Industries Inc.
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B)	-	N/A	N/A	-
Accounts Receivable	(C)	-	N/A	N/A	-
Notes Receivable	(D)	-	N/A	N/A	-
Other Receivables	(D)	-	N/A	N/A	-
Inventory	(E)	-	N/A	N/A	-
Other Current Assets	(F)	123	0%	20%	-
Net Plant, Property & Equipment	(G)	-	N/A	N/A	25
Other Assets	(H)	-	N/A	N/A	-
Other Intangibles (non-goodwill)	(I)	2,879	5%	20%	134
Asbestos Insurance Recoverable	(J)	-	N/A	N/A	-
Intercompany Receivables	(K)	243,308	0%	0%	187
Going Concern Value of Non-Debtor Legal Entities	(L)	-	N/A	N/A	-
Equity Value of Liquidated Subsidiaries	(M)	-	N/A	N/A	-
Total Assets Available for Distribution		246,111			330
Less: Costs Associated with Liquidation	(N)				
Professional Fees				3	9
Other				-	-
Winddown Costs				-	-
Trustee Fees				4	17
Total Costs Associated with Liquidation				7	25
Net Proceeds Available for Distribution				323	832
Less: Superpriority Administrative Claims	(O)				
DIP Facility		-		-	-
DIP Letters of Credit		-		-	-
DIP Tranche C		-		-	-
DIP Tranche C Letters of Credit		-		-	-
Taxes		67,683		323	832
Other		-		-	-
Professional Fees Carve Out		-		-	-
Total Superpriority Administrative Claims		67,683		323	832
Estimated Payout per Dollar of Superpriority Administrative Claims				0.00	0.01
Proceeds Remaining for Distribution					
Less: Secured Claims	(P)	Pessimistic Book Value	Optimistic Book Value		
Bank Debt and Surety Bonds		-	-	-	-
Letters of Credit		-	-	-	-
Total Secured Claims		-	-	-	-
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution					
Less: Administrative Claims	(Q)				
Reclamations		-		-	-
Accrued Professional Fees		-		-	-
Adequate Protection Payments		-		-	-
Trade Accounts Payable (Post-Petition)		-		-	-
Intercompany Trade and Loans Payable (Post-Petition)		-		-	-
Accrued Compensation		-		-	-
Other Accrued Liabilities		-		-	-
Other Administrative Claims		-		-	-
Total Administrative Claims		-		-	-
Estimated Payout per Dollar of Administrative Claims				-	-
Proceeds Remaining for Distribution					
Less: Priority Unsecured Claims	(Q)				
Lease Rejection Claims		-		-	-
Pre-Petition Employee and Tax Obligations		-		-	-
Total Priority Unsecured Claims		-		-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution					
Less: Unsecured Non-Priority Claims	(R)				
Executory Contracts		-		-	-
Severance		-		-	-
Pre-Petition Employee and Tax Obligations		-		-	-
Pre-Petition Asbestos Liability		-		-	-
Trade Accounts Payable (Pre-Petition)		-		-	-
Intercompany Trade and Loans Payable (Pre-Petition)		310,840		-	-
Term Loans		-		-	-
Multi-Currency Revolving Credit Facility		-		-	-
Notes due 2004		-		-	-
Notes due 2006		-		-	-
Notes due 2008		-		-	-
Notes due 2009		-		-	-
Notes due 2010		-		-	-
Medium-Term Notes		-		-	-
Senior Notes		-		-	-
Other		-		-	-
Accrued Interest		-		-	-
Other Unsecured Non-Priority Claims		-		-	-
Total Unsecured Non-Priority Claims		310,840		-	-
Estimated Payout per Dollar of Unsecured Non-Priority Claims				-	-
Proceeds Remaining for Distribution to Equity Holders					
Excess (Shortfall of) Net Proceeds vs. Claims				(376,200)	(377,691)

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Gasket Holdings Inc.
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B)	-	N/A	-	-
Accounts Receivable	(C)	-	N/A	-	-
Notes Receivable	(D)	-	N/A	-	-
Other Receivables	(D)	-	N/A	-	-
Inventory	(E)	-	N/A	-	-
Other Current Assets	(F)	-	N/A	-	-
Net Plant, Property & Equipment	(G)	-	N/A	-	-
Other Assets	(H)	-	N/A	-	-
Other Intangibles (non-goodwill)	(I)	-	N/A	-	-
Asbestos Insurance Recoverable	(J)	-	N/A	-	-
Intercompany Receivables	(K)	165,801	3%	4,984	7,572
Going Concern Value of Non-Debtor Legal Entities	(L)	-	N/A	-	-
Equity Value of Liquidated Subsidiaries	(M)	-	N/A	-	-
Total Assets Available for Distribution		165,801		4,984	7,572
Less Costs Associated with Liquidation	(N)				
Professional Fees				50	76
Other				-	-
Winddown Costs				-	-
Trustee Fees				-	-
Total Costs Associated with Liquidation				50	76
Net Proceeds Available for Distribution				4,934	7,496
Less: Superpriority Administrative Claims	(O)				
DIP Facility		-	-	-	-
DIP Letters of Credit		-	-	-	-
DIP Tranche C		-	-	-	-
DIP Tranche C Letters of Credit		-	-	-	-
Taxes		-	-	-	-
Other		-	-	-	-
Professional Fees Carve Out		-	-	-	-
Total Superpriority Administrative Claims		-	-	-	-
Estimated Payout per Dollar of Superpriority Administrative Claims				-	-
Proceeds Remaining for Distribution				4,934	7,496
Less: Secured Claims	(P)				
Bank Debt and Surety Bonds		-	-	-	-
Letters of Credit		-	-	-	-
Total Secured Claims		-	-	-	-
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution				4,934	7,496
Less: Administrative Claims	(Q)				
Reclamations		-	-	-	-
Accrued Professional Fees		-	-	-	-
Adequate Protection Payments		-	-	-	-
Trade Accounts Payable (Post-Petition)		-	-	-	-
Intercompany Trade and Loans Payable (Post-Petition)		-	-	-	-
Accrued Compensation		-	-	-	-
Other Accrued Liabilities		-	-	-	-
Other Administrative Claims		-	-	-	-
Total Administrative Claims		-	-	-	-
Estimated Payout per Dollar of Administrative Claims				-	-
Proceeds Remaining for Distribution				4,934	7,496
Less: Priority Unsecured Claims	(Q)				
Lease Rejection Claims		-	-	-	-
Pre-Petition Employee and Tax Obligations		-	-	-	-
Total Priority Unsecured Claims		-	-	-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				4,934	7,496
Less Unsecured Non-Priority Claims	(R)				
Executory Contracts		-	-	-	-
Severance		-	-	-	-
Pre-Petition Employee and Tax Obligations		-	-	-	-
Pre-Petition Asbestos Liability		1,432,100	-	4,934	7,496
Trade Accounts Payable (Pre-Petition)		-	-	-	-
Intercompany Trade and Loans Payable (Pre-Petition)		-	-	-	-
Term Loans		-	-	-	-
Multi-Currency Revolving Credit Facility		-	-	-	-
Notes due 2004		-	-	-	-
Notes due 2006		-	-	-	-
Notes due 2006		-	-	-	-
Notes due 2009		-	-	-	-
Notes due 2010		-	-	-	-
Medium-Term Notes		-	-	-	-
Senior Notes		-	-	-	-
Other		-	-	-	-
Accrued Interest		-	-	-	-
Other Unsecured Non-Priority Claims		76	-	0	0
Total Unsecured Non-Priority Claims		1,432,176	-	4,934	7,496
Estimated Payout per Dollar of Unsecured Non-Priority Claims				0.00	0.01
Proceeds Remaining for Distribution to Equity Holders				-	-
Excess (Shortfall of) Net Proceeds vs. Claims				(1,427,244)	(1,424,682)

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Myatic, Inc.
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B)	-	N/A	N/A	-
Accounts Receivable	(C)	-	N/A	N/A	-
Notes Receivable	(D)	-	N/A	N/A	-
Other Receivables	(D)	-	N/A	N/A	-
Inventory	(E)	-	N/A	N/A	-
Other Current Assets	(F)	-	N/A	N/A	-
Net Plant, Property & Equipment	(G)	-	N/A	N/A	-
Other Assets	(H)	-	N/A	N/A	-
Other Intangibles (non-goodwill)	(I)	-	N/A	N/A	-
Asbestos Insurance Recoverable	(J)	-	N/A	N/A	-
Intercompany Receivables	(K)	3,842	1%	1%	30
Going Concern Value of Non-Debtor Legal Entities	(L)	-	N/A	N/A	48
Equity Value of Liquidated Subsidiaries	(M)	-	N/A	N/A	-
Total Assets Available for Distribution		<u>3,842</u>			<u>30</u> <u>48</u>
Less Costs Associated with Liquidation	(N)				
Professional Fees				0	0
Other				-	-
Winddown Costs				-	-
Trustee Fees				-	-
Total Costs Associated with Liquidation				<u>0</u>	<u>0</u>
Net Proceeds Available for Distribution				<u>30</u>	<u>48</u>
Less: Superpriority Administrative Claims	(O)				
DIP Facility		-		-	-
DIP Letters of Credit		-		-	-
DIP Tranche C		-		-	-
DIP Tranche C Letters of Credit		-		-	-
Taxes		-		-	-
Other		-		-	-
Professional Fees Curve Out		-		-	-
Total Superpriority Administrative Claims		<u>-</u>		<u>-</u>	<u>-</u>
Estimated Payout per Dollar of Superpriority Administrative Claims				<u>-</u>	<u>-</u>
Proceeds Remaining for Distribution				30	48
Less: Secured Claims	(P)				
Bank Debt and Surety Bonds		30	45	30	45
Letters of Credit		-	-	-	-
Total Secured Claims		<u>30</u>	<u>45</u>	<u>30</u>	<u>45</u>
Estimated Payout per Dollar of Secured Claims				<u>1.00</u>	<u>1.51</u>
Proceeds Remaining for Distribution				-	-
Less: Administrative Claims	(Q)				
Reclamations		-		-	-
Accrued Professional Fees		-		-	-
Adequate Protection Payments		-		-	-
Trade Accounts Payable (Post-Petition)		-		-	-
Intercompany Trade and Loans Payable (Post-Petition)		-		-	-
Accrued Compensation		-		-	-
Other Accrued Liabilities		-		-	-
Other Administrative Claims		-		-	-
Total Administrative Claims		<u>-</u>		<u>-</u>	<u>-</u>
Estimated Payout per Dollar of Administrative Claims				<u>-</u>	<u>-</u>
Proceeds Remaining for Distribution				-	-
Less: Priority Unsecured Claims	(Q)				
Less Rejection Claims		-		-	-
Pre-Petition Employee and Tax Obligations		-		-	-
Total Priority Unsecured Claims		<u>-</u>		<u>-</u>	<u>-</u>
Estimated Payout per Dollar of Priority Unsecured Claims				<u>-</u>	<u>-</u>
Proceeds Remaining for Distribution				-	-
Less Unsecured Non-Priority Claims	(R)				
Executory Contracts		-		-	-
Severance		-		-	-
Pre-Petition Employee and Tax Obligations		-		-	-
Pre-Petition Asbestos Liability		-		-	-
Trade Accounts Payable (Pre-Petition)		-		-	-
Intercompany Trade and Loans Payable (Pre-Petition)		2,915		-	-
Term Loans		-		-	-
Multi-Currency Revolving Credit Facility		-		-	-
Notes due 2004		-		-	-
Notes due 2006		-		-	-
Notes due 2008		-		-	-
Notes due 2009		-		-	-
Notes due 2010		-		-	-
Medium-Term Notes		-		-	-
Senior Notes		-		-	-
Other		-		-	-
Accrued Interest		-		-	-
Other Unsecured Non-Priority Claims		-		-	-
Total Unsecured Non-Priority Claims		<u>2,915</u>		<u>-</u>	<u>-</u>
Estimated Payout per Dollar of Unsecured Non-Priority Claims				<u>-</u>	<u>-</u>
Proceeds Remaining for Distribution to Equity Holders				-	-
Excess (Shortfall) of Net Proceeds vs. Claims				<u>(2,915)</u>	<u>(2,907)</u>

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul Dutch Holdings Inc. (Incorp 12/16/97)
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B)	-	N/A	N/A	-
Accounts Receivable	(C)	-	N/A	N/A	-
Notes Receivable	(D)	-	N/A	N/A	-
Other Receivables	(D)	-	N/A	N/A	-
Inventory	(E)	-	N/A	N/A	-
Other Current Assets	(F)	-	N/A	N/A	-
Net Plant, Property & Equipment	(G)	-	N/A	N/A	-
Other Assets	(H)	-	N/A	N/A	-
Other Intangibles (non-goodwill)	(I)	-	N/A	N/A	-
Asbestos Insurance Recoverable	(J)	-	N/A	N/A	-
Intercompany Receivables	(K)	2,059,869	3%	4%	60,772
Going Concern Value of Non-Debtor Legal Entities	(L)	-	N/A	N/A	84,029
Equity Value of Liquidated Subsidiaries	(M)	-	N/A	N/A	-
Total Assets Available for Distribution		2,059,869			60,772
Less Costs Associated with Liquidation	(N)				
Professional Fees				608	540
Other				-	-
Winddown Costs				-	-
Trustee Fees				-	-
Total Costs Associated with Liquidation				608	540
Net Proceeds Available for Distribution				60,164	83,188
Less: Superpriority Administrative Claims	(O)				
DIP Facility		-	-	-	-
DIP Letters of Credit		-	-	-	-
DIP Tranche C		-	-	-	-
DIP Tranche C Letters of Credit		-	-	-	-
Taxes		-	-	-	-
Other		-	-	-	-
Professional Fees Carve Out		-	-	-	-
Total Superpriority Administrative Claims		-	-	-	-
Estimated Payout per Dollar of Superpriority Administrative Claims				-	-
Proceeds Remaining for Distribution				60,164	83,188
Less: Secured Claims	(P)				
Bank Debt and Surety Bonds		80,164	83,188	60,164	83,188
Letters of Credit		-	-	-	-
Total Secured Claims		80,164	83,188	60,164	83,188
Estimated Payout per Dollar of Secured Claims				1.00	1.00
Proceeds Remaining for Distribution				-	-
Less: Administrative Claims	(Q)				
Reclamations		-	-	-	-
Accrued Professional Fees		-	-	-	-
Adequate Protection Payments		-	-	-	-
Trade Accounts Payable (Post-Petition)		-	-	-	-
Intercompany Trade and Loans Payable (Post-Petition)		-	-	-	-
Accrued Compensation		-	-	-	-
Other Accrued Liabilities		-	-	-	-
Other Administrative Claims		-	-	-	-
Total Administrative Claims		-	-	-	-
Estimated Payout per Dollar of Administrative Claims				-	-
Proceeds Remaining for Distribution				-	-
Less: Priority Unsecured Claims	(Q)				
Lease Rejection Claims		-	-	-	-
Pre-Petition Employee and Tax Obligations		-	-	-	-
Total Priority Unsecured Claims		-	-	-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				-	-
Less Unsecured Non-Priority Claims	(R)				
Executory Contracts		-	-	-	-
Severance		-	-	-	-
Pre-Petition Employee and Tax Obligations		-	-	-	-
Pre-Petition Asbestos Liability		-	-	-	-
Trade Accounts Payable (Pre-Petition)		-	-	-	-
Intercompany Trade and Loans Payable (Pre-Petition)		-	-	-	-
Term Loans		-	-	-	-
Multi-Currency Revolving Credit Facility		-	-	-	-
Notes due 2004		-	-	-	-
Notes due 2005		-	-	-	-
Notes due 2006		-	-	-	-
Notes due 2009		-	-	-	-
Notes due 2010		-	-	-	-
Medium-Term Notes		-	-	-	-
Senior Notes		-	-	-	-
Other		-	-	-	-
Accrued Interest		-	-	-	-
Other Unsecured Non-Priority Claims		-	-	-	-
Total Unsecured Non-Priority Claims		-	-	-	-
Estimated Payout per Dollar of Unsecured Non-Priority Claims				-	-
Proceeds Remaining for Distribution to Equity Holders				-	-
Excess (Shortfall of) Net Proceeds vs. Claims				-	23,025

Federal-Mogul Corporation
Liquidation Analysis
Debtor Name: Federal-Mogul FX, Inc.
(In 000's)

Notes	Book Value as of 12/31/03 (A)	Recovery %		Recovery Amount	
		Pessimistic	Optimistic	Pessimistic	Optimistic
Cash	(B)	-	N/A	N/A	-
Accounts Receivable	(C)	-	N/A	N/A	-
Notes Receivable	(D)	-	N/A	N/A	-
Other Receivables	(D)	-	N/A	N/A	-
Inventory	(E)	-	N/A	N/A	-
Other Current Assets	(F)	(88)	0%	0%	-
Net Plant, Property & Equipment	(G)	-	N/A	N/A	-
Other Assets	(H)	-	N/A	N/A	-
Other Intangibles (non-goodwill)	(I)	-	N/A	N/A	-
Asbestos Insurance Recoverable	(J)	-	N/A	N/A	-
Intercompany Receivables	(K)	281	0%	0%	-
Going Concern Value of Non-Debtor Legal Entities	(L)	-	N/A	N/A	-
Equity Value of Liquidated Subsidiaries	(M)	-	N/A	N/A	-
Total Assets Available for Distribution		183			
Less Costs Associated with Liquidation	(N)				
Professional Fees				-	-
Other				-	-
Winddown Costs				-	-
Trustee Fees				-	-
Total Costs Associated with Liquidation				-	-
Net Proceeds Available for Distribution				-	-
Less: Superpriority Administrative Claims	(O)				
DIP Facility		-	-	-	-
DIP Letters of Credit		-	-	-	-
DIP Tranche C		-	-	-	-
DIP Tranche C Letters of Credit		-	-	-	-
Taxes		-	-	-	-
Other		-	-	-	-
Professional Fees Carve Out		-	-	-	-
Total Superpriority Administrative Claims		-	-	-	-
Estimated Payout per Dollar of Superpriority Administrative Claims				-	-
Proceeds Remaining for Distribution				-	-
Less: Secured Claims	(P)				
Bank Debt and Surety Bonds		-	-	-	-
Letters of Credit		-	-	-	-
Total Secured Claims		-	-	-	-
Estimated Payout per Dollar of Secured Claims				-	-
Proceeds Remaining for Distribution				-	-
Less: Administrative Claims	(Q)				
Reclamations		-	-	-	-
Accrued Professional Fees		-	-	-	-
Adequate Protection Payments		-	-	-	-
Trade Accounts Payable (Post-Petition)		-	-	-	-
Intercompany Trade and Loans Payable (Post-Petition)		-	-	-	-
Accrued Compensation		-	-	-	-
Other Accrued Liabilities		-	-	-	-
Other Administrative Claims		-	-	-	-
Total Administrative Claims		-	-	-	-
Estimated Payout per Dollar of Administrative Claims				-	-
Proceeds Remaining for Distribution				-	-
Less: Priority Unsecured Claims	(R)				
Lease Rejection Claims		-	-	-	-
Pre-Petition Employee and Tax Obligations		-	-	-	-
Total Priority Unsecured Claims		-	-	-	-
Estimated Payout per Dollar of Priority Unsecured Claims				-	-
Proceeds Remaining for Distribution				-	-
Less Unsecured Non-Priority Claims	(R)				
Executory Contracts		-	-	-	-
Severance		-	-	-	-
Pre-Petition Employee and Tax Obligations		-	-	-	-
Pre-Petition Asbestos Liability		-	-	-	-
Trade Accounts Payable (Pre-Petition)		-	-	-	-
Intercompany Trade and Loans Payable (Pre-Petition)		-	-	-	-
Term Loans		-	-	-	-
Multi-Currency Revolving Credit Facility		-	-	-	-
Notes due 2004		-	-	-	-
Notes due 2006		-	-	-	-
Notes due 2008		-	-	-	-
Notes due 2010		-	-	-	-
Medium-Term Notes		-	-	-	-
Senior Notes		-	-	-	-
Other		-	-	-	-
Accrued Interest		-	-	-	-
Other Unsecured Non-Priority Claims		-	-	-	-
Total Unsecured Non-Priority Claims		-	-	-	-
Estimated Payout per Dollar of Unsecured Non-Priority Claims				-	-
Proceeds Remaining for Distribution to Equity Holders				-	-
Excess (Shortfall of) Net Proceeds vs. Claims				-	-

**Federal-Mogul Corporation
Liquidation Analysis
Dormant Debtors**

The liquidation analyses for the 108 dormant Debtors have not been included. These entities are dormant and have minimal assets and minimal non-affiliate claims. The co-proponents believe these Debtors meet the "Best Interest Test".

The following list represents the dormant U.S. Debtors and U.K. Debtors for which no liquidation analysis was included:

Debtor Entities with no Identifiable Assets and Claims	
Legal Entity Name	Filing Status
1 J.W.J. Holdings, Inc.	(US Filer)
2 Federal-Mogul Machine Tool, Inc, fka Federal-Mogul Tri-Way, Inc.	(US Filer)
3 Puerto Rico Branch	(US Filer)
4 Federal-Mogul U.K. Limited	(UK Filer)
5 Carter Automotive Company, Inc.	(US Filer)
6 F-M Global Properties, Inc.	(US Filer)
7 STS (1986) Ltd.	(UK Filer)
8 Mantro Engineering Ltd.	(UK Filer)
9 T&N Piston Product Group Limited	(UK Filer)
10 T&N Shelf Four Ltd. (f. Jonylon Ltd.)	(UK Filer)
11 T&N Shelf Five Ltd. (f. BIP Specialty Resins Ltd)	(UK Filer)
12 T&N Shelf Six Ltd. (f. BIP Plastics Ltd.)	(UK Filer)
13 William C. Jones (Polymers) Ltd.	(UK Filer)
14 T&N Shelf Eight Ltd. (f. BIP Organics Ltd)	(UK Filer)
15 T&N Shelf Nine Ltd (f. Hydra-Tight Ltd)	(UK Filer)
16 T&N Shelf Ten Ltd (f. Bolting Technology Ltd)	(UK Filer)
17 TAF International Ltd	(UK Filer)
18 Turner & Newall Limited	(UK Filer)
19 Turner Brothers Asbestos Company Ltd.	(UK Filer)
20 Wellworthy Ltd.	(UK Filer)
21 Wellworthy Property Developments Ltd.	(UK Filer)
22 Leeds Piston Ring - Eng. Co. Ltd.	(UK Filer)
23 Fleetside Investments Ltd.	(UK Filer)
24 Ashburton Road Services Limited	(UK Filer)
25 Brake Linings Limited	(UK Filer)
26 Duron Limited	(UK Filer)
27 Friction Materials Limited	(UK Filer)
28 Greet Limited	(UK Filer)
29 Dimplington Services Limited	(UK Filer)
30 Hepworth & Grandage Limited	(UK Filer)
31 J. W. Roberts Limited	(UK Filer)
32 Newalls Insulation Company Limited	(UK Filer)
33 Payan (Europe) Limited	(UK Filer)
34 Engineering Components Ltd	(UK Filer)
35 Presswork Components Limited	(UK Filer)
36 T&N Welfare Trust Limited	(UK Filer)
37 TBA Belting (Residual) Ltd.	(UK Filer)
38 Dealings Limited (formerly Mawson Triton Mouldings Ltd).	(UK Filer)
39 AE Holdings Ltd	(UK Filer)
40 Kings Park Housing Ltd.	(UK Filer)
41 Aeroplane & Motor Aluminium Castings Ltd	(UK Filer)
42 Bearings (North Western) Ltd.	(UK Filer)
43 Ferodo Caernarfon Ltd.	(UK Filer)
44 Ganthope Ltd.	(UK Filer)
45 Halls Gaskets Ltd. (Engineering Components holds shares as trustee for Fleetside and T&N Ltd is the nominee)	(UK Filer)
46 High Precision Equipment Ltd.	(UK Filer)
47 Sintration Ltd.	(UK Filer)
48 Specialoid Ltd.	(UK Filer)
49 T&N Shelf One Ltd. (f. The Universal Metallic Packing Co. Ltd.)	(UK Filer)
50 T&N Shelf Three Ltd. (f. British Industrial Plastics Ltd.)	(UK Filer)
51 T&N Shelf Seven Ltd. (f. BIP Chemicals Ltd.)	(UK Filer)
52 T&N Shelf Thirteen Ltd. (f. Pilgrim Moorside Ltd)	(UK Filer)
53 T&N Shelf Fourteen Ltd (f. HDT Ltd.)	(UK Filer)
54 T&N Shelf Eighteen Ltd (f. AE Turbine Components (Leicester) Ltd)	(UK Filer)
55 T&N Shelf Nineteen Ltd. (f. AE Turbine Components No. 2 (Leicester) Ltd)	(UK Filer)
56 T&N Shelf Twenty Ltd (f. Flexitallc Ltd)	(UK Filer)
57 T&N Shelf Twenty One Ltd (f. TBA Sealing Materials Ltd.)	(UK Filer)
58 T&N Shelf Twenty Two Ltd (f. Flexitallc International Valve Engineering Ltd.)	(UK Filer)
59 T&N Shelf Twenty Four Ltd (f. Flexicarb Graphite Products Ltd)	(UK Filer)
60 T&N Shelf Twenty Five Ltd (f. Flexitallc Engineering Ltd)	(UK Filer)
61 T&N Shelf Twenty Six Ltd (f. Tonmat Ltd)	(UK Filer)
62 T&N Shelf Thirty One Ltd. (f. Vandervell Ltd)	(UK Filer)
63 Telford Rubber Processors Ltd	(UK Filer)
64 Telford Technology Supplies Ltd	(UK Filer)
65 The Washington Chemical Company Ltd.	(UK Filer)
66 Touchdown Adhesive Products Ltd	(UK Filer)

Federal-Mogul Corporation
Liquidation Analysis
Dormant Debtors

The liquidation analyses for the 108 dormant Debtors have not been included. These entities are dormant and have minimal assets and minimal non-affiliate claims. The co-proponents believe these Debtors meet the "Best Interest Test".

The following list represents the dormant U.S. Debtors and U.K. Debtors for which no liquidation analysis was included:

Debtor Entities with no Identifiable Assets and Claims	
Legal Entity Name	Filing Status
67 Vanwall Cars Ltd.	(UK Filer)
68 GB Tools & Components Exports Ltd.	(UK Filer)
69 Edmunds Walker & Co. Ltd.	(UK Filer)
70 A.E. Group Machines Ltd.	(UK Filer)
71 Associated Engineering Group Ltd.	(UK Filer)
72 AE Dayton Services Ltd.	(UK Filer)
73 Awncast Ltd.	(UK Filer)
74 Cosmid Ltd.	(UK Filer)
76 E W Engineering Ltd	(UK Filer)
76 Inblot Ltd.	(UK Filer)
77 Lalton Ltd.	(UK Filer)
78 MTA (Kettering) Ltd.	(UK Filer)
79 Mobile Distribution (Spares) Ltd.	(UK Filer)
80 Pecal Ltd.	(UK Filer)
81 T&N Shelf Two Ltd (f. A.C.E. Ltd.)	(UK Filer)
82 Tinblo Ltd.	(UK Filer)
83 Tynoda Ltd.	(UK Filer)
84 AE Sales (Africa) Limited	(UK Filer)
85 Lanoth Ltd	(UK Filer)
86 Lanoth Precision Equipment Ltd	(UK Filer)
87 AE Piston Products Ltd	(UK Filer)
88 Contact 100 Ltd.	(UK Filer)
89 Amber Supervision Ltd.	(UK Filer)
90 FHE Technology Ltd.	(UK Filer)
91 Ontall Limited	(UK Filer)
92 T&N Shelf Fifteen Ltd (f. Tempered Group Developments Ltd.)	(UK Filer)
93 T&N Shelf Sixteen Ltd. (f. Tempered Group Ltd)	(UK Filer)
94 T&N Shelf Twenty Eight Ltd (f. Tech Textiles International Ltd)	(UK Filer)
95 T&N Shelf Twenty Nine Ltd (f. Glacier Ltd)	(UK Filer)
96 T&N Shelf Thirty Ltd (f. Glacier RPB Ltd)	(UK Filer)
97 Ferodo Ltd (f. Butlers Leap Successors Ltd)	(UK Filer)
98 The British Piston Ring Company Ltd.	(UK Filer)
99 Colvan Rubber Co. Limited	(UK Filer)
100 Cranhold Limited	(UK Filer)
101 Instantwonder Limited	(UK Filer)
102 Moores Plastic Units Limited	(UK Filer)
103 Sourcelook Limited	(UK Filer)
104 T&N Materials Research Limited	(UK Filer)
105 FP Diesel Limited	(UK Filer)
106 T&N Properties Ltd.	(UK Filer)
107 Federal-Mogul Brake Systems Ltd	(UK Filer)
108 T&N Shelf Thirty Three Ltd	(UK Filer)

FOOTNOTES TO LIQUIDATION ANALYSIS

Note A – Book Values

Unless stated otherwise, the book values used in this Liquidation Analysis are the un-audited net book values of each Debtor as of December 31, 2003 and are assumed to be a proxy for the assets of these entities as of the time the liquidation would commence.

Note B - Cash and Cash Equivalents

The Liquidation Analysis assumes that operations during the liquidation period would not generate additional cash available for distribution. It is assumed that cash and cash equivalents held in the accounts of all Debtors are fully collectible.

Note C - Accounts Receivable

The analysis of accounts receivable assumes that a Chapter 7 trustee would retain certain existing staff of the Debtors to handle an aggressive collection effort for outstanding trade accounts receivable. Collectible accounts receivable are assumed to include all third party trade accounts. The liquidation value of accounts receivable was estimated based upon an analysis of each Debtor's receivables aging and by applying a discount factor consistent with certain assumptions contained in the Debtors' borrowing base certificate as of December 31, 2003. Collections of accounts receivable during a liquidation of the Debtors may be compromised by potential claims for damages for breaches of or the likely rejection of customer contracts as customers may attempt to setoff outstanding amounts owed to the Debtors against such claims. The following collection rates were assumed as part of this analysis: current (60% - 80%), 0-30 days past due (50% - 70%), 31-60 days past due (30% - 60%), 61-90 days past due (20% - 40%), 91-120 days past due (0% - 20%), greater than 120 days past due (0%).

Note D – Other Receivables and Notes Receivable

Notes receivable are primarily related to amounts due from customers. Management estimates the recoveries to be similar to the accounts receivable recoveries. Management's recovery estimates for other receivables are based upon such factors as the nature of the asset, its potential use during the liquidation period and each Debtor's ability to recover the amount.

Note E – Inventory

Inventories are comprised of certain raw materials, work-in-process and finished goods. Additionally, inventory is broken out between OEM and Aftermarket. Due to the limited ready supply of alternative product and the short lead times for certain of the Debtors' products, the Liquidation Analysis contemplates that the OEM customers would compensate the Debtors to supply such products in sufficient quantity to enable the OEM customers to resource to alternative sources. Accordingly, the Liquidation Analysis assumes no new purchases of raw materials are made after the time the liquidation would commence except for amounts sufficient to supply OEM customers, which would be funded by those customers. Management believes that the customers of its Aftermarket business unit would be able to replace the parts supplied by the Debtors with an acceptable alternative source of supply in a time frame that would not require additional purchases of raw materials beyond those assumed to be on hand at the time the liquidation would commence. Due to warranty concerns, excess quantities, lack of go forward relationship and other issues management believes a discount to inventory value would be required to complete a timely liquidation. The following recovery rates were assumed as part of this analysis: raw materials (14% - 20%), work in process (40% - 50%), finished goods (45% - 60%).

Note F—Other Current Assets

Other current assets include supplies inventory, prepaids, employee receivables and customer reimbursed tooling. Management's recovery estimates for these assets are based upon such factors as the nature of the asset, its potential use during the liquidation period and each Debtor's ability to recover value.

Note G – Property, Plant & Equipment, Net

Property, plant & equipment includes all land, buildings, machinery and equipment owned by each Debtor. Management believes that most of the facilities and equipment are highly specialized and would have few alternative uses. Additionally, most of the plants are located in small towns where Federal-Mogul is the primary employer. Therefore, the market for these facilities would be limited. However, in some instances, particularly for the OEM business, it is possible that a competitor, to whom the business was resourced, would purchase the facilities and equipment. Since most of the properties are located in developed areas with amenities, management believes that land would have higher relative recovery rates vs. buildings and equipment. Management has considered all of the above factors, as well as any negative impact on the marketability of assets owned by Debtors with known asbestos liability, in determining the recovery range for property, plant & equipment.

Note H – Other Non-Current Assets

Other non-current assets are primarily composed cash surrender value of life insurance.

Note I – Intangible Assets

Intangible assets are primarily made up of goodwill, pension assets, trademarks and technology. Goodwill is assumed to be non-recoverable. Management believes that pension assets do not have any liquidation value because the assets are owned by independent pension trusts. Trademarks and technology are assumed to be recoverable in the range of 0% and 20%.

Note J – Asbestos Insurance Recoverable

Asbestos Insurance proceeds are paid based on allowed asbestos claims. For the purposes of this analysis, the proceeds from the asbestos insurance have not been included. Any recovery from the asbestos insurance would be used to satisfy asbestos claims only.

Note K – Intercompany Trade and Loans Receivable

Consists of net balance of intercompany trade and loans receivable between various legal entities as recorded on the books and records of Federal-Mogul and are assumed to be recovered based upon the various liquidation recoveries or proceeds from going concern sales at each obligor. All Intercompany trade and loans are assumed to be pre-petition. Receivables and payables between specific legal entities are set-off against each other to arrive at a net account balance, which is represented as the estimated book value.

Note L – Going Concern Sale of non-debtor Entities

In order to maximize total liquidation value, the Liquidation Analysis assumes the sale of non-debtor operations on a going concern basis.

The estimated sale price of the non-debtor operations (principally comprised of operations outside the US and UK) were valued by applying a market multiple to the non-debtors' fiscal 2004 projected EBITDA to arrive at an estimated Enterprise Value. The multiple was discounted to reflect the effect of a Chapter 7 sale process, the likelihood of a "damaged goods" or fire sale perception by bidders, and the loss of value attributable to the Company's global market presence. The impact of any potential tax liabilities is not determinable currently and is not included in this analysis.

Note M – Distribution of Equity Value of Liquidated Subsidiaries

If value remains after the satisfaction of all claims, it will be distributed as follows: (i) if applicable, to satisfy any liens against the stock of the legal entity, (ii) to the parent of the legal entity.

Note N – Costs Associated with Liquidation

Chapter 7 professional fees include the cost of liquidators, attorneys, accountants, brokers and other professional retained by the Trustee during the liquidation period.

In addition to the assumed professional fees required to liquidate the assets noted above, the co-proponents estimate that it would cost between \$100 million and \$150 million for liquidators to liquidate the asbestos personal injury claims and other disputed claims against the UK Debtors in the UK courts. Although some of these professional fees can be attributed to subsidiaries of T&N Limited, for purpose of this analysis, they were all allocated to T&N Limited.

Wind-down costs during the liquidation are based upon the assumption that certain plant and corporate personnel would be retained to oversee the liquidation process. The remaining staff would also be needed to maintain and close the accounting records and to complete certain administrative tasks including payroll and tax forms and records. Certain minimum staff would be required at the physical locations to complete the closure of the facilities, to disassemble the equipment and to oversee the sale process for equipment and real estate. Additionally, certain facilities expenses would continue to be incurred until all of the facilities are liquidated.

Chapter 7 trustee fees include those fees associated with the appointment of a Chapter 7 trustee in accordance with section 326 of the Bankruptcy Code. Trustee fees are estimated based on historical experience in other similar cases and are calculated at 3% of the total cash generated from non-cash tangible assets during the liquidation.

Note O – Super-priority Administrative Claims

Super-priority administrative claims are primarily comprised of the various components of the DIP facility. The claims related to the DIP facility have a first priority lien on the assets of the U.S. Debtors.

Note P – Secured Claims

Management believes that the only significant secured claims relate to the pre-petition bank debt, including the surety bonds, which are reflected on Federal-Mogul Corporation books. The pre-petition bank debt is secured by the assets of the U.S. operating entities and pledges of stock of other foreign entities. For the purpose of this analysis, the secured claims are allocated to both the legal entities that own the pledged assets or the pledged stock. The allocation of secured claims is equal to the lesser of the amount of proceeds available after the liquidation or sale of the underlying assets or the allowed secured claim.

Note Q – Administrative and Priority Claims

Administrative and priority claims include estimated Chapter 7 administrative claims, unpaid post-petition operating expenses of the Chapter 11 Estates as estimated by the post-petition accounts payable and accrued expenses reflected in the books and records of each Debtor at December 31, 2003 and estimated Priority Claims. Administrative claims are assumed paid on a pro rata basis from the net proceeds, if any, remaining after the payment of liquidation costs, DIP Facility Claims, and Secured Claims. Other Priority Claims are assumed to be paid on a pro rata basis from the net proceeds available, if any, after the payment of liquidation costs, DIP Facility Claims, Secured Claims and administrative claims. These claims are assumed to have their priority as set out in the Bankruptcy Code.

Note R – Unsecured Claims

For purposes of the Liquidation Analysis, management has assumed that unsecured claims will consist of Noteholder Claims, Convertible Subordinated Debenture Claims, Asbestos Claims and General Unsecured Claims as defined in the Plan. Certain notes have a security interest in the pledged stock of certain legal entities. However, those entities also have bank liens on their assets, and the banks' liens hold a higher priority on those entities than the pledged stock. Since the banks do not achieve a full recovery in the Liquidation Analysis, it is assumed that the Notes' security interest does not have any value and the entire claim is unsecured.

The Convertible Subordinated Debentures are subordinated and junior in right of payment to pre-petition bank debt, Notes, capital lease obligations, deferred purchase price obligations, letter of credit obligations, interest rate or swap obligations, guarantees, and certain other obligations. The Convertible Subordinated Debentures rank *pari passu* with the Company's trade debt.

Exhibit L

Exhibit L to Disclosure Statement

Projected Asset Values, Liabilities, and Estimated Distributions to Holders of Unsecured Claims against U.K. Debtors from Application of Company Specific Distribution Ratio and Small Company Specific Distribution Ratio

This exhibit sets forth the estimated asset values and liabilities of each of the U.K. Debtors (1) that are believed to have non-priority unsecured liabilities to third parties (according to the Debtors' and/or the Administrators' records) and (2) to whom either the Company-Specific Distribution Ratio or the Small Company Specific Distribution Ratio is (based on certain assumptions) projected to apply, as described in Section VI.C.4.h.(2) of the Disclosure Statement. In addition, this exhibit identifies the projected distributions to the holders of such claims as a result of application of the Company Specific Distribution Ratio or the Small Company Specific Distribution Ratio, as applicable.

The estimated asset values and liabilities for each of the U.K. Debtors described in this Exhibit are based upon data contained in the Liquidation Analysis for the Debtors attached to the Disclosure Statement as Exhibit J and on the draft Controlled Realisation Analysis or estimated outcome statements for each of the U.K. Debtors prepared by the Administrators. The Administrators and the Debtors do not agree on the valuation of certain of the assets and the liabilities of the U.K. Debtors, which contributes in part to the breadth of the ranges set forth below. In addition, both the Debtors' and the Administrators' analyses are based upon assumptions that may not apply to the other analysis, and as a result the analyses may significantly understate or overstate the values of the assets and the liabilities of the U.K. Debtors described below.

The estimated distribution percentages below are based on a number of assumptions, changes to which may materially affect the estimates. These changes include, but are not limited to, the assumption that the T&N Pension Plan Trustees will either accept the "Let it Run" treatment described in the Plan and Disclosure Statement or, in the alternative, that the liability of those of the U.K. Debtors that are participating employers under the T&N Pension Plan (other than T&N Limited) is limited to a Section 75 Claim in the amount of £ 19 million. The subordination of certain Affiliate Claims against the U.K. Debtors to Unsecured Claims against such Debtors (or lack thereof) may also materially affect the estimated distribution percentages below.

Companies to Whom the Company Specific Distribution Ratio is Anticipated to Apply:

1. ***Federal-Mogul Aftermarket UK Limited***

Estimated Value of Assets: \$28.2 million to \$46.5 million

Estimated Liabilities: \$30.8 million to \$39.7 million

Projected Distribution on Account of Class H Unsecured Claims: 71.0% to 100%

2. ***Federal-Mogul Bradford Limited***
Estimated Value of Assets: \$9.2 million to \$18.3 million
Estimated Liabilities: \$8.4 million to \$15.0 million
Projected Distribution on Account of Class H Unsecured Claims: 100%
3. ***Federal-Mogul Bridgwater Limited***
Estimated Value of Assets: \$8.4 million to \$8.7 million
Estimated Liabilities: \$3.8 million to \$6.3 million
Projected Distribution on Account of Class H Unsecured Claims: 100%
4. ***Federal-Mogul Camshaft Castings Limited***
Estimated Value of Assets: \$3.8 million to \$18.4 million
Estimated Liabilities: \$3.2 million to \$4.0 million
Projected Distribution on Account of Class H Unsecured Claims: 95% to 100%
5. ***Federal-Mogul Camshafts Limited***
Estimated Value of Assets: \$3.0 million to \$17.9 million
Estimated Liabilities: \$3.3 million to \$5.8 million
Projected Distribution on Account of Class H Unsecured Claims: 51.7% to 100%
6. ***Federal-Mogul Engineering Limited***
Estimated Value of Assets: \$5.9 million to \$7.0 million
Estimated Liabilities: \$0.3 million to \$1.6 million
Projected Distribution on Account of Class H Unsecured Claims: 100%
7. ***Federal-Mogul Export Services Limited***
Estimated Value of Assets: \$2.3 million to \$12.7 million
Estimated Liabilities: \$7.5 million to \$8.9 million

Projected Distribution on Account of Class H Unsecured Claims: 25.8% to 100%

8. ***Federal-Mogul Ignition (U.K.) Limited***

Estimated Value of Assets: \$19.8 million to \$32.9 million

Estimated Liabilities: \$132.8 million to \$148.1 million

Projected Distribution on Account of Class H Unsecured Claims: 13.4% to 24.8%

9. ***Federal-Mogul Powertrain Systems International Limited***

Estimated Value of Assets: \$2.2 to \$5.2 million

Estimated Liabilities: \$0.1 to \$0.4 million

Projected Distribution on Account of Class H Unsecured Claims: 100%

10. ***Federal-Mogul Sealing Systems (Cardiff) Limited***

Estimated Value of Assets: \$3.9 million to \$4.8 million

Estimated Liabilities: \$1.1 million to \$5.1 million

Projected Distribution on Account of Class H Unsecured Claims: 94.1% to 100%

11. ***Federal-Mogul Sintered Products Limited***

Estimated Value of Assets: \$25 million to \$57.6 million

Estimated Liabilities: \$4.8 million to \$4.9 million

Projected Distribution on Account of Class H Unsecured Claims: 100%

12. ***Federal-Mogul Technology Limited***

Estimated Value of Assets: \$9.0 million to \$12.7 million

Estimated Liabilities: \$1.5 million to \$1.6 million

Projected Distribution on Account of Class H Unsecured Claims: 100%

13. ***T&N Investments Limited***

Estimated Value of Assets: \$49.4 million to \$130 million

Estimated Liabilities: \$7.3 million to \$17.2 million

Projected Distribution on Account of Class H Unsecured Claims: 100%

Companies to Whom the Small Company Specific Distribution Ratio is Anticipated to Apply:

1. ***Federal-Mogul Eurofriction Limited***

Estimated Value of Assets: \$5.1 million to \$6.4 million

Estimated Liabilities: \$0.7 million to \$1.7 million

Projected Distribution on Account of Class H Unsecured Claims: 100%

2. ***Federal-Mogul Sealing Systems Limited***

Estimated Value of Assets: \$2.5 million to \$3.6 million

Estimated Liabilities: \$0.9 million to \$1.1 million

Projected Distribution on Account of Class H Unsecured Claims: 100%

3. ***Federal-Mogul Shoreham Limited***

Estimated Value of Assets: \$3.0 million to \$8.8 million

Estimated Liabilities: > \$0.1 million to \$5.3 million

Projected Distribution on Account of Class H Unsecured Claims: 56.6% to 100%

4. ***Federal-Mogul Systems Protection Group Limited***

Estimated Value of Assets: \$4.7 million to \$5.4 million

Estimated Liabilities: \$0.4 million to \$1.1 million

Projected Distribution on Account of Class H Unsecured Claims: 100%

EXHIBIT M

Exhibit X

Site Name	Status
Ann Arbor, MI	Owned
Blacksburg, VA	Owned
Burlington, IA	Owned
Frankfort, IN	Owned
Grand Haven, MI	Owned
Greenville, MI	Owned
Kingston, NY	Owned
Lancaster, PA	Owned
Michigan City, IN	Owned
Muskegon, MI	Owned
Schofield, WS	Owned
Scottsville, KY	Owned
Sparta, MI	Owned
St. Johns, MI	Owned
Weatherly, PA	Owned
Winchester, VA	Owned
A-1/Ostego Landfill Site, MI	Offsite Disposal Site
Baker II Landfill, OH	Offsite Disposal Site
Bi-State Disposal Site, IL	Offsite Disposal Site
Bohaty Drum Site, OH	Offsite Disposal Site
Central Michigan Railway Site, MI	Offsite Disposal Site
Chatham Brothers Barrel Yard, CA	Offsite Disposal Site
Chemical Recovery Systems Site, Elyria, OH	Offsite Disposal Site
Commercial Oil Site, Oregon, OH	Offsite Disposal Site
Diaz Refinery, AR	Offsite Disposal Site
Douglasville Superfund Site, PA	Offsite Disposal Site
Dura Landfill, Toledo, OH	Offsite Disposal Site
Enviro-Chem Superfund Site, IN	Offsite Disposal Site
Ford Road Landfill, OH	Offsite Disposal Site
Four County Landfill, IN	Offsite Disposal Site
Fultz Landfill, OH	Offsite Disposal Site
Ionia Superfund Site, MI	Offsite Disposal Site
King Road Landfill, OH	Offsite Disposal Site
Lake Calumet Cluster Site, IL	Offsite Disposal Site
M&J Solvents, GA	Offsite Disposal Site
Malone Oil Services, TX	Offsite Disposal Site

Exhibit X

Malvern TCE Site, PA	Offsite Disposal Site
National Oil Services Superfund Site, CT	Offsite Disposal Site
Omega Chemical, CA	Offsite Disposal Site
PCB Treatment, MO	Offsite Disposal Site
Reclamation Oil Services, MI	Offsite Disposal Site
San Gabriel Valley, CA	Offsite Disposal Site
Seaboard Chemical Site, Jamestown, NC	Offsite Disposal Site
Spectron Superfund Site, MD	Offsite Disposal Site
Stickney Tyler, Toledo, OH	Offsite Disposal Site
Sunrise Landfill, MI	Offsite Disposal Site
Thermochem Superfund Site, MI	Offsite Disposal Site
Third Site, IN	Offsite Disposal Site
Verona Well Field, MI	Offsite Disposal Site
West Virginia Ordinance Works, WV	Offsite Disposal Site
Western Sand/Gravel, RI	Offsite Disposal Site
17000 St.Clair - OH	Former
Ambler, PA	Former
Atlantic, IA	Former
Bellefontaine, OH	Former
Berlin, CT	Former
Bridgeport, OH	Former
Brighton, MA	Former
Caldwell, OH	Former
Carnys Point, NJ	Former
Collierville, TN	Former
Des Plaines, IL	Former
East Jordan, MI	Former
Flowery Branch, GA	Former
Greensburg, IN	Former
Hampton, VA	Former
Hellertown, PA	Former
Jackson, MI	Former
Lambertville, MI	Former
Logansport, IN	Former
Marshall, IL	Former
McConnelsville, OH	Former
McConnelsville, OH (MFP)	Former

Exhibit X

Mooreville, IN	Former
Morenci, MI	Former
New Castle, IN	Former
Olive Branch, MS	Former
Orland, IN	Former
Ottumwa, IA	Former
Redwood City, CA	Former
Salisbury, NC	Former
Shoemaker St., Detroit, MI	Former
Sparta, MI	Former
St. Louis, MO	Former
Toledo, OH	Former
Worcester, MA	Former

EXHIBIT N

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003

Commission File Number: 1-1511

FEDERAL-MOGUL CORPORATION

(Exact name of Registrant as specified in its charter)

Michigan
(State or other jurisdiction of
incorporation or organization)

38-0533580
(IRS Employer I.D. No.)

26555 Northwestern Highway
Southfield, Michigan
(Address of principal executive offices)

48034
(Zip code)

Registrant's telephone number including area code: (248) 354-7700

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	<u>Name of each exchange on which registered</u>
Common Stock and Rights to Purchase	Over-the-counter market
Preferred Shares	

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. _____

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).
Yes _____ No

The aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately \$28.8 million as of June 30, 2003 based on the reported last sale price as published for over-the-counter market for such date.

The Registrant had 87,141,007 shares of common stock outstanding as of March 8, 2004.



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FORWARD-LOOKING STATEMENTS

Certain statements contained or incorporated in this Annual Report on Form 10-K which are not statements of historical fact constitute "Forward-Looking Statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act").

Forward-looking statements give current expectations or forecasts of future events. Words such as "anticipate", "expect", "intend", "plan", "believe", "seek", "estimate" and other words and terms of similar meaning in connection with discussions of future operating or financial performance signify forward-looking statements. From time to time, Federal-Mogul Corporation (the "Company") also may provide oral or written forward-looking statements in other materials released to the public. Such statements are made in good faith by the Company pursuant to the "Safe Harbor" provisions of the Reform Act.

Any or all forward-looking statements included in this report or in any other public statements may ultimately be incorrect. Forward-looking statements may involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance, experience or achievements of the Company to differ materially from any future results, performance, experience or achievements expressed or implied by such forward-looking statements. The Company undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise.

These are some of the factors that could potentially cause actual results to differ materially from expected and historical results. Other factors besides those listed here could also materially affect the Company's business.

Chapter 11 Filing

- Factors relating to Federal Mogul's filing for Chapter 11 in the U.S. and the filing for Administration by certain of Federal-Mogul's subsidiaries in the U.K. such as: the possible disruption of relationships with creditors, customers, and employees; the Company's ability to implement its plan of reorganization in the U.S. and scheme of arrangement in the U.K.; the outcome of asbestos litigation proceedings; and the Company's compliance with its existing debtor-in-possession credit facility

Legal and Environmental Proceedings

- Legal actions and claims of undetermined merit and amount involving, among other things, product liability, warranty, recalls of products manufactured or sold by the Company, and environmental and safety issues involving the Company's products or facilities
- The merit and amount of claims to reinsurance carriers for asbestos related claims, and the financial viability of and resources available to the reinsurance carriers to meet these claims

Business Environment and Economic Conditions

- The Company's ability to generate cost savings or manufacturing efficiencies to offset or exceed contractually or competitively required price reductions or price reductions to obtain new business
- Variations in the financial or operational condition of the Company's significant customers, particularly the world's original equipment manufacturers of commercial and personal vehicles
- Material shortages, transportation system delays, or other difficulties in markets where the Company purchases supplies for the manufacturing of its products
- Significant work stoppages, disputes, or any other difficulties in labor markets where the Company obtains materials necessary for the manufacturing of its products or where its products are manufactured, distributed or sold
- Increased development of fuel cells, hybrid-electric or other non-combustion engine technologies
- The Company's ability to obtain cash adequate to fund its needs, including the borrowings available under its debtor-in-possession credit facility and the availability of financing for the Company's subsidiaries not included under the voluntary filing for Chapter 11 in the U.S. or Administration in the U.K.

- Changes in actuarial assumptions, interest costs and discount rates, and fluctuations in the global securities markets which directly impact the valuation of assets and liabilities associated with the Company's pension and other post employment benefit plans

Other Factors

- Various worldwide economic, political and social factors, changes in economic conditions, currency fluctuations and devaluations, credit risks in emerging markets, or political instability in foreign countries where the Company has significant manufacturing operations, customers 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 Company's control
- New or expanded litigation activity regarding alleged asbestos claims against subsidiaries of the Company not included in either the U.S. Chapter 11 or the U.K. Administration Proceedings
- Legislative activities of governments, agencies, and similar organizations, both in the United States and in foreign countries, that may affect the operations of the Company
- Possible terrorist attacks or acts of aggression or war, that could exacerbate other risks such as slowed vehicle production or the availability of supplies for the manufacturing of the Company's products

PART I

ITEM 1. BUSINESS

Proceedings under Chapter 11 and Administration of the Bankruptcy Code

On October 1, 2001 (the "Petition Date"), Federal-Mogul Corporation, ("Federal-Mogul" or the "Company") and all of its wholly-owned United States subsidiaries filed voluntary petitions for reorganization (the "U.S. Restructuring") under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). Also on October 1, 2001, certain of the Company's United Kingdom subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code and petitions for Administration (the "U.K. Restructuring") under the United Kingdom Insolvency Act of 1986 (the "Act") in the High Court of Justice, Chancery division in London, England (the "High Court"). The Company and its U.S. and U.K. subsidiaries included in the U.S. Restructuring or the U.K. Restructuring are herein referred to as the "Debtors". The U.S. Restructuring and U.K. Restructuring are herein referred to as the "Restructuring Proceedings". The Chapter 11 cases of the Debtors (collectively, the "Chapter 11 Cases") have been consolidated for purposes of joint administration as In re: Federal-Mogul Global Inc., T&N Limited, et al (Case No. 01-10578(RTL)). Subsidiaries outside of the aforementioned U.S. and U.K. subsidiaries are not party to the Chapter 11 Cases and, therefore, are not currently provided protection from creditors by any bankruptcy court and are operating in normal course. The Chapter 11 Cases are discussed in Note 1 to the consolidated financial statements.

The Restructuring Proceedings were initiated in response to a sharply increasing number of asbestos-related claims and their related demand on the Company's cash flows and liquidity. Under the Restructuring Proceedings, the Debtors expect to continue to operate their businesses as debtors-in-possession under court protection from their creditors and claimants, while using the Restructuring Proceedings to develop and implement a plan for addressing the asbestos-related claims against them.

Business Overview

The Company is a leading global supplier of vehicular parts, components, modules and systems to customers in the automotive, small engine, heavy-duty and industrial markets. Federal-Mogul has established an expansive global presence and conducts its operations through various manufacturing, distribution and technical centers that are wholly-owned subsidiaries or partially-owned joint ventures, organized into five primary reporting segments; Powertrain, Sealing Systems and Systems Protection, Friction, Aftermarket and Other. Federal-Mogul offers its customers a diverse array of market-leading products for original equipment ("OE") and parts replacement ("aftermarket") applications, including engine bearings, pistons, piston pins, rings, cylinder liners, valve train and transmission products, connecting rods, sealing systems, element resistant systems protection sleeving products, electrical connectors and sockets, disc pads and brake shoes, and ignition, lighting, fuel, wiper and chassis products. The Company's principal customers include many of the world's original equipment manufacturers ("OEM") of vehicles and industrial products and aftermarket retailers and wholesalers.

Federal-Mogul has operations in 31 countries and, accordingly, all of the Company's reporting segments derive sales from both domestic and international markets. The attendant risks of the Company's international operations are primarily related to currency fluctuations, changes in local economic conditions, and changes in laws and

regulations. The following tables set forth the Company's net sales and net property, plant and equipment by geographic region as a percentage of total net sales and total net property, plant and equipment, respectively:

	Net sales			Net property, plant and equipment	
	Year ended December 31			December 31	
	2003	2002	2001	2003	2002
Net sales by geographic region:					
United States.....	49%	55%	55%	38%	42%
Canada.....	3%	2%	3%	1%	1%
Mexico.....	3%	3%	3%	4%	4%
Total North America	55%	60%	61%	43%	47%
United Kingdom.....	8%	8%	8%	9%	11%
Germany.....	15%	12%	12%	23%	20%
France.....	8%	7%	7%	9%	8%
Italy.....	3%	3%	3%	4%	4%
Other Europe	7%	7%	5%	11%	8%
Total Europe.....	41%	37%	35%	56%	51%
Rest of World	4%	3%	4%	1%	2%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

The following table sets forth the Company's net sales by reporting segment as a percentage of total net sales:

	Year Ended December 31		
	2003	2002	2001
Net sales by reporting segment:			
Powertrain	33%	32%	31%
Sealing Systems and Systems Protection	11%	12%	12%
Friction	8%	7%	7%
Aftermarket	47%	48%	49%
Other.....	1%	1%	1%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

As set forth in the above table, the Company maintains a balance of sales derived from the original equipment market and the aftermarket. The Company seeks to participate in both of these markets by leveraging its original equipment product engineering and development capability, manufacturing know-how, and expertise in managing a broad and deep range of replacement parts to service the aftermarket. The Company believes that it is uniquely positioned to effectively manage the life cycle of a broad range of products to a diverse customer base.

Strategy

The Company's strategy is designed to enhance profitability by leveraging existing and developing new sustainable competitive advantages. This strategy consists of the following primary elements:

- Focus on core business segments to provide market share, earnings and cash flow growth.
- Provide innovative, value-added components, modules and systems to customers in markets served.
- Extend the Company's global reach to support its OEM customers, penetrate new markets and acquire new customers. The Company is particularly focused on furthering its relationships with the Asian OEMs.
- Leverage the strength of the Company's aftermarket brand positions, product portfolio and range, marketing and selling expertise, and distribution and logistics capabilities.
- Utilize the Company's technological resources to develop advanced and innovative products, processes and manufacturing capabilities.
- Aggressively pursue low cost operations in all business segments by continuing to consolidate and relocate manufacturing operations to low cost countries, utilizing the Company's strategic joint ventures and alliances, and consolidation and rationalization of business resources and infrastructure.

The Company's strategy is designed to capitalize on certain trends occurring in the original equipment and aftermarket replacement markets. The Company assesses individual opportunities to execute its strategy based upon estimated sales and margin growth, cost reduction potential, internal investment returns, and other criteria, and makes investment decisions on a case-by-case basis. Opportunities meeting or exceeding these criteria are generally undertaken through acquisitions and investments, divestitures, restructuring activities, strategic joint ventures and alliances, and research and development activities.

Acquisitions and Investments. In connection with its strategic planning process, the Company assesses opportunities for sales and earnings growth through product line expansion, technological advancements, geographic expansion, penetration of new markets and acquisition of new customers, and other opportunities consistent with the Company's strategy that will provide a sustainable competitive advantage.

In August 2001, the Company acquired 85% of WSK Gorzyce, S.A., a producer of pistons and other automotive components. This operation employs 2,500 employees at its manufacturing location in Gorzyce, Poland with annual sales of approximately \$50 million. The Gorzyce operation was acquired to further the Company's low cost producer strategy. Since the date of the acquisition, the Company has transferred multiple piston manufacturing lines to the Gorzyce facility from higher cost facilities in Europe. The Company expects that it will continue to utilize this operation to achieve its strategic goals in its Powertrain business.

During 2001, the Company invested approximately \$50 million to construct a new piston manufacturing facility in Puebla, Mexico. The facility was constructed for the primary purpose of manufacturing and supplying pistons to an OEM customer under the terms of a new business award. Additionally, during 2001 and 2002, the Company invested \$11 million to construct a new friction manufacturing operation in Tepotzatlán, Mexico to expand the manufacture of ThermoQuiet disc brake pads.

Divestitures. In connection with its strategic planning process, the Company assesses its operations for market position, product technology and capability, and profitability. Those businesses determined by management not to have a sustainable competitive advantage are considered non-core and may be considered for divestiture or other exit activities. Over the past several years, the Company has divested numerous non-core businesses. The elimination of these non-core businesses has freed up both human and capital resources, which have been devoted to the Company's core businesses.

During 2003, the Company completed the following divestitures of non-core businesses:

- During April 2003, the Company completed the divestitures of its U.S. camshaft operations and the majority of its original equipment lighting operations. The divested U.S. camshaft operations include manufacturing operations in Grand Haven, Michigan and Orland, Indiana, as well as the Company's share of an assembled camshaft joint venture operation in Grand Haven. The original equipment lighting divestitures include operations in Matamoros, Mexico; Brownsville, Texas; and Toledo, Ohio.
- During September 2003, the Company divested operations located in Hampton, Virginia and Solon, Ohio.

During 2002, the Company completed the following divestitures of non-core businesses:

- In March 2002, the Company completed the divestiture of its Signal-Stat Lighting Products business ("Signal-Stat"). Signal-Stat produces exterior lighting and power distribution products primarily for the heavy-duty and commercial vehicle markets.
- In July 2002, the Company completed the divestiture of its automotive camshaft manufacturing plant in Jackson, Michigan, under the terms of a management buyout. The Company also entered into a three-year supply agreement to market and sell aftermarket camshafts produced at the Jackson facility through its aftermarket business.
- In November 2002, the Company completed the divestiture of Federal-Mogul Camshafts de Mexico S. de R.L. de C.V. ("Camshafts de Mexico"). Camshafts de Mexico manufactures camshafts for the North American original equipment market.

During 2001, the Company completed the following divestitures of non-core businesses:

- In April 2001, the divestiture of its torque converter business ("TCI"). TCI remanufactures torque converters for high-performance automotive aftermarket applications.
- In May 2001, the divestiture of its Champion aviation ignition products division ("Aviation"). Aviation provides products for major commercial, military and general aircraft applications.
- In July 2001, the divestiture of its industrial heavy wall bearing operation in McConnelville, Ohio.
- In August 2001, the divestiture of its subsidiary Federal-Mogul RPB Ltd. ("RPB"). RPB manufactures industrial rotating plant bearings and magnetic bearings.
- In August 2001, the divestiture of the aftermarket operations of Blazer Lighting Products ("Blazer"). Blazer manufactures exterior vehicle lighting products.
- In August 2001, the divestiture of its Pontotoc, Mississippi, operation. The operation continues to supply coil springs and metal stampings to the Company for sale to aftermarket customers under a long-term supply agreement.
- In August 2001, the Company restructured its equity positions in several large-industrial-bearing manufacturing joint ventures with its partner, Daido Metal Company Ltd. of Japan, resulting in transfer of the Company's controlling interest to its joint venture partner.
- In September 2001, the divestiture of its Tri-Way machine tool business in Windsor, Ontario, under terms of a management buyout.

The cumulative effect of these divestitures on the Company's net sales approximated \$670 million for the three years ended December 31, 2003. These divestitures have been presented as discontinued operations for the fiscal years ended December 31, 2003, 2002, and 2001. At December 31, 2003, no assets were held for sale in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Additional financial information related to these divestitures is included in Note 6 to the consolidated financial statements, "Discontinued Operations and Acquisition" included in Item 8 of this report.

Restructuring Activities. The Company has undertaken various restructuring activities to streamline its operations, consolidate and take advantage of available capacity and resources, and ultimately achieve cost reductions. These restructuring activities include efforts to integrate and rationalize the Company's businesses and to relocate manufacturing operations to lower cost markets.

The Company defines restructuring expense to include charges incurred with exit or disposal activities accounted for in accordance with SFAS No. 146, employee severance costs incurred as a result of an exit or disposal activity

accounted for in accordance with SFAS Nos. 88 and 112, and pension and other post employment benefit costs incurred as a result of an exit or disposal activity accounted for in accordance with SFAS Nos. 87 and 106.

An overview by reporting segment of the Company's restructuring activities completed during 2002 and 2003 is provided below.

- Powertrain restructuring efforts have resulted in two U.S. and two European plant closures with transfer of related production activities to existing facilities primarily in Mexico, Poland and Turkey.
- Sealing Systems and Systems Protection restructuring efforts have resulted in one European plant closure and transfer of related production activities to an existing facility in Hungary.
- Friction restructuring efforts have resulted in one European plant closure and transfer of production activities to other European facilities with available capacity. In the United States one friction manufacturing facility was closed and another was significantly downsized and the related production from these facilities was transferred to a newly constructed facility in Mexico.
- Aftermarket restructuring efforts have resulted in the closure of five distribution centers in the U.S., Canada and Europe.

Various programs, which are similar in nature to those discussed above, are currently in progress and are scheduled for completion during 2004 and 2005. The Company's restructuring activities are further discussed in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 4 to the consolidated financial statements, "Restructuring."

Joint Ventures and Other Strategic Alliances. Joint ventures and other strategic alliances represent an important element of the Company's business strategy. The Company forms joint ventures and strategic alliances to gain entry into new markets, facilitate the exchange of technical information and development of new products, extend current product offerings, provide low cost manufacturing operations, and broaden its customer base. The Company believes that certain of its joint ventures have provided, and will continue to provide, opportunities to expand business relationships with Asian OEMs. The Company is currently involved in 37 joint ventures located in 14 different countries throughout the world, including China, India, Korea and Turkey. Of these joint ventures, the Company maintains a controlling interest in 14 entities and, accordingly, the financial results of these entities are included in the consolidated financial statements of the Company. The Company has a non-controlling interest in 23 of its joint ventures, of which 20 are accounted for under the equity method and three are accounted for under the cost method. Net sales for consolidated joint ventures were approximately 5% of consolidated net sales for the year ended December 31, 2003, and the Company's investment in unconsolidated joint ventures totaled \$131 million as of December 31, 2003. The Company's equity in earnings of such affiliates amounted to \$27 million, \$20 million, and \$15 million for the years ended December 31, 2003, 2002, and 2001, respectively.

Research and Development. The Company maintains technical centers throughout the world designed to develop advanced products, processes and provide manufacturing support for all of the Company's manufacturing sites and to provide technological expertise in engineering and design development providing solutions for customers and bringing new, innovative products to market. Federal-Mogul's research and development activities are conducted at the Company's major research centers in Burscheid, Germany; Nuremberg, Germany; Wiesbaden, Germany; Bad Camberg, Germany; Plymouth, Michigan; Skokie, Illinois and Ann Arbor, Michigan. In support of its Asia Pacific operations, the Company opened a technical facility in Yokohama, Japan during 2002.

Each of the Company's business units is engaged in various engineering, research and development efforts working closely with customers to develop custom solutions unique to their needs. Total expenditures from continuing operations for research and development activities were \$123.1 million, \$106.7 million and \$105.7 million in 2003, 2002 and 2001, respectively.

The Company's Products

The following provides an overview of products manufactured and distributed by the Company's reporting segments.

Powertrain. Powertrain products are used primarily in automotive, light truck, heavy-duty, industrial, marine, agricultural, power generation and small air-cooled engine applications. The primary products of this segment include engine bearings, pistons, piston pins, rings, cylinder liners, valve train and transmission products and connecting rods. These products are offered under the Federal-Mogul, Glyco, Goetze and Nural brand names. These products are either sold as individual components or, increasingly, offered to automotive manufacturers assembled in a power cylinder system. This strategic product offering adds value to the customer by simplifying the assembly process, lowering costs and reducing vehicle development time. Powertrain operates 47 manufacturing facilities in 12 countries, serving a large number of major automotive, heavy-duty and industrial customers worldwide. Powertrain derived 29% of its 2003 sales in the Americas and 71% in Europe and the rest of world.

In North America, Powertrain products are expected to benefit from increased out-sourcing of piston machining and power cylinder systems from OEMs. Additionally, the Company is well positioned to benefit from expected growth opportunities in heavy-duty markets. In Europe, Powertrain products will continue to benefit from its existing high market share in diesel engine applications in pistons, rings, and engine bearings, and the expected continuing increase in production of diesel engines in comparison to gasoline applications.

The following provides a description of the various products manufactured by Powertrain:

<u>Product</u>	<u>Description</u>
Pistons	The main task of the piston is to convert combustion energy into mechanical energy. In this process substantial pressures are exerted on the piston, imposing high demands on it in terms of rigidity and temperature resistance.
Rings	The three main tasks of piston rings in internal combustion engines include (1) sealing the combustion chamber, (2) supporting heat transfer from the piston to the cylinder wall, and (3) regulating oil consumption.
Cylinder Liners	Cylinder liners, or sleeves, work in tandem with the piston and ring, forming the chamber in which the thermal energy of the combustion process is converted into mechanical energy.
Piston Pins	Piston pins attach the piston to the end of the connecting rod, allowing the combustion force to be transferred to the crankshaft.
Connecting Rods	The connecting rod is the link between the piston and the crankshaft, which enables the reciprocating motion of the piston to be converted into the rotary motion of the crankshaft.
Engine Bearings	Engine bearings ensure low friction rotation and guidance between the connecting rod and the crankshaft to facilitate the transmission of full combustion power from the piston.
Valve Train and Transmission Products	Federal-Mogul designs and manufactures a wide variety of powdered metal components for engines, transmissions, general industrial applications and special materials to meet particular customer requirements.

Sealing Systems and Systems Protection. The Sealing Systems and Systems Protection reporting segment serves the complete drive train with sealing systems comprised of a wide array of seal and gasket technologies and innovative products focused primarily on protecting sensitive components from the harsh environment within engine compartments. Sealing Systems and Systems Protection products are used in automotive, light truck, heavy-duty, agricultural, off-highway, marine, railroad, high performance and industrial applications. The primary products

include dynamic seals, gaskets (static seals) and element resistant systems protection sleeving products. The products within this group are marketed under the brand names of Federal-Mogul, National, Fel-Pro, Payen and Glocker. Sealing Systems and Systems Protection operates 30 manufacturing facilities in 12 countries, serving many major automotive, heavy-duty and industrial customers worldwide. Sealing Systems and Systems Protection derived 70% of its 2003 sales in the Americas and 30% in Europe and the rest of world.

OEM customers are increasingly demanding total engine sealing solutions and Federal-Mogul is poised to take advantage of these opportunities as Sealing Systems possesses the ability to supply total engine, transmission and axle sealing applications. Joint venture partnerships with Japanese automotive suppliers provide the Company commercial relationships with Honda and Toyota in the United States.

The following provides a description of the various products manufactured by Sealing Systems and Systems Protection:

<u>Product</u>	<u>Description</u>
Dynamic Seals	Dynamic seals are used to create a barrier between a rotating and a stationary surface and function to retain or separate lubricants or fluids, keep out contamination, and contain pressure. Dynamic seals include rotary shaft seals, bonded unipistons and valve stem seals.
Cold Static Gaskets and Seals	Cold static gaskets provide a barrier between two mating surfaces, resulting in the prevention of leaks, while cold static seals provide a high integrity seal that performs over an extended life, functioning to maintain a static environment free of surprises and/or troubles. Cold static gaskets and seals must be able to maintain a seal under pressure and under relatively low temperatures. The most common applications include transmission and timing covers, intake manifolds, water pumps and oil pans.
Hot Static Gaskets and Seals	Hot static gaskets provide a barrier between two mating surfaces, resulting in the prevention of leaks, while hot static seals provide a high integrity seal that performs over an extended life, functioning to maintain a static environment free of surprises and/or troubles. Hot static gaskets and seals operate in conditions of relatively high temperatures, such as cylinder head and exhaust manifold applications.
Heat Shields	Federal-Mogul designs and manufactures a full range of metallic heat shields that are designed to provide thermal and/or acoustic optimization. These products encompass full vehicle capability, from manifold to tail pipe and include a mixture of offerings, such as plain/embossed aluminum, and proprietary specialist products.
Element Resistant Sleeving	Element resistant sleeving products provide under-hood and under-car protection of wires, hoses, sensors, and mechanical components and assemblies from heat, dirt, vibration, and moisture. Element resistant sleeving products include : <ul style="list-style-type: none"> • Automotive wire harnesses and hoses • Abrasion protection and wire management of cable assemblies • Dielectric protection of electrical leads • Thermal and mechanical protection of hose assemblies • Acoustic insulating and sound-dampening materials

Friction. Federal-Mogul is one of the world's largest independent suppliers of friction materials for the automotive, heavy-duty, and railway markets. The primary products of this segment include brake disc pads, brake shoes, and brake linings and blocks. Federal-Mogul offers a portfolio of world-class brand names, including Abex, Beral, Wagner and Ferodo. Federal-Mogul supplies OEM friction products to all major customers in the light vehicle, commercial vehicle and railway sectors and is also very active in the aftermarket. Friction operates 15 manufacturing facilities in 10 countries, serving many major automotive, railroad and industrial customers

worldwide. Friction derived 29% of its 2003 sales in the Americas and 71% in Europe and the rest of world.

The following provides a description of the various products manufactured by Friction:

<u>Product</u>	<u>Description</u>
Light Vehicle Disc Pads	A light vehicle disc pad assembly consists of: <ul style="list-style-type: none">• Friction material, which dissipates forward momentum by converting energy to heat• Underlayer, which is a layer of different friction material placed between the backplate and friction material to improve strength, thermal barrier, corrosion resistance, noise performance or a combination of these• Backplate, to support and locate the friction material in the caliper• Shim, which is a rubber/metal laminate developed to suppress noise
Commercial Vehicle Disc Pads	Commercial vehicle disc brake pads are a growing segment of the friction market, superseding drum brake on trucks, busses, tractor units and trailers. The basic construction of a commercial vehicle disc pad is the same as a light vehicle disc pad.
Light Vehicle Drum Brake Linings	Federal-Mogul drum brake linings are friction material affixed to a brake shoe and fitted on rear service brake, rear parking brake and transmission brake applications.
Commercial Vehicle Full Length Linings	Full-length linings are the commercial vehicle equivalent of car drum brake lining.
Commercial Vehicle Half-Blocks	Half blocks are segments of friction material made to be riveted onto drum brake shoes. They are used on heavier vehicle applications where discs are not used (e.g. due to the age of the vehicle).
Railway Brake Blocks	Railway brake blocks work by acting on the circumference of the wheel. They are lighter and quieter in operation than cast iron blocks. However, friction performance is designed to replicate that of cast iron blocks.
Railway Disc Pads	Railway disc pads are produced in single pad or paired pad format. Federal-Mogul produces sintered metal pads for high duty applications.

Aftermarket. Aftermarket distributes products manufactured within the above segments, or purchased, to the independent automotive, heavy-duty and industrial aftermarkets. The segment also includes manufacturing operations for brake, chassis, ignition, lighting, fuel and wiper products. Federal-Mogul is a leader in several key aftermarket product lines. These products are marketed under various brand names, including Champion, Fel-Pro, Carter, ANCO, Moog, Wagner, Ferodo, Glyco and Sealed Power. Aftermarket operates 23 manufacturing facilities and 29 distribution centers in 19 countries, serving a diverse base of distributors and retail customers around the world. Aftermarket derived 75% of its 2003 sales in the Americas and 25% in Europe and the rest of world.

The following provides a description of the various products manufactured and/or distributed by Aftermarket:

<u>Product</u>	<u>Description</u>
Engine	<p><u>Domestic</u> – Sealed Power is Federal-Mogul's premier brand of internal engine components, for use in automotive, light truck or heavy-duty engines. The Sealed Power product line includes pistons, piston rings, engine bearings, camshafts, oil pumps, timing components and valvetrain products. Similar products are offered to the heavy duty market, including construction, marine, agricultural, mining, gas compression, trucking and industrial customers under the Company's FP Diesel brand.</p> <p><u>International</u> – The Glyco brand offers a wide range of engine bearings and materials. Nüral products include pistons and cylinder liners and are fitted with Goetze rings. The Goetze brand is among the market leaders in the global automotive, agricultural, marine and industrial markets providing customers with products including pistons, piston rings, cylinder liners, oil seals, gaskets, valve stem seals and head bolts.</p>
Gaskets	<p><u>Domestic</u> – The Company's Fel-Pro brand is among the most recognized brands in the aftermarket. Fel-Pro gaskets are engineered to deliver a perfect seal on every engine. That's why many NASCAR and NHRA racing teams, as well as a vast majority of professional engine rebuilders and vehicle service technicians, choose Fel-Pro over other gasket brands.</p> <p><u>International</u> – Federal-Mogul's Payen and Goetze brands are recognized among the industry's leaders. These components include cylinder head gaskets, head sets, full sets, conversion sets, head bolt sets, liner sealing ring kits, manifold joints and sets, exhaust pipe joints, valve cover joints, sump joints and sets, valve stem seals, carburetor joints, timing case joints and sets, water pump joints, thermostat joints, and oil seals.</p>
Antifriction Bearings and Seals	<p><u>Domestic</u> – National hub assemblies include unitized bearing, seal and spindle assemblies. Our premium hub assemblies offer solutions for wheel end repair to provide safety, performance and reliability. National antifriction bearings are engineered to deliver performance and reliability in demanding applications, from automotive and heavy-duty axles, to agricultural and industrial equipment. National oil seals deliver exceptional performance and reliability in a wide variety of applications, including automotive and heavy-duty axles, gasoline and diesel crankshafts, and agricultural and industrial equipment.</p> <p><u>International</u> – Federal-Mogul offers seals in international markets under the aforementioned Payen and Goetze brands.</p>
Brake	<p><u>Domestic</u> – Wagner brake products include friction components (disc brake pads and linings), rotors and drums, hardware and hydraulic products, each engineered to deliver performance and reliability. Abex, among North America's leading heavy-duty friction brands for more than 70 years, has brought exceptional braking power and durability to commercial fleets and OE customers. Abex brake blocks are used for commercial applications, from straight trucks and school and transit buses to van trailers and tankers.</p> <p><u>International</u> – Beral is a traditional German producer of brand name brake linings used by manufacturers of commercial vehicles, axles and brakes. Beral products include disc brake pads and drum brake pads for commercial vehicles and industrial linings. The Ferodo brand of friction products includes light vehicle and commercial vehicle disc pads, linings and related accessories.</p>

Chassis	<p><u>Domestic</u> – Moog chassis parts is among the automotive industry’s premier brands of replacement steering and suspension components. Moog products are engineered to improve on original equipment technologies, solve real OE problems and make installation easy. Precision u-joints combine advanced engineering, superior materials and manufacturing quality for performance and durability. Precision u-joints are available for automotive, light truck and a full range of heavy-duty vehicles.</p> <p><u>International</u> – The Moog product offering includes ball joint housings, tie rods, center and drag links, forgings, idler and pitman arms, ball joints, coil springs and sway bar link kits.</p>
Wipers	<p><u>Domestic</u> – For more than 80 years, ANCO has been among the leaders in replacement wiper blades, refills, washer pumps and wiper arms. From passenger cars, light trucks and heavy-duty fleets, ANCO has comprehensive coverage to supply all types of drivers with necessary visibility.</p> <p><u>International</u> – Federal-Mogul offers wipers and related components under the Champion brand name. Champion wiper products are used in passenger cars, light trucks and heavy-duty fleets.</p>
Fuel Pumps	<p><u>Domestic</u> – Carter mechanical fuel pumps, electric pump sets and modular design applications deliver original equipment appearance, fit and performance in a full range of domestic and import passenger and light truck applications, recreational vehicles, commercial and agricultural vehicles and marine engines.</p>
Ignition	<p>Champion spark plugs offer a complete line of standard and premium plugs for automotive, marine and small-engine applications. PowerPath wire sets, battery cables and accessories provide electrical connections in a full range of automotive, farm, fleet and marine vehicles.</p>
Lighting	<p>Aftermarket lighting solutions for passenger and commercial vehicles are marketed under the Wagner brand name.</p>

Other. The Company’s “Other” reporting segment is comprised of the Company’s Asia Pacific operations and Corporate functions. Asia Pacific encompasses the Company’s commercial activities from manufacturing, distribution and sales in this geographic region. The Company operates approximately 20 manufacturing and distribution facilities in this region, as well as an engineering technical center in Yokohama, Japan. Corporate functions is comprised of headquarters and central support costs for information technology, human resources, finance and other corporate activities as well as certain health and welfare costs for pension and other post employment benefits for the Company’s retirees. Current period service costs for active employees are included in the results of operations for each of the Company’s reporting segments

Reporting Segment Financial Information. Approximately 53% of the Company’s net sales are to OE customers and approximately 47% are to aftermarket customers. The following tables summarize net sales, gross margin and total assets for each reporting segment for the periods indicated. Reclassifications to reporting segment information for the years ended December 31, 2002 and 2001 have been made to reflect organizational changes implemented during January 2003.

For information related to the Company’s reporting segments, refer to Note 21 to the consolidated financial statements included in Item 8 of this Form 10-K.

Net sales by reporting segment were:

	Year Ended December 31		
	2003	2002	2001
	(Millions of Dollars)		
Powertrain	\$ 1,839	\$ 1,652	\$ 1,567
Sealing Systems and Systems Protection	620	639	630
Friction	431	374	339
Aftermarket	2,576	2,455	2,485
Other	80	64	72
Total	<u>\$ 5,546</u>	<u>\$ 5,184</u>	<u>\$ 5,093</u>

Gross margin by reporting segment was:

	Year Ended December 31		
	2003	2002	2001
	(Millions of Dollars)		
Powertrain	\$ 255	\$ 260	\$ 265
Sealing Systems and Systems Protection	103	124	131
Friction	116	97	60
Aftermarket	612	548	570
Other	1	(8)	29
Total	<u>\$ 1,087</u>	<u>\$ 1,021</u>	<u>\$ 1,055</u>

Total assets by reporting segment were:

	December 31		
	2003	2002	2001
	(Millions of Dollars)		
Powertrain	\$ 1,957	\$ 1,861	\$ 2,283
Sealing Systems and Systems Protection	1,249	1,237	1,202
Friction	696	618	911
Aftermarket	2,912	2,718	2,661
Other	1,303	1,479	1,996
Total	<u>\$ 8,117</u>	<u>\$ 7,913</u>	<u>\$ 9,053</u>

The Company's Industry

The automotive supply industry is comprised of two primary markets, including the OE market in which the Company's products are used in the manufacture of new vehicles, and the aftermarket in which the Company's products are used as replacement parts for current production and older vehicles.

The OE Market. The OE market is characterized by short-term volatility, with overall expected long-term growth of vehicle sales and production. Demand for automotive parts in the OE market is generally a function of the number of new vehicles produced, which is primarily driven by macro-economic factors such as interest rates, fuel prices, consumer confidence, employment and other trends. In 2003, the number of light vehicles produced was 15.9 million in North America, 16.1 million in Western Europe, and 26.5 million in the rest of the world. Although OE demand is tied to planned vehicle production, parts suppliers also have the opportunity to grow through increasing their product content per vehicle, by further penetrating business with existing customers, and by gaining new customers and markets. Companies with a global presence and advanced technology, engineering, manufacturing and customer support capabilities are best positioned to take advantage of these opportunities.

There are currently several significant existing and emerging trends that are impacting the OE market, including the following:

- Globalization of Automotive Industry – OEMs are increasingly designing global platforms where the basic design of the vehicle is performed in one location but is produced and sold in numerous geographic markets to realize significant economies of scale by limiting variations across products. OEMs are increasingly focused on emerging markets for growth opportunities where suppliers must be prepared to provide product and technical resources in support of their customers. Furthermore, OEMs are moving their operations to lower cost geographies relative to the U.S. and European markets and, accordingly, OEMs are increasingly requiring suppliers to provide parts on a global basis. Finally, the Asian OEMs continue to expand their reach and market share in relation to traditional domestic manufacturers. As this trend is expected to continue into the foreseeable future, suppliers must be positioned to meet the needs of the Asian OEMs.
- Increased Emphasis on Systems and Modules – To simplify the vehicle assembly process, lower costs and reduce vehicle development time, OEMs are increasingly rewarding suppliers possessing the capability of providing fully-engineered systems and pre-assembled combinations of components rather than individual components.
- Focus on Fuel Economy and Emissions – Increased fuel economy and decreased vehicle emissions are of great importance to OEMs as customers and legislators continue to demand more efficient and cleaner operating vehicles. Strict corporate average fuel economy (“CAFE”) standards and Environmental Protection Agency regulations are driving OEMs to focus on new technologies including diesel applications and hybrid engines, which allow the OEMs to achieve these increasingly stringent government regulations. Suppliers offering solutions to OEMs related to these issues possess a distinct competitive advantage, which is driving accelerated new product development cycles.
- Focus on Vehicle Safety – Vehicle safety continues to gain increased industry attention and plays a critical role in consumer purchasing decisions. Accordingly, OEMs are seeking suppliers with new technologies, capabilities and products that have the ability to advance vehicle safety. Those suppliers able to enhance vehicle safety through innovative products and technologies have a distinct competitive advantage.
- Pricing Pressures – In order to maintain sales levels of new vehicles and retain or gain market share, many OEMs continue to provide extensive pricing incentives and financing alternatives to consumers. These actions have placed pressures on the OEMs profits and, in turn, the OEMs expect certain recovery from their supply base. In order to retain current business as well as to be competitively positioned for future new business opportunities, suppliers must continually identify and implement product innovation and cost reduction activities to fund annual price concessions to their customers.
- Automotive Supply Consolidation – Consolidation within the automotive supply base is expected to continue, while the entire automotive industry matures. Suppliers will seek opportunities to achieve synergies in their operations through consolidation, while striving to acquire complementary businesses to improve global competitiveness or to strategically enhance a product offering to provide customers with a more fully integrated module or system capability.

The Aftermarket Business. Aftermarket products are sold as replacement parts for vehicles in current production and older vehicles to a wide range of wholesalers, retailers and installers. Demand for aftermarket products is driven by the quality of OE parts, the number of vehicles in operation, the average age of the vehicle fleet, and vehicle usage (measured by miles driven). Although the number of vehicles on the road and different models available continue to increase, the aftermarket has experienced weakness due to increases in average useful lives of automotive parts resulting from continued technological innovation and resulting quality and durability. Replacement demand for certain aftermarket products is also impacted by annual weather cycles. Generally, the relative severity of winter can significantly impact the short-term demand for products such as wiper blades, chassis components and fuel pumps. The aftermarket continues to experience consolidation of warehouse distributors and retailers, resulting in excess inventory that can adversely affect near-term sales to these customers.

There are currently several significant existing and emerging trends that are impacting the aftermarket business, including the following:

- Extended Automotive Part Product Life and New Car Warranties – The average useful life and quality of automotive parts, both OE and aftermarket, have been steadily increasing due to innovations in products and technologies. Longer product lives and better quality allow vehicle owners to replace parts on their vehicles less frequently. In addition, the OEMs have generally increased the extent of coverage and duration of new car warranties. Increased warranties have the effect of vehicle owners having repairs performed by the OEM dealership versus a traditional automotive installer.
- Vehicle Complexity – Today's vehicles are more complex in design, features, and integration of mechanical and electrical components. Ever increasing complexity adversely impacts the demand for replacement parts through the traditional independent aftermarket, as vehicle owners are less capable of performing repairs on their own vehicles. Similarly, independent repair shops and installers must increasingly invest capital in diagnostic equipment and technician training to service newer vehicles. Generally, the OEM dealerships are better equipped and capitalized to service the complexity of today's vehicles.
- Globalization of Automotive Industry – As previously discussed, OEMs are increasingly focused on emerging markets for growth. This increased OEM focus on emerging geographic regions will ultimately drive the need for replacement parts for vehicles produced and in service, and provides further growth opportunities for the Company's aftermarket business in these regions.

The Company's Customers

The Company supplies OE manufacturers with a wide variety of precision-engineered parts, essentially all of which are manufactured by the Company. The Company's OE customers consist primarily of automotive and heavy-duty vehicle manufacturers as well as agricultural, off-highway, marine, railroad, high performance and industrial application manufacturers. The Company has well-established relationships with substantially all major North American, European and Asian automotive OE manufacturers.

Federal-Mogul's aftermarket customers include independent warehouse distributors who redistribute products to local parts suppliers called jobbers, industrial bearing distributors, distributors of heavy-duty vehicular parts, engine rebuilders and retail parts stores. The breadth of Federal-Mogul's product lines, the strength of its brand names, marketing expertise, and sizable sales force, and its distribution and logistics capability, are central to the Company's aftermarket operations.

Among Federal-Mogul's largest customers are the Aftermarket Autoparts Alliance, Autozone, BMW, CarQuest, Caterpillar, Cummins, DaimlerChrysler, Fiat, Ford/Jaguar/Volvo, General Motors, NAPA, Ozark/O'Reilly's, PSA, Renault/Nissan and Volkswagen/Audi. This determination is based upon sales derived from these customers during the fiscal year ended December 31, 2003. Furthermore, no individual customer accounted for more than 10% of the Company's sales during 2003.

The Company's Competition

The global vehicular parts business is highly competitive. The Company competes with many of its customers that produce their own components as well as with independent manufacturers and distributors of component parts in the United States and abroad. In general, competition for such sales is based on price, product quality, technology, delivery, customer service and the breadth of products offered by a given supplier. The Company is meeting these competitive challenges by more efficiently integrating its manufacturing and distribution operations, expanding its product coverage within its core businesses, and utilizing its worldwide technical centers to develop and provide value-added solutions to its customers. A summary of the Company's primary independent competitors by reporting segment is set forth below.

- Powertrain – In North America, primary competitors are Daido, Dana, GKN, Kolbenschmidt, Mahle, STI and Sumitomo. In Europe, primary competitors are Bleistahl, Dana, GKN, Kolbenschmidt, Mahle, Miba and NPR.

- Friction – In North America, primary competitors are Akebono and Honeywell. In Europe, primary competitors are Galfer, Honeywell and TMD.
- Sealing Systems and Systems Protection – In North America, primary competitors are Dana and Freudenberg NOK. In Europe, primary competitors are Elring Klinger, Freudenberg NOK and Dana/Reinz.
- Aftermarket – In North America, primary competitors are Airtex, Bosch, Dana, Honeywell and Trico. In Europe, primary competitors are AE, Bosch, Elring Klinger, Kolbenschmidt, Mahle, NGK and Valeo.

The Company's Backlog

For OEM customers, the Company generally receives purchase orders for specific components supplied for particular vehicles. These supply relationships typically extend over the life of the related vehicle, subject to interim design and technical specification revisions, and do not require the customer to purchase a minimum quantity. In addition to customary commercial terms and conditions, purchase orders generally provide for annual price reductions based upon expected productivity improvements and other factors. Customers typically retain the right to terminate purchase orders, but the Company generally cannot terminate purchase orders. OEM order fulfillment is typically manufactured in response to customer purchase order releases, and the Company ships directly from a manufacturing location to the customer for use in vehicle production and assembly. Accordingly, the Company's manufacturing locations do not typically maintain significant finished goods inventory, but rather produce from on-hand raw materials and work-in process inventory within relatively short manufacturing cycles. The primary risk to the Company is lower than expected vehicle production by one or more of its OEM customers or termination of the business based upon perceived or actual shortfalls in delivery, quality or value.

For its aftermarket customers, the Company generally establishes product line arrangements that encompass all components offered within a particular product line. These are typically multi-year arrangements, although they are subject to termination by either the Company or the customer upon relatively short notice. Pricing is market responsive and subject to adjustment based upon competitive pressures and other commercial factors. Aftermarket order fulfillment is largely performed from finished goods inventory stocked in the Company's worldwide distribution network. Inventory stocking levels in the Company's distribution centers are established based upon historical customer demand.

Although customer programs typically extend to future periods and, although there is an expectation that the Company will supply certain levels of OE production and aftermarket shipments over such periods, firm orders are limited to specific and authorized customer purchase order releases placed with its manufacturing and distribution centers for actual production and order fulfillment. Firm orders are typically fulfilled as promptly as possible after receipt from the conversion of available raw materials and work-in-process inventory for OEM orders and from current on-hand finished goods inventory for aftermarket orders. The dollar amount of such purchase order releases on hand and not processed at any point in time is not believed to be significant based upon the timeframe involved.

The composition of the Company's purchase orders and arrangements as measured by terms and conditions, pricing and other factors has remained largely unchanged during the last three years.

The Company's Raw Materials and Suppliers

The Company purchases various raw materials for use in its manufacturing processes, including ferrous and non-ferrous metals, synthetic and natural rubber, graphite, fibers, stampings, castings and forgings. In addition, the Company purchases parts manufactured by other manufacturers for sale in the aftermarket. The Company has not experienced any shortages of raw materials or finished parts and normally does not carry inventories of raw materials or finished parts in excess of those reasonably required to meet its production and shipping schedules. For business and efficiency purposes, the Company has established single sourcing relationships with a small number of its suppliers. However, based upon market conditions and readily available alternative supply sources, the Company believes it could readily replace any single supply source without a material disruption to its business. In 2003, no outside supplier of the Company provided products that accounted for more than 10% of the Company's net sales.

Seasonality of the Company's Business

The Company's business is moderately seasonal because many North American customers typically close assembly plants for two weeks in July for model year changeovers, and for an additional week during the December holiday season. Customers in Europe historically shut down vehicle production during a portion of August and one week in December. The aftermarket experiences seasonal fluctuations in sales due to demands caused by weather patterns. Historically, the Company's sales and operating profits have been the strongest in the second quarter. Refer to Note 22, "Quarterly Financial Data", to the consolidated financial statements included in Item 8 of this report.

The Company's Employee Relations

As of December 31, 2003, the Company had approximately 44,900 full-time employees, of which approximately 18,400 were employed in the United States.

Various unions represent approximately 42% of the Company's domestic hourly employees and approximately 58% of the Company's international hourly employees. Most of the Company's unionized manufacturing facilities have their own contract with its own expiration date, and as a result, no contract expiration date affects more than one facility. The Company believes its labor relations to be generally satisfactory.

Impact of Environmental Regulations on the Company

The Company's operations, consistent with those of the manufacturing sector in general, are subject to numerous existing and proposed laws and governmental regulations designed to protect the environment, particularly regarding plant wastes and emissions and solid waste disposal. Capital expenditures for property, plant and equipment for environmental control activities did not have a material impact on the Company's financial position or cash flows in 2003 and are not expected to have a material impact on the Company's financial position or cash flows in 2004 or 2005.

The Company's Intellectual Property

The Company holds in excess of 3,800 patents and patent applications on a worldwide basis. Slightly more than 700 of these patents and patent applications have been filed in the United States. Of the 3,800 patents and patent applications, approximately 30% are in production use and/or are licensed to third parties, and the remaining 70% are being considered for future production use or provide a strategic technological benefit to the Company. These patents and patent applications expire over various periods through the year 2024.

The Company does not materially rely on any single patent, nor will the expiration of any single patent materially affect the Company's business. Typically, new technology is introduced and patented by the Company replacing formerly patented technology before the expiration of the existing patent. In the aggregate, the Company's worldwide patent portfolio is materially important to its business because it enables the Company to achieve technological differentiation from its competitors.

The Company also maintains more than 4,500 active trademark registrations and applications worldwide. In excess of 90% of these trademark registrations and applications are in commercial use by the Company or are licensed to third parties. All trademark registrations that are still in commercial use are routinely renewed by the Company prior to their expiration.

The Company's Website and Access to Filed Reports

The Company maintains an internet website at www.federal-mogul.com. The Company provides access to its annual and periodic reports filed with the SEC through this website. In addition, paper copies of annual and periodic reports filed with the SEC may be obtained by contacting the Company's headquarters at the address located within the SEC Filings or under Investor Relations on the aforementioned website.

ITEM 2. PROPERTIES

Federal-Mogul's world headquarters is located in Southfield, Michigan, which is a leased facility. At December 31, 2003, the Company had 200 manufacturing/technical centers, distribution and sales and administration office facilities worldwide. Approximately 35% of the facilities are leased; the majority of which are distribution, sales and administration offices. The Company owns the remainder of the facilities.

<u>Type of Facility</u>	<u>North America</u>	<u>Europe</u>	<u>Rest of World</u>	<u>Total</u>
Manufacturing/technical centers.....	56	55	35	146
Distribution centers and warehouses	12	8	8	28
Sales and administration offices	<u>9</u>	<u>5</u>	<u>12</u>	<u>26</u>
Total	<u>77</u>	<u>68</u>	<u>55</u>	<u>200</u>

The facilities range in size from approximately 1,700 square feet to 1,143,000 square feet. Management believes substantially all of the Company's facilities are in good condition and that it has sufficient capacity to meet its current and expected manufacturing and distribution needs. No material facility is significantly underutilized, except for those being sold or closed in the normal course of business.

ITEM 3. LEGAL PROCEEDINGS

On October 1, 2001 (the "Petition Date"), the Company and all of its wholly-owned United States subsidiaries filed voluntary petitions for reorganization (the "U.S. Restructuring") under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). Also on October 1, 2001, certain of the Company's United Kingdom subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code and petitions for Administration (the "U.K. Restructuring") under the United Kingdom Insolvency Act of 1986 (the "Act") in the High Court of Justice, Chancery division in London, England (the "High Court"). The Company and its U.S. and U.K. subsidiaries included in the U.S. Restructuring and the U.K. Restructuring are herein referred to as the "Debtors". The U.S. Restructuring and U.K. Restructuring are herein referred to as the "Restructuring Proceedings". The Chapter 11 cases of the Debtors (collectively, the "Chapter 11 Cases") have been consolidated for purposes of joint administration as In re: Federal-Mogul Global Inc., T&N Limited, et al (Case No. 01-10578(RTL)). Subsidiaries outside of the aforementioned U.S. and U.K. subsidiaries are not party to the Chapter 11 Cases and, therefore, are not currently provided protection from creditors by any bankruptcy court and are operating in normal course. The Chapter 11 Cases are further discussed in Note 1 to the consolidated financial statements.

The Restructuring Proceedings were made in response to a sharply increasing number of asbestos-related claims and their related demand on the Company's cash flows and liquidity. Under the Restructuring Proceedings, the Debtors expect to continue to operate their businesses as debtors-in-possession under court protection from their creditors and claimants, while using the Restructuring Proceedings to develop and implement a plan for addressing the asbestos-related claims against them.

Material pending legal proceedings, other than the Chapter 11 and Administration proceedings above and other than ordinary, routine litigation incidental to the business, to which the Company became or was a party during the year ended December 31, 2003, or subsequent thereto but before the filing of this report, are summarized below.

T&N Companies Asbestos Litigation

The Company's U.K. subsidiary, T&N Ltd., and two U.S. subsidiaries (the "T&N Companies") are among many defendants named in numerous court actions in the U.S. alleging personal injury resulting from exposure to asbestos or asbestos-containing products. T&N Ltd. is also subject to asbestos-disease litigation, to a lesser extent, in the United Kingdom and France. As of the Petition Date, T&N Ltd. was a defendant in approximately 115,000 pending personal injury claims. The two United States subsidiaries were defendants in approximately 199,000 pending personal injury claims. As a result of the Restructuring Proceedings, the Company includes as a pending claim open served claims, settled but not documented claims and settled but not paid claims. Notice of complaints continue to be received post-petition and are in violation of the automatic stay.

The Company's recorded liability for this litigation (approximately \$1.4 billion as of December 31, 2003) represented the Company's estimate prior to the Restructuring Proceedings for claims currently pending and those which were reasonably estimated to be asserted and paid through 2012. The Company did not provide a liability for claims that may be paid subsequent to this period as it could not reasonably estimate such claims. In estimating the liability prior to the Restructuring Proceedings, the Company made assumptions regarding the total number of claims anticipated to be received in a future period, the typical cost of settlement (which is sensitive to the industry in which the plaintiff claims exposure, the alleged disease type and the jurisdiction in which the action is being brought), the rate of receipt of claims, the settlement strategy in dealing with outstanding claims and the timing of settlements. As a result of the Restructuring Proceedings, pending asbestos-related litigation against the Company in the United States and the U.K. is stayed (subject to certain exceptions in the case of governmental authorities), and no party may take action to pursue or collect on such asbestos claims absent specific authorization of the Bankruptcy Court or the High Court. Since the Restructuring Proceedings, the Company has ceased making payments with respect to asbestos-related lawsuits. An asbestos creditors' committee has been appointed in the U.S. representing asbestos claimants with pending claims against the Company, and the Bankruptcy Court has appointed a legal representative for the interests of potential future asbestos claimants. In the U.K. a creditors committee consisting in large part of representatives of asbestos claimants has been appointed. March 3, 2003 was the bar date for the filing of all asbestos-related property damage claims.

While the Company believes that the liability recorded as of October 1, 2001 was appropriate for anticipated losses arising from asbestos-related claims against the T&N Companies through 2012, it is the Company's view that, as a result of the Restructuring Proceedings, there is even greater uncertainty in estimating the future asbestos liability and related insurance recovery for pending and future claims. There are significant differences in the treatment of asbestos claims in a bankruptcy proceeding as compared to the tort litigation system. Among other things, it is uncertain at this time as to the number of asbestos-related claims that will be filed in the Restructuring Proceedings, the number of future claims that will be included in a plan of reorganization, how claims for punitive damages and claims by persons with no asbestos-related physical impairment will be treated and whether such claims will be allowed, and the impact that historical settlement values for asbestos claims may have on the estimation of asbestos liability in the Restructuring Proceedings.

While the Restructuring Proceedings will impact the timing and amount of the asbestos claims and related insurance recoverable amounts, there has been no change, other than to reflect an insurance settlement and foreign exchange translation, to the recorded amounts since the Company initiated the Restructuring Proceedings. Accordingly, the recorded amounts for this insurance recoverable asset change significantly based upon events that occur from the Restructuring Proceedings.

No assurance can be given that the T&N Companies will not be subject to material additional liabilities and significant additional litigation relating to asbestos matters through 2012 or thereafter. In the event that such liabilities exceed the amounts recorded by the Company or the remaining insurance coverage, the Company's results of operations and financial condition could be materially affected.

In 1996, T&N Ltd. (formerly T&N, plc) purchased for itself and its then defined global subsidiaries a £500 million layer of insurance which will be triggered should the aggregate costs of claims made or brought after June 30, 1996, where the exposure occurred prior to that date, exceed £690 million. During 2000, the Company concluded that the aggregate cost of the claims filed after June 30, 1996 would exceed the trigger point and recorded an insurance recoverable asset under the T&N policy of \$577 million. As of December 31, 2003, the recorded insurance recoverable was \$636.8 million. In December 2001, one of the three reinsurers, European International Reinsurance

Company Ltd. ("EIR"), filed suit in a London, England court to challenge the validity of its insurance contract with the T&N Companies. As a result of this lawsuit, a claim was made against the broker (Sedgwick) that assisted in procuring this policy for breach of its duties as a broker. This trial commenced in October 2003. Prior to the conclusion of the trial, the parties were able to reach a settlement. As a result of this settlement, the Company recorded an asbestos charge in 2003 of \$38.9 million. Under the terms of the settlement, EIR would be liable for 65.5% of its one-third share of the reinsurance policy. By separate agreement, Sedgwick agreed to be liable for an additional 17.25% of the EIR share of the reinsurance policy. T&N Ltd. has also agreed to indemnify the insurer for sums paid under the policy for which the insurer is liable to T&N Ltd. for which the insurer has no recovery from the reinsurers of Sedgwick. The settlement agreements referenced above are being held in escrow pending approval by the Bankruptcy Court and the Administrators of T&N Ltd. of those portions of the above-described settlement agreements that affect the Debtors. Approval is expected in early 2004. In December 2002, the remaining two reinsurers issued separate declaratory proceedings requesting the High Court to interpret certain terms contained in the Asbestos Liability Policy. These proceedings do not request the avoidance of the Asbestos Liability Policy. The Company believes that, based on its review of the insurance policies and advice from outside legal counsel, it is probable that the T&N Companies will be entitled to receive payment from the reinsurers for the cost of the claims in excess of the trigger point of the insurance.

Abex and Wagner Asbestos Litigation

Two of the Company's businesses formerly owned by Cooper Industries, Inc., known as Abex and Wagner, are involved as defendants in numerous court actions in the U.S. alleging personal injury from exposure to asbestos or asbestos-containing products. These claims mainly involve friction products. As of the Petition Date, Abex and Wagner were defendants in approximately 66,000 and 33,000 pending claims, respectively. As a result of the Restructuring Proceedings, the Company includes as a pending claim open served claims, settled but not documented claims and settled but not paid claims. Notices of complaints continue to be received post-petition and are in violation of the automatic stay.

The liability of the Company with respect to claims alleging exposure to Wagner products arises from the 1998 stock purchase from Cooper Industries, Inc. of the corporate successor by merger to Wagner Electric Company; the purchased entity is now a wholly-owned subsidiary of the Company and one of the Debtors in the Restructuring Proceedings. As a consequence, all claims against the Debtors, including asbestos-related claims, have been stayed.

The liability of the Company with respect to claims alleging exposure to Abex products arises from a contractual liability entered into in 1994 by the predecessor to the Company whose stock the Company purchased in 1998. Pursuant to that contract, prior to the Restructuring Proceedings, the Company, through the relevant subsidiary, was liable for certain indemnity and defense payments incurred on behalf of an entity known as Pneumo Abex Corporation, the successor in interest to Abex Corporation. Effective as of the Petition Date, the Company has ceased making such payments and is currently considering whether to accept or reject the 1994 contractual liability.

As mentioned above, as of the Petition Date, pending asbestos litigation of Abex (as to the Company only) and Wagner is stayed (subject to certain exceptions in the case of governmental authorities), and no party may take action to pursue or collect on such asbestos claims absent specific authorization of the Bankruptcy Court or the High Court.

The Company's recorded liability for this litigation (comprised of \$129.5 million in Abex liabilities and \$85.0 million in Wagner liabilities as of December 31, 2003) represented the Company's estimate prior to the Restructuring Proceedings for claims currently pending and those which were reasonably estimated to be asserted and paid through 2012. The Company did not provide a liability for claims that may be brought subsequent to this period as it could not reasonably estimate such claims. In estimating the liability prior to the Restructuring Proceedings, the Company made assumptions regarding the total number of claims anticipated to be received in a future period, the typical cost of settlement (which is sensitive to the industry in which the plaintiff claims exposure, the alleged disease type and the jurisdiction in which the action is being brought), the rate of receipt of claims, the settlement strategy in dealing with outstanding claims and the timing of settlements.

As a result of the Restructuring Proceedings, pending asbestos-related litigation is stayed as previously described for the T&N Companies.

While the Company believes that the liability recorded as of October 1, 2001 was appropriate for anticipated losses arising from asbestos-related claims related to Abex and Wagner through 2012, it is the Company's view that, as a result of the Restructuring Proceedings, there is even greater uncertainty in estimating the future asbestos liability and related insurance recovery for pending and future claims. There are significant differences in the treatment of asbestos claims in a bankruptcy proceeding as compared to the tort litigation system. Among other things, it is uncertain at this time as to the number of asbestos-related claims that will be filed in the proceeding, the number of future claims that will be included in a plan of reorganization, how claims for punitive damages and claims by persons with no asbestos-related physical impairment will be treated and whether such claims will be allowed, and the impact historical settlement values for asbestos claims may have on the estimation of asbestos liability in the Restructuring Proceedings.

While the Restructuring Proceedings will impact the timing and amount of the asbestos claims and related insurance recoverable amounts, there has been no change, other than foreign exchange translation, to the recorded amounts since the Company initiated the Restructuring Proceedings. Accordingly, the recorded amounts for this insurance recoverable asset change significantly based upon events that occur from the Restructuring Proceedings.

No assurance can be given that the Company will not be subject to material additional liabilities and significant additional litigation relating to Abex and Wagner asbestos matters through 2012 or thereafter. In the event that such liabilities exceed the amounts recorded by the Company or the remaining insurance coverage, the Company's results of operations and financial condition could be materially affected.

Federal-Mogul and Fel-Pro Asbestos Litigation

Prior to the Restructuring Proceedings, the Company was sued in its own name as one of a large number of defendants in multiple lawsuits brought by claimants alleging injury from exposure to asbestos due to its ownership of certain assets involved in gasket making. As of the Petition Date, the Company was a defendant in approximately 61,500 pre-petition pending claims. Over 40,000 of these claims were transferred to a federal court, where, prior to the Restructuring Proceedings, they were pending. Notices of complaints continue to be received post-petition and are in violation of the automatic stay.

Prior to the Restructuring Proceedings, the Company's Fel-Pro subsidiary also was named as a defendant in a number of product liability cases involving asbestos, primarily involving gasket or packing products. Fel-Pro was a defendant in approximately 34,000 pending claims as of the Petition Date. Over 32,000 of these claims were transferred to a federal court where, prior to the Restructuring Proceedings, they were pending. The Company was defending all such claims vigorously and believed that it and Fel-Pro had substantial defenses to liability and insurance coverage for defense and indemnity.

All claims alleging exposure to the products of the Company and of Fel-Pro have been stayed as a result of the Restructuring Proceedings.

Other Litigation

The Company is involved in other legal actions and claims, directly and through its subsidiaries. After taking into consideration legal counsel's evaluation of such actions, management is of the opinion that the outcomes are not likely to have a material adverse effect on the Company's financial position, operating results, or cash flows.

Environmental Matters

The Company is a defendant in lawsuits filed, or the recipient of administrative orders issued, in various jurisdictions pursuant to the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980 ("CERCLA") or other similar national or state environmental laws. These laws require responsible parties to pay for remediating contamination resulting from hazardous substances that were discharged into the environment by them, or by others to whom they sent such substances for treatment or other disposition. In addition, the Company has been notified by the United States Environmental Protection Agency, other national environmental agencies, and various state agencies that it may be a potentially responsible party ("PRP") under such laws for the cost of remediating hazardous substances pursuant to CERCLA and other national and state environmental laws. PRP designation requires the funding of site investigations and subsequent remedial activities.

At most of the sites that are likely to be the costliest to remediate, which are often current or former commercial waste disposal facilities to which numerous companies sent waste, the Company's exposure is expected to be limited. Despite the joint and several liability which might be imposed on the Company under CERCLA and some of the other laws pertaining to these sites, the Company's share of the total waste has generally been small. The other companies, which also sent wastes, often numbering in the hundreds or more, generally include large, solvent publicly owned companies, and in most such situations the government agencies and courts have imposed liability in some reasonable relationship to contribution of waste.

The Company has identified certain present and former properties at which it may be responsible for cleaning up environmental contamination, in some cases as a result of contractual commitments. The Company is actively seeking to resolve these matters. Although difficult to quantify based on the complexity of the issues, the Company has accrued amounts corresponding to its best estimate of the costs associated with such matters based upon currently available information from site investigations and consultants.

Recorded environmental reserves were \$66.0 million and \$64.6 million at December 31, 2003 and 2002, respectively. The increase in the reserves from 2002 to 2003 resulted primarily from the addition of new sites and revision of cost estimates to remediate current sites, offset by remediation payments made during the period. Management believes that such reserves will be adequate to cover the Company's estimated liability for its exposure in respect to such matters. In the event that such liabilities were to significantly exceed the amounts recorded by the Company, the Company's results of operations and financial condition could be materially affected. At December 31, 2003, management estimates that reasonably possible material additional losses above and beyond management's best estimate of required remediation costs as recorded approximate \$40 million.

Legal proceedings are further discussed in Note 20 to the consolidated financial statements included in Item 8 of this report.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders in 2003.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Prior to April 24, 2002, the Company's common stock was listed on the New York Stock Exchange ("NYSE") under the trading symbol "FMO". On April 24, 2002, the Company's common stock was delisted from the NYSE and began trading on the NASD over-the-counter bulletin board market under the ticker symbol "FDMLQ".

The approximate number of shareholders of record of the Company's common stock at March 8, 2004 was 46,000. The following table sets forth the high and low sales prices of the Company's common stock for each calendar quarter for the last two years as reported on the NYSE-Composite Tape prior to April 24, 2002 or the over-the-counter market subsequent to and including April 24, 2002:

<u>Quarter</u>	<u>2003</u>		<u>2002</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
First.....	\$ 0.47	\$ 0.07	\$ 1.20	\$ 0.80
Second	\$ 0.44	\$ 0.12	\$ 1.20	\$ 0.43
Third	\$ 0.36	\$ 0.10	\$ 0.73	\$ 0.53
Fourth	\$ 0.40	\$ 0.07	\$ 0.63	\$ 0.21

The closing price of the Company's common stock as reported on the over-the-counter market on March 8, 2004 was \$0.42.

The Company was prohibited in 2003, 2002 and 2001, under its Senior Credit Agreement and its debtor-in-possession credit facilities, from paying dividends on its common stock, and therefore did not declare any such dividends. The Company does not expect to declare a dividend in the foreseeable future.

On March 4, 2004, the Company filed an amended plan of reorganization and related disclosure statement with the Bankruptcy Court. This amended plan of reorganization was jointly proposed by the Company along with the Unsecured Creditors Committee, the Asbestos Claimants Committee, the Future Asbestos Claimants Representative, the Agent for the Prepetition Bank Lenders and the equity security holders (collectively referred to as the "Co-Proponents"). The joint amended plan of reorganization is consistent with the principal terms of the plan originally filed with the Bankruptcy Court on March 6, 2003.

The amended joint plan of reorganization provides that asbestos personal injury claimants, both present and future, will be permanently channeled to a trust or series of trusts established pursuant to Section 524(g) of the Bankruptcy Code, thereby protecting Federal-Mogul and its affiliates in the Chapter 11 Cases from existing and future asbestos liability. Although technical issues remain to be resolved, the amended joint plan provides that all currently outstanding stock of Federal-Mogul will be cancelled, and 50.1% of newly authorized and issued common stock of reorganized Federal-Mogul will be distributed to the asbestos trusts or trusts for the benefit of existing and future asbestos claimants, and 49.9% of the newly authorized and issued common stock will be distributed pro rata to the noteholders. Trade creditors of the Company will receive cash distributions in an amount that has yet to be determined. If the classes of holders of common and preferred stock of Federal-Mogul vote in favor of the amended joint plan, the holders of currently outstanding common and preferred stock of Federal-Mogul will receive warrants in reorganized Federal-Mogul.

ITEM 6. SELECTED FINANCIAL DATA

The following table presents information from the Company's consolidated financial statements for the five years ended December 31, 2003. This information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Statements and Supplemental Data".

	2003	2002	2001	2000	1999
	<small>(Millions of Dollars, Except Share and Per Share Amounts)</small>				
Consolidated Statement of Operations Data					
Net sales	\$ 5,546.0	\$ 5,184.3	\$ 5,093.0	\$ 5,497.1	\$ 5,847.7
Costs and expenses	(5,429.4)	(5,103.0)	(5,121.2)	(5,197.2)	(5,271.2)
Amortization of intangible assets.....	(16.9)	(14.1)	(109.5)	(115.1)	(126.4)
Restructuring charges, net.....	(34.2)	(40.5)	(37.4)	(134.4)	—
Adjustment of assets held for sale and other long-lived assets to fair value	(106.0)	(62.9)	(328.1)	(66.9)	(7.9)
Asbestos charge.....	(38.9)	—	—	(184.4)	—
Chapter 11 and Administration related reorganization expense.....	(97.1)	(107.4)	(57.3)	—	—
Gain (loss) on early retirement of debt	—	—	72.2	—	(36.6)
Other income (expense), net	43.5	20.6	(19.9)	(29.0)	(10.9)
Income tax expense	(52.5)	(77.9)	(229.6)	(29.0)	(157.3)
Earnings (loss) from continuing operations before cumulative effect of change in accounting principle	(185.5)	(200.9)	(737.8)	(258.9)	237.4
Earnings (loss) from discontinued operations, net of income taxes	(4.0)	(10.1)	(263.7)	(22.6)	18.5
Cumulative effect of change in accounting principle, net of applicable income tax benefit.....	—	(1,417.9)	—	—	(12.7)
Net earnings (loss).....	\$ (189.5)	\$ (1,628.9)	\$ (1,001.5)	\$ (281.5)	\$ 243.2
Common Share Summary (Diluted)					
Average shares and equivalents outstanding (in thousands)	87,129	83,022	75,598	70,573	84,206
Earnings (loss) per share:					
From continuing operations before cumulative effect of change in accounting principle.....	\$ (2.13)	\$ (2.42)	\$ (9.78)	\$ (3.70)	\$ 3.09
From discontinued operations, net of income taxes.....	(0.04)	(0.12)	(3.49)	(0.32)	0.22
Cumulative effect of change in accounting principle, net of applicable income tax benefit	—	(17.08)	—	—	(0.15)
Net earnings (loss) per share.....	\$ (2.17)	\$ (19.62)	\$ (13.27)	\$ (4.02)	\$ 3.16
Dividends declared per share.....	\$ —	\$ —	\$ —	\$ 0.01	\$ 0.01
Consolidated Balance Sheet Data					
Total assets	\$ 8,116.7	\$ 7,913.3	\$ 9,053.2	\$ 9,831.0	\$ 9,945.2
Short-term debt.....	14.8	346.1	24.9	147.8	190.8
Long-term debt.....	331.2	14.3	266.7	3,559.7	3,020.0
Liabilities subject to compromise.....	6,087.8	6,053.2	6,256.6	—	—
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely convertible subordinated debentures of the Company	—	—	—	575.0	575.0
Shareholders' (deficit) equity	(1,376.9)	(1,403.6)	419.0	1,550.2	2,075.2
Other Financial Information					
Net cash provided from (used by) operating activities.....	\$ 319.0	\$ 256.5	\$ 35.8	\$ (154.5)	\$ 562.4
Expenditures for property, plant, equipment.....	300.9	339.1	313.8	315.5	395.2
Depreciation and amortization expense	307.1	277.1	373.7	374.4	354.9
Payments against asbestos liability	—	(2.1)	(234.7)	(353.7)	(179.5)
Receipts from asbestos insurance policies	0.6	0.6	18.8	2.2	1.3

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Federal-Mogul Corporation ("Federal-Mogul" or the "Company") offers a broad range of vehicular parts, accessories, modules and systems to customers in both the original equipment market ("OE") and the replacement market ("aftermarket") on a worldwide basis. Management believes the Company's sales of \$5.5 billion are well balanced between original equipment and aftermarket as well as domestic and international. During 2003, the Company derived 53% of its sales from the OE market and 47% from the aftermarket. Prominent OE customers include the world's largest automotive manufacturers such as General Motors, Ford/Jaguar/Volvo, DaimlerChrysler, BMW, PSA, Volkswagen/Audi and Renault/Nissan. Similarly, prominent aftermarket customers include the Aftermarket Auto Parts Alliance, Autozone, CarQuest, Advance Automotive, NAPA and Ozark/O'Reilly's. Geographically, the Company derived 49% of its sales domestically and 51% internationally. The Company has operations in 31 countries including established markets of Germany, United Kingdom, France, Italy, Mexico and Canada, and emerging markets of China, India, Thailand and Korea.

The Company operates in an extremely competitive industry, driven by global vehicle production volumes and part replacement trends. Business is typically awarded to the supplier offering the most favorable combination of cost, quality, technology and service. In addition, customers continue to require periodic cost reductions which requires the Company to continually assess, redefine and improve its operations, products, and manufacturing capabilities to maintain and improve profitability. Management continues to develop and execute initiatives to meet the challenges of the industry and to achieve its strategy.

A number of initiatives commenced in 2001 and, while certain of these initiatives have been completed as of December 31, 2003, many are still in process and ongoing:

- Strategic Direction – New leadership was installed in 2001 with the appointment of Frank E. Macher as Chairman and CEO and Charles G. McClure, Jr. ("Chip") as President and COO. These individuals set forth clear objectives for the Company by instituting assessments of core competencies and product line positions, organizational capabilities, and technological strengths and weaknesses. The Company's management is focused on further developing and exploiting those businesses which it believes possess a sustainable competitive advantage. During 2003, Chip McClure succeeded Frank Macher as CEO and leads the Company's direction.
- Exit "Non-Core" Businesses – Management identified certain businesses that were not consistent with the Company's long-term strategy or were not expected to achieve certain performance targets. These businesses were deemed non-core and, during the course of the last three years, the Company has divested substantially all of these businesses accounting for approximately \$670 million in cumulative net sales for the three years ended December 31, 2003. These activities have freed up both human and financial resources that are focused on improving the Company's core businesses.
- Global Organization – Recognizing the ever-increasing globalization of the automotive industry, the Company organized its primary business units on a global basis – Powertrain, Sealing Systems and Systems Protection, Friction and Aftermarket. This allows each business to take advantage of best practices in product development, technology and innovation, manufacturing capability and capacity. Furthermore, the Company continues to develop and implement standardized processes and centralized systems to further the direction and performance of the business.
- Productivity – Management implemented a series of initiatives targeted at leveraging the Company's global scale and reducing total enterprise costs. These initiatives included implementation of a centralized supply chain function focused on the reduction of global material costs; headcount reduction programs to reduce selling, general and administrative costs; implementation of standard manufacturing methods across business segments to achieve operational efficiencies and decrease production costs; and modified capital expenditure processes to ensure capital funds are directed at the most strategically appropriate investments with the highest rates of return.

- Low Cost Production – The Company has established and expanded manufacturing operations in low cost geographies to meet the cost pressures inherent in the industry. The Company has manufacturing operations and joint venture alliances in the Czech Republic, China, Korea, Thailand, Poland, Turkey, Hungary, and Mexico. During the last three years, the Company has closed nine manufacturing locations in the United States and higher cost regions of Europe, relocating production to these low cost operations as well as consolidating facilities where excess production capacity existed.
- North America Aftermarket Distribution Optimization – The Company commenced activities to streamline the North America aftermarket distribution network in order to improve both the efficiency of operations and customer order fulfillment and delivery performance. This distribution network consisted of 18 facilities at the end of 2000. Since then, the Company has completed the consolidation and closure of nine distribution centers. The Company now operates its North America aftermarket customer order processing and fulfillment from nine distribution centers. The Company has embarked upon a similar initiative for its Europe aftermarket operations.
- Aftermarket Delivery Performance – In addition to the distribution network consolidation efforts in North America, the Company upgraded many of its remaining distribution centers with state-of-the-art warehouse management systems. Furthermore, the Company renewed its focus on internal logistics and execution of inventory “pull” systems throughout its manufacturing operations and suppliers to ensure prompt and accurate replenishment of its distribution network. These efforts have resulted in significantly improved order fulfillment to the Company’s aftermarket customers in North America and Europe. The Company believes that its current customer order fulfillment levels are best in class.
- Expand Asia Pacific Presence – The Company has invested in manufacturing operations (both wholly-owned and joint venture relationships) in the Asia Pacific region and has recently opened a technical center in Yokohama, Japan to support the Company’s efforts in this region. The Company intends to use these operations and technical platform to strengthen its current, as well as to develop new, customer relationships in this important region.
- Customer Valued Technology – The Company has significant engineering and technical resources throughout its businesses focused on addressing customer issues and problems with innovative solutions for both product applications and manufacturing processes. A recent example is the development and launch of the Company’s Wagner ThermoQuiet disc brake pad technology for the aftermarket. This technology employs patented shim technology which provides a one piece insulator and backing plate and provides exceptional stopping power, quiet performance, and enhanced durability. The Company was awarded the prestigious Automotive News PACE Award in 2003 for this new technology.
- Settle Asbestos Obligation And Right Size Capital Structure – On October 1, 2001 the Company and all of its wholly-owned United States subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy. Also on October 1, 2001, certain of the Company’s United Kingdom subsidiaries filed for reorganization under Chapter 11 of the Bankruptcy Code and petitions for Administration under the United Kingdom Insolvency Act of 1986 in the High Court of Justice, Chancery division in London, England. These proceedings were initiated in response to a sharply increasing number of asbestos-related claims and their related demand on the Company’s cash flows and liquidity. Management expects the Company to emerge from the Restructuring Proceedings free from its asbestos obligation and with an appropriate capital structure necessary to achieve the Company’s future objectives.

Voluntary Reorganization under Chapter 11 and Administration

On October 1, 2001 (the “Petition Date”), the Company and all of its wholly-owned United States subsidiaries filed voluntary petitions for reorganization (the “U.S. Restructuring”) under Chapter 11 of the United States Bankruptcy Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”). Also on October 1, 2001, certain of the Company’s United Kingdom subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code and petitions for Administration (the “U.K. Restructuring”) under the United Kingdom Insolvency Act of 1986 (the “Act”) in the High Court of Justice, Chancery division in London, England (the “High Court”). The Company and its U.S. and U.K. subsidiaries included in the U.S. Restructuring or the U.K. Restructuring are herein referred to as the “Debtors”. The U.S.

Restructuring and U.K. Restructuring are herein referred to as the "Restructuring Proceedings". The Chapter 11 cases of the Debtors (collectively, the "Chapter 11 Cases") have been consolidated for purposes of joint administration as In re: Federal-Mogul Global Inc., T&N Limited, et al (Case No. 01-10578(RTL)). Subsidiaries outside of the aforementioned U.S. and U.K. subsidiaries are not party to the Chapter 11 Cases and, therefore, are not currently provided protection from creditors by any bankruptcy court and are operating in normal course. The Chapter 11 Cases are further discussed in Note 1 to the consolidated financial statements.

The Restructuring Proceedings were initiated in response to a sharply increasing number of asbestos-related claims and their related demand on the Company's cash flows and liquidity. Under the Restructuring Proceedings, the Debtors expect to continue to operate their businesses as debtors-in-possession under court protection from their creditors and claimants, while using the Restructuring Proceedings to develop and implement a plan for addressing the asbestos-related claims against them.

Consequences of the Restructuring Proceedings

The U.S. Debtors are operating their businesses as debtors-in-possession subject to the provisions of the Bankruptcy Code. The U.K. Debtors are continuing to manage their operations under the supervision of Administrators approved by the High Court. All vendors will be paid for all goods furnished and services provided after the Petition Date. However, as a consequence of the Restructuring Proceedings, pending litigation against the Debtors as of the Petition Date is stayed (subject to certain exceptions in the case of governmental authorities), and no party may take any action to pursue or collect pre-petition claims except pursuant to an order of the Bankruptcy Court or the High Court as applicable. It is the Debtors' intention to address all pending and future asbestos-related claims and all other pre-petition claims through a unified plan of reorganization under the Bankruptcy Code or scheme of arrangement under the Act.

In the U.S., four committees, representing asbestos claimants, asbestos property damage claimants, unsecured creditors and equity security holders (collectively, the "Committees") have been appointed as official committees in the Chapter 11 Cases and, in accordance with the provisions of the Bankruptcy Code, have the right to be heard on all matters that come before the Bankruptcy Court. The Committees, together with the legal representative for the future asbestos claimants, play important roles in the Restructuring Proceedings. In the U.K., the Administrators have appointed a creditors committee, representing both asbestos claimants and general unsecured creditors.

On March 4, 2004, the Company filed an amended plan of reorganization and related disclosure statement with the Bankruptcy Court. This amended plan of reorganization was jointly proposed by the Company along with the Unsecured Creditors Committee, the Asbestos Claimants Committee, the Future Asbestos Claimants Representative, the Agent for the Prepetition Bank Lenders and the equity security holders (collectively referred to as the "Co-Proponents"). The joint amended plan of reorganization is consistent with the principal terms of the plan originally filed with the Bankruptcy Court on March 6, 2003.

The amended joint plan of reorganization provides that asbestos personal injury claimants, both present and future, will be permanently channeled to a trust or series of trusts established pursuant to Section 524(g) of the Bankruptcy Code, thereby protecting Federal-Mogul and its affiliates in the Chapter 11 Cases from existing and future asbestos liability. Although technical issues remain to be resolved, the amended joint plan provides that all currently outstanding stock of Federal-Mogul will be cancelled, and 50.1% of newly authorized and issued common stock of reorganized Federal-Mogul will be distributed to the asbestos trusts or trusts for the benefit of existing and future asbestos claimants, and 49.9% of the newly authorized and issued common stock will be distributed pro rata to the noteholders. Trade creditors of the Company will receive cash distributions in an amount that has yet to be determined. If the classes of holders of common and preferred stock of Federal-Mogul vote in favor of the amended joint plan, the holders of currently outstanding common and preferred stock of Federal-Mogul will receive warrants in reorganized Federal-Mogul.

There are two possible types of U.K. schemes of arrangements. The first is under Section 425 of the Companies Act of 1985, which may involve a scheme for the reconstruction of the Company. If a majority in number representing three-fourths in value of the creditors or members or any class of them agree to the compromise or arrangement, it is binding if sanctioned by the High Court. Section 425 may be invoked where there is an Administration order in force in relation to the Company. The other possible type of scheme arises under Section 1 of the Insolvency Act of

1986 in relation to Company Voluntary Arrangements ("CVA"). If a majority in value representing more than three-fourths of the creditors agrees to the compromise or arrangement set out in the CVA proposal, it will be approved.

The Company is unable to predict with a high degree of certainty at this time what treatment will be accorded under any such plan of reorganization to claims arising from intercompany indebtedness, licenses, executory contracts, transfers of goods and services, and other intercompany arrangements, transactions and relationships that were entered into prior to the Petition Date. Various parties in the Chapter 11 Cases may challenge these arrangements, transactions, and relationships, and the outcome of those challenges, if any, may have an impact on the treatment of various claims under such plan of reorganization.

The Bankruptcy Court may confirm a plan of reorganization only upon making certain findings required by the Bankruptcy Code, and a plan may be confirmed over the dissent of non-accepting creditors and equity security holders if certain requirements of the Bankruptcy Code are met. The payment rights and other entitlements of pre-petition creditors and equity security holders may be substantially altered by any plan of reorganization confirmed in the Chapter 11 Cases. There is no assurance that there will be sufficient assets to satisfy the Debtors' pre-petition liabilities in whole or in part, and the pre-petition creditors of some Debtors may be treated differently than those of other Debtors.

Accounting Impact

Pursuant to AICPA Statement of Position 90-7 ("SOP 90-7"), "Financial Reporting by Entities in Reorganization under the Bankruptcy Code", the Company's pre-petition liabilities that are subject to compromise are reported separately in the consolidated balance sheet at the expected amount of the allowed claims. Note 1, "Voluntary Reorganization under Chapter 11 and Administration", includes the detail of "Liabilities subject to compromise" as of December 31, 2003. Obligations of the Company's subsidiaries not covered by the Restructuring Proceedings will remain classified in the consolidated balance sheet based upon maturity dates or the expected dates of payment. SOP 90-7 also requires separate reporting of certain expenses, realized gains and losses, a portion of interest income and provisions for losses related to the Restructuring Proceedings as reorganization items. Accordingly, the Debtors recorded Chapter 11 and Administration related reorganization expenses of \$97.1 million, \$107.4 million and \$57.3 million for the years ended December 31, 2003, 2002 and 2001, respectively. See Note 1 to the consolidated financial statements in Item 8 of this report for further information concerning the Restructuring Proceedings.

Critical Accounting Policies

The accompanying consolidated financial statements in Item 8 of this report have been prepared in conformity with accounting principles generally accepted in the United States and, accordingly, the Company's general accounting policies have been disclosed in Note 2 to the consolidated financial statements. The Company considers accounting estimates to be critical accounting policies when:

- The estimates involve matters that are highly uncertain at the time the accounting estimate is made; and
- Different estimates or changes to estimates could have a material impact on the reported financial position, changes in financial condition, or results of operations.

When more than one accounting principle, or the method of its application, is generally accepted, management selects the principle or method that it considers to be the most appropriate given the specific circumstances. Application of these accounting principles requires the Company's management to make estimates about the future resolution of existing uncertainties. Estimates are typically based upon historical experience, current trends, contractual documentation, and other information, as appropriate. Due to the inherent uncertainty involving estimates, actual results reported in the future may differ from those estimates. In preparing these financial statements, management has made its best estimates and judgments of the amounts and disclosures included in the financial statements, giving due regard to materiality. The following summarizes the Company's critical accounting policies.

Reorganization Under Chapter 11 and Administration

The accompanying consolidated financial statements have been prepared in accordance with SOP 90-7 and on a going concern basis, which contemplates continuity of operations and realization of assets and liquidation of liabilities in the ordinary course of business. However, as a result of the Restructuring Proceedings, such realization of assets and liquidation of liabilities, without substantial adjustments and/or changes of ownership, is highly uncertain. Given this uncertainty, there is substantial doubt about the ability of the Company to continue as a going concern. While operating as debtors-in-possession under the protection of Chapter 11 of the Bankruptcy Code and Administration under the Act, and subject to approval of the Bankruptcy Court, Administrators or the High Court or otherwise as permitted in the ordinary course of business, the Debtors, or some of them, may sell or otherwise dispose of assets and liquidate or settle liabilities for some amounts other than those reflected in the consolidated financial statements. Further, a plan of reorganization or scheme of arrangement could materially change the amounts and classifications in the historical consolidated financial statements.

Asbestos Liabilities and Asbestos-Related Insurance Recoverable

The Company's United Kingdom subsidiary, T&N Ltd., two United States subsidiaries ("T&N Companies"), and two of the Company's subsidiaries formerly owned by Cooper Industries, Inc., known as Abex and Wagner, are among many defendants named in numerous court actions in the United States alleging personal injury resulting from exposure to asbestos or asbestos-related products. T&N Ltd. is also subject to asbestos-disease litigation, to a lesser extent, in the United Kingdom and France. The recorded liability at December 31, 2003 represents the Company's estimate, prior to the Restructuring Proceedings, for claims currently pending and those which were reasonably estimated to be asserted and paid through 2012. The Company did not provide a liability for claims that may be paid subsequent to this period as it could not reasonably estimate such claims. In estimating the asbestos liability prior to the Restructuring Proceedings, the Company made assumptions regarding the total number of claims anticipated to be received in a future period, the rate of receipt of claims, the typical cost of settlement, the settlement strategy in dealing with outstanding claims and the timing of settlements. While the Company believes that the liability recorded was appropriate for anticipated losses arising from asbestos-related claims through 2012, it is the Company's view that, as a result of the Restructuring Proceedings, there is even greater uncertainty in estimating the asbestos liability for pending and future claims.

T&N Ltd. purchased for itself and its then defined global subsidiaries a £500 million layer of insurance which will be triggered should the aggregate costs of claims made or brought after June 30, 1996, where the exposure occurred prior to that date, exceed £690 million. During 2000, the Company concluded that the aggregate cost of the claims filed after June 30, 1996 would exceed the trigger point of certain asbestos policies and accordingly recorded an insurance recoverable asset.

The ultimate realization of insurance proceeds is directly related to the amount of related covered claims paid by the Company. If the ultimate asbestos claims are higher than the recorded liability, the Company expects the ultimate insurance recoverable to be higher than the recorded amount. If the ultimate asbestos claims are lower than the recorded liability, the Company expects the ultimate insurance recoverable to be lower than the recorded amount. While the Restructuring Proceedings will impact the timing and amount of the asbestos claims and the insurance recoverable, there has been no change to the recorded amounts, other than an insurance settlement described further below, and the impact of foreign currency, due to uncertainties created by the Restructuring Proceedings. Accordingly, these amounts could change significantly based upon events that occur from the Restructuring Proceedings and could materially affect the Company's future financial statements.

In December 2001, one of the three reinsurers, European International Reinsurance Company Ltd. ("EIR"), filed suit in a London, England court to challenge the validity of its insurance contract with the T&N Companies. As a result of this lawsuit, a claim was made against the broker (Sedgwick) that assisted in procuring this policy for breach of its duties as a broker. This trial commenced in October 2003. Prior to the conclusion of the trial, the parties were able to reach a settlement. As a result of this settlement, the Company recorded an asbestos charge in 2003 of \$38.9 million. Under the terms of this settlement, EIR would be liable for 65.5% of its one-third share of the reinsurance policy. By separate agreement, Sedgwick agreed to be liable for an additional 17.25% of the EIR share of the reinsurance policy. T&N Ltd. has also agreed to indemnify the insurer for sums paid under the policy for which the insurer is liable to T&N Ltd. and for which the insurer has no recovery from the reinsurers of Sedgwick. The settlement agreements referenced above are being held in escrow pending approval by the Bankruptcy Court and the

Administrators of T&N Ltd. of those portions of the above-described settlement agreements that affect the Debtors. Approval is expected in early 2004. In December 2002, the remaining two reinsurers issued separate declaratory proceedings requesting the High Court to interpret certain terms contained in the Asbestos Liability Policy.

These proceedings do not request the avoidance of the Asbestos Liability Policy. The Company believes that, based on its review of the insurance policies and advice from outside legal counsel, it is probable that the T&N Companies will be entitled to receive payment from the remaining reinsurers for the cost of the claims in excess of the trigger point of the insurance.

Pension Plans and Other Postretirement Benefit Plans

Using appropriate actuarial methods and assumptions, the Company's defined benefit pension plans are accounted for in accordance with SFAS No. 87, "Employers' Accounting for Pensions." Non-pension postretirement benefits are accounted for in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions."

Actual results that differ from assumptions used are accumulated and amortized over future periods and, accordingly, generally affect recognized expense and the recorded obligation in future periods. Therefore, assumptions used to calculate benefit obligations as of the end of a fiscal year directly impact the expense to be recognized in future periods. The primary assumptions affecting the Company's accounting for employee benefits under SFAS Nos. 87 and 106 as of December 31, 2003 are as follows:

- *Long-term rate of return on plan assets:* The required use of the expected long-term rate of return on plan assets may result in recognized returns that are greater or less than the actual returns on those plan assets in any given year. Over time, however, the expected long-term rate of return on plan assets is designed to approximate actual earned long-term returns. The Company uses long-term historical actual return information, the mix of investments that comprise plan assets, and future estimates of long-term investment returns by reference to external sources to develop an assumption of the expected long-term rate of return on plan assets. The expected long term rate of return is used to calculate net periodic pension cost. In determining its pension obligations, the Company used long-term rates of return on plan assets of 8.5% and 7.0% for its United States and international pension plans, respectively.
- *Discount rate:* The discount rate is used to calculate future pension and postretirement obligations. Discount rate assumptions used to account for pension and non-pension postretirement benefit plans reflect the rates available on high-quality, fixed-income debt instruments on December 31 of each year. In determining its pension and other benefit obligations, the Company used discount rates of 6.25% and 5.5% for its United States and Other international pension plans, respectively.
- *Health care cost trend:* For postretirement health care plan accounting, the Company reviews external data and Company specific historical trends for health care costs to determine the health care cost trend rate assumptions. In determining its projected benefit obligation, the Company used health care cost trend rates of 8.5% for postretirement health care plans.

At December 31, 2003, the projected benefit obligation ("PBO") for U.S. and international pension plans was \$961.1 million and \$2,530.8 million, respectively, and the minimum pension liability charged to equity was \$234.5 million and \$720.3 million, respectively. At December 31, 2003, the accumulated postretirement benefit obligation ("APBO") for health care and life insurance benefits was \$545.1 million. The following table illustrates the

charge, as required, in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets".

Indefinite-lived intangible assets, such as goodwill and trademarks, are carried at historical value and not amortized. Indefinite-lived intangible assets are reviewed for impairment annually as of October 1, or more frequently if impairment indicators exist. The impairment analysis compares the estimated fair value of these assets to the related carrying value, and an impairment charge is recorded for any excess of carrying value over estimated fair value. The estimated fair value is based upon a combination of discounted cash flows and market multiples.

Estimating fair value for both long-lived and indefinite-lived assets requires management to make assumptions regarding future sales volumes and pricing, capital expenditures, useful lives and salvage values of related property, plant and equipment, the Company's ability to develop and implement productivity improvements, discount rates, effective tax rates, market multiples, and other items. Any differences in actual results from management's estimates could result in fair values different from estimated fair values, which could materially impact the Company's future results of operations and financial condition.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes". Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company records a valuation allowance on its net deferred tax assets by tax jurisdiction when it is more likely than not that such assets will not be realized. Management judgment is required in determining the Company's valuation allowance on net deferred tax assets. The valuation allowance would need to be adjusted in the event future taxable income is materially different than amounts estimated. The Company does not provide taxes on undistributed earnings of foreign subsidiaries that are considered to be permanently reinvested.

Results of Operations

The following discussion of the Company's results of operations should be read in connection with Items 1 and 7A of this Form 10-K. These Items provide additional relevant information regarding the business of the Company, its strategy, and the various industry dynamics in the OE market and the aftermarket which have a direct and significant impact on the Company's results of operations.

Consolidated Results

Sales by reporting segment were:

	Year Ended December 31		
	2003	2002	2001
	(Millions of Dollars)		
Powertrain	\$ 1,839	\$ 1,652	\$ 1,567
Sealing Systems and Systems Protection	620	639	630
Friction	431	374	339
Aftermarket	2,576	2,455	2,485
Other	80	64	72
Total	<u>\$ 5,546</u>	<u>\$ 5,184</u>	<u>\$ 5,093</u>

Gross margin by reporting segment was:

	<u>Year Ended December 31</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(Millions of Dollars)		
Powertrain	\$ 255	\$ 260	\$ 265
Sealing Systems and Systems Protection	103	124	131
Friction	116	97	60
Aftermarket	612	548	570
Other	<u>1</u>	<u>(8)</u>	<u>29</u>
Total	<u>\$ 1,087</u>	<u>\$ 1,021</u>	<u>\$ 1,055</u>

Net sales from continuing operations increased \$362 million, or 7%, to \$5,546 million in 2003 from \$5,184 million in 2002. Favorable foreign currency of \$352 million and favorable sales volumes of \$54 million more than offset price reductions of \$44 million.

Gross margin increased by \$66 million, or 6%, during 2003 and remained consistent as a percentage of sales at 20% despite customer price reductions. Gross margin was favorably impacted by foreign currency of \$63 while improvements in productivity of \$43 million mostly offset price reductions of \$44 million.

Net sales from continuing operations increased \$91 million, or 2%, to \$5,184 million in 2002 from \$5,093 million in 2001. Favorable foreign currency contributed \$59 million to the increase, while favorable sales volumes of \$66 million were partially offset by price reductions of \$34 million.

Gross margin was \$1,021 million, or 20% of sales, for 2002 compared to \$1,055, or 21% of sales in 2001. Gross margin was adversely impacted by price reductions of \$34 million, adverse product mix of \$28 million and lower volumes of \$7 million. These reductions in gross margin were partially offset by net productivity gains resulting from sourcing and manufacturing improvements of \$28 million and \$7 million of favorable foreign currency.

Reporting Segment Results 2003 v. 2002

The following table provides changes in sales and gross margin for the year ended December 31, 2003 compared with the year ended December 31, 2002 for each of the Company's reporting segments. "SSP" and "AM" represent Sealing Systems and Systems Protection and Aftermarket, respectively.

	<u>Powertrain</u>	<u>SSP</u>	<u>Friction</u>	<u>AM</u>	<u>Other</u>	<u>Total</u>
	(Millions of Dollars)					
2002 Sales	\$ 1,652	\$ 639	\$ 374	\$ 2,455	\$ 64	\$ 5,184
Foreign currency	176	25	37	110	4	352
Sales volumes	37	(33)	22	16	12	54
Price reductions	<u>(26)</u>	<u>(11)</u>	<u>(2)</u>	<u>(5)</u>	<u>—</u>	<u>(44)</u>
2003 Sales	<u>\$ 1,839</u>	<u>\$ 620</u>	<u>\$ 431</u>	<u>\$ 2,576</u>	<u>\$ 80</u>	<u>\$ 5,546</u>

	<u>Powertrain</u>	<u>SSP</u>	<u>Friction</u>	<u>AM</u>	<u>Other</u>	<u>Total</u>
	(Millions of Dollars)					
2002 Gross Margin	\$ 260	\$ 124	\$ 97	\$ 548	\$ (8)	\$ 1,021
Production volumes / mix	(1)	(20)	10	14	1	4
Price reductions	(26)	(11)	(2)	(5)	—	(44)
Productivity gains, net of inflation	(8)	5	(1)	39	8	43
Foreign currency	30	5	12	16	—	63
2003 Gross Margin	<u>\$ 255</u>	<u>\$ 103</u>	<u>\$ 116</u>	<u>\$ 612</u>	<u>\$ 1</u>	<u>\$ 1,087</u>

Powertrain

Net sales from continuing operations increased \$187 million, or 11%, to \$1,839 million in 2003 from \$1,652 million in 2002. Favorable foreign currency contributed \$176 million to the increase. Increased sales volumes of \$37 million more than offset price reductions of \$26 million.

Gross margin was \$255 million, or 14% of sales, for 2003 compared to \$260 million, or 16% of sales in 2002. Gross margin was favorably impacted by \$30 million of foreign currency, which was more than offset by contractual price reductions of \$26 million, inflation and other cost increases in excess of productivity of \$8 million, and unfavorable net volume and mix of \$1 million.

Sealing Systems and System Protection

Net sales from continuing operations decreased \$19 million, or 3%, to \$620 million in 2003 from \$639 million in 2002. Favorable foreign currency of \$25 million was more than offset by adverse sales volumes of \$33 million and price reductions of \$11 million.

Gross margin was \$103 million, or 17% of sales, for 2003 compared to \$124 million, or 19% of sales in 2002. Foreign currency of \$5 million and productivity improvements of \$5 million were more than offset by decreased production volumes of \$20 million and price reductions of \$11 million.

Friction

Net sales from continuing operations increased \$57 million, or 15%, to \$431 million in 2003 from \$374 million in 2002. Favorable foreign currency of \$37 million and increased sales volumes of \$22 million more than offset price reductions of \$2 million.

Gross margin was \$116 million, or 27% of sales, for 2003 compared to \$97 million, or 26% of sales in 2002. Foreign currency of \$12 million and favorable production volumes of \$10 million more than offset price reductions of \$2 million and net productivity of \$1 million.

Aftermarket

Net sales from continuing operations increased \$121 million, or 5%, to \$2,576 million in 2003 from \$2,455 million in 2002. Foreign currency of \$110 million and favorable sales volumes of \$16 million more than offset price reductions of \$5 million.

Gross margin was \$612 million, or 24% of sales, for 2003 compared to \$548 million, or 22% of sales in 2002. Foreign currency of \$16 million, net productivity improvements of \$39 million, favorable production volumes and product mix of \$14 million more than offset price reductions of \$5 million.

Other

Other primarily includes Asia Pacific and Corporate functions. Net sales from continuing operations were \$80 million compared to \$64 million in the same period of 2002. This increase is the result of increased sales in the Asia Pacific region of \$12 million and favorable foreign currency of \$4 million.

The increase in gross margin was impacted by favorable volumes of \$1 million and \$8 million net productivity improvements in excess of higher pension costs recorded in Corporate.

Selling, General and Administrative Expense

Selling, general and administrative ("SG&A") expenses were \$872 million, or 16% of sales, in 2003 as compared to \$817 million, or 16% of sales, in 2002. The increase in SG&A costs was due to \$53 million of foreign currency and \$42 million of increased pension costs, partially offset by reduced headcount and other cost reduction activities.

Interest Expense

Net interest expense decreased by \$25 million in 2003 to \$98 million. This decrease is due to the recognition of \$17 million in interest income related to tax refunds and lower average outstanding debt. In accordance with SOP 90-7, the Company has not accrued the contractual interest of \$163 million on its pre-petition debt.

Other Income and Expenses, net

Other income, net was \$16 million in 2003, compared to other income, net of \$1 million in 2002. Gains on sales of individual assets of \$7 million, combined with reduced costs of financing arrangements of approximately \$6 million account for this increase.

Reporting Segment Results 2002 v. 2001

The following table provides changes in sales and gross margin for the year ended December 31, 2002 compared with the year ended December 31, 2001 for each of the Company's reporting segments. "SSP" and "AM" represent Sealing Systems and Systems Protection and Aftermarket, respectively.

	<u>Powertrain</u>	<u>SSP</u>	<u>Friction</u>	<u>AM</u>	<u>Other</u>	<u>Total</u>
	(Millions of Dollars)					
2001 Sales	\$ 1,567	\$ 630	\$ 339	\$ 2,485	\$ 72	\$ 5,093
Sales volumes	77	8	33	(44)	(8)	66
Pricing	(26)	(5)	(6)	3	—	(34)
Foreign currency	34	6	8	11	—	59
2002 Sales	<u>\$ 1,652</u>	<u>\$ 639</u>	<u>\$ 374</u>	<u>\$ 2,455</u>	<u>\$ 64</u>	<u>\$ 5,184</u>

	<u>Powertrain</u>	<u>SSP</u>	<u>Friction</u>	<u>AM</u>	<u>Other</u>	<u>Total</u>
	(Millions of Dollars)					
2001 Gross Margin.....	\$ 265	\$ 131	\$ 60	\$ 570	\$ 29	\$ 1,055
Production volumes / mix	6	(2)	8	(39)	(8)	(35)
Pricing	(26)	(5)	(6)	3	—	(34)
Productivity gains, net of inflation.....	11	—	33	13	(29)	28
Foreign currency	4	—	2	1	—	7
2002 Gross Margin.....	<u>\$ 260</u>	<u>\$ 124</u>	<u>\$ 97</u>	<u>\$ 548</u>	<u>\$ (8)</u>	<u>\$ 1,021</u>

Powertrain

Net sales from continuing operations increased \$85 million, or 5%, to \$1,652 million in 2002 from \$1,567 million in 2001. Favorable foreign currency contributed \$34 million to the increase. Favorable sales volumes of \$77 million, particularly in North America, combined with a new piston program launched in Mexico and sales volume from the 2001 acquisition of Gorzyce, more than offset price reductions of \$26 million.

Gross margin was \$260 million, or 16% of sales, for 2002, compared to \$265 million, or 17% of sales in 2001. Foreign currency of \$4 million, sales volumes and product mix of \$6 million, and net productivity of \$11 million favorably impacted gross margin, but were more than offset by price reductions of \$26 million.

Sealing Systems and System Protection

Net sales from continuing operations increased \$9 million, or 1%, to \$639 million in 2002 from \$630 million in 2001. Favorable foreign currency of \$6 million and favorable sales volumes of \$8 million more than offset price reductions of \$5 million.

Gross margin was \$124 million, or 19% of sales, for 2002 compared to \$131 million, or 21% of sales in 2001. Price reductions of \$5 million and the impact of adverse product mix of \$2 million caused the decrease in gross margin.

Friction

Net sales from continuing operations increased \$35 million, or 10%, to \$374 million in 2002 from \$339 million in 2001. Favorable foreign currency of \$8 million and sales volumes of \$33 million more than offset price reductions of \$6 million.

Gross margin was \$97 million, or 26% of sales, for 2002 compared to \$60 million, or 18% of sales in 2001. Foreign currency of \$2 million, net productivity improvements of \$33 million, and favorable production volumes of \$8 million more than offset price reductions of \$6 million.

Aftermarket

Net sales from continuing operations decreased \$30 million, or 1%, to \$2,455 million in 2002 from \$2,485 million in 2001. Favorable foreign currency of \$11 million and favorable pricing of \$3 million were more than offset by reduced sales volumes of \$44 million.

Gross margin was \$548 million, or 22% of sales, for 2002 compared to \$570 million, or 23% of sales in 2001. Foreign currency of \$1 million, net productivity improvements of \$13 million, and favorable pricing of \$3 million were more than offset by unfavorable sales volumes and adverse product mix of \$39 million.

Other

Other primarily includes Asia Pacific and Corporate functions. Net sales from continuing operations were \$64 million compared to \$72 million in the same period of 2001. The net unfavorable impact of \$29 million from increased pension costs in excess of productivity combined with unfavorable sales volumes of \$8 million caused the decrease in gross margin.

Selling, General and Administrative Expense

SG&A expenses were \$817 million, or 16% of sales, in 2002 compared to \$809 million, or 16% of sales, in 2001. This increase is primarily attributable to cost reduction efforts, which were more than offset by increased employee benefit costs, and higher pension expense attributable to the effect of lower actual returns on the Company's pension plan assets.

Interest Expense

Net interest expense decreased \$151 million in 2002 to \$123 million. This decrease is the result of the full year effect of not accruing or paying interest on certain pre-petition debt. This reduction in interest expense was partially offset by interest on the DIP credit facility and by higher average borrowings on the Company's credit facilities during 2002 than in 2001. In accordance with SOP 90-7, the Company has not accrued the contractual interest of \$164 million on its pre-petition debt.

Other Income and Expenses, net

Other income, net was \$1 million in 2002, compared to other expense, net of \$35 million in 2002. This change is attributable to reduced costs of financing arrangements of approximately \$11 million. In addition, distributions on the Company's obligated mandatorily redeemable preferred securities were suspended in connection with the Restructuring Proceedings, resulting in a decrease in other expense of \$30.6 million in 2002 as compared to 2001.

Restructuring Activities

The Company has undertaken various restructuring activities to streamline its operations, consolidate and take advantage of available capacity and resources, and ultimately achieve net cost reductions. Restructuring activities include efforts to integrate and rationalize the Company's businesses and to relocate manufacturing operations to lower cost markets.

The Company accounted for costs related to all restructuring activities initiated prior to January 1, 2003 under the requirements of EITF No. 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." Accordingly, related employee termination benefits and other costs to exit an activity were recognized on the date when management committed the Company to an exit plan. Due to the inherent uncertainty involved in making such estimates, the Company reversed approximately \$21 million of previously recorded reserves in each of 2003 and 2002. These reversals related to approximately \$300 million of restructuring costs recorded during the four-year period ended December 31, 2003. Reversals result from actual costs at program completion being less than costs estimated at the commitment date. Subsequent to its filing for Chapter 11 bankruptcy protection, the Company was able to achieve more favorable resolution of leases and other contractual arrangements than estimated as of the commitment date. Additionally, the Company also experienced a higher rate of voluntary employee attrition subsequent to filing Chapter 11, resulting in lower severance costs than estimated as of the commitment date.

Effective January 1, 2003, the Company's restructuring accounting policy changed pursuant to the requirements of SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities." Currently, the Company defines restructuring expense to include costs directly associated with exit or disposal activities accounted for in accordance with SFAS No. 146, employee severance costs incurred as a result of an exit or disposal activity accounted for in accordance with SFAS Nos. 88 and 112, and pension and other post employment benefit costs incurred as a result of an exit or disposal activity accounted for in accordance with SFAS Nos. 87 and 106.

Estimates of restructuring charges are based on information available at the time such charges are recorded. In general, management anticipates that restructuring activities will be completed within a timeframe such that significant changes to the exit plan are not likely. In certain countries in which the Company operates, statutory requirements include involuntary termination benefits that extend several years into the future. Accordingly, severance payments continue well past the date of termination at many international locations. Thus, these programs appear to be ongoing when, in fact, terminations and other activities under these programs have been substantially completed. Management expects that future savings resulting from execution of its restructuring programs will generally result in full pay back within 36 to 60 months.

Management expects to finance these restructuring programs through cash generated from its ongoing operations or through cash available under its existing DIP facility, subject to the terms of applicable covenants. Management does not expect that the execution of these programs will have an adverse impact on its liquidity position.

Total employee reductions for all active restructuring programs are expected to be approximately 3,000 of which approximately 2,700 have been terminated as of December 31, 2003. The following is a summary of restructuring charges by reporting segment for the years ended December 31, 2003, 2002 and 2001:

	Year Ended December 31, 2003			
	Severance	Exit	Reversals	Total
	(Millions of Dollars)			
Powertrain	\$ 26.8	\$ 1.2	\$ (1.6)	\$ 26.4
Sealing Systems and Systems Protection.....	2.1	3.4	(1.5)	4.0
Friction	1.8	0.3	(10.5)	(8.4)
Aftermarket	16.6	0.8	(4.0)	13.4
Other.....	1.5	0.5	(3.2)	(1.2)
Total.....	\$ 48.8	\$ 6.2	\$ (20.8)	\$ 34.2

	Year Ended December 31, 2002			
	Severance	Exit	Reversals	Total
	(Millions of Dollars)			
Powertrain	\$ 42.4	\$ 0.4	\$ (1.2)	\$ 41.6
Sealing Systems and Systems Protection.....	3.9	—	(0.2)	3.7
Friction	6.3	—	(0.2)	6.1
Aftermarket	3.6	—	(18.6)	(15.0)
Other.....	4.4	—	(0.3)	4.1
Total.....	\$ 60.6	\$ 0.4	\$ (20.5)	\$ 40.5

	Year Ended December 31, 2001			
	Severance	Exit	Reversals	Total
	(Millions of Dollars)			
Powertrain	\$ 10.3	\$ —	\$ —	\$ 10.3
Sealing Systems and Systems Protection.....	2.0	0.9	—	2.9
Friction	3.0	1.1	—	4.1
Aftermarket	8.8	—	—	8.8
Other.....	11.3	—	—	11.3
Total.....	\$ 35.4	\$ 2.0	\$ —	\$ 37.4

The following is a summary of the Company's consolidated restructuring reserves and related activity for 2003, 2002 and 2001:

	<u>Severance</u>	<u>Exit</u>	<u>Total</u>
	(Millions of Dollars)		
Balance of reserves at January 1, 2001.....	\$ 67.2	\$ 40.7	\$ 107.9
2001 total provision.....	35.4	2.0	37.4
Payments and charges against reserves.....	<u>(51.0)</u>	<u>(13.2)</u>	<u>(64.2)</u>
Balance of reserves at December 31, 2001.....	51.6	29.5	81.1
2002 total provision.....	40.1	0.4	40.5
Payments and charges against reserves.....	<u>(20.6)</u>	<u>(10.2)</u>	<u>(30.8)</u>
Balance of reserves at December 31, 2002.....	71.1	19.7	90.8
2003 total provision.....	31.4	2.8	34.2
Payments and charges against reserves.....	<u>(54.8)</u>	<u>(12.5)</u>	<u>(67.3)</u>
Balance of reserves at December 31, 2003.....	<u>\$ 47.7</u>	<u>\$ 10.0</u>	<u>\$ 57.7</u>

The Company's restructuring activities are undertaken as necessary to execute management's strategy and generally fall into one of the following categories:

1. Closure of facilities and relocation of production – In connection with the Company's strategy certain operations have been closed and related production relocated to low cost geographies or to other locations with available capacity.
2. Consolidation of administrative functions and standardization of manufacturing processes - As part of its productivity initiative, the Company has acted to consolidate its administrative functions and change its manufacturing processes to reduce selling, general and administrative costs and improve operating efficiencies through standardization of processes.

The following provides a description of restructuring programs for each reporting segment.

Powertrain

Total restructuring charges, net of reversals, were \$26.4 million, \$41.6 million, and \$10.3 million in 2003, 2002, and 2001, respectively. These charges relate to the following primary restructuring activities:

Closure of facilities and relocation of production

- In 2003, the Company began the closure and relocation of its Bradford, United Kingdom piston operations to other existing European manufacturing facilities with available capacity or with lower cost labor. Severance charges related to this exit activity approximated \$14 million and at December 31, 2003, the Company had remaining reserves of approximately \$13 million related to this activity.
- During 2003, the Company recorded approximately \$1 million for costs related to the exit of its non-core European large bearing operations.
- In 2002, the Company recorded approximately \$10 million for severance and exit costs related to the announced closure of its Bridgwater, United Kingdom piston operation. Related production from this operation was relocated to other existing European manufacturing facilities with available capacity or with lower cost labor. At December 31, 2003 remaining reserves related to this program approximate \$1 million.
- During 2002, the Company announced the relocation and closure of its piston manufacturing operations in Flowery Branch, Georgia, Orangeburg, South Carolina and Sumter, South Carolina to other existing North American manufacturing facilities with available capacity or with lower cost labor. Severance and exit costs related to such activities approximated \$2 million and \$9 million for the years ended December 31, 2003 and 2002, respectively. At December 31, 2003, the Company had remaining reserves of approximately \$5 million related to these activities. The Company completed the relocation and closure of the Flowery Branch and Orangeburg operations during 2003.

- During 2002, the Company announced the closure and relocation of its piston ring operations in Sunderland, United Kingdom to other existing European facilities with available capacity. Severance and exit costs related to this closure approximated \$8 million. At December 31, 2003, the Company had remaining reserves of approximately \$5 million related to this activity.
- During 2001, the Company's German engine bearing operations announced restructuring programs to transfer certain low volume production with high labor content to low cost geographies, specifically Poland. Related severance costs of approximately \$4 million, \$2 million and \$3 million were incurred in connection with this program during 2003, 2002 and 2001, respectively. At December 31, 2003, the Company had remaining reserves of approximately \$7 million related to these activities.

Consolidation of administrative functions and standardization of manufacturing processes

- During 2003, the Company incurred severance charges of approximately \$4 million to eliminate redundancies across its operations in France related to changes in administrative and manufacturing processes. At December 31, 2003 the Company had remaining reserves of approximately \$1 million related to these activities.
- During 2002, approximately \$5 million of severance costs were recorded as restructuring expense related to the Company's piston manufacturing operations located in Nuremberg, Germany. These charges related to headcount reductions associated with administrative function and manufacturing process changes. At December 31, 2003, the Company had remaining reserves of approximately \$4 million related to this activity.
- During 2002, management announced a program to streamline and automate administrative functions and manufacturing processes at Company's piston manufacturing operation in Gorzyce, Poland. Approximately \$2 million and \$4 million of severance charges were recorded related to this program in 2003 and 2002, respectively.
- During 2001, the Company launched a program to consolidate administrative functions and change manufacturing processes across its German piston ring operations. Severance costs approximating \$4 million were recorded for related workforce reductions.

Sealing Systems and System Protection

Total restructuring charges, net of reversals, were \$4.0 million, \$3.7 million, and \$2.9 million in 2003, 2002, and 2001, respectively. These charges relate to the following activities:

Closure of facilities and relocation of production – In 2002, the Company announced the planned closure and began relocation of its seal operations in Cardiff, Wales to other existing European manufacturing facilities with available capacity or with lower cost labor. This relocation resulted in severance and exit charges of approximately \$4 million and \$2 million in 2003 and 2002, respectively. The closure of Cardiff was completed during 2003.

Consolidation of administrative functions and standardization of manufacturing – Related severance and exit charges of approximately \$1 million, \$2 million, and \$3 million were incurred in 2003, 2002, and 2001, respectively. At December 31, 2003, the Company had remaining reserves related to this program of approximately \$2 million.

Friction

Total restructuring charges, net of reversals, were \$(8.4) million, \$6.1 million, and \$4.1 million in 2003, 2002, and 2001, respectively. These charges primarily relate to the following activities:

Closure of facilities and relocation of production

- During 2003, the Company completed its previously announced programs to consolidate its European and North American friction operations. Accordingly, the Company reevaluated its related restructuring reserves and determined that its initial cost estimates exceeded actual costs and reversed approximately \$9 million in previously recorded restructuring reserves.

- During 2002, the Company relocated announced the planned closure and began relocation of its aftermarket half-block operations in Marienheide, Germany to other existing European manufacturing facilities with available capacity. Related severance and exit charges of approximately \$4 million were recorded and at December 31, 2002, the Company had remaining reserves of approximately \$1 million related to this activity.
- In 2001, the Company closed its operations in Pont L'Eveque, France, and relocated production to other European manufacturing facilities with available capacity or with lower labor cost. Related severance and exit costs of approximately \$1 million and \$3 million were recorded in 2003 and 2001, respectively. Remaining reserves related to this program are approximately \$1 million as of December 31, 2003.

Consolidation of administrative functions and standardization of manufacturing – Related severance charges of approximately \$1 million, \$1 million, and \$1 million were incurred in 2003, 2002, and 2001, respectively.

Aftermarket

Total restructuring charges, net of reversals, were \$13.4 million, \$(15.0) million, and \$8.8 million in 2003, 2002, and 2001, respectively. These charges relate to the following activities:

Closure of facilities and relocation of production (aftermarket distribution rationalization)

- In 2003, the Company began relocation of its Ignition operations from its manufacturing facility located in Aubange, Belgium to Upton, England. Related severance and exit costs approximated \$10 million. At December 31, 2003, the Company had remaining reserves of approximately \$3 million related to these activities.
- In 2002, the Company announced and began consolidation of certain distribution operations at its Aftermarket distribution facility located in France into its central European distribution facility in Belgium. Severance and related exit costs of approximately \$3 million and \$2 million were recorded during 2003 and 2002, respectively. At December 31, 2003, the Company had remaining reserves of approximately \$1 million related to these activities.
- The Company completed execution of its North American distribution optimization activities during 2003. In connection with the completion of this program the Company reversed approximately \$2 million and \$19 million of previously recorded severance and exit costs during 2003 and 2002, respectively. These reversals were the result of actual costs incurred being less than the amounts estimated at the time of program announcement.

Consolidation of administrative functions and standardization of manufacturing – Related severance charges of approximately \$7 million were incurred in 2001. At December 31, 2003, the Company had remaining reserves related to previously incurred expenses of approximately \$3 million.

Other

Other restructuring charges totaled \$(1.2) million, \$4.1 million, and \$11.3 million in 2003, 2002, and 2001, respectively.

Closure of facilities and relocation of production

- During 2002, The Company announced its intention to exit its OE lighting operations. Related severance and exit costs were recorded for approximately \$2 million and \$5 million during 2003 and 2002, respectively.
- During 2001, severance and exit costs of approximately \$3 million were recorded pursuant to the closure of the Company's technical center located in Cawston, England.

Consolidation of administrative functions and standardization of manufacturing

- The Company recorded corporate reversals approximating \$3 million during 2003. This reversal relates to previously recorded severance costs for consolidation of corporate administrative activities and resulted from initial estimates exceeding actual costs for completed programs.
- During 2001 severance costs of approximately \$5 million were recorded in connection with the Company's efforts to consolidate corporate administrative functions.

Adjustment of Assets Held for Sale and Other Long-Lived Assets to Fair Value

Definite-Lived Long-Lived Assets

During 2003 and 2002, the Company recorded impairment charges of \$35.5 million and \$62.9 million, respectively, to adjust long-lived tangible assets to their estimated fair values in accordance with SFAS No. 144. The charges by reporting segment are as follows:

	<u>Year Ended December 31</u>	
	<u>2003</u>	<u>2002</u>
	<u>(Millions of Dollars)</u>	
Powertrain.....	\$ 26.4	\$ 52.3
Sealing Systems and System Protection	0.3	5.5
Friction	3.9	—
Aftermarket.....	4.9	—
Other	—	5.1
Total	<u>\$ 35.5</u>	<u>\$ 62.9</u>

The total charge of \$35.5 million during 2003 includes \$19.9 million to write down property, plant and equipment in connection with the announcement of a closure of a Powertrain piston manufacturing facility in Europe. In addition, the Company recorded \$6.5 million and \$9.1 million of impairment charges on property, plant and equipment located in various manufacturing facilities in the United States and various manufacturing facilities in Europe, respectively, to be held and used in accordance with SFAS No. 144, due to an other than temporary decline in sales volumes and profitability at those facilities. The fair value of property, plant and equipment was based upon estimated discounted future cash flows and estimates of salvage value. The impairment charges represent the difference between the estimated fair values and the carrying value of the subject assets.

The total charge of \$62.9 million during 2002 includes \$46.7 million to write-down property, plant and equipment at five facilities that the Company has closed. The estimated fair values were determined based upon discounted future cash flows and estimates of salvage value. An additional charge of \$6.6 million relates to the write down of property, plant and equipment at a European camshaft foundry related to an other than temporary decline in sales volumes at that facility. The estimated fair value of this equipment was determined based upon discounted future cash flows. The remaining charge primarily relates to the impairment of assets that the Company intends to divest. The value of these assets was estimated based upon the future discounted cash flows should the Company divest of these assets on an individual, open market basis.

Goodwill and Other Indefinite-Lived Intangible Assets

Effective January 1, 2002, the Company adopted SFAS No. 142, resulting in the discontinuance of amortization of goodwill and indefinite-lived intangible assets. The adoption of this standard also required the reclassification of various intangible asset classes according to the measurability of their useful lives. Upon the adoption of SFAS No. 142, the Company recorded a non-cash charge of \$1,464.5 million to reduce the carrying value of its goodwill and indefinite-lived intangible assets to their estimated fair value as required by SFAS No. 142. The tax impact related to the charge was \$46.6 million and was limited to the tax benefit derived from the impairment of certain intangible assets other than goodwill. The charge is presented as a cumulative effect of change in accounting principle in the consolidated statement of operations for the year ended December 31, 2002.

As of October 1, 2003, the Company completed its annual impairment analysis as required by SFAS No. 142 and recorded an impairment to goodwill in one Powertrain operating unit of \$70.5 million to adjust the carrying value to its estimated fair value. This impairment charge is primarily attributable to a decrease in the operating unit's estimated fair value based upon management's expectation of future financial performance. The estimated fair value of intangible assets was determined based upon multiple valuation methodologies, including guideline transaction multiples, multiples of current earnings, and discounted future cash flows discounted at rates commensurate with the risk involved.

The majority of these charges relate to the impairment of goodwill associated with the acquisitions of T&N plc. and Cooper Automotive. A summary of the impairment charges for goodwill and other intangible assets by reporting segment pursuant to the provisions of SFAS No. 142 is as follows:

	<u>Year Ended December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
Powertrain.....	\$ 70.5	\$ 453.8
Sealing Systems and System Protection	—	—
Friction	—	381.9
Aftermarket.....	—	155.3
Other, including Corporate	—	473.5
Total	<u>\$ 70.5</u>	<u>\$ 1,464.5</u>

Chapter 11 and Administration Related Reorganization Expenses

In connection with the Restructuring Proceedings, the Company recognized \$97 million, \$107 million, and \$57 million of Chapter 11 and Administration related reorganization expenses in 2003, 2002, and 2001, respectively. These expenses consisted of legal, financial and advisory fees, including the costs of the U.K. Administrators, critical employee retention costs, and other directly related internal costs. These expenses fluctuate largely based upon the necessity for professional services by third-party advisors in connection with the Restructuring Proceedings.

Income Taxes

For 2003, the Company recorded income tax expense of \$52.5 million on a loss from continuing operations before income taxes of \$133.0 million, compared to income tax expense of \$77.9 million on a loss from continuing operations before income taxes and cumulative effect of a change in accounting principle of \$123.0 million in 2002. Income tax expense for 2003 results primarily from taxable income generated in certain international subsidiaries and an increase in deferred tax asset valuation allowances in the U.K. and France, partially offset by a United States federal income tax benefit. This U.S. income tax benefit is primarily related to the favorable outcome of refund claims filed in prior years. Income tax expense for 2002 results primarily from taxable income generated in certain international subsidiaries and an increase in deferred tax asset valuation allowances on deferred income tax assets in the U.S. and U.K.

At December 31, 2003, the Company had deferred tax assets of \$769.4 million, net of a valuation allowance of \$892.3 million, and deferred tax liabilities of \$842.5 million. At December 31, 2002, the Company had deferred tax assets of \$755.2 million, net of a valuation allowance of \$722.5 million, and deferred tax liabilities of \$799.0 million. The deferred tax asset valuation allowances increased by \$169.8 million in 2003 due primarily to cumulative losses in the U.K. resulting in the recognition of a full valuation allowance against the net U.K. deferred tax asset and the impact of foreign currency.

During 2003, the Company reversed a valuation allowance related to a deferred tax asset associated with a net operating loss. Approximately \$11 million was realized as a result of an arrangement that was entered into with a previous owner of certain subsidiaries which allowed the Company to carry-back a net operating loss and realize a

portion of the associated deferred tax asset. This amount was recorded as a reduction to the 2003 income tax expense.

The Company evaluates its deferred taxes and related valuation allowances quarterly. If the Company believes that changes in current or future taxable income (loss) will impact the basis for recognizing the benefit of deferred tax assets or related valuation allowances, then adjustments will be provided accordingly.

Liquidity and Capital Resources

Cash Flow Provided by Operating Activities

Cash flow provided by operating activities was \$319.0 million in 2003. Cash flow was impacted positively by the Restructuring Proceedings as a result of staying any proceedings or payments for asbestos liabilities at the Petition Date, and not accruing or paying the contractual interest on certain pre-petition debt subsequent to the Petition Date. The primary uses of cash during 2003 include the payment of \$88.1 million of Chapter 11 and Administration related expenses and \$76.7 million of restructuring payments. The impact of changes in working capital were positive to cash flow, as decreased accounts receivable of \$50.1 million and decreased inventories of \$18.5 million were only partially offset by decreased accounts payable of \$27.6 million.

Cash flow provided by operating activities was \$256.5 million in 2002. Cash flow was impacted positively by the Restructuring Proceedings as a result of staying any proceedings or payments for asbestos liabilities at the Petition Date, and not accruing or paying the contractual interest on certain pre-petition debt subsequent to the Petition Date. The primary uses of cash during 2002 include the payment of \$104.0 million of Chapter 11 and Administration related expenses and \$53.1 million of restructuring and rationalization payments. The impact of changes in working capital were negligible, as the decrease in accounts receivable of \$44.1 million and increase in accounts payable of \$6.4 million, both positive to cash flow, were mostly offset by an increase in inventories of \$46.8 million.

Under the U.K. Restructuring Proceedings, cash in the United Kingdom is available only for use by the debtor entities within the United Kingdom and is not available for use outside of such entities. At December 31, 2003 and 2002, such cash balances were \$261 million and \$153 million, respectively.

Cash Flow Used by Investing Activities

Cash flow used by investing activities was \$277.3 million in 2003. Capital expenditures amounted to \$300.9 million, offset by proceeds from the divestiture of various businesses.

Cash flow used by investing activities was \$304.5 million in 2002. Capital expenditures amounted to \$339.1 million, offset by proceeds from the divestiture of various businesses.

The Company maintains investments in 23 non-consolidated affiliates, which are located in Turkey, China, Korea, India, Japan, the United States and Mexico. The Company's direct ownership in such affiliates ranges from approximately 5% to 50%. The aggregate investment in these affiliates approximates \$131 million and \$130 million as of December 31, 2003 and 2002, respectively.

The Company's joint ventures are businesses established and maintained in connection with its operating strategy and are not special purpose entities. In general, the Company does not extend guarantees, loans or other instruments of a variable nature that may result in incremental risk to the Company's liquidity position. Furthermore, the Company does not rely on dividend payments or other cash flows from its non-consolidated affiliates to fund its operations and, accordingly, does not believe that they have a material effect on the Company's liquidity.

Pursuant to its Turkish joint venture arrangement the Company's joint venture partner holds an option to put its shares to the Company at the higher of the current fair value or at a guaranteed minimum amount. The guaranteed minimum amount represents a contingent guarantee of the initial investment of its investment partner. The total amount of the contingent guarantee as of December 31, 2003 approximates \$50 million and is substantially less than the current fair value of the guarantees' interest in the affiliate. This put option, if exercised at the current fair value, could have a material effect on the Company's liquidity position.

In accordance with SFAS No. 150, the Company has determined that its investments in Chinese joint venture arrangements are considered to be "limited-lived" as such entities have specified durations ranging from 30 to 50 years pursuant to regional statutory regulations. In general, these arrangements call for extension, renewal or liquidation at the discretion of the parties to the arrangement at the end of the contractual agreement. Accordingly, a reasonable assessment cannot be made as to the impact of such contingencies on the future liquidity position of the Company.

Cash Flow Provided from Financing Activities

Cash flow used by financing activities was \$14.4 million in 2003, resulting from net payments on the Company's available credit facilities.

Cash flow provided from financing activities was \$75.4 million in 2002, resulting from net borrowings on the Company's available credit facilities.

In connection with the Restructuring Proceedings, the Company entered into a \$675 million debtor-in-possession ("DIP") credit facility to supplement liquidity and fund operations during the restructuring proceedings. In August 2003, the DIP credit facility was amended to reduce the commitment to \$600 million, change the expiration date to February 2005, and reduce the interest rate to either the alternate base rate ("ABR") plus 2 percentage points or a formula based on the London Inter-Bank Offered Rate ("LIBOR") plus 3 percentage points. The ABR is the greatest of either the bank's prime rate or the base CD rate plus 1 percentage point or the federal funds rate plus ½ percentage point. The \$600 million commitment is mandatorily reduced by a portion of proceeds received from future asset or business divestitures.

The Company's available borrowings under the DIP credit facility are determined by the underlying collateral at any point in time, consisting of its domestic inventories, domestic accounts receivable, and domestic property, plant, and equipment. The DIP lenders received permission from the lenders of the Senior Credit Agreements to have priority over their collateral interest. At December 31, 2003, the Company had \$320.0 million of borrowings outstanding and has issued \$17.9 million in letters of credit under this facility. Based upon the collateral securing the DIP credit facility, the Company had \$236.6 million available for borrowings at December 31, 2003.

The DIP credit facility contains restrictive covenants. The more significant of these covenants include the maintenance of certain levels of earnings before interest, taxes, depreciation and amortization and limitations on quarterly capital expenditures. Additional covenants include, but are not limited to, limitations on the early retirement of debt, additional borrowings, payment of dividends and the sale of assets or businesses.

The Company has pledged 100% of the capital stock of certain U.S. subsidiaries, 65% of capital stock of certain foreign subsidiaries and certain intercompany loans to secure the Senior Credit Agreements of the Company. Certain of such pledges also extend to the Notes, Medium-Term Notes and Senior Notes of the Company. In addition, certain subsidiaries of the Company have guaranteed the senior debt.

The Company has the following contractual debt obligations and commercial commitments outstanding at December 31, 2003:

<u>Maturities of Contractual Obligations</u>	<u>Debt</u>	<u>Operating Leases</u>
	(Millions of Dollars)	
Less than 1 year	\$ 14.8	\$ 29.7
1-3 years	331.2	42.9
4-5 years	—	16.5
Thereafter	—	11.7
Liabilities subject to compromise	<u>4,231.7</u>	<u>—</u>
Total ⁽¹⁾	<u>\$ 4,577.7</u>	<u>\$ 100.8</u>

<u>Expiration of Other Commercial Commitments</u>	<u>Letters of Credit</u>
	(Millions of Dollars)
Less than 1 year	\$ 17.9
Liabilities subject to compromise	<u>58.2</u>
Total	<u>\$ 76.1</u>

⁽¹⁾The amounts above exclude the Company's minimum statutory or negotiated pension plan funding requirements, which are \$215.3 million over the next two years, including \$69.5 million in 2004. The minimum funding requirements after 2004 are dependent upon several factors. We also have payments due under other post employment benefit plans. These other plans are funded as benefits are paid, and are not required to be funded in advance.

The Company's ability to obtain cash adequate to fund its needs depends generally on the results of its operations, restructuring initiatives, the Bankruptcy Court's approval of management's plans and the availability of financing. Management believes that cash on hand, cash flow from operations, and available borrowings under its DIP credit facility, will be sufficient to fund capital expenditures and meet its post-petition operating obligations for the next fiscal year. In the longer term, the Company believes that the benefits from its announced restructuring programs and favorable resolution of its asbestos liability through Chapter 11 and Administration will provide adequate long-term cash flows. However, there can be no assurance that such initiatives are achievable in this regard or that the terms available for any future financing, if required, would be available or favorable to the Company. Also, resolutions of certain obligations, particularly asbestos obligations, are impacted by factors outside the Company's control. Given these uncertainties, the Company's auditors have raised substantial doubt regarding the Company's ability to continue as a going concern.

At December 31, 2003 the Company was in compliance with all debt covenants under its existing DIP credit facility. Based on current forecasts, the Company expects to be in compliance through the expiration of the facility. Changes in the business environment, market factors, macroeconomic factors, or the Company's ability to achieve its forecasts and other factors outside of the Company's control, could adversely impact its ability to remain in compliance with debt covenants. If the Company were to not be in compliance at a measurement date, the Company would be required to renegotiate its facility. No assurance can be provided as to the impact of such actions.

Asbestos Liability and Legal Proceedings

Note 20 to the consolidated financial statements, entitled "Litigation and Environmental Matters", on pages 86 through 91 hereof, is incorporated herein by reference.

ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, the Company is subject to market exposure from changes in foreign currency exchange rates, interest rates and raw material prices. To manage a portion of these inherent risks, the Company purchases various derivative financial instruments and commodity futures contracts to hedge against unfavorable market changes. The Company does not hold or issue derivative financial instruments for trading purposes.

Foreign Currency Risk

The Company is subject to the risk of changes in foreign currency exchange rates due to its global operations. The Company manufactures and sells its products in North America, South America, Asia, Europe and Africa. As a result, the Company's financial results could be significantly affected by factors such as changes in foreign currency exchange rates or weak economic conditions in foreign markets in which the Company manufactures and distributes its products. The Company's operating results are primarily exposed to changes in exchange rates between the U.S. dollar and European currencies.

As currency exchange rates change, translation of the statements of operations of the Company's international businesses into United States dollars affects year-over-year comparability of operating results. The Company does not generally hedge operating translation risks because cash flows from international operations are generally reinvested locally. Changes in foreign currency exchange rates are generally reported as a component of stockholders' equity for the Company's foreign subsidiaries reporting in local currencies and as a component of income for its foreign subsidiaries using the U.S. dollar as the functional currency. The Company's other comprehensive loss was decreased by \$355 million and \$259 million in 2003 and 2002, respectively, due to cumulative translation adjustments resulting primarily from changes in the U.S. Dollar to the Euro and British Pound.

As of December 31, 2003 and 2002, the Company's net current assets (defined as current assets less current liabilities) subject to foreign currency translation risk were \$933 million and \$709 million, respectively. The potential decrease in net current assets from a hypothetical 10% adverse change in quoted foreign currency exchange rates would be \$93.3 million and \$70.9 million, respectively. The sensitivity analysis presented assumes a parallel shift in foreign currency exchange rates. Exchange rates rarely move in the same direction. This assumption may overstate the impact of changing exchange rates on individual assets and liabilities denominated in a foreign currency.

The Company manages certain aspects of its foreign currency activities and larger transactions through the use of foreign currency options or forward contracts. The Company generally tries to utilize natural hedges within its foreign currency activities, including the matching of revenues and costs. The Company had two contracts outstanding with a combined notional value of \$10.4 million at December 31, 2003, and two contracts outstanding with a combined notional value of \$9.7 million at December 31, 2002.

Interest Rate Risk

In connection with the Restructuring Proceedings and in accordance with SOP 90-7, the Company ceased recording interest expense on its outstanding pre-petition Notes, Medium-term notes, and Senior notes effective October 1, 2001. The Company's contractual interest not accrued or paid in 2003, 2002 and 2001 was \$162.8 million, \$164.4 million and \$41.6 million, respectively. The Company continues to accrue and pay contractual interest on the Senior Credit Agreement in the month incurred, totaling \$71.4 million, \$81.8 million and \$28.2 million in 2003, 2002 and 2001, respectively.

In connection with the Restructuring Proceedings, the Company entered into a debtor-in-possession ("DIP") credit facility to supplement liquidity and fund operations during the restructuring proceedings. The DIP credit facility expires in February 2005, and the interest rate is either the alternate base rate ("ABR") plus 2 percentage points or a formula based on the London Inter-Bank Offered Rate ("LIBOR") plus 3 percentage points. The ABR is the greatest of either the bank's prime rate or the base CD rate plus 1 percentage point or the federal funds rate plus ½ percentage point. Accordingly, the Company's variable interest expense is sensitive to changes in the general level of global market interest rates as related to the DIP facility. The amount outstanding from the DIP facility as of December 31, 2003 was approximately \$338 million.

Accordingly, management believes that interest rate risk to the Company is limited while the Restructuring Proceedings continue. However, management cannot predict with any certainty the level of interest rate risk that may exist following the completion of the Restructuring Proceedings.

Commodity Price Risk

The Company is dependent upon the supply of certain raw materials used in its production processes; these raw materials are exposed to price fluctuations on the open market. The primary purpose of the Company's commodity price hedging activities is to manage the volatility associated with these forecasted purchases. The Company monitors its commodity price risk exposures periodically to maximize the overall effectiveness of its commodity forward contracts. Principal raw materials hedged include natural gas, copper, nickel, lead, high-grade aluminum and aluminum alloy. Forward contracts used to mitigate commodity price risk associated with raw materials, for up to eighteen months in the future, are designated as cash flow hedging instruments. These instruments are intended to offset the effect of changes in raw materials prices on forecasted purchases. The Company had two contracts outstanding with a combined notional value of \$9.2 million at December 31, 2003, and two contracts outstanding with a combined notional value of \$2.9 million at December 31, 2002.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31		
	2003	2002	2001
	(Millions of Dollars, Except Per Share Amounts)		
Net sales.....	\$ 5,546.0	\$ 5,184.3	\$ 5,093.0
Cost of products sold	4,459.1	4,162.9	4,037.6
Gross margin	1,086.9	1,021.4	1,055.4
Selling, general and administrative expenses	872.1	816.7	808.7
Amortization of intangible assets.....	16.9	14.1	109.5
Restructuring charges, net.....	34.2	40.5	37.4
Adjustment of assets held for sale and other long-lived assets to fair value.....	106.0	62.9	328.1
Asbestos charge	38.9	—	—
Interest expense, net.....	98.2	123.4	274.8
Chapter 11 and Administration related reorganization expenses.....	97.1	107.4	57.3
Gain on early retirement of debt.....	—	—	(72.2)
Equity earnings of unconsolidated affiliates	(27.3)	(19.8)	(14.5)
Other (income) expense, net	(16.2)	(0.8)	34.5
Loss from continuing operations before income taxes and cumulative effect of change in accounting principle	(133.0)	(123.0)	(508.2)
Income tax expense.....	52.5	77.9	229.6
Loss from continuing operations before cumulative effect of change in accounting principle	(185.5)	(200.9)	(737.8)
Loss from discontinued operations, net of income taxes	(4.0)	(10.1)	(263.7)
Cumulative effect of change in accounting principle, net of income tax benefit....	—	1,417.9	—
Net loss	(189.5)	(1,628.9)	(1,001.5)
Preferred dividends, net of related tax benefit	—	—	1.9
Net Loss Available for Common Shareholders	\$ (189.5)	\$ (1,628.9)	\$ (1,003.4)
 Basic and Diluted Loss Per Common Share:			
Loss from continuing operations before cumulative effect of change in accounting principle.....	\$ (2.13)	\$ (2.42)	\$ (9.78)
Loss from discontinued operations, net of income taxes	(0.04)	(0.12)	(3.49)
Cumulative effect of change in accounting principle, net of applicable income tax benefit.....	—	17.08	—
Net Loss Available for Common Shareholders	\$ (2.17)	\$ (19.62)	\$ (13.27)

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

	December 31	
	2003	2002
	(Millions of Dollars)	
ASSETS		
Cash and equivalents	\$ 472.4	\$ 395.1
Accounts receivable, net	976.5	946.6
Inventories, net	834.4	800.1
Prepaid expenses	257.5	217.3
Total Current Assets	2,540.8	2,359.1
Property, plant and equipment, net	2,404.8	2,273.0
Goodwill and indefinite-lived intangible assets	1,517.1	1,565.2
Definite-lived intangible assets, net	348.0	351.6
Asbestos-related insurance recoverable	806.1	780.6
Prepaid pension costs	309.2	361.5
Other noncurrent assets	190.7	222.3
Total Assets	\$ 8,116.7	\$ 7,913.3
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Short-term debt, including current portion of long-term debt	\$ 14.8	\$ 346.1
Accounts payable	332.3	318.9
Accrued liabilities	513.3	525.4
Other current liabilities	158.4	214.0
Total Current Liabilities	1,018.8	1,404.4
Liabilities subject to compromise	6,087.8	6,053.2
Long-term debt	331.2	14.3
Post employment benefits	1,716.6	1,541.2
Long-term portion of deferred income taxes	70.4	52.4
Other accrued liabilities	214.4	205.7
Minority interest in consolidated subsidiaries	54.4	45.7
Shareholders' Deficit:		
Series C ESOP preferred stock	28.0	28.0
Common stock	435.6	435.6
Additional paid-in capital	2,060.5	2,060.5
Accumulated deficit	(2,933.4)	(2,743.9)
Accumulated other comprehensive loss	(967.6)	(1,183.8)
Total Shareholders' Deficit	(1,376.9)	(1,403.6)
Total Liabilities and Shareholders' Deficit	\$ 8,116.7	\$ 7,913.3

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31		
	2003	2002	2001
	(Millions of Dollars)		
Cash Provided From (Used By) Operating Activities			
Net loss	\$ (189.5)	\$ (1,628.9)	\$ (1,001.5)
Adjustments to reconcile net loss to net cash provided from operating activities			
Cumulative effect of change in accounting principle	—	1,464.5	—
Depreciation and amortization	307.1	277.1	373.7
Chapter 11 and Administration related reorganization expenses	97.1	107.4	57.3
Payments for Chapter 11 and Administration related reorganization expenses	(88.1)	(104.0)	(46.6)
Adjustment of assets held for sale and other long-lived assets to fair value	106.0	70.2	545.1
Restructuring charges, net	36.0	43.3	38.0
Payments against restructuring reserves	(76.7)	(53.1)	(62.0)
Asbestos charge	38.9	—	—
Gain on early retirement of debt	—	—	(72.2)
(Gain) loss on sale of businesses	7.9	(1.1)	36.3
Change in post employment benefits, including pensions	84.6	19.7	(19.5)
Change in deferred taxes	15.5	(31.5)	219.2
Decrease in accounts receivable	50.1	44.1	116.4
(Increase) decrease in inventories	18.5	(46.8)	40.2
Increase (decrease) in accounts payable	(27.6)	6.4	82.6
Changes in other assets and liabilities	(60.8)	89.2	(55.3)
Payments against asbestos liability, net of insurance receipts	—	—	(215.9)
Net Cash Provided From Operating Activities	319.0	256.5	35.8
Cash Provided From (Used By) Investing Activities			
Expenditures for property, plant and equipment	(300.9)	(339.1)	(313.8)
Net proceeds from sale of property, plant and equipment	—	—	19.0
Business acquisitions, net of cash acquired	—	—	(18.8)
Net proceeds from sales of businesses	23.6	34.6	242.8
Net Cash Used By Investing Activities	(277.3)	(304.5)	(70.8)
Cash Provided From (Used By) Financing Activities			
Increase (decrease) in short-term debt	(16.6)	6.5	(64.1)
Proceeds from borrowings on DIP credit facility	125.5	75.0	250.0
Principal payments on DIP credit facility	(120.2)	(10.3)	—
Proceeds from borrowings of long-term debt	1.2	6.6	667.2
Principal payments on long-term debt	(4.3)	(2.4)	(171.8)
Fees paid for debt agreements	—	—	(38.0)
Repurchase of accounts receivable under securitization	—	—	(348.1)
Other	—	—	(26.2)
Net Cash (Used By) Provided From Financing Activities	(14.4)	75.4	269.0
Effect of foreign currency exchange rate fluctuations on cash	50.0	20.8	5.7
Increase in cash and equivalents	77.3	48.2	239.7
Cash and equivalents at beginning of year	395.1	346.9	107.2
Cash and equivalents at end of year	\$ 472.4	\$ 395.1	\$ 346.9

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)

	Series C ESOP Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	(Millions of Dollars)					
Balance at January 1, 2001	\$ 38.1	\$ 352.5	\$ 1,778.6	\$ (113.5)	\$ (505.5)	\$ 1,550.2
Net loss				(1,001.5)		(1,001.5)
Currency translation					(129.4)	(129.4)
Minimum pension liability.....					(116.9)	(116.9)
Other.....					1.3	1.3
Total Comprehensive Loss						(1,246.5)
Issuance of stock, net.....		59.4	67.9			127.3
Retirement of Series C ESOP						
Preferred stock	(10.1)					(10.1)
Preferred dividends			(1.9)			(1.9)
Balance at December 31, 2001	28.0	411.9	1,844.6	(1,115.0)	(750.5)	419.0
Net loss				(1,628.9)		(1,628.9)
Currency translation					259.2	259.2
Minimum pension liability.....					(692.8)	(692.8)
Other.....					0.3	0.3
Total Comprehensive Loss						(2,062.2)
Issuance of stock, net.....		23.7	215.9			239.6
Balance at December 31, 2002	28.0	435.6	2,060.5	(2,743.9)	(1,183.8)	(1,403.6)
Net loss				(189.5)		(189.5)
Currency translation					355.0	355.0
Minimum pension liability.....					(138.0)	(138.0)
Other.....					(0.8)	(0.8)
Total Comprehensive Income.....						26.7
Balance at December 31, 2003	\$ 28.0	\$ 435.6	\$ 2,060.5	\$ (2,933.4)	\$ (967.6)	\$ (1,376.9)

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Voluntary Reorganization Under Chapter 11 and Administration

On October 1, 2001 (the "Petition Date"), Federal-Mogul Corporation (the "Company" or "Federal-Mogul") and all of its wholly-owned United States subsidiaries filed voluntary petitions for reorganization (the "U.S. Restructuring") under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). Also on October 1, 2001, certain of the Company's United Kingdom subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code and petitions for Administration (the "U.K. Restructuring") under the United Kingdom Insolvency Act of 1986 (the "Act") in the High Court of Justice, Chancery division in London, England (the "High Court"). The Company and its U.S. and U.K. subsidiaries included in the U.S. Restructuring and U.K. Restructuring are herein referred to as the "Debtors". The U.S. Restructuring and U.K. Restructuring are herein referred to as the "Restructuring Proceedings". The Chapter 11 cases of the Debtors (collectively, the "Chapter 11 Cases") have been consolidated for purposes of joint administration as In re: Federal-Mogul Global Inc., T&N Limited, et. al (Case No. 01-10578(RTL)). Subsidiaries outside of the aforementioned U.S. and U.K. subsidiaries are not party to the Chapter 11 Cases and, therefore, are not currently provided protection from creditors by any bankruptcy court and are operating in normal course.

The Restructuring Proceedings were initiated in response to a sharply increasing number of asbestos-related claims and their related demand on the Company's cash flows and liquidity. Under the Restructuring Proceedings, the Debtors expect to develop and implement a plan for addressing the asbestos-related claims against them.

Consequences of the Restructuring Proceedings

The U.S. Debtors are operating their businesses as debtors-in-possession subject to the provisions of the Bankruptcy Code. The U.K. Debtors are continuing to manage their operations under the supervision of Administrators approved by the High Court. All vendors will be paid for all goods furnished and services provided after the Petition Date. However, as a consequence of the Restructuring Proceedings, pending litigation against the Debtors as of the Petition Date is stayed (subject to certain exceptions in the case of governmental authorities), and no party may take any action to pursue or collect pre-petition claims except pursuant to an order of the Bankruptcy Court or the High Court as applicable. It is the Debtors' intention to address all pending and future asbestos-related claims and all other pre-petition claims through a unified plan of reorganization under the Bankruptcy Code or scheme of arrangement under the Act.

In the U.S., four committees, representing asbestos claimants, asbestos property damage claimants, unsecured creditors and equity security holders (collectively, the "Committees") have been appointed as official committees in the Chapter 11 Cases and, in accordance with the provisions of the Bankruptcy Code, have the right to be heard on all matters that come before the Bankruptcy Court. The Committees, together with the legal representative for the future asbestos claimants, play important roles in the Restructuring Proceedings. In the U.K., the Administrators have appointed a creditors committee, representing both asbestos claimants and general unsecured creditors.

On March 4, 2004, the Company filed an amended plan of reorganization and related disclosure statement with the Bankruptcy Court. This amended plan of reorganization was jointly proposed by the Company along with the Unsecured Creditors Committee, the Asbestos Claimants Committee, the Future Asbestos Claimants Representative, the Agent for the Prepetition Bank Lenders and the equity security holders (collectively referred to as the "Co-Proponents"). The joint amended plan of reorganization is consistent with the principal terms of the plan originally filed with the Bankruptcy Court on March 6, 2003.

The amended joint plan of reorganization provides that asbestos personal injury claimants, both present and future, will be permanently channeled to a trust or series of trusts established pursuant to Section 524(g) of the Bankruptcy Code, thereby protecting Federal-Mogul and its affiliates in the Chapter 11 Cases from existing and future asbestos liability. Although technical issues remain to be resolved, the amended joint plan provides that all currently outstanding stock of Federal-Mogul will be cancelled, and 50.1% of newly authorized and issued common stock of reorganized Federal-Mogul will be distributed to the asbestos trusts or trusts for the benefit of existing and future asbestos claimants, and 49.9% of the newly authorized and issued common stock will be distributed pro rata to the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

noteholders. Trade creditors of the Company will receive cash distributions in an amount that has yet to be determined. If the classes of holders of common and preferred stock of Federal-Mogul vote in favor of the amended joint plan, the holders of currently outstanding common and preferred stock of Federal-Mogul will receive warrants in reorganized Federal-Mogul.

There are two possible types of U.K. schemes of arrangements. The first is under Section 425 of the Companies Act of 1985, which may involve a scheme for the reconstruction of the Company. If a majority in number representing three-fourths in value of the creditors or members or any class of them agree to the compromise or arrangement, it is binding if sanctioned by the High Court. Section 425 may be invoked where there is an Administration order in force in relation to the Company. The other possible type of scheme arises under Section 1 of the Insolvency Act of 1986 in relation to Company Voluntary Arrangements ("CVA"). If a majority in value representing more than three-fourths of the creditors agrees to the compromise or arrangement set out in the CVA proposal, it will be approved.

The Company is unable to predict with a high degree of certainty at this time what treatment will be accorded under any such plan of reorganization to claims arising from intercompany indebtedness, licenses, executory contracts, transfers of goods and services, and other intercompany arrangements, transactions and relationships that were entered into prior to the Petition Date. Various parties in the Chapter 11 Cases may challenge these arrangements, transactions, and relationships, and the outcome of those challenges, if any, may have an impact on the treatment of various claims under such plan of reorganization.

The Bankruptcy Court may confirm a plan of reorganization only upon making certain findings required by the Bankruptcy Code, and a plan may be confirmed over the dissent of non-accepting creditors and equity security holders if certain requirements of the Bankruptcy Code are met. The payment rights and other entitlements of pre-petition creditors and equity security holders may be substantially altered by any plan of reorganization confirmed in the Chapter 11 Cases. There is no assurance that there will be sufficient assets to satisfy the Debtors' pre-petition liabilities in whole or in part, and the pre-petition creditors of some Debtors may be treated differently than those of other Debtors.

Chapter 11 Financing

In connection with the Restructuring Proceedings, the Company entered into a \$675 million debtor-in-possession ("DIP") credit facility to supplement liquidity and fund operations during the restructuring proceedings. In August 2003, the DIP credit facility was amended to reduce the commitment to \$600 million, change the expiration date to February 2005, and reduce the interest rate to either the alternate base rate ("ABR") plus 2 percentage points or a formula based on the London Inter-Bank Offered Rate ("LIBOR") plus 3 percentage points. The ABR is the greatest of either the bank's prime rate or the base CD rate plus 1 percentage point or the federal funds rate plus ½ percentage point. The \$600 million commitment is mandatorily reduced by a portion of proceeds received from future asset or business divestitures.

The Company's available borrowings under the DIP credit facility are determined by the underlying collateral at any point in time, consisting of its domestic inventories, domestic accounts receivable, and domestic property, plant, and equipment. The DIP lenders received permission from the lenders of the Senior Credit Agreements to have priority over their collateral interest. Amounts available and outstanding on the DIP credit facility are further discussed in Note 12 to the consolidated financial statements.

Under the U.K. Restructuring Proceedings, cash in the United Kingdom is available only for use by the debtor entities within the United Kingdom and is not available for use outside of such entities. At December 31, 2003 and 2002, such cash balances were \$261 million and \$153 million, respectively.

Financial Statement Presentation

The accompanying consolidated financial statements have been prepared in accordance with AICPA Statement of Position 90-7 ("SOP 90-7"), "Financial Reporting by Entities in Reorganization under the Bankruptcy Code" and on a going concern basis, which contemplates continuity of operations and realization of assets and liquidation of liabilities in the ordinary course of business. However, as a result of the Restructuring Proceedings, such realization of assets and liquidation of liabilities, without substantial adjustments and/or changes of ownership, is highly uncertain. Given this uncertainty, there is substantial doubt about the ability of the Company to continue as a going

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

concern. While operating as debtors-in-possession under the protection of Chapter 11 of the Bankruptcy Code and Administration under the Act, and subject to approval of the Bankruptcy Court, Administrators or the High Court or otherwise as permitted in the ordinary course of business, the Debtors, or some of them, may sell or otherwise dispose of assets and liquidate or settle liabilities for some amounts other than those reflected in the consolidated financial statements. Further, a plan of reorganization or scheme of arrangement could materially change the amounts and classifications in the historical consolidated financial statements.

Virtually all of the Company's pre-petition debt is in default. At December 31, 2003, the Debtors' pre-petition debt is classified under the caption "Liabilities subject to compromise". This includes debt outstanding of \$1,933.3 million under the pre-petition Senior Credit Agreements and \$2,118.1 million of other outstanding debt, primarily notes payable at various unsecured rates, less capitalized debt issuance fees of \$30.7 million. The carrying value of the pre-petition debt will be adjusted once it has become an allowed claim by the Bankruptcy Court to the extent the related carrying value differs from the amount of the allowed claim. Such adjustment may be material to the consolidated financial statements.

As a result of the Restructuring Proceedings, the Company is in default to its affiliate holder of its convertible junior subordinated debentures and is no longer accruing interest expense or making interest payments on the debentures. As a result, the affiliate will no longer have the funds available to pay distributions on the Company-Obligated Mandatorily Redeemable Preferred Securities and stopped accruing and paying such distributions on October 1, 2001. The affiliate is in default on the Company-Obligated Mandatorily Redeemable Preferred Securities. The Company is a guarantor on the outstanding debentures and, as a result of the default, the Company has become a debtor to the holders of the debentures directly. This liability is a pre-petition liability. As a result, the Company has classified these securities as "Liabilities subject to compromise" in the consolidated balance sheets.

As reflected in the consolidated financial statements, "Liabilities subject to compromise" refers to Debtors' liabilities incurred prior to the commencement of the Restructuring Proceedings. The amounts of the various liabilities that are subject to compromise are set forth below. These amounts represent the Company's estimate of known or potential pre-petition claims to be resolved in connection with the Restructuring Proceedings. Such claims remain subject to future adjustments. Future adjustments may result from (i) negotiations; (ii) actions of the Bankruptcy Court, High Court or Administrators; (iii) further developments with respect to disputed claims; (iv) rejection of executory contracts and unexpired leases; (v) the determination as to the value of any collateral securing claims; (vi) proofs of claim; or (vii) other events. Payment terms for these claims will be established in connection with the Restructuring Proceedings.

Liabilities subject to compromise include the following:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
Debt	\$ 4,020.7	\$ 3,982.7
Asbestos liabilities	1,568.4	1,565.1
Company-obligated mandatorily redeemable securities	211.0	211.0
Accounts payable	201.8	211.9
Interest payable	43.9	43.9
Environmental liabilities	23.8	22.9
Other accrued liabilities	<u>18.2</u>	<u>15.7</u>
Subtotal	6,087.8	6,053.2
Intercompany payables to affiliates	<u>3,204.9</u>	<u>3,092.7</u>
	<u>\$ 9,292.7</u>	<u>\$ 9,145.9</u>

The Debtors have received approval from the Bankruptcy Court to pay or otherwise honor certain of their pre-petition obligations, including employee wages, salaries, benefits and other employee obligations and from limited available funds, pre-petition claims of certain critical vendors, certain customer programs and warranty claims, adequate protection payments on the Company's notes, and certain other pre-petition claims.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Chapter 11 and Administration related reorganization expenses in the consolidated statements of operations consist of legal, financial and advisory fees, including fees of the U.K. Administrators, critical employee retention costs, and other directly related internal costs as follows:

	Year Ended December 31		
	2003	2002	2001
	(Millions of Dollars)		
Professional fees directly related to the filing.....	\$ 70.4	\$ 73.7	\$ 44.8
Critical employee retention costs.....	8.2	19.2	6.7
Other direct costs.....	<u>18.5</u>	<u>14.5</u>	<u>5.8</u>
Total	<u>\$ 97.1</u>	<u>\$ 107.4</u>	<u>\$ 57.3</u>

Pursuant to the Bankruptcy Code, the Debtors have filed schedules with the Bankruptcy Court setting forth the assets and liabilities of the Debtors as of the Petition Date. On October 4, 2002, the Debtors issued approximately 100,000 proof of claim forms to its current and prior employees, known creditors, vendors and other parties with whom the Debtors have previously conducted business. To the extent that recipients disagree with the claims as quantified on these forms, the recipient may file discrepancies with the Bankruptcy Court. Differences between amounts recorded by the Debtors and claims filed by creditors will be investigated and resolved as part of the Restructuring Proceedings. The Bankruptcy Court ultimately will determine liability amounts that will be allowed for these claims in the Chapter 11 Cases. A March 3, 2003 bar date was set for the filing of proofs of claim against the Debtors. Because the Debtors have not completed evaluation of the claims received in connection with this process, the ultimate number and allowed amount of such claims are not presently known. The resolution of such claims could result in a material adjustment to the Company's financial statements.

Approximately 10,600 proofs of claim totaling approximately \$158.5 billion alleging a right to payment from a Debtor were filed in connection with the March 3, 2003 bar date as follows:

- Approximately 2,100 claims, totaling approximately \$141.5 billion, which the Company believes should be disallowed by the Bankruptcy Court primarily because these claims appear to be duplicate or unsubstantiated claims.
- Approximately 400 claims, totaling approximately \$8.4 billion, associated with asbestos-related contribution, indemnity, or reimbursement claims. Based upon its preliminary review, the Company believes that a large number of these claims should be disallowed as contingent contribution or reimbursement claims.
- Approximately 100 claims, totaling approximately \$7.1 billion, represent bank and note-holder debt claims. The Company has previously recorded approximately \$4.3 billion for these claims. The Company anticipates any amounts in excess of its books and records are duplicative and will ultimately be resolved in the consensual plan of reorganization.
- Approximately 3,800 claims, totaling approximately \$200 million, alleging asbestos-related property damage. Based on its review, the Company believes most of these claims are duplicative or unsubstantiated.
- Approximately 2,000 claims, totaling approximately \$40 million, which have been reviewed and are deemed allowed by the Company. The liability for such claims is included within "Liabilities subject to compromise."

The Company has not completed its evaluation of the approximate remaining 2,200 claims, totaling approximately \$1.3 billion, alleging rights to payment for financing, environmental, trade accounts payable and other matters. The Company continues to investigate these unresolved proofs of claim, and intends to file objections to the claims that are inconsistent with its books and records. To date, the Debtors have filed objections to more than 5,100 proofs of claim, and have obtained stipulations or orders involving more than 1,000 claims, which either (i) reduce the filed claims to an amount that is consistent with the Debtors books or records, or (ii) completely disallow the claims.

The Debtors continue to review and analyze the proofs of claim filed to date. In addition, the Debtors continue to file objections and seek stipulations to certain claims. Additional claims may be filed after the general bar date, which could be allowed by the Bankruptcy Court. Accordingly, the ultimate number and allowed amount of such

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

claims are not presently known and cannot be reasonably estimated at this time. The resolution of such claims could result in a material adjustment to the Company's financial statements.

The appropriateness of using the going concern basis for the Company's financial statements is dependent upon, among other things: (i) the Company's ability to comply with the terms of the DIP credit facility and any cash management order entered by the Bankruptcy Court in connection with the Chapter 11 Cases; (ii) the ability of the Company to maintain adequate cash on hand; (iii) the ability of the Company to generate cash from operations; (iv) confirmation of a plan(s) of reorganization under the Bankruptcy Code; (v) confirmation of a scheme(s) of arrangement in the U.K. under Administration; and (vi) the Company's ability to achieve profitability following such confirmations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Debtors' Financial Statements

The condensed consolidated financial statements of the Debtors are presented below. These statements reflect the financial position, results of operations and cash flows of the combined Debtor subsidiaries, including certain amounts and activities between Debtor and non-Debtor subsidiaries of the Company, which are eliminated in the consolidated financial statements.

Debtors' Condensed Consolidated Statements of Operations

	Year Ended December 31		
	2003	2002	2001
	(Millions of Dollars)		
Net sales.....	\$ 3,381.2	\$ 3,442.1	\$ 3,395.1
Cost of products sold	<u>2,782.4</u>	<u>2,841.1</u>	<u>2,788.9</u>
Gross margin.....	598.8	601.0	606.2
Selling, general and administrative expenses	565.0	517.9	534.5
Amortization of intangible assets.....	13.6	11.5	90.3
Restructuring charges, net.....	3.7	26.4	18.2
Adjustment of assets held for sale and other long-lived assets to fair value	62.3	66.8	229.9
Asbestos charge	38.9	—	—
Interest expense, net.....	94.8	124.9	287.2
Chapter 11 and Administration related reorganization expenses	97.1	107.4	57.3
Intercompany interest income from non-filers.....	(332.2)	(310.0)	(154.1)
Gain on early retirement of debt.....	—	—	(72.2)
Other (income) expense, net	<u>(27.6)</u>	<u>(34.9)</u>	<u>41.6</u>
Earnings (loss) from continuing operations before income taxes, equity loss of non-Debtor subsidiaries, and cumulative effect of change in accounting principle	83.2	91.0	(426.5)
Income tax expense.....	<u>22.8</u>	<u>51.1</u>	<u>195.1</u>
Earnings (loss) from continuing operations before equity loss of non-Debtor subsidiaries and cumulative effect of change in accounting principle.....	60.4	39.9	(621.6)
Equity loss from continuing operations of non-Debtor subsidiaries before cumulative effect of change in accounting principle	<u>(245.9)</u>	<u>(240.8)</u>	<u>(116.2)</u>
Loss from continuing operations before cumulative effect of change in accounting principle	(185.5)	(200.9)	(737.8)
(Loss) income from discontinued operations, net of income taxes, Debtors.....	(4.0)	7.5	(172.7)
Loss from discontinued operations, net of income taxes, non- Debtors	—	(17.6)	(91.0)
Cumulative effect of change in accounting principle, Debtors, net of applicable income tax benefit.....	—	1,100.7	—
Cumulative effect of change in accounting principle, non- Debtors, net of applicable income tax benefit.....	—	<u>317.2</u>	—
Net loss.....	<u>\$ (189.5)</u>	<u>\$ (1,628.9)</u>	<u>\$ (1,001.5)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Debtors' Condensed Consolidated Balance Sheets

	December 31	
	2003	2002
	(Millions of Dollars)	
ASSETS		
Cash and equivalents	\$ 281.5	\$ 189.6
Accounts receivable, net	558.4	573.1
Accounts receivable, non-Debtors	457.7	345.4
Inventories, net	443.9	472.6
Prepaid expenses	116.2	116.7
Total Current Assets	1,857.7	1,697.4
Property, plant and equipment, net	1,127.7	1,171.5
Goodwill and indefinite-lived intangible assets	1,341.1	1,376.9
Definite-lived intangible assets, net	293.5	300.6
Asbestos-related insurance recoverable	806.1	780.6
Loans receivable from and investments in non-Debtors	4,619.1	4,337.2
Other noncurrent assets	439.5	519.2
Total Assets	\$ 10,484.7	\$ 10,183.4
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Short-term debt, including current portion of long-term debt	\$ 0.2	\$ 314.7
Accounts payable and accrued compensation	237.0	268.9
Accounts payable, non-Debtors	174.9	129.6
Other accrued liabilities	254.1	281.0
Total Current Liabilities	666.2	994.2
Long-term debt	320.0	—
Post employment benefits	1,458.8	1,336.9
Other accrued liabilities	123.9	110.0
Liabilities subject to compromise	9,292.7	9,145.9
Shareholders' deficit	(1,376.9)	(1,403.6)
Total Liabilities and Shareholders' Deficit	\$ 10,484.7	\$ 10,183.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Debtors' Condensed Consolidated Statements of Cash Flows

	Year Ended December 31		
	2003	2002	2001
	(Millions of Dollars)		
Net Cash Provided From (Used By) Operating Activities.....	\$ 154.0	\$ 76.4	\$ (335.8)
Cash Provided From (Used By) Investing Activities			
Expenditures for property, plant and equipment.....	(109.8)	(153.4)	(149.3)
Net proceeds from sales of businesses.....	20.7	34.6	241.9
Net Cash (Used By) Provided From Investing Activities...	(89.1)	(118.8)	92.6
Cash Provided From (Used By) Financing Activities			
Proceeds from issuance of long-term debt.....	—	—	667.2
Principal payments on long-term debt.....	—	—	(171.8)
Proceeds from borrowings on DIP credit facility.....	125.5	75.0	250.0
Principal payments on DIP credit facility.....	(120.2)	(10.3)	—
Decrease in short-term debt.....	—	—	(64.1)
Fees paid for debt issuance and other securities.....	—	—	(38.0)
Repurchase of accounts receivable under securitization.....	—	—	(348.1)
Net Cash Provided From Financing Activities.....	5.3	64.7	295.2
Effect of foreign currency exchange rate fluctuations on cash and equivalents.....	21.7	20.8	5.7
Increase in cash and equivalents.....	91.9	43.1	57.7
Cash and equivalents at beginning of year.....	189.6	146.5	88.8
Cash and Equivalents at End of Year.....	\$ 281.5	\$ 189.6	\$ 146.5

2. Summary of Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries and other controlled entities. Intercompany accounts and transactions have been eliminated in consolidation. Investments in affiliates of not more than 20% are accounted for using the cost method, while investments greater than 20% and not more than 50% are accounted for using the equity method.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be based upon amounts that differ from these estimates.

Cash and Equivalents: The Company considers all highly liquid investments with maturities of 90 days or less from the date of purchase to be cash equivalents.

Trade Accounts Receivable and Allowance for Doubtful Accounts: Trade accounts receivable are stated at historical value, which approximates fair value. The Company does not generally require collateral for its trade accounts receivable.

Accounts receivable have been reduced by an allowance for amounts that may become uncollectible in the future. This estimated allowance is based primarily on management's evaluation of specific balances as the balances become past due, the financial condition of its customers and the Company's historical experience of write-offs. If not reserved through specific examination procedures, the Company's general policy for uncollectible accounts is to reserve based upon the aging categories of accounts receivable and whether amounts are due from an OE or aftermarket customer. Past due status is based upon the invoice date of the original amounts outstanding. Included in SG&A expense for the years ended December 31, 2003, 2002, and 2001 is bad debt expense of \$14.4 million, \$13.6 million, and \$19.7 million, respectively. The allowance for doubtful accounts was \$67.4 million and \$74.6 million at December 31, 2003 and 2002, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Federal-Mogul subsidiaries in Germany, France and Italy have entered into factoring facilities. Accounts receivable factored or discounted under these facilities averaged \$128 million during 2003. Losses related to receivables factored or discounted are recorded in the statement of operations as "other (income)/expense, net."

Inventories: Inventories are stated at the lower of cost or market. Cost determined by the last-in, first-out (LIFO) method was used for 46% and 53% of the inventory at December 31, 2003 and 2002, respectively. The remaining inventories are recorded using the first-in, first-out (FIFO) method. Inventories are reduced by an allowance for excess and obsolete inventories based on management's review of on-hand inventories compared to historical and estimated future sales and usage.

Long-Lived Assets: Long-lived assets, such as property, plant and equipment and definite-lived intangible assets, are stated at cost. Depreciation and amortization is computed principally by the straight-line method for financial reporting purposes and by accelerated methods for income tax purposes. Definite-lived assets are periodically reviewed for impairment indicators. If impairment indicators exist, the Company performs the required analysis and records an impairment charge, as required, in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144). If the carrying value of a long-lived asset is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value.

Indefinite-lived Intangible Assets: Indefinite-lived intangible assets, such as goodwill and trademarks, are carried at historical value and not amortized. Indefinite-lived intangible assets are reviewed for impairment annually as of October 1, or more frequently if impairment indicators exist. The impairment analysis compares the estimated fair value of these assets to the related carrying value, and an impairment charge is recorded for any excess of carrying value over estimated fair value. The estimated fair value is based upon consideration of various valuation methodologies, including guideline transaction multiples, multiples of current earnings, and discounted future cash flows discounted at rates commensurate with the risk involved.

Pensions and Other Post Employment Obligations: Pension and other post employment benefit costs are dependent upon assumptions used in calculating such costs. These assumptions include discount rates, health care cost trends, benefits earned, interest cost, expected returns on plan assets, and other factors. In accordance with accounting principles generally accepted in the United States, actual results that differ from the assumptions used are accumulated and amortized over future periods and, accordingly, generally affect recognized expense and the recorded obligation in future periods.

Revenue Recognition: The Company records sales when products are shipped and title has transferred to the customer, the sales price is fixed and determinable, and the collectibility of revenue is reasonably assured. Accruals for sales returns and other allowances are provided at the time of shipment based upon past experience. Adjustments to such returns and allowances are made as new information becomes available.

Shipping and Handling Costs: The Company recognizes shipping and handling costs as a component of cost of products sold in the statement of operations.

Recoverable Customer Engineering and Tooling: Pre-production tooling and engineering costs that the Company will not own and that will be used in producing products under long-term supply arrangements are expensed as incurred unless the supply arrangement provides the Company the noncancelable right to use the tools or the reimbursement of such costs is agreed to by the customer. Pre-production tooling and engineering costs that are owned by the Company are capitalized as part of machinery and equipment, and are depreciated over the shorter of the toolings' expected life or the duration of the related program.

Research and Development and Advertising Costs: The Company expenses research and development costs and costs associated with advertising and promotion as incurred. Research and development expense for continuing operations was \$123.1 million, \$106.7 million and \$105.7 million for 2003, 2002 and 2001, respectively. Advertising and promotion expense for continuing operations was \$46.8 million, \$45.7 million and \$55.6 million for 2003, 2002 and 2001, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Restructuring: The Company defines restructuring expense to include charges incurred with exit or disposal activities accounted for in accordance with SFAS No. 146, employee severance costs incurred as a result of an exit or disposal activity accounted for in accordance with SFAS Nos. 88 and 112, and pension and other post employment benefit costs incurred as a result of an exit or disposal activity accounted for in accordance with SFAS Nos. 87 and 106.

Rebates/Sales Incentives: The Company accrues for rebates pursuant to specific arrangements with certain of its customers, primarily in the aftermarket. Rebates generally provide for price reductions based upon the achievement of specified purchase volumes and are recorded as a reduction of sales as earned by such customers.

Incentive Stock Plans: The Company's shareholders adopted stock option plans in 1976 and 1984 and performance incentive stock plans in 1989 and 1997. These plans generally provide for awarding restricted shares or granting options to purchase shares of the Company's common stock. The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), and related interpretations in accounting for its employee stock awards. Accordingly, no compensation cost has been recognized for its stock option grants, as the exercise price of the Company's employee stock options equals the underlying stock price on the date of grant. There were no options granted during 2002 or 2003. Had compensation cost for the Company's stock-based compensation plans been determined based on the fair value at the grant dates for awards granted in 2000 and 2001 under those plans consistent with the method of SFAS No. 123 "Accounting for Stock Based Compensation", the Company's net loss, in millions, and loss per share would have been adjusted to the pro forma amounts indicated below:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(Millions of Dollars, Except Per Share Amounts)		
Net loss as reported.....	\$ (189.5)	\$ (1,628.9)	\$ (1,001.5)
Pro-forma.....	\$ (189.9)	\$ (1,634.0)	\$ (1,014.8)
Basic and diluted loss per share as reported	\$ (2.17)	\$ (19.62)	\$ (13.27)
Pro-forma.....	\$ (2.17)	\$ (19.68)	\$ (13.44)

Pro-forma information regarding net loss and loss per share is required by SFAS No. 123 as if the Company had accounted for its employee stock options under the fair value method. The fair value for options is estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2001: risk-free interest rate of 5.5%; dividend yield of 0%; volatility factor of the expected market price of the Company's common stock of 113.0% and a weighted-average expected life of the option of five years. The fair value of nonvested stock awards is equal to the market price of the stock on the date of the grant.

The weighted-average fair value and the total number (in millions) of options granted was \$2.71 and 0.3 for 2001 respectively. All options and stock awards that are not vested at December 31, 2003 vest solely on employees rendering additional service.

Foreign Currency Translation: Exchange adjustments related to international currency transactions and translation adjustments for subsidiaries whose functional currency is the United States dollar (principally those located in highly inflationary economies) are reflected in the consolidated statements of operations. Translation adjustments of international subsidiaries for which the local currency is the functional currency are reflected in the consolidated financial statements as a component of accumulated other comprehensive income. Deferred taxes are not provided on translation adjustments as the earnings of the subsidiaries are considered to be permanently reinvested.

Environmental Liabilities: The Company recognizes environmental liabilities when a loss is probable and reasonably estimable. Such liabilities are generally not subject to insurance coverage. Engineering and legal specialists within the Company, based on current law and existing technologies, estimate each environmental obligation. Such estimates are based primarily upon the estimated cost of investigation and remediation required and the likelihood that other potentially responsible parties will be able to fulfill their commitments at the sites where the Company may be jointly and severally liable with such parties (refer to Note 20, "Litigation and Environmental Matters"). The Company regularly evaluates and revises its estimates for environmental obligations based on expenditures against established reserves and the availability of additional information.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Derivative Financial Instruments: The Company is exposed to market risks, such as fluctuations in foreign currency risk and commodity price risk. To manage the volatility relating to these exposures, the Company evaluates its aggregate exposures to identify natural offsets. For exposures that are not offset within its operations, the Company enters into various derivative transactions pursuant to its risk management policies. Designation is performed on a transaction basis to support hedge accounting. The changes in fair value of these hedging instruments are offset in part or in whole by corresponding changes in the cash flows of the underlying exposures being hedged. The Company assesses the initial and ongoing effectiveness of its hedging relationships in accordance with its documented policy. The Company does not hold or issue derivative financial instruments for trading purposes. The Company's objectives for holding derivatives are to minimize risks using the most effective and cost-efficient methods available.

Reclassifications: Certain items in the prior years' financial statements have been reclassified to conform with the presentation used in 2003.

New Accounting Pronouncements

Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity: In May 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity," which provides standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The statement is effective for financial instruments entered into or modified after May 31, 2003 and for pre-existing instruments as of the beginning of the first interim period beginning after June 15, 2003. In November 2003, the FASB elected to indefinitely defer the effective date for certain provisions of SFAS No. 150 relating to investments in limited-life entities. The adoption of the provisions of SFAS No. 150 that were not deferred by the FASB did not have a material effect on the Company's financial condition, results of operations, or cash flows.

Derivative Instruments and Hedging Activities: In April 2003, the FASB issued SFAS No. 149, "Amendments of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. The statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of this standard did not have a material effect on the Company's financial condition, results of operations, or cash flows.

Consolidation of Variable Interest Entities: In January 2003, the FASB issued FASB Interpretation Number 46 (FIN No. 46), "Consolidation of Variable Interest Entities", an interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements". FIN No. 46 provides guidance regarding the identification of, and financial reporting for, entities over which control is achieved through means other than voting rights; such entities are considered variable interest entities. FIN No. 46 requires the consolidation of variable interest entities in which an enterprise is deemed to be the primary beneficiary, which is determined by the obligation to absorb a majority of the entity's expected losses, the right to receive a majority of an entity's expected residual returns or both.

In December 2003, the FASB issued revised FIN No. 46, which provided an exclusion for entities meeting the definition of a "business" (as defined in the interpretation) and extending the effective date for variable interest entities entered into prior to February 1, 2003 to periods ending after March 15, 2004. Management believes that its joint ventures meet this definition of a business, however, is currently evaluating such entities to determine whether consolidation is required under FIN No. 46 and to quantify the effect that adoption of FIN No. 46 will have on its consolidated financial statements.

Accounting for Costs Associated with Exit or Disposal Activities: In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". This pronouncement addresses financial accounting and reporting for costs associated with an exit activity (including restructuring) or with the disposal of long-lived assets and supercedes Emerging Issues Task Force Issue No. 94-3 ("EITF No. 94-3"). Under SFAS No. 146, a liability is recorded for a cost associated with an exit activity when that liability is incurred and can be measured at fair value. SFAS No. 146 requires disclosure of information about exit and disposal activities, the related costs, and changes in those costs in the notes to the interim and annual financial statements that include the period in which an exit activity is initiated and in any subsequent period until the activity is completed. SFAS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

No. 146 is effective prospectively for exit and disposal activities initiated after December 31, 2002. SFAS No. 146 does not allow for the restatement of previously issued financial statements and continues the accounting for liabilities previously recorded under EITF No. 94-3. The Company adopted SFAS No. 146 effective January 1, 2003.

3. Adjustment of Assets Held for Sale and Other Long-Lived Assets to Fair Value

Definite-Lived Long-Lived Assets

During 2003 and 2002, the Company recorded impairment charges of \$35.5 million and \$62.9 million, respectively, to adjust long-lived tangible assets to their estimated fair values in accordance with SFAS No. 144. The charges by reporting segment are as follows:

	<u>Year Ended December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
Powertrain.....	\$ 26.4	\$ 52.3
Sealing Systems and System Protection	0.3	5.5
Friction	3.9	—
Aftermarket.....	4.9	—
Other, including Corporate.....	—	5.1
Total	<u>\$ 35.5</u>	<u>\$ 62.9</u>

The total charge of \$35.5 million during 2003 includes \$19.9 million to write down property, plant and equipment in connection with the announcement of a closure of a Powertrain piston manufacturing facility in Europe. In addition, the Company recorded \$6.5 million and \$9.1 million of impairment charges on property, plant and equipment located in various manufacturing facilities in the United States and various manufacturing facilities in Europe, respectively, to be held and used in accordance with SFAS No. 144, due to an other than temporary decline in sales volumes and profitability at those facilities. The fair value of property, plant and equipment was based upon estimated discounted future cash flows and estimates of salvage value. The impairment charges represent the difference between the estimated fair values and the carrying value of the subject assets.

The total charge of \$62.9 million during 2002 includes \$46.7 million to write-down property, plant and equipment at five facilities that the Company has closed. The estimated fair values were determined based upon discounted future cash flows and estimates of salvage value. An additional charge of \$6.6 million relates to the write down of property, plant and equipment at a European camshaft foundry related to an other than temporary decline in sales volumes at that facility. The estimated fair value of this equipment was determined based upon discounted future cash flows. The remaining charge primarily relates to the impairment of assets that the Company intends to divest. The value of these assets was estimated based upon the future discounted cash flows should the Company divest of these assets on an individual, open market basis.

Goodwill and Other Indefinite-Lived Intangible Assets

Effective January 1, 2002, the Company adopted SFAS No. 142, resulting in the discontinuance of amortization of goodwill and indefinite-lived intangible assets. The adoption of this standard also required the reclassification of various intangible asset classes according to the measurability of their useful lives. Upon the adoption of SFAS No. 142, the Company recorded a non-cash charge of \$1,464.5 million to reduce the carrying value of its goodwill and indefinite-lived intangible assets to their estimated fair value as required by SFAS No. 142. The tax impact related to the charge was \$46.6 million and was limited to the benefit derived from the impairment of certain intangible assets other than goodwill. The charge is presented as a cumulative effect of change in accounting principle in the consolidated statement of operations for the year ended December 31, 2002.

As of October 1, 2003, the Company completed its annual impairment analysis as required by SFAS No. 142 and recorded an impairment charge in a Powertrain operating unit of \$70.5 million to adjust the carrying value to its estimated fair value. This impairment charge is primarily attributable to a decrease in the operating unit's estimated

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

fair value based upon management's expectation of future financial performance. The estimated fair value of intangible assets was determined based upon consideration of various valuation methodologies, including guideline transaction multiples, multiples of current earnings, and discounted future cash flows discounted at rates commensurate with the risk involved.

The majority of these impairment charges relate to goodwill and indefinite-lived intangible assets associated with the acquisitions of T&N plc. and Cooper Automotive. A summary of the impairment charges for goodwill and other intangible assets by reporting segment pursuant to the provisions of SFAS No. 142 is as follows:

	<u>Year Ended December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
Powertrain.....	\$ 70.5	\$ 453.8
Sealing Systems and System Protection	—	—
Friction	—	381.9
Aftermarket.....	—	155.3
Other, including Corporate.....	—	473.5
Total	<u>\$ 70.5</u>	<u>\$ 1,464.5</u>

At December 31, 2003 and 2002, goodwill and other intangible assets consist of the following:

	<u>December 31, 2003</u>			<u>December 31, 2002</u>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
	(Millions of Dollars)					
Intangible Assets						
Developed technology.....	\$ 346.2	\$ (82.7)	\$ 263.5	\$ 321.4	\$ (62.0)	\$ 259.4
Other	60.1	(39.5)	20.6	55.1	(34.9)	20.2
Total.....	<u>\$ 406.3</u>	<u>\$ (122.2)</u>	<u>\$ 284.1</u>	<u>\$ 376.5</u>	<u>\$ (96.9)</u>	<u>\$ 279.6</u>
Unamortized Intangible Assets						
Goodwill			\$ 1,350.3			\$ 1,401.0
Trademarks			166.8			164.2
Intangible Pension Asset.....			63.9			72.0
Total.....			<u>\$ 1,581.0</u>			<u>\$ 1,637.2</u>

The Company expects that amortization expense for its definite-lived intangible assets for each of the years between 2004 and 2008 will be approximately \$17 million.

The following table shows the pro-forma effect of SFAS No. 142 on the Company's earnings:

	<u>Year Ended December 31</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(Millions of Dollars, Except Per Share Amounts)		
Reported Net Loss	\$ (189.5)	\$ (1,628.9)	\$ (1,001.5)
Add-back: Goodwill amortization.....	—	—	84.9
Add-back: Indefinite-lived intangible asset amortization.....	—	—	13.0
Adjusted Net Loss	<u>\$ (189.5)</u>	<u>\$ (1,628.9)</u>	<u>\$ (903.6)</u>
Basic and diluted loss per share:			
Reported Net Loss per share.....	\$ (2.17)	\$ (19.62)	\$ (13.27)
Add-back: Goodwill amortization.....	—	—	1.12
Add-back: Indefinite-lived intangible asset amortization.....	—	—	0.17
Adjusted basic and diluted loss per share.....	<u>\$ (2.17)</u>	<u>\$ (19.62)</u>	<u>\$ (11.98)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Prior to 2002 the Company evaluated its long-lived assets in accordance with SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and Assets to be Disposed of". During 2001, the Company determined that the undiscounted cash flows of certain of its operating units were less than the carrying value of the long-lived assets of those operating units. Accordingly, the Company adjusted the carrying value of those assets to their estimated fair value resulting in an impairment charge from continuing operations of \$280.3 million. The Company also recorded an impairment charge of \$37.8 million for an insolvent business unit in the United Kingdom, and \$10.0 million for operations located in Argentina as a result of economic conditions in that country. The fair value was determined by anticipated future cash flows discounted at a rate commensurate with the risk involved. The following is a summary of the aggregate 2001 impairment charges by long-lived asset (in millions):

Goodwill.....	\$ 161.8
Other intangible assets.....	74.3
Property, plant and equipment.....	<u>92.0</u>
	<u>\$ 328.1</u>

4. Restructuring

The Company has undertaken various restructuring activities to streamline its operations, consolidate and take advantage of available capacity and resources, and ultimately achieve net cost reductions. Restructuring activities include efforts to integrate and rationalize the Company's businesses and to relocate manufacturing operations to lower cost markets.

The Company accounted for costs related to all restructuring activities initiated prior to January 1, 2003 under the requirements of EITF No. 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." Accordingly, related employee termination benefits and other costs to exit an activity were recognized on the date when management committed the Company to an exit plan. Due to the inherent uncertainty involved in making such estimates, the Company reversed approximately \$21 million of previously recorded reserves in each of 2003 and 2002. These reversals related to approximately \$300 million of restructuring costs recorded during the four-year period ended December 31, 2003. Reversals result from actual costs at program completion being less than costs estimated at the commitment date. Subsequent to its filing for Chapter 11 bankruptcy protection, the Company was able to achieve more favorable resolution of leases and other contractual arrangements than estimated as of the commitment date. Additionally, the Company also experienced a higher rate of voluntary employee attrition subsequent to filing Chapter 11, resulting in lower severance costs than estimated as of the commitment date.

Effective January 1, 2003, the Company's restructuring accounting policy changed pursuant to the requirements of SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities." Currently, the Company defines restructuring expense to include costs directly associated with exit or disposal activities accounted for in accordance with SFAS No. 146, employee severance costs incurred as a result of an exit or disposal activity accounted for in accordance with SFAS Nos. 88 and 112, and pension and other post employment benefit costs incurred as a result of an exit or disposal activity accounted for in accordance with SFAS Nos. 87 and 106.

Estimates of restructuring charges are based on information available at the time such charges are recorded. In general, management anticipates that restructuring activities will be completed within a timeframe such that significant changes to the exit plan are not likely. In certain countries in which the Company operates, statutory requirements include involuntary termination benefits that extend several years into the future. Accordingly, severance payments continue well past the date of termination at many international locations. Thus, these programs appear to be ongoing when, in fact, terminations and other activities under these programs have been substantially completed. Management expects that future savings resulting from execution of its restructuring programs will generally result in full pay back within 36 to 60 months.

Management expects to finance these restructuring programs through cash generated from its ongoing operations or through cash available under its existing DIP facility, subject to the terms of applicable covenants. Management does not expect that the execution of these programs will have an adverse impact on its liquidity position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Total employee reductions for all active restructuring programs are expected to be approximately 3,000 of which approximately 2,700 have been terminated as of December 31, 2003. The following is a summary of restructuring charges by reporting segment for the years ended December 31, 2003, 2002 and 2001:

	Year Ended December 31, 2003			
	Severance	Exit	Reversals	Total
	(Millions of Dollars)			
Powertrain	\$ 26.8	\$ 1.2	\$ (1.6)	\$ 26.4
Sealing Systems and Systems Protection.....	2.1	3.4	(1.5)	4.0
Friction	1.8	0.3	(10.5)	(8.4)
Aftermarket	16.6	0.8	(4.0)	13.4
Other.....	1.5	0.5	(3.2)	(1.2)
Total.....	\$ 48.8	\$ 6.2	\$ (20.8)	\$ 34.2

	Year Ended December 31, 2002			
	Severance	Exit	Reversals	Total
	(Millions of Dollars)			
Powertrain	\$ 42.4	\$ 0.4	\$ (1.2)	\$ 41.6
Sealing Systems and Systems Protection.....	3.9	—	(0.2)	3.7
Friction	6.3	—	(0.2)	6.1
Aftermarket	3.6	—	(18.6)	(15.0)
Other.....	4.4	—	(0.3)	4.1
Total.....	\$ 60.6	\$ 0.4	\$ (20.5)	\$ 40.5

	Year Ended December 31, 2001			
	Severance	Exit	Reversals	Total
	(Millions of Dollars)			
Powertrain	\$ 10.3	\$ —	\$ —	\$ 10.3
Sealing Systems and Systems Protection.....	2.0	0.9	—	2.9
Friction	3.0	1.1	—	4.1
Aftermarket	8.8	—	—	8.8
Other.....	11.3	—	—	11.3
Total.....	\$ 35.4	\$ 2.0	\$ —	\$ 37.4

The following is a summary of the Company's consolidated restructuring reserves and related activity for 2003, 2002 and 2001:

	Severance	Exit	Total
	(Millions of Dollars)		
Balance of reserves at January 1, 2001	\$ 67.2	\$ 40.7	\$ 107.9
2001 total provision	35.4	2.0	37.4
Payments and charges against reserves.....	(51.0)	(13.2)	(64.2)
Balance of reserves at December 31, 2001	51.6	29.5	81.1
2002 total provision	40.1	0.4	40.5
Payments and charges against reserves.....	(20.6)	(10.2)	(30.8)
Balance of reserves at December 31, 2002	71.1	19.7	90.8
2003 total provision	31.4	2.8	34.2
Payments and charges against reserves.....	(54.8)	(12.5)	(67.3)
Balance of reserves at December 31, 2003	\$ 47.7	\$ 10.0	\$ 57.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The Company's restructuring activities are undertaken as necessary to execute management's strategy and generally fall into one of the following categories:

1. Closure of facilities and relocation of production – In connection with the Company's strategy certain operations have been closed and related production relocated to low cost geographies or to other locations with available capacity.
2. Consolidation of administrative functions and standardization of manufacturing processes - As part of its productivity initiative, the Company has acted to consolidate its administrative functions and change its manufacturing processes to reduce selling, general and administrative costs and improve operating efficiencies through standardization of processes.

The following provides a description of restructuring programs for each reporting segment.

Powertrain

Total restructuring charges, net of reversals, were \$26.4 million, \$41.6 million, and \$10.3 million in 2003, 2002, and 2001, respectively. These charges relate to the following primary restructuring activities:

Closure of facilities and relocation of production

- In 2003, the Company began the closure and relocation of its Bradford, United Kingdom piston operations to other existing European manufacturing facilities with available capacity or with lower cost labor. Severance charges related to this exit activity approximated \$14 million and at December 31, 2003, the Company had remaining reserves of approximately \$13 million related to this activity.
- During 2003, the Company recorded approximately \$1 million for costs related to the exit of its non-core European large bearing operations.
- In 2002, the Company recorded approximately \$10 million for severance and exit costs related to the announced closure of its Bridgwater, United Kingdom piston operation. Related production from this operation was relocated to other existing European manufacturing facilities with available capacity or with lower cost labor. At December 31, 2003 remaining reserves related to this program approximate \$1 million.
- During 2002, the Company announced the relocation and closure of its piston manufacturing operations in Flowery Branch, Georgia, Orangeburg, South Carolina and Sumter, South Carolina to other existing North American manufacturing facilities with available capacity or with lower cost labor. Severance and exit costs related to such activities approximated \$2 million and \$9 million for the years ended December 31, 2003 and 2002, respectively. At December 31, 2003, the Company had remaining reserves of approximately \$5 million related to these activities. The Company completed the relocation and closure of the Flowery Branch and Orangeburg operations during 2003.
- During 2002, the Company announced the closure and relocation of its piston ring operations in Sunderland, United Kingdom to other existing European facilities with available capacity. Severance and exit costs related to this closure approximated \$8 million. At December 31, 2003, the Company had remaining reserves of approximately \$5 million related to this activity.
- During 2001, the Company's German engine bearing operations announced restructuring programs to transfer certain low volume production with high labor content to low cost geographies, specifically Poland. Related severance costs of approximately \$4 million, \$2 million and \$3 million were incurred in connection with this program during 2003, 2002 and 2001, respectively. At December 31, 2003, the Company had remaining reserves of approximately \$7 million related to these activities.

Consolidation of administrative functions and standardization of manufacturing processes

- During 2003, the Company incurred severance charges of approximately \$4 million to eliminate redundancies across its operations in France related to changes in administrative and manufacturing processes. At December 31, 2003 the Company had remaining reserves of approximately \$1 million related to these activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

- During 2002, approximately \$5 million of severance costs were recorded as restructuring expense related to the Company's piston manufacturing operations located in Nuremberg, Germany. These charges related to headcount reductions associated with administrative function and manufacturing process changes. At December 31, 2003, the Company had remaining reserves of approximately \$4 million related to this activity.
- During 2002, management announced a program to streamline and automate administrative functions and manufacturing processes at Company's piston manufacturing operation in Gorzyce, Poland. Approximately \$2 million and \$4 million of severance charges were recorded related to this program in 2003 and 2002, respectively.
- During 2001, the Company launched a program to consolidate administrative functions and change manufacturing processes across its German piston ring operations. Severance costs approximating \$4 million were recorded for related workforce reductions.

Sealing Systems and System Protection

Total restructuring charges, net of reversals, were \$4.0 million, \$3.7 million, and \$2.9 million in 2003, 2002, and 2001, respectively. These charges relate to the following activities:

Closure of facilities and relocation of production – In 2002, the Company announced the planned closure and began relocation of its seal operations in Cardiff, Wales to other existing European manufacturing facilities with available capacity or with lower cost labor. This relocation resulted in severance and exit charges of approximately \$4 million and \$2 million in 2003 and 2002, respectively. The closure of Cardiff was completed during 2003.

Consolidation of administrative functions and standardization of manufacturing – Related severance and exit charges of approximately \$1 million, \$2 million, and \$3 million were incurred in 2003, 2002, and 2001, respectively. At December 31, 2003, the Company had remaining reserves related to this program of approximately \$2 million.

Friction

Total restructuring charges, net of reversals, were \$(8.4) million, \$6.1 million, and \$4.1 million in 2003, 2002, and 2001, respectively. These charges primarily relate to the following activities:

Closure of facilities and relocation of production

- During 2003, the Company completed its previously announced programs to consolidate its European and North American friction operations. Accordingly, the Company reevaluated its related restructuring reserves and determined that its initial cost estimates exceeded actual costs and reversed approximately \$9 million in previously recorded restructuring reserves.
- During 2002, the Company announced the planned closure and began relocation of its aftermarket half-block operations in Marienheide, Germany to other existing European manufacturing facilities with available capacity. Related severance and exit charges of approximately \$4 million were recorded and at December 31, 2002, the Company had remaining reserves of approximately \$1 million related to this activity.
- In 2001, the Company closed its operations in Pont L'Eveque, France, and relocated production to other European manufacturing facilities with available capacity or with lower labor cost. Related severance and exit costs of approximately \$1 million and \$3 million were recorded in 2003 and 2001, respectively. Remaining reserves related to this program are approximately \$1 million as of December 31, 2003.

Consolidation of administrative functions and standardization of manufacturing – Related severance charges of approximately \$1 million, \$1 million, and \$1 million were incurred in 2003, 2002, and 2001, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Aftermarket

Total restructuring charges, net of reversals, were \$13.4 million, \$(15.0) million, and \$8.8 million in 2003, 2002, and 2001, respectively. These charges relate to the following activities:

Closure of facilities and relocation of production (aftermarket distribution rationalization)

- In 2003, the Company began relocation of its Ignition operations from its manufacturing facility located in Aubange, Belgium to Upton, England. Related severance and exit costs approximated \$10 million. At December 31, 2003, the Company had remaining reserves of approximately \$3 million related to these activities.
- In 2002, the Company announced and began consolidation of certain distribution operations at its Aftermarket distribution facility located in France into its central European distribution facility in Belgium. Severance and related exit costs of approximately \$3 million and \$2 million were recorded during 2003 and 2002, respectively. At December 31, 2003, the Company had remaining reserves of approximately \$1 million related to these activities.
- The Company completed execution of its North American distribution optimization activities during 2003. In connection with the completion of this program the Company reversed approximately \$2 million and \$19 million of previously recorded severance and exit costs during 2003 and 2002, respectively. These reversals were the result of actual costs incurred being less than the amounts estimated at the time of program announcement.

Consolidation of administrative functions and standardization of manufacturing – Related severance charges of approximately \$7 million were incurred in 2001. At December 31, 2003, the Company had remaining reserves related to previously incurred expenses of approximately \$3 million.

Other

Other restructuring charges totaled \$(1.2) million, \$4.1 million, and \$11.3 million in 2003, 2002, and 2001, respectively.

Closure of facilities and relocation of production

- During 2002, The Company announced its intention to exit its OE lighting operations. Related severance and exit costs were recorded for approximately \$2 million and \$5 million during 2003 and 2002, respectively.
- During 2001, severance and exit costs of approximately \$3 million were recorded pursuant to the closure of the Company's technical center located in Cawston, England.

Consolidation of administrative functions and standardization of manufacturing

- The Company recorded corporate reversals approximating \$3 million during 2003. This reversal relates to previously recorded severance costs for consolidation of corporate administrative activities and resulted from initial estimates exceeding actual costs for completed programs.
- During 2001 severance costs of approximately \$5 million were recorded in connection with the Company's efforts to consolidate corporate administrative functions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

5. Other (Income) Expense, Net

The specific components that encompass "other (income) expense, net" are provided in the following table:

	Year Ended December 31		
	2003	2002	2001
	(Millions of Dollars)		
(Gain) loss on sale of assets.....	\$ (6.5)	\$ 0.5	\$ (0.5)
Discount on financing arrangements	2.7	8.9	20.2
Royalty income.....	(4.8)	(2.8)	(3.4)
Foreign currency exchange.....	(2.5)	(8.7)	7.6
All other.....	(5.1)	1.3	10.6
Total other income (expense).....	\$ (16.2)	\$ (0.8)	\$ 34.5

6. Discontinued Operations and Acquisition

In connection with its strategic planning process, the Company assesses its operations for market position, product technology and capability, and profitability. Those businesses determined by management not to have a sustainable competitive advantage are considered non-core and may be considered for divestiture or other exit activities. Over the past several years, the Company has divested substantially all of its non-core businesses. The elimination of these non-core businesses has freed up both human and capital resources which have been devoted to the Company's core businesses.

During 2003, the Company completed the following divestitures of non-core businesses:

- During April 2003, the Company completed the divestitures of its U.S. camshaft operations and the majority of its original equipment lighting operations. The divested U.S. camshaft operations include manufacturing operations in Grand Haven, Michigan and Orland, Indiana, as well as the Company's share of an assembled camshaft joint venture operation in Grand Haven. The original equipment lighting divestitures include operations in Matamoros, Mexico; Brownsville, Texas; and Toledo, Ohio.
- During September 2003, the Company divested operations located in Hampton, Virginia and Solon, Ohio.

During 2002, the Company completed the following divestitures of non-core businesses:

- In March 2002, the Company completed the divestiture of its Signal-Stat Lighting Products business ("Signal-Stat"). Signal-Stat produces exterior lighting and power distribution products primarily for the heavy-duty and commercial vehicle markets.
- In July 2002, the Company completed the divestiture of its automotive camshaft manufacturing plant in Jackson, Michigan, under the terms of a management buyout. The Company also entered into a three-year supply agreement to market and sell aftermarket camshafts produced at the Jackson facility through its aftermarket business.
- In November 2002, the Company completed the divestiture of Federal-Mogul Camshafts de Mexico S. de R.L. de C.V. ("Camshafts de Mexico"). Camshafts de Mexico manufactures camshafts for the North American original equipment market.

During 2001, the Company completed the following divestitures of non-core businesses:

- In April 2001, the divestiture of its torque converter business ("TCI"). TCI remanufactures torque converters for high-performance automotive aftermarket applications.
- In May 2001, the divestiture of its Champion aviation ignition products division ("Aviation"). Aviation provides products for major commercial, military and general aircraft applications.
- In July 2001, the divestiture of its industrial heavy wall bearing operation in McConnelville, Ohio.
- In August 2001, the divestiture of its subsidiary Federal-Mogul RPB Ltd. ("RPB"). RPB manufactures industrial rotating plant bearings and magnetic bearings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

- In August 2001, the divestiture of the aftermarket operations of Blazer Lighting Products ("Blazer"). Blazer manufactures exterior vehicle lighting products.
- In August 2001, the divestiture of its Pontotoc, Mississippi, operation. The operation continues to supply coil springs and metal stampings to the Company for sale to aftermarket customers under a long-term supply agreement.
- In August 2001, the Company restructured its equity positions in several large-industrial-bearing manufacturing joint ventures with its partner, Daido Metal Company Ltd. of Japan. The restructuring transactions included the transfer of controlling interest in manufacturing facilities.
- In September 2001, the divestiture of its Tri-Way machine tool business in Windsor, Ontario, under terms of a management buyout.

In August 2001, the Company acquired 85% of WSK Gorzyce, S.A., a producer of pistons and other automotive components. This operation employs 2,500 employees at its manufacturing location in Gorzyce, Poland with annual sales of approximately \$50 million. The Gorzyce operation was acquired to further the Company's low cost producer strategy. Since the date of the acquisition, the Company has transferred multiple piston manufacturing lines to the Gorzyce facility from higher cost facilities in Europe. The Company expects that it will continue to utilize this operation to achieve its strategic goals in its Powertrain business.

During 2001, the Company invested approximately \$50 million to construct a new piston manufacturing facility in Puebla, Mexico. The facility was constructed for the primary purpose of manufacturing and supplying pistons to an OEM customer under the terms of a new business award. Additionally during 2001 and 2002, the Company invested \$11 million to construct a new friction manufacturing operation in Tepotzatlan, Mexico to expand the manufacture of ThermoQuiet disc brake pads.

Further information related to the Company's discontinued operations is as follows:

	Year Ended December 31		
	2003	2002	2001
	(Millions of Dollars)		
Net sales.....	\$ 67.8	\$ 238.1	\$ 364.0
Cost of products sold	<u>59.2</u>	<u>217.4</u>	<u>344.1</u>
Gross margin	8.6	20.7	19.9
Selling, general and administrative expenses	2.8	9.6	31.3
Restructuring charges	1.8	2.8	0.6
Adjustment of assets held for sale and other long-lived assets to fair value	—	7.3	217.0
Net (gain) loss on divestitures	6.8	(0.5)	35.6
Other expense (income), net	<u>0.8</u>	<u>(1.3)</u>	<u>9.2</u>
(Loss) income before income taxes	(3.6)	2.8	(273.8)
Income tax expense (benefit).....	0.4	12.9	(10.1)
Loss from discontinued operations	<u>\$ (4.0)</u>	<u>\$ (10.1)</u>	<u>\$ (263.7)</u>

As of December 31, 2002, the Company had assets held for sale included in its consolidated balance sheet as follows (in millions of dollars):

Accounts receivable, net.....	\$ 10.9
Inventories, net	13.9
Other current assets	<u>4.1</u>
Total Current Assets	28.9
Property, plant and equipment, net	26.0
Other long-term assets	<u>5.4</u>
Total Assets	60.3
Accounts payable.....	(11.2)
Other accrued liabilities	<u>(8.5)</u>
Total Liabilities	<u>\$ 40.6</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

7. Financial Instruments

Foreign Currency Risk

Certain forecasted and recorded transactions and assets and liabilities are exposed to foreign currency risk. The Company monitors its foreign currency exposures daily to maximize the overall effectiveness of its foreign currency hedge positions. Principal currencies hedged include the Euro, British pound, Japanese yen and Canadian dollar. Options used to mitigate foreign currency risk associated with a portion of forecasted transactions, for up to twelve months in the future, are designated as cash flow hedging instruments. Options and forwards used to hedge certain booked transactions and assets and liabilities are not designated as hedging instruments under SFAS 133 as they are natural hedges. The effect of changes in the fair value of these hedges and the underlying exposures are recognized in earnings each period. These hedges were highly effective and their impact on earnings was not significant during 2003 and 2002. The Company had two contracts outstanding with a combined notional value of \$10.4 million at December 31, 2003, and two contracts outstanding with a combined notional value of \$9.7 million at December 31, 2002. Unrealized amounts were not material at December 31, 2003 or 2002.

Commodity Price Risk

The Company is dependent upon the supply of certain raw materials in its production processes; these raw materials are exposed to price fluctuations on the open market. The primary purpose of the Company's commodity price hedging activities is to manage the volatility associated with these forecasted purchases. The Company monitors its commodity price risk exposures periodically to maximize the overall effectiveness of its commodity forward contracts. Principal raw materials hedged include natural gas, copper, nickel, lead, high-grade aluminum and aluminum alloy. Forward contracts used to mitigate commodity price risk associated with raw materials, for up to eighteen months in the future, are designated as cash flow hedging instruments. These instruments are intended to offset the effect of changes in raw materials prices on forecasted purchases. The Company had two contracts outstanding with a combined notional value of \$9.2 million at December 31, 2003, and two contracts outstanding with a combined notional value of \$2.9 million at December 31, 2002. Unrealized amounts were not material at December 31, 2003 or 2002.

Other

For options designated either as fair value or cash flow hedges, changes in the time value are excluded from the assessment of hedge effectiveness. Hedge ineffectiveness, determined in accordance with SFAS No. 133, did not have a material effect on operations for 2003 or 2002. No fair value hedges or cash flow hedges were re-designated or discontinued during 2003 or 2002.

Derivative gains and losses included in Other Comprehensive Income are reclassified into operations at the time forecasted transactions are recognized. Such amounts were not material in 2003 or 2002.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of accounts receivable and cash investments. The Company's customer base includes virtually every significant global automotive manufacturer and a large number of distributors and installers of automotive aftermarket parts. The Company's credit evaluation process, reasonably short collection terms and the geographical dispersion of sales transactions help to mitigate credit risk concentration. The Company requires placement of cash in financial institutions evaluated as highly creditworthy.

Fair Value of Financial Instruments

At December 31, 2003 and 2002, the carrying amounts of certain financial instruments such as cash and equivalents, accounts receivable, accounts payable, and borrowings under the DIP credit facility approximate their fair values. The fair value of financial instruments included in liabilities subject to compromise are highly uncertain as a result of the Restructuring Proceedings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

8. Inventory

Cost determined by the last-in, first-out (LIFO) method was used for 46% and 53% of the inventory at December 31, 2003 and 2002, respectively. If inventories had been valued at current cost, amounts reported would have been increased by \$58.1 million and \$54.7 million as of December 31, 2003 and 2002, respectively. The carrying value of inventories has also been reduced for excess and obsolete inventories based on management's review of on-hand inventories compared to historical and estimated future sales and usage.

Inventory quantity reductions resulting in liquidations of certain LIFO inventory layers decreased net loss by \$2.1 million (\$0.02 per diluted share) in 2003, and increased net loss by \$3.5 million (\$0.04 per diluted share) and \$0.4 million (\$0.01 per diluted share) in 2002 and 2001, respectively.

Inventories consisted of the following:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
Raw materials	\$ 167.7	\$ 175.0
Work-in-process	136.6	131.7
Finished products.....	<u>597.9</u>	<u>561.5</u>
	902.2	868.2
Valuation reserves	<u>(67.8)</u>	<u>(68.1)</u>
	<u>\$ 834.4</u>	<u>\$ 800.1</u>

9. Property, Plant and Equipment

Depreciation expense for continuing operations for the years ended December 31, 2003, 2002 and 2001, was \$278.0 million, \$249.0 million and \$234.1 million, respectively.

Property, plant and equipment consisted of the following:

	<u>Estimated Useful Life</u>	<u>December 31</u>	
		<u>2003</u>	<u>2002</u>
		(Millions of Dollars)	
Land.....	—	\$ 118.7	\$ 126.2
Buildings and building improvements.....	24-40 years	558.0	510.0
Machinery and equipment	3-12 years	<u>2,977.2</u>	<u>2,648.4</u>
		3,653.9	3,284.6
Accumulated depreciation		<u>(1,249.1)</u>	<u>(1,011.6)</u>
		<u>\$ 2,404.8</u>	<u>\$ 2,273.0</u>

Future minimum payments under noncancelable operating leases with initial or remaining terms of more than one year are as follows (in millions of dollars):

2004.....	\$ 29.7
2005.....	25.8
2006.....	17.1
2007.....	10.3
2008.....	6.2
Thereafter	<u>11.7</u>
Total.....	<u>\$ 100.8</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Total rental expense for continuing operations under operating leases for the years ended December 31, 2003, 2002 and 2001 was \$40.6 million, \$45.7 million and \$45.4 million, respectively, exclusive of property taxes, insurance and other occupancy costs generally payable by the Company.

10. Investments in Non-Consolidated Affiliates

The Company maintains investments in 23 non-consolidated affiliates, which are located in Turkey, China, Korea, India, Japan, the United States and Mexico. The Company's direct ownership in such affiliates ranges from approximately 5% to 50%. The aggregate investment in these affiliates approximates \$131 million and \$130 million as of December 31, 2003 and 2002, respectively. These amounts are recorded in the Company's balance sheet as "other non-current assets." The Company's equity in the earnings of such affiliates amounted to approximately \$27 million, \$20 million and \$15 million for the years ended December 31, 2003, 2002 and 2001, respectively. During 2003 these entities generated sales of approximately \$500 million, net income of approximately \$50 million and at December 31, 2003 had total net assets of approximately \$200 million.

The Company holds a variable interest in one of its Turkish affiliates. However, the affiliate does not qualify as a variable interest entity under the definition of FIN No. 46 and is therefore not consolidated. The variable interest in the Turkish affiliate is due to the Company's contingent guarantee of the initial investment of its investment partner. The total amount of the contingent guarantee, were all triggering events to occur, approximates \$50 million. This contingent guarantee is substantially less than the current fair value of the guarantees' interest in the affiliate. Accordingly, no amount has been recorded by the Company for the contingent guarantee.

In accordance with SFAS No. 150, the Company has determined that its investments in Chinese joint venture arrangements are considered to be "limited-lived" as such entities have specified durations ranging from 30 to 50 years pursuant to regional statutory regulations. In general, these arrangements call for extension, renewal or liquidation at the discretion of the parties to the arrangement at the end of the contractual agreement. Accordingly, a reasonable assessment cannot be made as to the impact of such contingencies on the future liquidity position of the Company.

11. Accrued Liabilities

Accrued Liabilities consisted of the following:

	December 31	
	2003	2002
	(Millions of Dollars)	
Accrued compensation	\$ 247.0	\$ 242.1
Accrued rebates	59.7	46.7
Restructuring reserves	57.7	90.8
Non-income taxes payable.....	40.0	31.1
Accrued Chapter 11 and Administration expenses	34.0	24.9
Accrued income taxes.....	31.4	43.1
Accrued product returns	21.0	23.0
Accrued warranty	11.4	13.6
Accrued professional services	11.1	10.1
Total current accrued liabilities	\$ 513.3	\$ 525.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

12. Debt

Long-term debt consisted of the following:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
DIP Credit Facility	\$ 320.0	\$ 314.7
Other	<u>26.0</u>	<u>45.7</u>
	346.0	360.4
Less: current maturities included in short-term debt.....	<u>14.8</u>	<u>346.1</u>
Total long-term debt.....	<u>\$ 331.2</u>	<u>\$ 14.3</u>

Due to the Restructuring Proceedings (see Note 1), pre-petition long-term debt of the Debtors has been reclassified to the caption "Liabilities subject to compromise" in the consolidated balance sheets. The following is the long-term debt included in liabilities subject to compromise:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
Senior Credit Agreements:		
Term loans	\$ 788.5	\$ 788.5
Multi-currency revolving credit facility	1,144.8	1,116.8
Notes due 2004 — 7.5%, issued in 1998	239.8	239.8
Notes due 2006 — 7.75%, issued in 1998	391.9	391.9
Notes due 2006 — 7.375%, issued in 1999	394.0	394.0
Notes due 2009 — 7.5%, issued in 1999	562.2	562.2
Notes due 2010 — 7.875%, issued in 1998	340.4	340.4
Medium-term notes — due between 2002 and 2005, average rate of 8.8%, issued in 1994 and 1995	84.0	84.0
Senior notes — due in 2007, rate of 8.8%, issued in 1997	103.3	103.3
Other	<u>2.5</u>	<u>2.6</u>
	4,051.4	4,023.5
Less: debt issuance fees	<u>(30.7)</u>	<u>(40.8)</u>
Total debt included in liabilities subject to compromise.....	<u>\$ 4,020.7</u>	<u>\$ 3,982.7</u>

In connection with the Restructuring Proceedings, the Company entered into a \$675 million debtor-in-possession ("DIP") credit facility to supplement liquidity and fund operations during the restructuring proceedings. In August 2003, the DIP credit facility was amended to change the expiration date to February 2005, and the interest rate was reduced to either the alternate base rate ("ABR") plus 2 percentage points or a formula based on the London Inter-Bank Offered Rate ("LIBOR") plus 3 percentage points. The ABR is the greatest of either the bank's prime rate or the base CD rate plus 1 percentage point or the federal funds rate plus ½ percentage point. The original \$675 million commitment was reduced to \$600 million in connection with the August 2003 facility amendment, and is mandatorily reduced by a portion of proceeds received from future asset or business divestitures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The Company's available borrowings under the DIP credit facility are determined by the underlying collateral at any point in time, consisting of its domestic inventories, domestic accounts receivable, and domestic property, plant, and equipment. The DIP lenders received permission from the lenders of the Senior Credit Agreements to have priority over their collateral interest. The borrowing base available to the Company is calculated weekly based upon the value of this underlying collateral. The total commitment and amounts outstanding on the DIP credit facility are as follows:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
Contractual commitment	\$ 600.0	\$ 675.0
Mandatory commitment reductions - divestitures.....	—	(27.0)
Current commitment.....	<u>\$ 600.0</u>	<u>\$ 648.0</u>
Outstanding:		
Current borrowings.....	\$ 320.0	\$ 314.7
Letters of credit.....	<u>17.9</u>	<u>14.0</u>
Total outstanding.....	337.9	328.7
Available to borrow.....	<u>236.6</u>	<u>200.3</u>
Total borrowing base.....	<u>\$ 574.5</u>	<u>\$ 529.0</u>

The DIP credit facility contains restrictive covenants. The more significant of these covenants include the maintenance of certain levels of earnings before interest, taxes, depreciation and amortization and limitations on quarterly capital expenditures. Additional covenants include, but are not limited to, limitations on the early retirement of debt, additional borrowings, payment of dividends and the sale of assets or businesses.

In accordance with SOP 90-7, the Company ceased recording interest expense on its outstanding Notes, Medium-term notes, and Senior notes effective October 1, 2001. The Company's contractual interest not accrued or paid in 2003, 2002 and 2001 was \$162.8 million, \$164.4 million and \$41.6 million, respectively. The Company continues to accrue and pay the contractual interest on the Senior Credit Agreement in the month incurred, totaling \$71.4 million, \$81.8 million and \$28.2 million in 2003, 2002 and 2001, respectively.

Additionally, the Company has agreed to pay, with the approval of the Bankruptcy Court, adequate protection payments approximating \$2.6 million per quarter to the holders of the Company's Notes. The amount is paid quarterly in equal installments during the time in which the plan of reorganization is being developed. The Company has additionally elected to grant each quarter since the commencement of the Restructuring Proceedings an administrative claim in the amount of one percent per annum on the outstanding notes. The amount of such administrative expense claim each quarter is approximately \$5.3 million. Amounts paid and administrative claims granted under this arrangement are provisional in nature and remain subject to re-characterization, credit against distributions in respect of allowed claims on a plan of reorganization, and other appropriate relief if and to the extent the Bankruptcy Court ultimately concludes that the holders were not entitled to adequate protection for any reason. Additionally, these amounts remain subject to challenge by all parties in interest to the Restructuring Proceedings.

At December 31, 2003 and 2002, the Company had \$76.1 million and \$89.4 million, respectively, of letters of credit outstanding under its DIP and pre-petition credit facilities. To the extent letters of credit associated with the DIP credit facility are issued, there is a corresponding decrease in borrowings available under the facility.

During 2001, the Company completed a series of debt to equity exchanges of its public notes. As a result of these exchanges, the Company issued 9.6 million shares in aggregate of its common stock to the holders of \$89.5 million face value of various notes. These exchanges resulted in a gain of \$72.2 million. The Company did not provide tax expense on this gain as the Company did not provide a tax benefit on its 2001 operating losses in the U.S.

The Company has pledged 100% of the capital stock of certain U.S. subsidiaries, 65% of capital stock of certain foreign subsidiaries and certain intercompany loans to secure the Senior Credit Agreements of the Company. Certain of such pledges also extend to the Notes, Medium-Term Notes and Senior Notes. In addition, certain subsidiaries of the Company have guaranteed the senior debt (refer to Note 23, "Consolidating Condensed Financial Information of Guarantor Subsidiaries").

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The weighted average interest rate for the Company's short-term debt was approximately 4.7% and 4.9% as of December 31, 2003 and 2002, respectively. Interest paid in 2003, 2002 and 2001 was \$119.5 million, \$127.9 million and \$328.0 million, respectively.

13. Company-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Convertible Subordinated Debentures of the Company

In December 1997, the Company's wholly-owned financing trust ("Affiliate") completed a \$575 million private issue of 11.5 million shares of 7.0% Trust Convertible Preferred Securities ("TCP Securities") with a liquidation value of \$50 per convertible security. The net proceeds from the TCP Securities were used to purchase an equal amount of 7.0% Convertible Junior Subordinate Debentures ("Debentures") of the Company. The TCP Securities represent an undivided interest in the Affiliate's assets, with a liquidation preference of \$50 per security.

The shares of the TCP Securities are convertible, at the option of the holder, into the Company's common stock at an equivalent conversion price of \$51.50 per share, subject to adjustment in certain events. The TCP Securities and the Debentures became redeemable, at the option of the Company, on or after December 6, 2000 at a redemption price, expressed as a percentage of principal, which is added to accrued and unpaid interest. The redemption price range is from 104.2% on December 6, 2000 to 100.0% after December 1, 2007. All outstanding TCP Securities and Debentures are required to be redeemed by December 1, 2027. In 2002, the holders of the TCP Securities redeemed 4,903,390 shares into 4,760,701 shares of common stock. The effect was an increase to common stock of \$23.7 million and an increase to paid in capital of \$215.9 million.

Distributions on the TCP Securities are cumulative and are due quarterly in arrears at an annual rate of 7.0%. As a result of the Restructuring Proceedings, the Company is in default to its affiliate holder of its convertible junior subordinated debentures and is no longer accruing expense or making interest payments on the debentures. As a result, the affiliate no longer has the funds available to pay distributions on the Company Mandatorily Redeemable Preferred Securities and ceased paying such distributions in October 2001. The affiliate is in default on the Company Mandatorily Redeemable Preferred Securities. The Company is a guarantor of its subsidiaries debentures, and has classified these debentures as liabilities subject to compromise in the December 31, 2003 and 2002 consolidated balance sheets.

14. Comprehensive Income

The Company displays comprehensive income in the consolidated statements of shareholders' equity. At December 31, 2003 and 2002, accumulated other comprehensive loss consisted of \$12.8 million and \$367.0 million of foreign currency translation, respectively, and \$954.8 million and \$816.8 million due to additional minimum liabilities recorded for the Company's pension plans, net of tax, respectively.

15. Capital Stock and Preferred Share Purchase Rights

The Company's articles of incorporation authorize the issuance of 260,000,000 shares of common stock, of which 87,131,298 shares were outstanding at both December 31, 2003 and 2002. As discussed in Note 13, during 2002, holders of TCP Securities redeemed 4,903,390 preferred shares into 4,760,701 shares of common stock.

The Series C ESOP Convertible Preferred Stock Shares (the "Preferred Shares") of stock were used to fund a portion of the Company's matching contributions within the Salaried Employees' Investment Program. The Preferred Shares are convertible into shares of the Company's common stock at a rate of two shares of common stock for each share of preferred stock. The Preferred Shares have a guaranteed price of \$63.75/share. There were 439,937 Preferred Shares outstanding at December 31, 2003, 2002 and 2001. The Preferred Shares were paid dividends at a rate of 7.5% until 2001. As a result of the Restructuring Proceedings, the payment of dividends was discontinued. The Company repurchased and retired 157,751 Preferred Shares valued at \$10.1 million during 2001. Due to the Restructuring Proceedings, no Preferred Shares were retired in 2003 or 2002. All of the repurchases represent plan distributions or fund transfers for participants in the plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Also due to the Restructuring Proceedings, there was no charge recorded for the cost of the ESOP for the years ended December 31, 2003, 2002, or 2001. No cash contributions were made to the plan in 2003, 2002 or 2001. ESOP shares are released as principal and interest on the debt is paid. Compensation expense is measured based on the fair value of shares committed to be released to employees. Dividends on ESOP shares are treated as a reduction of shareholders' equity in the period declared. The number of allocated shares held by the ESOP was 439,937 at December 31, 2003, 2002 and 2001. There were no committed-to-be-released or suspense shares at December 31, 2003 or 2002. Any repurchase of the ESOP shares is strictly at the option of the Company.

The Company's common stock is subject to a Rights Agreement under which each share has attached to it a Right to purchase one one-thousandth of a share of a new series of preferred stock, at a price of \$250 per Right. In the event an entity acquires or attempts to acquire 10% (20% in the case of an institutional investor) or more of the then outstanding shares, each Right would entitle the holder to purchase a number of shares of common stock pursuant to a formula contained in the Agreement. These Rights will expire on April 30, 2009, but may be redeemed by the Company at a price of \$.01 per Right at any time prior to a public announcement that the above event has occurred. The Board may amend the Rights at any time without shareholder approval.

On April 24, 2002, the Company's common stock was delisted from the New York Stock Exchange and began trading on the NASD over-the-counter bulletin board market under the ticker symbol "FDMLQ".

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

16. Income Taxes

Under the liability method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The components of loss from continuing operations before income taxes and cumulative effect of change in accounting principle due to the adoption of SFAS No. 142 consisted of the following:

	<u>Year Ended December 31</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(Millions of Dollars)		
Domestic.....	\$ (2.0)	\$ (39.3)	\$ (83.5)
International.....	(131.0)	(83.7)	(424.7)
Total.....	<u>\$ (133.0)</u>	<u>\$ (123.0)</u>	<u>\$ (508.2)</u>

Significant components of the provision for income taxes are as follows:

	<u>Year Ended December 31</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(Millions of Dollars)		
Current:			
Federal.....	\$ (5.0)	\$ —	\$ (14.6)
State and local.....	(1.0)	1.0	6.6
International.....	21.3	70.3	41.4
Total current.....	15.3	71.3	33.4
Deferred:			
Federal.....	(16.0)	27.4	148.5
State and local.....	—	—	1.8
International.....	53.2	(20.8)	45.9
Total deferred.....	37.2	6.6	196.2
	<u>\$ 52.5</u>	<u>\$ 77.9</u>	<u>\$ 229.6</u>

The reconciliation of income taxes computed at the United States federal statutory tax rate to income tax expense is:

	<u>Year Ended December 31</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(Millions of Dollars)		
Income taxes at United States statutory rate.....	\$ (46.5)	\$ (43.0)	\$ (177.8)
Tax effect from:			
State income taxes.....	(1.0)	1.0	5.5
Foreign operations.....	22.4	19.7	44.5
Goodwill amortization.....	—	—	23.9
Goodwill impairment.....	24.7	—	50.6
Favorable audit settlements and tax refunds.....	(22.9)	—	—
Valuation allowances.....	72.8	100.2	285.4
Other.....	3.0	—	(2.5)
	<u>\$ 52.5</u>	<u>\$ 77.9</u>	<u>\$ 229.6</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The following table summarizes the Company's total provision for income taxes/(tax benefit) by component:

	<u>Year Ended December 31</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(Millions of Dollars)		
Income tax expense	\$ 52.5	\$ 77.9	\$ 229.6
Cumulative effect of change in accounting principle.....	—	(46.6)	—
Discontinued operations	0.4	12.9	(10.1)
Adjustments to goodwill.....	(36.2)	(23.9)	—
Allocated to equity:			
Foreign currency translation	—	—	2.7
TCP securities conversion and other.....	—	82.3	36.8
Pension	(27.8)	(216.3)	(43.2)
Valuation allowances.....	27.1	134.0	0.3

Significant components of the Company's deferred tax assets and liabilities are as follows:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
Deferred tax assets		
Asbestos liability	\$ 541.6	\$ 504.5
Tax credits	98.9	131.9
Post employment benefits, including pensions	385.0	335.1
Net operating loss carryforwards	500.5	312.5
Other temporary differences	135.7	193.7
Total deferred tax assets	1,661.7	1,477.7
Valuation allowances for deferred tax assets	(892.3)	(722.5)
Net deferred tax assets	769.4	755.2
Deferred tax liabilities		
Fixed assets.....	(265.8)	(276.9)
Intangible assets.....	(153.4)	(144.4)
Asbestos insurance	(254.2)	(250.2)
Deferred gains	(169.1)	(127.5)
Total deferred tax liabilities	(842.5)	(799.0)
	<u>\$ (73.1)</u>	<u>\$ (43.8)</u>

Deferred tax assets and liabilities are recorded in the consolidated balance sheets as follows:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
Assets:		
Prepaid expenses.....	\$ 9.3	\$ 35.4
Other noncurrent assets.....	5.7	11.4
Liabilities:		
Other current liabilities.....	(17.7)	(38.2)
Long-term portion of deferred income taxes	(70.4)	(52.4)
	<u>\$ (73.1)</u>	<u>\$ (43.8)</u>

During 2003 the Company reversed a valuation allowance related to a deferred tax asset associated with a net operating loss. Approximately \$11 million was realized as a result of an arrangement that was entered into with a previous owner of certain subsidiaries which allowed the Company to carry-back a net operating loss and realize a portion of the associated deferred tax asset. This amount was recorded as a reduction to the 2003 income tax expense.

Income taxes paid, net of refunds, in 2003, 2002, and 2001 were \$18.1 million, \$19.8 million and \$32.5 million, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The Company did not provide taxes with respect to \$612.4 million of undistributed earnings at December 31, 2003, since these earnings are considered by the Company to be permanently reinvested. Upon distribution of these earnings, the Company may be subject to United States income taxes and foreign withholding taxes. Determining the unrecognized deferred tax liability on the distribution of these earnings is not practicable as such liability, if any, is dependent on circumstances existing when remittance occurs.

At December 31, 2003, the Company had a deferred tax asset of \$599.4 million for tax loss carryforwards and tax credits, including \$219.4 million in the United States, that expire in various amounts from 2007-2023; \$236.3 million in the United Kingdom with no expiration date; and \$143.7 million in other jurisdictions with various expiration dates. Included in the previous amounts are deferred tax assets for tax loss carryforwards and tax credits acquired with the purchases of T&N, Cooper Automotive and Fel-Pro. A valuation allowance was recorded on \$118.2 million of these purchased deferred tax assets and, to the extent such benefits are ever realized, such benefits will be recorded as a reduction of goodwill.

17. Earnings Per Share

Basic and diluted loss from continuing operations before cumulative effect of change in accounting principle per share are calculated as follows:

	Year Ended December 31		
	2003	2002	2001
	(In Millions, Except Per Share Amounts)		
Loss from continuing operations before cumulative effect of change in accounting principle	\$ (185.5)	\$ (200.9)	\$ (737.8)
Less Series C preferred dividend	—	—	(1.9)
Loss from continuing operations available for common shareholders before cumulative effect of change in accounting principle	\$ (185.5)	\$ (200.9)	\$ (739.7)
Weighted average shares outstanding, basic and diluted	87.1	83.0	75.6
Basic and diluted loss per share before cumulative effect of change in accounting principle	<u>\$ (2.13)</u>	<u>\$ (2.42)</u>	<u>\$ (9.78)</u>

The effect of the assumed conversion of the Preferred Stock was not considered in 2003, 2002, or 2001 as its effect was anti-dilutive to the loss per share.

For additional disclosures regarding the Series C preferred stock, the employee stock options and non-vested stock shares, refer to Note 15, "Capital Stock and Preferred Share Purchase Rights", and Note 18, "Incentive Stock Plans".

18. Incentive Stock Plans

The Company's shareholders adopted stock option plans in 1976 and 1984 and performance incentive stock plans in 1989 and 1997. These plans generally provide for awarding restricted shares or granting options to purchase shares of the Company's common stock. Restricted shares entitle employees to all the rights of common stock shareholders, subject to certain transfer restrictions and to forfeiture in the event that the conditions for their vesting are not met. Options entitle employees to purchase shares at an exercise price not less than 100% of the fair market value on the grant date and expire after a five- or ten-year period as determined by the Board of Directors.

Under the plans, awards vest from six months to five years after their date of grant, as determined by the Board of Directors at the time of grant. At December 31, 2003, there were 3,057,180 shares available for future grants under the plans.

The total compensation cost that has been charged to operations for vesting of restricted stock awards was \$0.1 million, \$0.3 million and \$0.4 million in 2003, 2002 and 2001, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The weighted-average fair value and the total number (in millions) of options granted was \$2.71 and 0.3 for 2001 respectively. There were no options granted during 2002 or 2003. All options and stock awards that are not vested at December 31, 2003 vest solely on employees rendering additional service.

The following table summarizes the activity relating to the Company's incentive stock plans:

	<u>Number of Shares</u> (In Millions)	<u>Weighted- Average Price</u>
Outstanding at January 1, 2001.....	4.3	\$ 35.61
Options granted.....	0.3	3.18
Options/stock lapsed or canceled.....	<u>(0.2)</u>	<u>22.33</u>
Outstanding at December 31, 2001.....	4.4	35.61
Options granted.....	—	—
Options/stock lapsed or canceled.....	<u>(1.2)</u>	<u>38.29</u>
Outstanding at December 31, 2002.....	3.2	31.99
Options granted.....	—	—
Options/stock lapsed or canceled.....	<u>(0.8)</u>	<u>49.04</u>
Outstanding at December 31, 2003.....	<u>2.4</u>	<u>25.93</u>
Options exercisable at December 31, 2003.....	<u>2.1</u>	<u>\$ 28.27</u>
Options exercisable at December 31, 2002.....	<u>1.9</u>	<u>\$ 32.53</u>
Options exercisable at December 31, 2001.....	<u>2.4</u>	<u>\$ 36.02</u>

The following is a summary of the range of exercise prices for stock options that are outstanding and the amount of nonvested stock awards at December 31, 2003:

<u>Range</u>	<u>Outstanding Awards</u> (In Millions)	<u>Options Exercisable</u> (In Millions)	<u>Weighted-Average</u>	
			<u>Price</u>	<u>Remaining Life</u>
Options:				
\$0.65-\$14.56.....	0.6	0.3	\$ 5.47	2.6 years
\$14.57-\$26.50.....	1.0	1.0	\$ 20.77	0.7 years
\$26.51-\$47.25.....	<u>0.8</u>	<u>0.8</u>	\$ 46.86	0.1 years
Total.....	<u>2.4</u>	<u>2.1</u>		

19. Pensions and Other Post Employment Benefits

The Company sponsors several defined benefit pension plans ("Pension Benefits") and health care and life insurance benefits ("Other Benefits") for certain employees and retirees around the world. The Company funds the Pension Benefits based on the funding requirements of federal and international laws and regulations in advance of benefit payments and the Other Benefits as benefits are provided to participating employees.

Components of net periodic benefit cost for the year ended December 31:

	<u>United States Plans</u>						<u>International Plans</u>		
	<u>Pension Benefits</u>			<u>Other Benefits</u>			<u>Pension Benefits</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(Millions of Dollars)								
Service cost	\$ 25.2	\$ 22.8	\$ 24.9	\$ 2.5	\$ 2.9	\$ 2.9	\$ 16.0	\$ 23.8	\$ 21.3
Interest cost	58.8	58.6	56.8	33.8	35.0	35.3	124.8	119.2	116.9
Expected return on plan assets.....	(48.4)	(65.5)	(75.9)	—	—	—	(119.4)	(131.9)	(151.8)
Unrecognized (gain) / loss.....	32.1	10.9	(3.3)	3.2	0.5	0.3	48.2	28.0	5.7
Unrecognized prior service cost	8.3	8.4	5.9	(0.8)	(0.8)	(0.2)	—	—	—
Settlement and curtailment loss.....	—	—	1.5	—	—	—	—	—	—
Net periodic cost (benefit).....	<u>\$ 76.0</u>	<u>\$ 35.2</u>	<u>\$ 9.9</u>	<u>\$ 38.7</u>	<u>\$ 37.6</u>	<u>\$ 38.3</u>	<u>\$ 69.6</u>	<u>\$ 39.1</u>	<u>\$ (7.9)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Change in benefit obligation:

	United States Plans				International Plans	
	Pension Benefits		Other Benefits		Pension Benefits	
	2003	2002	2003	2002	2003	2002
	(Millions of Dollars)					
Benefit obligation at beginning of year	\$ 891.2	\$ 818.8	\$ 549.3	\$ 482.5	\$ 2,043.2	\$ 1,834.6
Service cost.....	25.2	22.8	2.5	2.9	16.0	23.8
Interest cost.....	58.8	58.6	33.8	35.0	124.8	119.2
Employee contributions.....	—	—	1.6	—	6.5	6.4
Benefits paid.....	(60.8)	(60.0)	(48.5)	(43.2)	(157.6)	(125.3)
Plan amendments.....	—	2.7	—	(8.8)	(0.6)	—
Actuarial (gains) and losses and changes in actuarial assumptions	46.7	48.3	6.4	80.9	256.1	(23.8)
Currency translation adjustment.....	—	—	—	—	242.4	208.3
Benefit obligation at end of year.....	<u>\$ 961.1</u>	<u>\$ 891.2</u>	<u>\$ 545.1</u>	<u>\$ 549.3</u>	<u>\$ 2,530.8</u>	<u>\$ 2,043.2</u>

Change in plan assets:

	United States Plans				International Plans	
	Pension Benefits		Other Benefits		Pension Benefits	
	2003	2002	2003	2002	2003	2002
	(Millions of Dollars)					
Fair value of plan assets at beginning of year	\$ 569.6	\$ 686.1	\$ —	\$ —	\$ 1,585.8	\$ 1,639.5
Actual return on plan assets.....	119.0	(83.3)	—	—	216.5	(120.2)
Company contributions.....	23.2	26.8	—	—	24.1	8.4
Benefits paid.....	(60.8)	(60.0)	—	—	(144.2)	(115.2)
Currency translation adjustment.....	—	—	—	—	172.6	173.3
Fair value of plan assets at end of year	<u>\$ 651.0</u>	<u>\$ 569.6</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,854.8</u>	<u>\$ 1,585.8</u>
Funded status of the plan.....	\$ (310.1)	\$ (321.6)	\$ (545.1)	\$ (549.3)	\$ (676.0)	\$ (457.4)
Unrecognized net actuarial loss.....	249.7	305.6	118.8	115.5	737.1	564.8
Unrecognized prior service cost.....	64.4	72.7	(4.2)	(5.0)	—	—
Prepaid (accrued) benefit cost.....	<u>\$ 4.0</u>	<u>\$ 56.7</u>	<u>\$ (430.5)</u>	<u>\$ (438.8)</u>	<u>\$ 61.1</u>	<u>\$ 107.4</u>

Amounts applicable to the Company's pension plans with accumulated benefit obligations in excess of plan assets are as follows:

	United States Plans		International Plans	
	2003	2002	2003	2002
	(Millions of Dollars)			
Projected benefit obligation.....	\$ 961.1	\$ 891.2	\$ 2,530.8	\$ 2,043.2
Accumulated benefit obligation.....	945.3	876.7	2,512.8	1,999.1
Fair value of plan assets.....	651.0	569.6	1,854.8	1,585.8

Amounts recognized in the balance sheet at December 31 consist of:

	Pension Benefits		Other Benefits	
	2003	2002	2003	2002
	(Millions of Dollars)			
Net prepaid (accrued) benefit cost.....	\$ 65.1	\$ 164.3	\$ (430.5)	\$ (438.8)
Additional minimum liability.....	(1,031.3)	(899.5)	—	—
Intangible assets.....	63.9	72.0	—	—
Accumulated other comprehensive loss.....	954.8	816.8	—	—
Net amount recognized.....	<u>\$ 52.5</u>	<u>\$ 153.6</u>	<u>\$ (430.5)</u>	<u>\$ (438.8)</u>

Net prepaid (accrued) benefit cost for pension benefits is comprised of plans with \$295.4 million and \$352.0 million of prepaid pension costs and \$230.3 million and \$187.7 million of accrued pension costs as of December 31, 2003 and 2002, respectively. The accumulated benefit obligation for all defined benefit pension plans was approximately \$3,458 million and \$2,876 million at December 31, 2003 and 2002, respectively. In addition, increases in the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

minimum pension liability related to pension benefits of \$138.0 million and \$692.8 million are included in other comprehensive loss for the years ended December 31, 2003 and 2002, respectively.

Weighted-average assumptions used to determine the benefit obligation as of December 31:

	<u>United States Plans</u>				<u>International Plans</u>	
	<u>Pension Benefits</u>		<u>Other Benefits</u>		<u>Pension Benefits</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Discount rate.....	6.25%	6.75%	6.25%	6.75%	5.5%	5.6%
Expected return on plan assets.....	8.5%	9.0%	—	—	7.0-7.5%	7.0-7.5%
Rate of compensation increase	3.0%	3.0%	—	—	2.5-3.3%	2.5-3.4%

Weighted-average assumptions used to net periodic benefit cost for the years ended December 31:

	<u>United States Plans</u>				<u>International Plans</u>	
	<u>Pension Benefits</u>		<u>Other Benefits</u>		<u>Pension Benefits</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Discount rate.....	6.75%	7.5%	6.75%	7.5%	5.6%	6.0%
Expected return on plan assets.....	9.0%	10.0%	—	—	7.0-7.5%	7.0-7.5%
Rate of compensation increase	3.0%	3.0%	—	—	2.5-3.4%	2.5%

The Company evaluates its discount rate assumption annually as of December 31 for each of its retirement-related benefit plans based upon the yield of high quality, fixed-income debt instruments.

The Company's expected return on plan assets is evaluated annually based upon a detailed study which includes a review of anticipated future long-term performance of individual asset classes, and consideration of the appropriate asset allocation strategy to provide for the timing and amount of benefits included in the projected benefit obligation. While the study gives appropriate consideration to recent fund performance and historical returns, the assumption is primarily a long-term prospective rate.

For measurement purposes, the Company has made the following assumptions for its Other Benefits:

	<u>Other Benefits</u>	
	<u>2003</u>	<u>2002</u>
Health care cost trend rate	8.5%	9.0%
Ultimate health care trend rate.....	5.5%	5.5%
Year ultimate health care trend rate reached.....	2009	2009

The assumed health care trend rate has a significant impact on the amounts reported for Other Benefits plans. The following table illustrates the sensitivity to a change in the assumed health care trend rate:

	<u>Total Service and</u>		<u>APBO</u>
	<u>Interest Cost</u>		
	<u>(Millions of Dollars)</u>		
100 basis point (bp) increase in health care trend rate . \$	+ 3.2	\$	+ 41.9
100 bp decrease in health care trend rate	- 2.8		- 36.3

On December 8, 2003, the Medicare Prescription Drug Improvement and Modernization Act was signed into law. This law provides for a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to the benefit established by the law. The FASB has not yet issued specific authoritative accounting guidance related to this new law. As such, the Company has not recorded any benefit for any subsidies that could ultimately be received. Such amounts could materially affect the Company's financial statements in future periods.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The following table illustrates the sensitivity to a change in certain assumptions for Pension Benefits and Other Benefits. The changes in these assumptions have no impact on the Company's 2004 funding requirements.

	United States Plans					International Plans		
	Pension Benefits			Other Plans		Pension Benefits		
	Impact on pension expense	Impact on PBO	Impact on equity	Impact on benefit expense	Impact on APBO	Impact on pension Expense	Impact on PBO	Impact on equity
	(Millions of dollars)							
25 bp decrease in discount rate	\$ + 2.1	\$ + 24.1	\$ - 23.6	\$ + 1.4	\$ + 14.5	\$ + 5.6	\$ + 83.8	\$ - 80.3
25 bp increase in discount rate.....	- 2.1	- 22.9	+ 22.4	- 1.4	- 14.5	- 5.9	- 85.1	+ 81.3
25 bp decrease in rate of return on assets.....	+ 1.6	—	—	—	—	+ 4.5	—	—
25 bp increase in rate of return on assets	- 1.6	—	—	—	—	- 4.5	—	—

The Company's pension plan weighted-average asset allocations at the measurement dates of December 31, 2003, and 2002, by asset category are as follows:

Asset Category	United States Plan Assets December 31			International Plan Assets December 31		
	Actual		Target	Actual		Target
	2003	2002	2004	2003	2002	2004
	Equity securities	71%	68%	75%	44%	40%
Debt securities	29%	32%	25%	56%	58%	60%
Real estate.....	—	—	—	—	2%	—
Total.....	100%	100%	100%	100%	100%	100%

The Company invests in a diversified portfolio consisting of an array of asset classes that attempts to maximize returns while minimizing volatility. These asset classes include, U.S. domestic equities, emerging market equities, global high quality and high yield fixed income and real estate. The Company expects to contribute approximately \$71 million to its pension plans in 2004.

The following table benefit payments, which reflect expected future service, as appropriate, expected to be paid:

	United States Plans		International Plans
	Pension Benefits	Other Benefits	Pension Benefits
	(Millions of Dollars)		
2004.....	\$ 65.3	\$ 46.0	\$ 133.5
2005.....	65.2	43.9	136.2
2006.....	65.9	41.9	140.4
2007.....	66.5	40.2	146.0
2008.....	68.6	38.5	150.0
Years 2009 - 2013	357.8	170.5	803.6

The Company also maintains a defined-contribution savings plan that is qualified under Section 401(k) of the Internal Revenue Code. Prior to October 1, 2001, the Company generally matched 50% of an employee's first 8% of before-tax contributions. Where permitted, subsequent to October 1, 2001, the Company suspended its matching contribution in connection with the Restructuring Proceedings. The total expense attributable to the Company's defined-contribution savings plan was \$2.3 million, \$4.9 million, and \$11.2 million for the years ended December 31, 2003, 2002 and 2001, respectively. Commencing January 1, 2004, the Company has reinstated a matching contribution for its defined-contribution plan at 25% of an employee's first 8% of before-tax contributions.

20. Litigation and Environmental Matters

T&N Companies Asbestos Litigation

Background

The Company's U.K. subsidiary, T&N Ltd., and two U.S. subsidiaries (the "T&N Companies") are among many defendants named in numerous court actions in the U.S. alleging personal injury resulting from exposure to asbestos or asbestos-containing products. T&N Ltd. is also subject to asbestos-disease litigation, to a lesser extent, in the United Kingdom and France. As of the Petition Date, T&N Ltd. was a defendant in approximately 115,000 pending personal injury claims. The two United States subsidiaries were defendants in approximately 199,000 pending personal injury claims. As a result of the Restructuring Proceedings, the Company includes as a pending claim open served claims, settled but not documented claims and settled but not paid claims. Notice of complaints continue to be received post-petition and are in violation of the automatic stay.

Recorded Liability

In 2000, the Company increased its estimate of asbestos-related liability for the T&N Companies by \$751 million and recorded a related insurance recoverable asset of \$577 million. The revision in the estimate of probable asbestos-related liability principally resulted from a study performed by an econometric firm that specializes in these types of matters. The liability (approximately \$1.4 billion as of December 31, 2003) represented the Company's estimate prior to the Restructuring Proceedings for claims currently pending and those which were reasonably estimated to be asserted and paid through 2012. The Company did not provide a liability for claims that may be paid subsequent to this period as it could not reasonably estimate such claims. In estimating the liability prior to the Restructuring Proceedings, the Company made assumptions regarding the total number of claims anticipated to be received in a future period, the typical cost of settlement (which is sensitive to the industry in which the plaintiff claims exposure, the alleged disease type and the jurisdiction in which the action is being brought), the rate of receipt of claims, the settlement strategy in dealing with outstanding claims and the timing of settlements. As a result of the Restructuring Proceedings, pending asbestos-related litigation against the Company in the United States and the U.K. is stayed (subject to certain exceptions in the case of governmental authorities), and no party may take action to pursue or collect on such asbestos claims absent specific authorization of the Bankruptcy Court or the High Court. Since the Restructuring Proceedings, the Company has ceased making payments with respect to asbestos-related lawsuits. An asbestos creditors' committee has been appointed in the U.S. representing asbestos claimants with pending claims against the Company, and the Bankruptcy Court has appointed a legal representative for the interests of potential future asbestos claimants. In the U.K. a creditors committee consisting in large part of representatives of asbestos claimants has been appointed. March 3, 2003 was the bar date for the filing of all asbestos-related property damage claims. The Company's obligations with respect to present and future claims could be determined through litigation in Bankruptcy Court, the High Court, and/or through negotiations with each of the official committees appointed.

In December of 2000, the Company entered into \$250 million of surety bonds on behalf of the T&N Companies to meet certain collateral requirements for asbestos indemnity obligations associated with their prior membership in the Center for Claims Resolution ("CCR"). This amount was stepped down by contract to \$225 million effective June, 2001. As a result of the filing, the Company has sought declaratory and injunctive relief in an adversary proceeding filed in the Bankruptcy Court, in order to enjoin any post-petition payments to asbestos claimants by the CCR and any post-petition draw by the CCR on \$225 million in face amount of the surety bonds. The CCR now seeks to draw on the surety bonds to fund past and future payments although the basis of such draw, the validity of such claims under the pre-petition bond terms, and whether such draw may be utilized to pay obligations of other CCR members are all disputed. On March 28, 2003, the Federal District Court Judge held that, with respect to phase one, the CCR has the right to draw upon the bonds to the extent that a settlement between an individual and the CCR member was consummated, i.e., a release has been obtained from such individual. The CCR has appealed and the ruling was modified to require a state-by-state analysis of what constitutes a release. This is in process, as is a yet to be heard second phase of litigation, which will ultimately determine the amount of any such draw. As a result of information obtained during the initial discovery phase of this litigation, the Company along with other defendants, sought and obtained leave to file amended complaints against the CCR.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The Company also issued various letters of credit in connection with asbestos lawsuits that had resulted in verdicts against the Company prior to its filing for bankruptcy protection. The letters of credit were issued as security for the judgments entered against the Company to permit the Company to pursue appeals to those judgments. The Bankruptcy Court lifted the automatic stay with respect to certain cases where letters of credit were in place to allow the appeals of those cases to proceed. During 2003, the final appeal in three of these cases were denied, and draws were made upon the letters of credit of approximately \$16.0 million. At December 31, 2003, there are approximately \$2.1 million of additional letters of credit available. At December 31, 2003, the draws on these letters of credit are recorded as debt within liabilities subject to compromise.

Except for the effect of foreign currency, the Company has not adjusted its estimate of the asbestos liability since September 30, 2001. This liability is included in the consolidated balance sheet under the caption "Liabilities subject to compromise" as of December 31, 2003 for the Company's U.S. and U.K. subsidiaries.

While the Company believes that the liability recorded was appropriate as of October 1, 2001 for anticipated losses arising from asbestos-related claims against the T&N Companies through 2012, it is the Company's view that, as a result of the Restructuring Proceedings, there is even greater uncertainty in estimating the future asbestos liability and related insurance recovery for pending and future claims. There are significant differences in the treatment of asbestos claims in a bankruptcy proceeding as compared to the tort litigation system. Among other things, it is uncertain at this time as to the number of asbestos-related claims that will be filed in the Restructuring Proceedings, the number of future claims that will be included in a plan of reorganization, how claims for punitive damages and claims by persons with no asbestos-related physical impairment will be treated and whether such claims will be allowed, and the impact that historical settlement values for asbestos claims may have on the estimation of asbestos liability in the Restructuring Proceedings.

No assurance can be given that the T&N Companies will not be subject to material additional liabilities and significant additional litigation relating to asbestos matters through 2012 or thereafter. In the event that such liabilities exceed the amounts recorded by the Company or the remaining insurance coverage, the Company's results of operations and financial condition could be materially affected.

Insurance Recoverable

In 1996, T&N Ltd. (formerly T&N, plc) purchased for itself and its then defined global subsidiaries a £500 million layer of insurance which will be triggered should the aggregate costs of claims made or brought after June 30, 1996, where the exposure occurred prior to that date, exceed £690 million. During 2000, the Company concluded that the aggregate cost of the claims filed after June 30, 1996 would exceed the trigger point and recorded an insurance recoverable asset under the T&N policy of \$577 million. As of December 31, 2003, the recorded insurance recoverable was \$636.8 million. In December 2001, one of the three reinsurers, European International Reinsurance Company Ltd. ("EIR"), filed suit in a London, England court to challenge the validity of its insurance contract with the T&N Companies. As a result of this lawsuit, a claim was made against the broker (Sedgwick) that assisted in procuring this policy for breach of its duties as a broker. This trial commenced in October 2003. Prior to the conclusion of the trial, the parties were able to reach a settlement. As a result of this settlement, the Company recorded an asbestos charge in 2003 of \$38.9 million. Under the terms of the settlement, EIR would be liable for 65.5% of its one-third share of the reinsurance policy. By separate agreement, Sedgwick agreed to be liable for an additional 17.25% of the EIR share of the reinsurance policy. T&N Ltd. has also agreed to indemnify the insurer for sums paid under the policy for which the insurer is liable to T&N Ltd. for which the insurer has no recovery from the reinsurers of Sedgwick. The settlement agreements referenced above are being held in escrow pending approval by the Bankruptcy Court and the Administrators of T&N Ltd. of those portions of the above-described settlement agreements that affect the Debtors. Approval is expected in early 2004. In December 2002, the remaining two reinsurers issued separate declaratory proceedings requesting the High Court to interpret certain terms contained in the Asbestos Liability Policy. These proceedings do not request the avoidance of the Asbestos Liability Policy. The Company believes that, based on its review of the insurance policies and advice from outside legal counsel, it is probable that the T&N Companies will be entitled to receive payment from the reinsurers for the cost of the claims in excess of the trigger point of the insurance.

The ultimate realization of insurance proceeds is directly related to the amount of related covered claims paid by the Company. If the ultimate asbestos claims are higher than the recorded liability, the Company expects the ultimate insurance recoverable to be higher than the recorded amount, up to the cap of the insurance layer. If the ultimate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

asbestos claims are lower than the recorded liability, the Company expects the ultimate insurance recoverable to be lower than the recorded amount. While the Restructuring Proceedings will impact the timing and amount of the asbestos claims and the insurance recoverable, there has been no change, other than to reflect the settlement discussed above and foreign exchange translation, to the recorded amounts since the Company initiated the Restructuring Proceedings. Accordingly, the recorded amounts for this insurance recoverable asset change significantly based upon events that occur from the Restructuring Proceedings.

The Company has reviewed the financial viability and legal obligations of the three reinsurance companies involved and has concluded that there is little risk that the reinsurers will not be able to meet their obligations under the policy based upon their financial condition. The U.S. claims' costs applied against this policy are converted at a fixed exchange rate of \$1.69/£. As such, if the market exchange rate is greater than \$1.69/£, the Company will effectively have a premium on 100% recovery on claims paid. As of December 31, 2003, the \$636.8 million insurance recoverable asset includes an exchange rate premium of approximately \$28.1 million.

Abex and Wagner Asbestos Litigation

Background

Two of the Company's businesses formerly owned by Cooper Industries, Inc., known as Abex and Wagner, are involved as defendants in numerous court actions in the U.S. alleging personal injury from exposure to asbestos or asbestos-containing products. These claims mainly involve friction products. As of the Petition Date, Abex and Wagner were defendants in approximately 66,000 and 33,000 pending claims, respectively. As a result of the Restructuring Proceedings, the Company includes as a pending claim open served claims, settled but not documented claims and settled but not paid claims. Notices of complaints continue to be received post-petition and are in violation of the automatic stay.

The liability of the Company with respect to claims alleging exposure to Wagner products arises from the 1998 stock purchase from Cooper Industries, Inc. of the corporate successor by merger to Wagner Electric Company; the purchased entity is now a wholly-owned subsidiary of the Company and one of the Debtors in the Restructuring Proceedings. As a consequence, all claims against the Debtors, including asbestos-related claims, have been stayed.

The liability of the Company with respect to claims alleging exposure to Abex products arises from a contractual liability entered into in 1994 by the predecessor to the Company whose stock the Company purchased in 1998. Pursuant to that contract, prior to the Restructuring Proceedings, the Company, through the relevant subsidiary, was liable for certain indemnity and defense payments incurred on behalf of an entity known as Pneumo Abex Corporation, the successor in interest to Abex Corporation. Effective as of the Petition Date, the Company has ceased making such payments and is currently considering whether to accept or reject the 1994 contractual liability.

As mentioned above, as of the Petition Date, pending asbestos litigation of Abex (as to the Company only) and Wagner is stayed (subject to certain exceptions in the case of governmental authorities), and no party may take action to pursue or collect on such asbestos claims absent specific authorization of the Bankruptcy Court or the High Court.

Recorded Liability

The liability (comprised of \$129.5 million in Abex liabilities and \$85.0 million in Wagner liabilities as of December 31, 2003) represented the Company's estimate prior to the Restructuring Proceedings for claims currently pending and those which were reasonably estimated to be asserted and paid through 2012. The Company did not provide a liability for claims that may be brought subsequent to this period as it could not reasonably estimate such claims. In estimating the liability prior to the Restructuring Proceedings, the Company made assumptions regarding the total number of claims anticipated to be received in a future period, the typical cost of settlement (which is sensitive to the industry in which the plaintiff claims exposure, the alleged disease type and the jurisdiction in which the action is being brought), the rate of receipt of claims, the settlement strategy in dealing with outstanding claims and the timing of settlements.

As a result of the Restructuring Proceedings, pending asbestos-related litigation is stayed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

While the Company believes that the liability recorded was appropriate as of October 1, 2001 for anticipated losses arising from asbestos-related claims related to Abex and Wagner through 2012, it is the Company's view that, as a result of the Restructuring Proceedings, there is even greater uncertainty in estimating the future asbestos liability and related insurance recovery for pending and future claims. There are significant differences in the treatment of asbestos claims in a bankruptcy proceeding as compared to the tort litigation system. Among other things, it is uncertain at this time as to the number of asbestos-related claims that will be filed in the proceeding, the number of future claims that will be included in a plan of reorganization, how claims for punitive damages and claims by persons with no asbestos-related physical impairment will be treated and whether such claims will be allowed, and the impact historical settlement values for asbestos claims may have on the estimation of asbestos liability in the Restructuring Proceedings.

No assurance can be given that the Company will not be subject to material additional liabilities and significant additional litigation relating to Abex and Wagner asbestos matters through 2012 or thereafter. In the event that such liabilities exceed the amounts recorded by the Company or the remaining insurance coverage, the Company's results of operations and financial condition could be materially affected.

Insurance Recoverable

Abex maintained product liability insurance coverage for most of the time that it manufactured products that contained asbestos. This coverage is shared with other third-party companies. The subsidiary of the Company that may be liable for certain indemnity and defense payments with respect to Abex has the benefit of that insurance up to the extent of that liability. Abex has been in litigation since 1982 with the insurance carriers of its primary layer of liability concerning coverage for asbestos claims. Abex also has substantial excess layer liability insurance coverage that is shared with other companies that, barring unforeseen insolvencies of excess carriers or other adverse events, should provide coverage for asbestos claims against Abex. The Abex insurance recoverable was \$115.7 million as of December 31, 2003.

Wagner also maintained product liability insurance coverage for some of the time that it manufactured products that contained asbestos. This coverage is shared with other third-party companies. One of the companies, Dresser Industries, Inc. ("Dresser") initiated an adversary action against the Debtors and a number of insurance carriers in the Company's Restructuring Proceedings. In its complaint, Dresser alleged that it has rights under certain primary and excess general liability insurance policies that may be shared with one of the Debtors, Federal-Mogul Products ("FMP") as the successor to Wagner Electric Corporation. Dresser seeks, among other things, a declaration of the parties respective rights and obligations under the policies and a partition of the competing rights of Dresser and FMP under the policies. FMP answered Dresser's complaint and filed cross-claims against all of the defendant-insurers seeking a declaration of FMP's rights to the policies. The subsidiary of the Company that may be liable for asbestos claims against Wagner has the benefit of that insurance, subject to the rights of other potential insureds under the policies. Primary layer liability insurance coverage for asbestos claims against Wagner is the subject of an agreement with Wagner's solvent primary carriers. The agreement provides for partial reimbursement of indemnity and defense costs for Wagner asbestos claims until exhaustion of aggregate limits. Wagner also has substantial excess layer liability insurance coverage which, barring unforeseen insolvencies of excess carriers or other adverse events, should provide coverage for asbestos claims against Wagner. The Wagner insurance recoverable was \$53.5 million as of December 31, 2003.

The ultimate realization of insurance proceeds is directly related to the amount of related covered claims paid by the Company. If the ultimate asbestos claims are higher than the recorded liability, the Company expects the ultimate insurance recoverable to be higher than the recorded amount. If the ultimate asbestos claims are lower than the recorded liability, the Company expects the ultimate insurance recoverable to be lower than the recorded amount. While the Restructuring Proceedings will impact the timing and amount of the asbestos claims and the insurance recoverable, there has been no change to the recorded amounts due to the uncertainties created by the Restructuring Proceedings. Accordingly, the recorded amounts for this insurance recoverable asset change materially based upon events that occur from the Restructuring Proceedings.

The Company believes that based on its review of the insurance policies, the financial viability of the insurance carriers, and advice from outside legal counsel, it is probable that Abex and Wagner will realize an insurance recoverable correlating with the respective liability.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Federal-Mogul and Fel-Pro Asbestos Litigation

Prior to the Restructuring Proceedings, the Company was sued in its own name as one of a large number of defendants in multiple lawsuits brought by claimants alleging injury from exposure to asbestos due to its ownership of certain assets involved in gasket making. As of the Petition Date, the Company was a defendant in approximately 61,500 pre-petition pending claims. Over 40,000 of these claims were transferred to a federal court, where, prior to the Restructuring Proceedings, they were pending. Notices of complaints continue to be received post-petition and are in violation of the automatic stay.

Prior to the Restructuring Proceedings, the Company's Fel-Pro subsidiary also was named as a defendant in a number of product liability cases involving asbestos, primarily involving gasket or packing products. Fel-Pro was a defendant in approximately 34,000 pending claims as of the Petition Date. Over 32,000 of these claims were transferred to a federal court where, prior to the Restructuring Proceedings, they were pending. The Company was defending all such claims vigorously and believed that it and Fel-Pro had substantial defenses to liability and insurance coverage for defense and indemnity.

All claims alleging exposure to the products of the Company and of Fel-Pro have been stayed as a result of the Restructuring Proceedings.

Aggregate of Asbestos Liability and Insurance Recoverable Asset

The following is a summary of the asbestos liability and the insurance recoverable asset as of December 31, 2002 and December 31, 2003:

	T&N				
	<u>Companies</u>	<u>Abex</u>	<u>Wagner</u>	<u>Other</u>	<u>Total</u>
	<small>(Millions of Dollars)</small>				
Liability:					
Balance at December 31, 2002	\$ 1,347.9	\$ 129.5	\$ 85.0	\$ 2.7	\$ 1,565.1
Judgments rendered	(16.0)	—	—	—	(16.0)
Foreign exchange	19.3	—	—	—	19.3
Balance at December 31, 2003	<u>\$ 1,351.2</u>	<u>\$ 129.5</u>	<u>\$ 85.0</u>	<u>\$ 2.7</u>	<u>\$ 1,568.4</u>
Asset:					
Balance at December 31, 2002	\$ 610.8	\$ 116.3	\$ 53.5	\$ —	\$ 780.6
Cash receipts	—	(0.6)	—	—	(0.6)
Adjustment for reinsurance settlement	(38.9)	—	—	—	(38.9)
Foreign exchange	65.0	—	—	—	65.0
Balance at December 31, 2003	<u>\$ 636.9</u>	<u>\$ 115.7</u>	<u>\$ 53.5</u>	<u>\$ —</u>	<u>\$ 806.1</u>

The Company's estimate of asbestos-related liabilities for pending and expected future asbestos claims is subject to considerable uncertainty because such liabilities are influenced by numerous variables that are inherently difficult to predict. The Restructuring Proceedings significantly increase the inherent difficulties and uncertainties involved in estimating the number and cost of resolution of present and future asbestos-related claims against the Company and may have the effect of increasing the ultimate cost of the resolution of such claims.

Other

The Company is involved in other legal actions and claims, directly and through its subsidiaries. After taking into consideration legal counsel's evaluation of such actions, management is of the opinion that the outcomes are not likely to have a material adverse effect on the Company's financial position, operating results, or cash flows.

Environmental Matters

The Company is a defendant in lawsuits filed, or the recipient of administrative orders issued, in various jurisdictions pursuant to the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980 ("CERCLA") or other similar national or state environmental laws. These laws require responsible parties to pay for remediating contamination resulting from hazardous substances that were discharged into the environment by them, or by others to whom they sent such substances for treatment or other disposition. In addition, the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Company has been notified by the United States Environmental Protection Agency, other national environmental agencies, and various state agencies that it may be a potentially responsible party ("PRP") under such laws for the cost of remediating hazardous substances pursuant to CERCLA and other national and state environmental laws. PRP designation requires the funding of site investigations and subsequent remedial activities.

At most of the sites that are likely to be the costliest to remediate, which are often current or former commercial waste disposal facilities to which numerous companies sent waste, the Company's exposure is expected to be limited. Despite the joint and several liability which might be imposed on the Company under CERCLA and some of the other laws pertaining to these sites, the Company's share of the total waste has generally been small. The other companies, which also sent wastes, often numbering in the hundreds or more, generally include large, solvent publicly owned companies, and in most such situations the government agencies and courts have imposed liability in some reasonable relationship to contribution of waste.

The Company has identified certain present and former properties at which it may be responsible for cleaning up environmental contamination, in some cases as a result of contractual commitments. The Company is actively seeking to resolve these matters. Although difficult to quantify based on the complexity of the issues, the Company has accrued amounts corresponding to its best estimate of the costs associated with such matters based upon current available information from site investigations and consultants.

Environmental reserves were \$66.0 million and \$64.6 million at December 31, 2003 and 2002, respectively and are included in the consolidated balance sheets as follows:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
Current liabilities	\$ 15.1	\$ 14.2
Long-term accrued liabilities	27.1	27.5
Liabilities subject to compromise	<u>23.8</u>	<u>22.9</u>
	<u>\$ 66.0</u>	<u>\$ 64.6</u>

The increase in the reserves during 2003 resulted primarily from the addition of new sites and revision of cost estimates to remediate current sites, offset by remediation payments made during the period. Management believes that such accruals will be adequate to cover the Company's estimated liability for its exposure in respect to such matters. In the event that such liabilities were to significantly exceed the amounts recorded by the Company, the Company's results of operations and financial condition could be materially affected. At December 31, 2003, management estimates that reasonably possible material additional losses above and beyond management's best estimate of required remediation costs as recorded approximates \$40 million.

Environmental reserves subject to compromise include those that may be reduced in the Company's bankruptcy proceeding because they may be determined to be "dischargeable debts" incurred prior to the Company's filing for bankruptcy. Such liabilities generally arise at either (1) commercial waste disposal sites to which the Company and other companies sent wastes for disposal, or (2) sites in relation to which the Company has a contractual obligation to indemnify the current owner of a site for the costs of cleanup of contamination that was released into the environment before the Company sold the site.

Environmental reserves determined not to be subject to compromise include those which arise from a legal obligation of the Company, under an administrative or judicial order, to perform cleanup at a site. Such obligations are normally associated with sites, which a bankrupt entity such as the Company owns and either operates or formerly operated.

The best estimate of environmental liability at a site may change from time to time during a bankruptcy proceeding even though the liability relating to that site is subject to compromise and the Company's responsibility to make payments is stayed. Notwithstanding the stay of proceedings regarding such a site, activities such as further site investigation and/or actual cleanup work usually continue to be performed by other parties. Such activities may produce new and better information that requires the Company to revise its best estimate of total site cleanup costs and its own share of such costs.

21. Operations by Reporting Segment and Geographic Area

The Company's integrated operations are included in five reporting segments generally corresponding to major product groups: Powertrain, Sealing Systems and Systems Protection, Friction, Aftermarket and Other. Segment information for the years ended December 31, 2002 and 2001 has been reclassified to reflect organizational changes implemented in January 2003.

Powertrain products are used primarily in automotive, light truck, heavy-duty, industrial, marine, agricultural, power generation and small air-cooled engine applications. The primary products of this segment include engine bearings, pistons, piston pins, rings, cylinder liners, camshafts, valve train and transmission products and connecting rods. These products are offered under the Federal-Mogul, Glyco, Goetze and Nural brand names. These products are either sold as individual components or, increasingly, offered to automotive manufacturers assembled in a power cylinder system. This strategic product offering adds value to the customer by simplifying the assembly process, lowering costs and reducing vehicle development time. Powertrain operates 47 manufacturing facilities in 12 countries, serving many major automotive, heavy-duty diesel and industrial customers worldwide.

Sealing Systems and Systems Protection products include dynamic seals, gaskets (static seals) and element resistant sleeving systems protection products. The products within this group are marketed under the brand names of Federal-Mogul, National, BCA, Fel-Pro, Payen and Glocker. Sealing Systems and Systems Protection operates 30 manufacturing facilities in 12 countries, serving many major automotive, heavy-duty diesel and industrial customers worldwide.

Friction products are used in automotive and heavy-duty applications and the primary products of this segment include brake disc pads, brake shoes, and brake linings and blocks. Federal-Mogul has a well-balanced portfolio of world-class brand names, including Abex, Beral, Wagner and Ferodo. Federal-Mogul supplies OEM friction products to all the major customers in the light vehicle, commercial vehicle and railway sectors and is also very active in the aftermarket. Friction operates 15 manufacturing facilities in 10 countries, serving many major automotive, railroad and industrial customers worldwide.

Aftermarket distributes products manufactured within the above segments, or purchased, to the independent automotive, heavy-duty and industrial aftermarkets. The segment also includes manufacturing operations for brake, chassis, ignition, lighting, fuel and wiper products. Federal-Mogul is a leader in several key aftermarket product lines. These products are marketed under the brand names Champion, Fel-Pro, Carter, ANCO, Moog, Wagner, Ferodo, Glyco and Sealed Power. Aftermarket operates 23 manufacturing facilities and 29 distribution centers in 19 countries, serving a diverse base of distributors and retail customers around the world. All product transferred into Aftermarket from other reporting segments is transferred at cost in the United States and at agreed-upon transfer prices internationally.

Other is comprised of the Company's Asia Pacific operations and Corporate functions. Asia Pacific encompasses the Company's commercial activities from manufacturing, distribution and sales in this geographic region. The Company operates approximately 20 manufacturing and distribution facilities in this region, as well as an engineering technical center in Yokohama, Japan. Corporate functions is comprised of headquarters and central support costs for information technology, human resources, finance and other corporate activities as well as certain health and welfare costs for pension and other post employment benefits for the Company's retirees. Current period service costs for active employees are included in the results of operations for each of the Company's reporting segments.

The Company has aggregated certain individual product segments within its five reporting segments. The accounting policies of the segments are the same as that of the Company. Revenues related to Powertrain, Sealing Systems and Systems Protection, and Friction products sold to OE customers are recorded within the respective segments. Revenues from such products sold to aftermarket customers are recorded within the Aftermarket segment.

The Company evaluates segment performance principally on a non-GAAP Operational EBIT basis. Operational EBIT is defined as earnings before interest, income taxes, cumulative effect of change in accounting principle and certain nonrecurring items such as restructuring and impairment charges, Chapter 11 and Administration related reorganization expenses, and gains or losses on the sales of businesses. Operational EBIT for each segment is shown below, as it is most consistent with the corresponding consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

As noted in Note 3, the Company adopted SFAS No. 142 effective January 1, 2002. Note 3 includes the pro-forma effect of SFAS No. 142 on reported results for the year ended December 31, 2001. The Operational EBIT amounts for 2001 below have not been adjusted for the pro-forma effects of the adoption of SFAS No. 142.

Net Sales and Gross Margin information by reporting segment is as follows:

	<u>Net Sales</u>			<u>Gross Margin</u>		
	<u>Year Ended December 31</u>			<u>Year Ended December 31</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(Millions of Dollars)					
Powertrain	\$ 1,839	\$ 1,652	\$ 1,567	\$ 255	\$ 260	\$ 265
Sealing Systems and Systems Protection.....	620	639	630	103	124	131
Friction	431	374	339	116	97	60
Aftermarket	2,576	2,455	2,485	612	548	570
Other	80	64	72	1	(8)	29
Total.....	\$ 5,546	\$ 5,184	\$ 5,093	\$ 1,087	\$ 1,021	\$ 1,055

Operational EBIT by reporting segment is as follows:

	<u>Operational EBIT</u>		
	<u>Year Ended December 31</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(Millions of Dollars)		
Powertrain	\$ 131	\$ 103	\$ 127
Sealing Systems and Systems Protection.....	27	45	34
Friction	51	45	3
Aftermarket	347	293	234
Other	(305)	(281)	(271)
Total Segments Operational EBIT.....	251	205	127
Items required to reconcile Operational EBIT to loss from continuing operations before income tax expense and cumulative effect of change in accounting principle:			
Interest expense, net.....	(98)	(123)	(275)
Restructuring charges, net.....	(34)	(41)	(37)
Adjustment of assets held for sale and other long-lived assets to fair value.....	(106)	(63)	(328)
Gain on extinguishment of debt.....	—	—	72
Chapter 11 and Administration related reorganization costs	(97)	(107)	(57)
Other	(49)	6	(10)
Loss From Continuing Operations Before Income Tax Expense and Cumulative Effect of Change in Accounting Principle.....	\$ (133)	\$ (123)	\$ (508)

Total Assets, Capital Expenditures, and Depreciation and Amortization information by reporting segment is as follows:

	<u>Total Assets</u>		<u>Capital Expenditures</u>			<u>Depreciation and Amortization</u>		
	<u>December 31</u>		<u>Year Ended December 31</u>			<u>Year Ended December 31</u>		
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(Millions of Dollars)							
Powertrain	\$ 1,957	\$ 1,861	\$ 137	\$ 183	\$ 156	\$ 140	\$ 119	\$ 122
Sealing Systems and Systems Protection.....	1,249	1,237	45	42	37	50	46	57
Friction	696	618	62	69	49	45	39	47
Aftermarket	2,912	2,718	34	31	41	55	55	89
Other	1,303	1,479	21	9	14	15	13	37
Total.....	\$ 8,117	\$ 7,913	\$ 299	\$ 334	\$ 297	\$ 305	\$ 272	\$ 352

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The following table shows geographic information:

	<u>Net Sales</u>			<u>Net Property, Plant and Equipment</u>	
	<u>Year Ended December 31</u>			<u>December 31</u>	
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)				
United States.....	\$ 2,731	\$ 2,834	\$ 2,814	\$ 911	\$ 948
United Kingdom.....	441	427	408	225	246
Germany.....	804	652	627	552	464
France.....	457	348	343	215	182
Other.....	1,113	923	901	502	433
Total.....	\$ 5,546	\$ 5,184	\$ 5,093	\$ 2,405	\$ 2,273

22. Subsequent Event (Unaudited)

On March 5, 2004, a fire destroyed the Company's Smithville, Tennessee distribution center. This facility was the Company's primary source for supplying chassis parts to the North American aftermarket. The Company does not believe this incident will impact its long-term ability to supply chassis products to the North American aftermarket, and is taking appropriate measures to minimize any impact this incident may have on short-term product availability.

Sales fulfilled from this distribution center during the year ended December 31, 2003 approximated \$200 million. In addition, this distribution center had inventory on-hand of approximately \$46 million at December 31, 2003, and approximately \$51 million at March 5, 2004. The net book value of this building at December 31, 2003 was approximately \$6 million. Management believes its insurance coverage is adequate to cover its direct and indirect costs resulting from the fire, but is unable to estimate with certainty the extent to which incremental costs not directly attributable to the fire may be reimbursed under its insurance policies.

The Company has temporarily leased a facility to conduct its distribution operations while plans for permanent arrangements can be developed and implemented. To replace inventory damaged or destroyed in the fire, other Federal-Mogul facilities have increased production of chassis parts through additional production shifts or overtime.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

23. Quarterly Financial Data (Unaudited)

The quarterly information below has been restated from the Quarterly Reports on Forms 10-Q for the impact of discontinued operations. Discontinued operations are further discussed in Note 6 to the consolidated financial statements, "Discontinued Operations and Acquisition."

	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth⁽¹⁾</u>	<u>Year</u>
	(Amounts in millions, except per share amounts and stock prices)				
Year ended December 31, 2003:					
Net sales	\$ 1,367.2	\$ 1,428.3	\$ 1,337.6	\$ 1,412.9	\$ 5,546.0
Gross margin	272.6	294.4	250.6	269.3	1,086.9
Loss from continuing operations	(37.1)	(0.7)	(27.0)	(120.7)	(185.5)
Net loss	(34.2)	(5.3)	(29.3)	(120.7)	(189.5)
Diluted loss per share.....	(0.39)	(0.06)	(0.34)	(1.38)	(2.17)
Stock price					
High.....	\$ 0.47	\$ 0.44	\$ 0.36	\$ 0.40	
Low.....	\$ 0.07	\$ 0.12	\$ 0.10	\$ 0.07	
Dividend per share.....	—	—	—	—	
	<u>First⁽²⁾</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>	<u>Year</u>
Year ended December 31, 2002:					
Net sales	\$ 1,281.2	\$ 1,377.1	\$ 1,287.1	\$ 1,238.9	\$ 5,184.3
Gross margin	258.9	284.5	242.9	235.1	1,021.4
Earnings (loss) from continuing operations	(46.3)	14.1	(79.7)	(89.0)	(200.9)
Net earnings (loss).....	(1,443.5)	0.5	(73.4)	(112.5)	(1,628.9)
Diluted earnings (loss) per share.....	(17.81)	0.17	(0.89)	(1.33)	(19.62)
Stock price					
High.....	\$ 1.20	\$ 1.20	\$ 0.73	\$ 0.63	
Low.....	\$ 0.80	\$ 0.43	\$ 0.53	\$ 0.21	
Dividend per share.....	—	—	—	—	

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- (1) Includes a \$38.9 million asbestos charge and \$101.5 million in charges for adjustment of assets held for sale and other long-lived assets to fair value.
- (2) Includes a \$1,417.9 million charge, net of applicable income tax benefit, for the cumulative effect of the adoption of SFAS No. 142

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

24. Consolidating Condensed Financial Information of Guarantor Subsidiaries

Certain subsidiaries of the Company (as listed below, collectively the "Guarantor Subsidiaries") have guaranteed fully and unconditionally, on a joint and several basis, the obligation to pay principal and interest under the Company's Senior Credit Agreements.

Federal-Mogul Venture Corporation	Federal-Mogul Piston Rings, Inc.	Federal-Mogul Powertrain, Inc.
Federal-Mogul Global Properties Inc.	Federal-Mogul Dutch Holdings Inc.	Federal-Mogul Mystic, Inc.
Carter Automotive Company, Inc.	Federal-Mogul UK Holdings Inc.	Felt Products MFG. Co.
Federal-Mogul World Wide Inc.	F-M UK Holdings Limited	Ferodo America, Inc.
Federal-Mogul Ignition Company	Federal-Mogul Global Inc.	McCord Sealing, Inc.
Federal-Mogul Products, Inc.	T&N Industries, Inc.	

The Company issued notes in 1999 and 1998 that are guaranteed by the Guarantor Subsidiaries. The Guarantor Subsidiaries also guarantee the Company's previously existing publicly registered Medium-term notes and Senior notes.

In lieu of providing separate audited financial statements for the Guarantor Subsidiaries, the Company has included the accompanying audited consolidating condensed financial statements based on the Company's understanding of the Securities and Exchange Commission's interpretation and application of Rule 3-10 of the Securities and Exchange Commission's Regulation S-X and Staff Accounting Bulletin No. 53. Management does not believe that separate financial statements of the Guarantor Subsidiaries are material to investors. Therefore, separate financial statements and other disclosures concerning the Guarantor Subsidiaries are not presented.

Subsequent to the Restructuring Proceedings, no dividends have been paid to the Federal-Mogul parent company by any of its subsidiaries.

As a result of the Restructuring Proceedings (see Note 1 "Voluntary Reorganization Under Chapter 11 and Administration") certain of the liabilities, as shown below, were liabilities subject to compromise as of the Petition date:

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Consolidated</u>
	(Millions of Dollars)			
Accounts payable.....	\$ 57.5	\$ 115.1	\$ 29.2	\$ 201.8
Other accrued liabilities.....	6.9	0.8	10.5	18.2
Environmental liabilities.....	23.3	—	0.5	23.8
Interest payable.....	43.7	0.2	—	43.9
Debt.....	4,019.7	1.0	—	4,020.7
Asbestos liabilities.....	1.5	232.5	1,334.4	1,568.4
Company-obligated mandatorily redeemable preferred securities of subsidiary holding solely convertible subordinated debentures of the Company.....	—	—	211.0	211.0
	<u>\$ 4,152.6</u>	<u>\$ 349.6</u>	<u>\$ 1,585.6</u>	<u>\$ 6,087.8</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

FEDERAL-MOGUL CORPORATION

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS

Year Ended December 31, 2003
(Millions of Dollars)

	Unconsolidated			Eliminations		Consolidated
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Discontinued Operations	Inter-Company	
Net sales	\$ 1,085.1	\$ 1,666.5	\$ 3,939.1	\$ (67.8)	\$ (1,076.9)	\$ 5,546.0
Cost of products sold.....	894.4	1,284.9	3,415.9	(59.2)	(1,076.9)	4,459.1
Gross margin	190.7	381.6	523.2	(8.6)	—	1,086.9
Selling, general and administrative expenses	283.6	216.5	374.8	(2.8)	—	872.1
Amortization of intangible assets	2.8	4.8	9.3	—	—	16.9
Restructuring charges, net	—	10.3	25.7	(1.8)	—	34.2
Adjustment of assets held for sale and other						
long-lived assets to fair value	—	28.4	77.6	—	—	106.0
Asbestos charge.....	—	—	38.9	—	—	38.9
Interest expense (income), net.....	100.7	—	(2.7)	0.2	—	98.2
Chapter 11 and Administration related reorganization expenses.....	97.1	—	—	—	—	97.1
Equity in earnings of unconsolidated subsidiaries	—	(6.7)	(20.6)	—	—	(27.3)
Other (income) expense, net.....	(119.1)	(9.4)	120.1	(7.8)	—	(16.2)
Earnings (loss) from continuing operations before income taxes and equity in loss of subsidiaries.....	(174.4)	137.7	(99.9)	3.6	—	(133.0)
Income tax expense	(20.9)	4.0	69.8	(0.4)	—	52.5
Earnings (loss) from continuing operations before equity in loss of subsidiaries.....	(153.5)	133.7	(169.7)	4.0	—	(185.5)
Loss from discontinued operations, net of income taxes	—	—	—	(4.0)	—	(4.0)
Equity in loss of subsidiaries	(36.0)	(0.8)	—	—	36.8	—
Net Loss.....	\$ (189.5)	\$ 132.9	\$ (169.7)	\$ —	\$ 36.8	\$ (189.5)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

FEDERAL-MOGUL CORPORATION

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS

Year Ended December 31, 2002
(Millions of Dollars)

	Unconsolidated			Eliminations		Consolidated
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Discontinued Operations	Inter-Company	
Net sales	\$ 1,191.8	\$ 1,783.9	\$ 3,126.5	\$ (238.1)	\$ (679.8)	\$ 5,184.3
Cost of products sold	<u>979.4</u>	<u>1,418.3</u>	<u>2,662.4</u>	<u>(217.4)</u>	<u>(679.8)</u>	<u>4,162.9</u>
Gross margin	212.4	365.6	464.1	(20.7)	—	1,021.4
Selling, general and administrative expenses	201.4	272.8	352.1	(9.6)	—	816.7
Amortization of intangible assets	3.1	6.3	4.7	—	—	14.1
Restructuring charges, net	—	15.4	27.9	(2.8)	—	40.5
Adjustment of assets held for sale and other long-lived assets to fair value	3.3	34.8	32.1	(7.3)	—	62.9
Interest expense (income), net	128.3	—	(5.5)	0.6	—	123.4
Chapter 11 and Administration related reorganization expenses	107.4	—	—	—	—	107.4
Equity in earnings of unconsolidated subsidiaries	—	(4.8)	(15.0)	—	—	(19.8)
Other (income) expense, net	<u>(123.3)</u>	<u>5.8</u>	<u>115.5</u>	<u>1.2</u>	<u>—</u>	<u>(0.8)</u>
Earnings (loss) from continuing operations before income taxes, cumulative effect of change in accounting principle and equity in loss of subsidiaries	(107.8)	35.3	(47.7)	(2.8)	—	(123.0)
Income tax expense	<u>3.9</u>	<u>33.2</u>	<u>53.7</u>	<u>(12.9)</u>	<u>—</u>	<u>77.9</u>
Earnings (loss) from continuing operations before cumulative effect of change in accounting principle and equity in loss of subsidiaries	(111.7)	2.1	(101.4)	10.1	—	(200.9)
Cumulative effect of change in accounting principle, net of applicable tax benefits	<u>(3.8)</u>	<u>432.8</u>	<u>988.9</u>	<u>—</u>	<u>—</u>	<u>1,417.9</u>
Loss from continuing operations before equity in loss of subsidiaries	(107.9)	(430.7)	(1,090.3)	10.1	—	(1,618.8)
Loss from discontinued operations, net of income taxes	—	—	—	(10.1)	—	(10.1)
Equity in loss of subsidiaries	<u>(1,521.0)</u>	<u>(686.7)</u>	<u>—</u>	<u>—</u>	<u>2,207.7</u>	<u>—</u>
Net Loss	<u>\$ (1,628.9)</u>	<u>\$ (1,117.4)</u>	<u>\$ (1,090.3)</u>	<u>\$ —</u>	<u>\$ 2,207.7</u>	<u>\$ (1,628.9)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

FEDERAL-MOGUL CORPORATION

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS

Year Ended December 31, 2001
(Millions of Dollars)

	Unconsolidated			Eliminations		Consolidated
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Discontinued Operations	Inter-Company	
Net sales	\$ 1,252.6	\$ 1,826.4	\$ 2,925.4	\$ (364.0)	\$ (547.4)	\$ 5,093.0
Cost of products sold.....	<u>1,050.0</u>	<u>1,483.0</u>	<u>2,396.1</u>	<u>(344.1)</u>	<u>(547.4)</u>	<u>4,037.6</u>
Gross margin	202.6	343.4	529.3	(19.9)	—	1,055.4
Selling, general and administrative expenses	278.6	218.3	343.1	(31.3)	—	808.7
Amortization of intangible assets	20.1	42.8	52.4	(5.8)	—	109.5
Restructuring charges, net	12.2	—	25.8	(0.6)	—	37.4
Adjustment of assets held for sale and other long-lived assets to fair value	0.7	380.9	163.5	(217.0)	—	328.1
Interest expense, net	269.8	0.2	4.8	—	—	274.8
Chapter 11 and Administration related reorganization expenses.....	57.3	—	—	—	—	57.3
Gain on early retirement of debt.....	(72.2)	—	—	—	—	(72.2)
Equity in earnings of unconsolidated subsidiaries	—	(5.3)	(9.2)	—	—	(14.5)
Other (income) expense, net.....	<u>(60.0)</u>	<u>67.5</u>	<u>66.0</u>	<u>(39.0)</u>	<u>—</u>	<u>34.5</u>
Loss from continuing operations before income taxes	(303.9)	(361.0)	(117.1)	273.8	—	(508.2)
Income tax expense (benefit).....	<u>150.5</u>	<u>(8.2)</u>	<u>77.2</u>	<u>10.1</u>	<u>—</u>	<u>229.6</u>
Loss from continuing operations before equity in loss of subsidiaries.....	(454.4)	(352.8)	(194.3)	263.7	—	(737.8)
Loss from discontinued operations, net of income taxes	—	—	—	(263.7)	—	(263.7)
Equity in loss of subsidiaries	<u>(547.1)</u>	<u>(88.5)</u>	<u>—</u>	<u>—</u>	<u>635.6</u>	<u>—</u>
Net Loss.....	<u>\$ (1,001.5)</u>	<u>\$ (441.3)</u>	<u>\$ (194.3)</u>	<u>\$ —</u>	<u>\$ 635.6</u>	<u>\$ (1,001.5)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

FEDERAL-MOGUL CORPORATION

CONSOLIDATING CONDENSED BALANCE SHEET

December 31, 2003
(Millions of Dollars)

	Unconsolidated			Eliminations	Consolidated
	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries		
ASSETS					
Cash and equivalents	\$ 21.7	\$ —	\$ 450.7	\$ —	\$ 472.4
Accounts receivable, net.....	180.3	290.1	506.1	—	976.5
Inventories, net	100.3	280.7	453.4	—	834.4
Prepaid expenses	65.3	29.3	162.9	—	257.5
Total Current Assets	367.6	600.1	1,573.1	—	2,540.8
Property, plant and equipment.....	277.9	625.0	1,501.9	—	2,404.8
Goodwill and indefinite-lived intangible assets.....	517.6	664.3	335.2	—	1,517.1
Definite-lived intangible assets, net.....	79.5	87.0	181.5	—	348.0
Investment in subsidiaries	6,461.0	2,991.0	—	(9,452.0)	—
Intercompany accounts, net.....	(3,539.2)	2,957.0	582.2	—	—
Asbestos-related insurance recoverable.....	—	171.3	634.8	—	806.1
Prepaid pension costs	22.9	—	286.3	—	309.2
Other noncurrent assets	21.0	29.2	140.5	—	190.7
Total Assets	\$ 4,208.3	\$ 8,124.9	\$ 5,235.5	\$ (9,452.0)	\$ 8,116.7
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)					
Short-term debt, including current portion of long-term debt.....	\$ 0.2	\$ —	\$ 14.6	\$ —	\$ 14.8
Accounts payable	44.1	54.2	234.0	—	332.3
Accrued compensation	68.6	23.7	154.7	—	247.0
Accrued rebates	14.8	14.1	30.8	—	59.7
Restructuring and rationalization reserves.....	1.8	4.7	51.2	—	57.7
Accrued income taxes.....	2.9	—	28.5	—	31.4
Other accrued liabilities.....	118.9	26.6	130.4	—	275.9
Total Current Liabilities	251.3	123.3	644.2	—	1,018.8
Liabilities subject to compromise.....	4,152.6	349.6	1,585.6	—	6,087.8
Long-term debt.....	320.0	—	11.2	—	331.2
Post employment benefits.....	740.6	—	976.0	—	1,716.6
Long-term portion of deferred income taxes	—	—	70.4	—	70.4
Other accrued liabilities.....	91.3	0.1	123.0	—	214.4
Minority interest in consolidated subsidiaries	29.4	25.0	—	—	54.4
Shareholders' Equity (Deficit)	(1,376.9)	7,626.9	1,825.1	(9,452.0)	(1,376.9)
Total Liabilities and Shareholders' Equity (Deficit)	\$ 4,208.3	\$ 8,124.9	\$ 5,235.5	\$ (9,452.0)	\$ 8,116.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

FEDERAL-MOGUL CORPORATION
CONSOLIDATING CONDENSED BALANCE SHEET

December 31, 2002
(Millions of Dollars)

	Unconsolidated			Eliminations	Consolidated
	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries		
ASSETS					
Cash and equivalents	\$ 31.9	\$ —	\$ 363.2	\$ —	\$ 395.1
Accounts receivable, net.....	171.8	310.0	464.8	—	946.6
Inventories, net.....	62.5	351.9	385.7	—	800.1
Prepaid expenses	41.1	33.0	143.2	—	217.3
Total Current Assets	307.3	694.9	1,356.9	—	2,359.1
Property, plant and equipment.....	244.6	687.4	1,341.0	—	2,273.0
Goodwill and indefinite-lived intangible assets.....	536.3	681.1	347.8	—	1,565.2
Definite-lived intangible assets, net.....	87.6	91.7	172.3	—	351.6
Investment in subsidiaries	6,394.2	2,977.5	—	(9,371.7)	—
Intercompany accounts, net.....	(3,424.6)	2,295.2	1,129.4	—	—
Asbestos-related insurance recoverable.....	—	171.9	608.7	—	780.6
Prepaid pension costs	71.2	—	290.3	—	361.5
Other noncurrent assets	43.7	36.5	142.1	—	222.3
Total Assets	\$ 4,260.3	\$ 7,636.2	\$ 5,388.5	\$ (9,371.7)	\$ 7,913.3
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)					
Short-term debt, including current portion of long-term debt.....	\$ 314.7	\$ —	\$ 31.4	\$ —	\$ 346.1
Accounts payable	44.5	67.0	207.4	—	318.9
Accrued compensation	91.4	25.3	125.4	—	242.1
Accrued rebates	14.2	13.5	19.0	—	46.7
Restructuring and rationalization reserves.....	13.9	18.1	58.8	—	90.8
Accrued income taxes.....	9.2	—	33.9	—	43.1
Other accrued liabilities.....	123.9	28.1	164.7	—	316.7
Total Current Liabilities.....	611.8	152.0	640.6	—	1,404.4
Liabilities subject to compromise.....	4,111.1	363.6	1,578.5	—	6,053.2
Long-term debt.....	—	—	14.3	—	14.3
Post employment benefits.....	813.5	—	727.7	—	1,541.2
Long-term portion of deferred income taxes	2.5	—	49.9	—	52.4
Other accrued liabilities.....	102.7	1.4	101.6	—	205.7
Minority interest in consolidated subsidiaries	22.3	23.4	—	—	45.7
Shareholders' Equity (Deficit)	(1,403.6)	7,095.8	2,275.9	(9,371.7)	(1,403.6)
Total Liabilities and Shareholders' Equity (Deficit).....	\$ 4,260.3	\$ 7,636.2	\$ 5,388.5	\$ (9,371.7)	\$ 7,913.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

FEDERAL-MOGUL CORPORATION

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS

Year Ended December 31, 2003
(Millions of Dollars)

	Unconsolidated			Eliminations	Consolidated
	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries		
Net Cash Provided From (Used By) Operating Activities	\$ (197.6)	\$ 333.4	\$ 183.2	\$ —	\$ 319.0
Expenditures for property, plant and equipment.....	(46.1)	(78.7)	(176.1)	—	(300.9)
Net proceeds from sale of businesses	—	23.3	0.3	—	23.6
Net Cash Used By Investing Activities	(46.1)	(55.4)	(175.8)	—	(277.3)
Proceeds from issuance of long-term debt.....	—	—	1.2	—	1.2
Principal payments on long-term debt.....	—	—	(4.3)	—	(4.3)
Proceeds from borrowings on DIP credit facility	125.5	—	—	—	125.5
Principal payments on DIP credit facility.....	(120.2)	—	—	—	(120.2)
Increase (decrease) in short-term debt.....	0.2	—	(16.8)	—	(16.6)
Change in intercompany accounts	178.0	(278.0)	100.0	—	—
Net Cash Provided From (Used By) Financing Activities	183.5	(278.0)	80.1	—	(14.4)
Effect of Foreign Currency Exchange Rate Fluctuations on Cash and equivalents.....	50.0	—	—	—	50.0
Net Increase (Decrease) in Cash and Equivalents	\$ (10.2)	\$ —	\$ 87.5	\$ —	\$ 77.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

FEDERAL-MOGUL CORPORATION

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS

Year Ended December 31, 2002
(Millions of Dollars)

	Unconsolidated			Eliminations	Consolidated
	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries		
Net Cash Provided From (Used By) Operating Activities	\$ 181.8	\$ 118.9	\$ (44.2)	\$ —	\$ 256.5
Expenditures for property, plant and equipment.....	(41.6)	(90.9)	(206.6)	—	(339.1)
Net proceeds from sale of businesses	7.5	6.0	21.1	—	34.6
Net Cash Used By Investing Activities	(34.1)	(84.9)	(185.5)	—	(304.5)
Proceeds from issuance of long-term debt.....	—	—	6.6	—	6.6
Principal payments on long-term debt.....	—	—	(2.4)	—	(2.4)
Proceeds from borrowings on DIP credit facility	75.0	—	—	—	75.0
Principal payments on DIP credit facility	(10.3)	—	—	—	(10.3)
Increase (decrease) in short-term debt.....	—	(0.5)	7.0	—	6.5
Change in intercompany accounts	(275.3)	(37.0)	312.3	—	—
Net Cash Provided From (Used By) Financing Activities	(210.6)	(37.5)	323.5	—	75.4
Effect of Foreign Currency Exchange Rate Fluctuations on Cash and equivalents.....	20.8	—	—	—	20.8
Net Increase (Decrease) in Cash and Equivalents	\$ (42.1)	\$ (3.5)	\$ 93.8	\$ —	\$ 48.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

FEDERAL-MOGUL CORPORATION

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS

Year Ended December 31, 2001
(Millions of Dollars)

	Unconsolidated			Eliminations	Consolidated
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries		
Net Cash Provided From (Used By) Operating Activities	\$ 105.4	\$ (28.9)	\$ (40.7)	\$ —	\$ 35.8
Expenditures for property, plant and equipment.....	(28.6)	(87.1)	(198.1)	—	(313.8)
Net proceeds from sale of property, plant & equipment.....	—	9.4	9.6	—	19.0
Net proceeds from sale of businesses	5.2	209.0	28.6	—	242.8
Business acquisitions, net of cash acquired.....	—	—	(18.8)	—	(18.8)
Net Cash Provided From (Used By) Investing Activities	(23.4)	131.3	(178.7)	—	(70.8)
Proceeds from issuance of long-term debt.....	667.2	—	—	—	667.2
Principal payments on long-term debt.....	(163.7)	—	(8.1)	—	(171.8)
Proceeds from borrowings on DIP credit facility	250.0	—	—	—	250.0
(Decrease) increase in short-term debt	(57.6)	(8.4)	1.9	—	(64.1)
Fees paid for debt agreements	(38.0)	—	—	—	(38.0)
Change in intercompany accounts.....	(445.6)	(96.9)	542.5	—	—
Repurchase of accounts receivable under securitization	(348.1)	—	—	—	(348.1)
Other.....	(26.2)	—	—	—	(26.2)
Net Cash Provided From (Used By) Financing Activities	(162.0)	(105.3)	536.3	—	269.0
Effect of Foreign Currency Exchange Rate Fluctuations on Cash and Equivalents.....	5.7	—	—	—	5.7
Net Increase (Decrease) in Cash and Equivalents	\$ (74.3)	\$ (2.9)	\$ 316.9	\$ —	\$ 239.7

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To Our Shareholders:

The management of Federal-Mogul Corporation (the "Company") has the responsibility for preparing the accompanying financial statements and for their integrity and objectivity. The financial statements were prepared in accordance with accounting principles generally accepted in the United States and include amounts based on the best estimates and judgments of management. Management also prepared the other financial information in this report and is responsible for its accuracy and consistency with the financial statements. The Company has retained independent auditors, ratified by election by the shareholders, to audit the financial statements.

The Company maintains internal accounting control systems that are adequate to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and that produce records adequate for preparation of financial information. The systems controls and compliance are reviewed by a program of internal audits. There are limits inherent in all systems of internal accounting control based on the recognition that the costs of such a system not exceed the benefits derived. We believe the Company's system provides this appropriate balance.

The Audit Committee of the Board of Directors, comprised of five outside directors, performs an oversight role related to financial reporting. The Committee periodically meets jointly and separately with the independent auditors, internal auditors and management to review their activities and reports and to take any action appropriate to their findings. At all times, the independent auditors have the opportunity to meet with the Audit Committee, without management representatives present, to discuss matters related to their audits.

/s/ Charles G. McClure, Jr.
Charles G. McClure, Jr.
Chief Executive Officer

/s/ G. Michael Lynch
G. Michael Lynch
Executive Vice President and Chief Financial Officer

REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors
Federal-Mogul Corporation

We have audited the accompanying consolidated balance sheets of Federal-Mogul Corporation and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' deficit, and cash flows for each of the three years in the period ended December 31, 2003. Our audits also included the financial statement schedule listed in the index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 consolidated financial position of Federal-Mogul Corporation and subsidiaries at December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements, taken as a whole, represents fairly in all material respects the information set forth therein.

The accompanying consolidated financial statements have been prepared assuming that Federal-Mogul Corporation and subsidiaries will continue as a going concern. As more fully described in the notes to the consolidated financial statements, on October 1, 2001, Federal-Mogul Corporation and its wholly-owned United States subsidiaries filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code. In addition, certain Federal-Mogul subsidiaries in the United Kingdom have filed jointly for Chapter 11 and Administration under the United Kingdom Insolvency Act of 1986. Uncertainties inherent in the bankruptcy process raise substantial doubt about Federal-Mogul Corporation's ability to continue as a going concern. Management's intentions with respect to these matters are also described in the notes. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for goodwill and indefinite-lived intangible assets in 2002.

/s/ ERNST & YOUNG LLP
Detroit, Michigan
February 6, 2004,
except as to the fifth paragraph
of Note 1, as to which the date
is March 4, 2004

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's periodic Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

As of December 31, 2003, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2003, subject to the limitations previously described.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Executive Officers:

Gerhard Böhm – Senior Vice President, Powertrain
David A. Bozynski – Vice President and Treasurer
Thomas B. Conaghan – Senior Vice President, Sealing Systems and Systems Protection
Rene L. F. Dalleur – Senior Vice President, Global Friction Products
Joseph P. Felicelli – Senior Vice President, Worldwide Aftermarket Operations
Michael P. Gaynor – Senior Vice President and Chief Information Officer
Charles B. Grant – Vice President, Corporate Development and Strategic Planning
Ramzi Y. Hermiz – Vice President, European Aftermarket
Rainer Jueckstock – Senior Vice President, Global Operations, Powertrain
G. Michael Lynch – Executive Vice President and Chief Financial Officer
Charles G. McClure, Jr. – Chief Executive Officer and President
William G. Quigley III – Vice President and Controller
Dale R. Pilger – Senior Vice President Global OE Sales, Application Engineering, Marketing, and Asia-Pacific Operations
Richard P. Randazzo – Senior Vice President, Human Resources
Brian L. Ruddy – Vice President and Managing Director, Asia
Wilhelm A. Schmelzer – Executive Vice President, Bearings
David M. Sherbin – Vice President, Deputy General Counsel and Secretary
John L. Tobiczky – Vice President Global Quality and Manufacturing Support
Richard F. Vitkus – Senior Vice President and General Counsel

The Company has adopted the "Federal-Mogul Corporation Financial Code of Ethics" ("Code of Ethics"), which applies to the Company's Chief Executive Officer, Chief Financial Officer, Controller and Chief Accounting Officer, other Executive Officers and certain members of the Company's financial functions. The Code of Ethics is publicly available on the Company's internet website at www.federal-mogul.com. The Company intends to disclose

any change to or waiver from the Code of Ethics, including any implicit waiver, on its internet website, or in a report on Form 8-K.

Directors:

John J. Fannon
Director since 1986
Age 70

Mr. Fannon has served as a director of the Company since 1986. He retired as vice chairman of Simpson Paper Company in 1998, a privately held global forest products company, a position he had held since 1993. From 1980 until 1993, Mr. Fannon served as president of Simpson Paper. Mr. Fannon is currently a business consultant.

Paul S. Lewis
Director since 1998
Age 67

Mr. Lewis has served as a director of the Company since May 1998. He served as chairman of Terranova Foods plc, a European based supplier of convenience and frozen foods, from October 1998 until June 1999, when the Company was acquired by Uniq plc. He joined Tate & Lyle plc, a multi-national processor of sugar and starch products, as group finance director in 1988 and served as its deputy chairman from 1993 until 1998. He is a former non-executive director of T&N plc and is a non-executive director of Dairy Crest Group plc.

Frank E. Macher
Director since 2001
Age 63

Mr. Macher served as the chairman of the board of the Company from July 2003 through January 2004. Previously he served as chairman and chief executive officer since October 2001 and served as chief executive officer from January 2001 until September 2001. Prior thereto, Mr. Macher served as president and chief executive officer of ITT Automotive, a global automotive parts supplier, from July 1997 until January 1999. Previously, he served as the vice president and general manager of the Automotive Components Division of Ford Motor Company. Mr. Macher is also a director of Decoma International and Tenneco Automotive and is a trustee of Kettering University.

Charles G. McClure, Jr.
Director since 2001
Age 50

Mr. McClure is chief executive officer and president of the Company. He was appointed to this position in July 2003. Prior to this appointment, he was president and chief operating officer since January 2001. Previously, he was president, chief executive officer and a member of the board of directors of Detroit Diesel Corporation, which was acquired by Daimler-Chrysler Corporation in October 2000. Mr. McClure joined Detroit Diesel in August 1997. Previously, Mr. McClure worked at Johnson Controls, Inc. in a variety of positions. Mr. McClure is also a director of R.L. Polk & Co. and Internet Corporation.

Robert S. Miller, Jr.
Director since 1993
Age 62

Mr. Miller became chairman of the board of the Company in January 2004. He served as the chairman and chief executive officer of Bethlehem Steel Corporation, a global steel manufacturer, from September 2001 until December 2003, when Bethlehem Steel ceased to exist. Mr. Miller served as chairman of the board of the Company from September 2000 until October 2001 and was chief executive officer from September 2000 until January 2001. He served as special advisor to Aetna, Inc., a health insurer, from February 2000 until September 2000. From November 1999 until February 2000, Mr. Miller served as president and a director of Reliance Group Holdings, Inc., a property and casualty insurance company. He served as president and chief executive officer of Waste Management, Inc., a waste transporter, from August 1999 until November 1999 and as chairman of the board of Waste Management from July 1998 until May 1999. Mr. Miller serves as a director of Pope & Talbot, Inc., RJ Reynolds Tobacco Holdings, Symantec Corp., UAL and Waste Management, Inc.

Shirley D. Peterson
Director since 2002
Age 62

Ms. Peterson was president of Hood College, an independent liberal arts college, from 1995-2000. From 1989-93, she served in the U.S. government, first appointed by President Bush as assistant attorney general in the Tax Division of the Department of Justice, then as commissioner of the Internal Revenue Service. She also was a partner in the law firm of Steptoe & Johnson, where she spent a total of 22 years from 1969-89 and 1993-94. Ms. Peterson has been an independent trustee of Scudder Mutual Funds since 1995. Ms. Peterson serves as a director of AK Steel Corporation and of the Bryn Mawr College Board of Trustees.

John C. Pope
Director Since 1987
Age 54

Mr. Pope has served as chairman of PFI Group, a private investment firm, since 1999. He served as chairman of the board of MotivePower Industries, Inc., a manufacturer and remanufacturer of locomotives and locomotive components from January 1996 to November 1999. Mr. Pope is also a director of Air Canada Corporation, CNF, Inc., Dollar Thrifty Automotive Group, Inc., Kraft Foods Inc., Per-Se Technologies, Inc., RR Donnelley & Sons Company, and Waste Management, Inc.

Geoffrey H. Whalen
C.B.E.
Director since 1998
Age 68

Sir Geoffrey retired in 1995 as managing director and deputy chairman of Peugeot Motor Company, plc, an automotive manufacturer, positions he held since 1984 and 1990, respectively. He also served as president of the Society of Motor Manufacturers & Traders, the trade association representing vehicle and component makers in the United Kingdom, from 1988-1990 and 1993-1994. Sir Geoffrey is also a director of Coventry Building Society, Camden Motors Ltd. and Novar plc.

The Board of Directors has the following four standing committees: Audit, Governance and Nominating, Compensation and Pension. The membership and chairman of each of the committees is set forth in the table below.

Board Committees

<u>Board Member</u>	<u>Governance and</u>			
	<u>Audit</u>	<u>Nominating</u>	<u>Compensation</u>	<u>Pension</u>
John J. Fannon	X	X	X*	X
Paul S. Lewis	X	X	X	X*
Frank E. Macher				
Charles G. McClure, Jr.				
Robert S. Miller, Jr.		X	X	X
Shirley D. Peterson	X	X	X	X
John C. Pope	X*	X	X	X
Geoffrey H. Whalen	X	X*	X	X

* denotes Committee Chairman

The Board of Directors has determined that Paul S. Lewis and John C. Pope are audit committee financial experts. Both Mr. Lewis and Mr. Pope are independent of the Company's management as defined in Item 7(d)(3)(iv) of Schedule 14A under the Securities Exchange Act of 1934.

During 2003 there were 36 meetings of the Board of Directors. Each of the directors attended 75% or more of the meetings of the Board of Directors and the standing committees on which he or she serves.

ITEM 11. EXECUTIVE COMPENSATION

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation	All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Stocks/Options/SARs (No.)	
Frank E. Macher ⁽¹⁾ Former Chairman of the Board and Chief Executive Officer	2003	1,038,470	2,190,000 ⁽³⁾	72,402 ⁽⁶⁾	-	-
	2002	1,000,000	2,200,000 ⁽⁴⁾	67,742 ⁽⁶⁾	-	-
	2001	950,474	2,250,000 ⁽⁵⁾	-	150,000	14,100 ⁽⁷⁾
Charles G. McClure, Jr. ⁽²⁾ Chief Executive Officer and President	2003	882,701	1,861,500 ⁽³⁾	-	-	-
	2002	850,000	1,870,000 ⁽⁴⁾	-	-	-
	2001	807,904	1,850,000 ⁽⁵⁾	-	125,000	14,100 ⁽⁷⁾
G. Michael Lynch Executive Vice President and Chief Financial Officer	2003	519,231	1,095,000 ⁽³⁾	51,049 ⁽⁶⁾	-	-
	2002	500,000	1,100,000 ⁽⁴⁾	-	-	-
	2001	490,379	790,000 ⁽⁵⁾	-	-	14,100 ⁽⁷⁾
Wilhelm A. Schmelzer Executive Vice President Bearings	2003	519,231	965,000 ⁽³⁾	-	-	-
	2002	500,000	1,075,000 ⁽⁴⁾	-	-	-
	2001	490,379	790,000 ⁽⁵⁾	-	-	14,100 ⁽⁷⁾
Richard P. Randazzo Senior Vice President Human Resources	2003	399,804	958,150 ⁽³⁾	-	-	-
	2002	385,000	962,000 ⁽⁴⁾	-	-	-
	2001	385,000	592,100 ⁽⁵⁾	-	-	10,806 ⁽⁷⁾

The named executives' 2003 base salaries did not increase from 2002 to 2003. The change in salaries reflects one additional by-weekly pay period.

- (1) Mr. Macher served as Chairman and Chief Executive Officer through July 11, 2003. He served as Chairman through January 11, 2004.
- (2) Mr. McClure served as President and Chief Operating Officer through July 11, 2003. He was appointed Chief Executive Officer and President, effective July 11, 2003.
- (3) In 2003, Mr. Macher received a (i) \$1,190,000 incentive bonus, and (ii) \$1,000,000 retention payment. Mr. McClure received a (i) \$1,011,500 incentive bonus, and (ii) \$850,000 retention payment. Mr. Lynch received a (i) \$595,000 incentive bonus, and (ii) \$500,000 retention payment. Mr. Schmelzer received a (i) \$565,000 incentive bonus, and (ii) \$400,000 retention payment. Mr. Randazzo received a (i) \$458,150 incentive bonus, and (ii) \$500,000 retention payment.
- (4) In 2002, Mr. Macher received a (i) \$1,200,000 incentive bonus, and (ii) \$1,000,000 retention payment. Mr. McClure received a (i) \$1,020,000 incentive bonus, and (ii) \$850,000 retention payment. Mr. Lynch received a (i) \$600,000 incentive bonus, and (ii) \$500,000 retention payment. Mr. Schmelzer received a (i) \$575,000 incentive bonus, and (ii) \$500,000 retention payment. Mr. Randazzo received a (i) \$462,000 incentive bonus and (ii) \$500,000 retention payment.
- (5) In 2001, Mr. Macher received a (i) \$1,000,000 incentive bonus; (ii) \$500,000 signing bonus, and (iii) special bonus of \$750,000, all in accordance with his employment agreement. Mr. McClure received a (i) \$850,000 incentive bonus, (ii) \$375,000 signing bonus, and (iii) special bonus of \$625,000, all in accordance with his employment agreement. Messrs. Lynch and Schmelzer each received a (i) \$290,000 incentive bonus, and (ii) \$500,000 retention bonus. Mr. Randazzo received a (i) \$192,100 incentive bonus, and (ii) \$400,000 retention bonus.
- (6) Includes transportation expenses for Mr. Macher of \$71,032 in 2003 and \$58,433 in 2002, and transportation expenses for Mr. Lynch of \$43,756 in 2003.
- (7) Includes contributions in 2001 of \$14,100 for Messrs. Macher, McClure, Lynch and Schmelzer and \$10,806 for Mr. Randazzo to the Salaried Employees' Investment Program and Match Reinstatement Plan. Company contributions to both programs were suspended in November 2001.

Compensation of Directors

Non-employee directors receive a retainer of \$8,750 for each calendar quarter. In addition, they are paid \$1,500 for each meeting of the Board of Directors they attend and \$1,000 for each Committee meeting they attend. Mr. Miller receives an additional annual retainer of \$100,000 for his service as Chairman of the Board. The Chairmen of the Governance and Nominating Committee and the Pension Committee receive an additional annual retainer of \$5,000. The Chairman of the Compensation Committee receives an additional annual retainer of \$10,000, and the Chairman of the Audit Committee receives an additional annual retainer of \$20,000.

Directors' Deferred Compensation

Prior to 2002, non-employee directors could elect to defer all or a portion of their cash compensation. Deferred amounts were hypothetically invested in either an interest bearing account, an account whose value was tied to the Company's common stock or an account whose value was tied to the Company's publicly traded debt, or a combination of the three. Amounts deferred in the common stock account or bond account were credited in the form of units of the Company's common stock or bonds based on the fair market value on the date of the deferral. The Units credited to all non-employee directors' deferred common stock accounts are included in the Share Ownership Table set forth below.

Employment Agreements

Frank E. Macher. Mr. Macher served as Chairman of the Board, Chief Executive Officer and a director of the Company pursuant to an employment agreement entered into on January 10, 2001, as amended on January 31, 2001 and July 21, 2002. The agreement, which had a three-year term, provided for Mr. Macher's employment as Chief Executive Officer until July 11, 2003, after which date he served as Chairman of the Board through January 2004.

Under the agreement, Mr. Macher received an annual base salary of \$1,000,000 and, for the 2001 fiscal year, he received a guaranteed bonus of \$1,000,000, a signing bonus of \$500,000 and a special bonus of \$750,000. The incentive bonus payable to Mr. Macher for any fiscal year during the term of the agreement was based upon objective criteria established and approved by the Compensation Committee of the Board. Mr. Macher also received retention payments of \$1,000,000 in each of 2002 and 2003 to incentivize him to remain employed with the Company during its reorganization proceedings.

In connection with the employment agreement, Mr. Macher was granted five-year non-qualified stock options to purchase 150,000 shares of common stock, which became fully exercisable in 2003. If Mr. Macher breaches certain non-competition covenants in his employment agreement, any options then outstanding will be forfeited.

Mr. Macher participated in the Company's Personal Retirement Account Plan (PRA) and Supplemental Executive Retirement Program (SERP). He became fully vested in the SERP upon the commencement of his employment. Mr. Macher also participated in the Supplemental Key Executive Pension Plan (SKEPP).

The employment agreement contains non-competition and non-solicitation covenants that survive until January 2005.

Charles G. McClure, Jr. Mr. McClure serves as Chief Executive Officer, President and a director of the Company pursuant to an employment agreement entered into on January 10, 2001, as amended on January 31, 2001, August 16, 2002 and December 9, 2003. The agreement has a five-year term and provides that Mr. McClure will serve as Chief Executive Officer and President until January 11, 2006.

Under the employment agreement, Mr. McClure currently receives an annual base salary of \$1,000,000, subject to annual increases as determined by the Compensation Committee of the Board. For the 2001 fiscal year, he received a guaranteed bonus of \$850,000, a signing bonus of \$375,000 and a special bonus of \$625,000. Mr. McClure also received retention payments of \$850,000 in each of 2002 and 2003 to incentivize him to remain employed with the Company during its reorganization proceedings.

Mr. McClure's target incentive bonus will be equal to his annual base salary in each of 2004 and 2005. The actual amount of his incentive bonus will be based upon objective criteria established and approved by the Compensation

Committee of the Board. In addition, upon the expiration of his employment agreement, Mr. McClure will receive (i) a lump sum cash payment of \$500,000, and (ii) a transitional service fee of \$500,000 for services to be provided to the Company, which will be payable in three equal monthly installments over the ninety day period following the expiration or termination of his employment agreement. In the event Mr. McClure voluntarily terminates his employment agreement or the agreement to provide transitional services for the ninety day period following termination of his employment, he will not be entitled to receive any portion of the severance benefits or the transition services fees described above. If, on or before the effective date of the Company's plan of reorganization, Mr. McClure and the Company have not entered into a long-term employment agreement appointing him as the Chief Executive Officer of the Company, Mr. McClure may terminate his employment agreement and receive the severance benefits described above.

In connection with the employment agreement, Mr. McClure was granted five-year stock options to purchase 125,000 shares of common stock, which options became fully exercisable in January 2004. If Mr. McClure's employment terminates prior to the expiration of the five-year stock options and he breaches certain non-competition covenants, any options then outstanding will be forfeited.

Mr. McClure participates in the Company's PRA and SERP. Upon the commencement of his employment, he became fully vested in the SERP. If he forfeits any amounts under the PRA as a result of the termination of his employment with the Company, he will receive an equivalent amount under the terms of the SERP. Mr. McClure also participates in the SKEPP.

Mr. McClure's agreement contains a non-competition covenant that survives for a period equal to the period during which he receives transitional services payments as described above.

Change of Control Agreements

The Company has entered into Change of Control Agreements with each of the Named Executive Officers which provide that, if following a change of control, the Named Executive Officer is terminated by the Company without "Cause" or the Named Executive Officer terminates the agreement for "Good Reason", he will receive the following benefits: (i) a lump-sum cash amount equal to three times his base salary and three times the Named Executive Officer's target bonus as of the termination date or, if greater, the Named Executive Officer's target bonus as of the date of the change of control, (ii) the excess of the actuarial equivalent of the benefit he would receive under the PRA and any supplemental retirement plan, including the SKEPP, if his employment continued for three years after the date of termination or such longer period, if any, as would have been credited to the Named Executive Officer under the change-in-control provisions of the SKEPP (assuming full vesting) over the actuarial equivalent of any amount paid or payable under the PRA or such supplemental retirement plans as of the date of termination, (iii) the continuation of benefits under the employee benefit plans, programs, practices and policies of the Company for three years, and (iv) outplacement services of up to \$60,000. A "change of control" does not include events that occur during the Company's pending bankruptcy proceeding or upon the effective date of a confirmed plan of reorganization. Subject to certain exceptions, the Named Executive Officer will also receive a "gross-up" payment as reimbursement of any federal excise taxes payable. As part of the Change of Control Agreement, the Named Executive Officer has agreed to a noncompetition covenant applicable for one year following the termination of his employment.

Severance Agreements

The Company has entered into Severance Agreements with each of the Named Executive Officers (other than Mr. Macher and Mr. McClure). Under these agreements, if a Named Executive Officer is terminated by the Company without "Cause," he will receive the following benefits: (i) a lump-sum cash amount equal to between 15 and 24 months of base salary and to between 15 and 24 months of the Named Executive Officer's target bonus as of the date of termination or, if greater, the Named Executive Officer's target bonus as of the date of the agreement, and (ii) the continuation of benefits under the Company welfare benefit plans, practices, policies and programs for between 15 and 24 months. As a condition to the receipt of such benefits, each of the Named Executive Officers would be required to provide the Company with a general release and agree not to compete with the Company during the one-year period following the effective date of the required release and noncompetition agreement. A termination of the Named Executive Officer's employment that gives rise to an obligation of the Company to make

payments or provide benefits under a Change of Control Agreement will not also entitle the Named Executive Officer to any payments or benefits under these agreements. If the net after-tax benefit to the Named Executive Officer of all payments or distributions by the Company is not greater than the net after-tax benefit of a reduction of the benefits to prevent the imposition of any applicable federal excise tax, the benefits under the Severance Agreement will be reduced to prevent the imposition of the excise tax.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows the amount of common stock, stock units and Series C ESOP Stock beneficially owned by the Company's directors, the Named Executive Officers, and the directors and officers as a group, as of January 31, 2004. The number of shares shown includes shares that are individually or jointly owned, as well as shares over which the individual has either sole or shared investment or voting authority. No one Named Executive Officer owns 1% of the Company's outstanding stock. In the aggregate, all directors and executive officers of the Company as a group own less than 1% of the Company's outstanding stock.

Name	Beneficial Ownership	(1)	Percent of Class
John J. Fannon	32,436	(2)	*
Paul S. Lewis	19,237	(3)	*
G. Michael Lynch	135,121	(4)	*
Frank E. Macher	152,050	(5)	*
Charles G. McClure	131,861	(6)	*
Robert S. Miller, Jr.	118,537	(7)	*
Shirley D. Peterson	0		*
John C. Pope	26,891	(8)	*
Richard P. Randazzo	78,421	(9)	*
Wilhelm A. Schmelzer	142,425	(10)	*
Geoffrey H. Whalen	18,237	(11)	*
All directors and executive officers as a group	1,009,384		

* Represents less than 1% of the outstanding common stock

- (1) Except as otherwise noted, each beneficial owner identified in this table has sole investment power with respect to the shares shown in the table. For executive officers, the numbers include Series C ESOP shares held in the Company's Salaried Employee Investment Plan ("SEIP") with respect to which participants have voting power but no investment rights.
- (2) Includes (i) 1,298 shares and 1,235 stock units owned directly and (ii) 29,903 options that are fully vested.
- (3) Includes (i) 2,000 shares and 237 stock units owned directly and (ii) 17,000 options that are fully vested.
- (4) Includes (i) 3,073 shares in the Company's SEIP, (ii) 48 shares of the Company's Series C ESOP Stock, and (iii) 132,000 options that are fully vested.
- (5) Includes (i) 2,050 shares in the Company's SEIP and (ii) 150,000 options that are fully vested.
- (6) Includes (i) 2,861 shares in the Company's SEIP, (ii) 4,000 shares in a trust, and (iii) 125,000 options that are fully vested.
- (7) Includes (i) 2,000 shares and 1,235 stock units owned directly and (ii) 115,302 options that are fully vested.
- (8) Includes (i) 5,700 shares and 1,235 stock units owned directly, (ii) 400 shares owned jointly with his wife and (iii) 19,556 options that are fully vested.
- (9) Includes (i) 421 shares of the Company's Series C ESOP stock and (ii) 78,421 options that are fully vested.
- (10) Includes (i) 625 shares of the Company's Series C ESOP stock and (ii) 141,800 options that are fully vested.
- (11) Includes (i) 1,000 shares and 237 stock units owned directly and (ii) 17,000 options that are fully vested.

Aggregated Option/SAR Exercises in 2003 and Year End Option/SAR Values

The following table shows, for the Named Executive Officers, the amount and values of unexercised stock options as of December 31, 2003. No stock appreciation rights are outstanding and no stock options were exercised by the Named Executive Officers in 2003.

<u>Name</u>	<u>Number of Securities Underlying Unexercised Options/SARs at Fiscal Year End (#)</u>	<u>Value of Unexercised In-the-Money Options/SARs at Fiscal Year-End (\$)</u>
	<u>Exercisable/Unexercisable</u>	<u>Exercisable/Unexercisable</u>
Frank E. Macher	150,000/0	0/0
Charles G. McClure	125,000/0	0/0
G. Michael Lynch	132,000/0	0/0
Wilhelm A. Schmelzer	141,800/0	0/0
Richard P. Randazzo	78,000/0	0/0

No stock options were granted in 2003. Each option was awarded with an exercise price equal to the average of the high and low market price of the Company's common stock on the date of grant. All stock options expire five years after the date of grant, three years after the date of retirement or 90 days after termination of employment. All options granted by the Company vest immediately upon change in control. The Company did not grant any stock appreciation rights in 2003.

Retirement Plans

Under the Company's Personal Retirement Account Plan (PRA), benefits are payable upon retirement to salaried employees in the form of a lump sum or annuity, at the employee's election. The PRA is a defined benefit pension plan. Accrued pension benefits for participants are expressed as an account balance. Annual credits as of January 1, 2004 are 1.5, 1.51, 2.0, 2.5, 3.25, 4.25, 5.5, 7.0, 8.0 or 9.0% of earnings that are made to participants' accounts based on the employee's age. Earnings are defined as an employee's base pay plus overtime, commissions, incentive compensation, bonuses and other variable compensation up to a maximum permitted by law of \$205,000 in 2004. Benefits are vested based on a graded five-year schedule. For those hired after January 1, 2002, benefits are vested on a five-year cliff schedule.

Estimated annual retirement benefits that may be provided by the PRA to the Named Executive Officers eligible to participate in the PRA upon retirement at age 65, which is the normal retirement age for officers, assuming conversion of the combined account balances into a single monthly life annuity, are as follows: Mr. Macher—\$11,624; Mr. McClure—\$53,930; Mr. Lynch—\$18,545; Mr. Schmelzer—\$46,553; and Mr. Randazzo—\$24,431.

Supplemental Key Executive Pension Plan

In addition to the PRA, the Company maintains a Supplemental Key Executive Pension Plan (SKEPP). The SKEPP is a non-tax qualified pension plan, the purpose of which is to provide a pension benefit for a limited number of senior executives that is competitive with pension benefits provided to senior executives at peer group companies. The SKEPP targets a pension benefit equal to 50% of an executive's average compensation for the highest consecutive three-year period of the last five years before retirement. An executive must have worked at the Company for a minimum of five years to receive a benefit under the SKEPP. In order to receive the maximum SKEPP benefit, an executive must attain a minimum of 20 years of service with the Company and be at least age 62 upon retirement. A reduced benefit will be paid to executives who have not attained these minimal levels. The target benefits are calculated taking into account benefits paid under the Company's PRA and certain predecessor plans.

The following table indicates estimated total annual benefits payable as a single life annuity beginning at age 65 for various compensation levels and years of service under the SKEPP, taking into account the PRA. Generally, annual compensation used for the pension formula purposes includes salary and annual incentive compensation, as reported in the Summary Compensation Table.

Supplemental Key Executive Pension Plan Table

Average Pay During Final Three Years Before Retirement	Years of Service (Estimated Annual Retirement Benefits For Years of Service Shown Below)			
	10	15	20	25
\$ 400,000	\$ 100,000	\$ 150,000	\$ 200,000	\$ 200,000
600,000	150,000	225,000	300,000	300,000
800,000	200,000	300,000	400,000	400,000
1,000,000	250,000	375,000	500,000	500,000
1,200,000	300,000	450,000	600,000	600,000
1,400,000	350,000	525,000	700,000	700,000
1,600,000	400,000	600,000	800,000	800,000
1,800,000	450,000	675,000	900,000	900,000
2,000,000	500,000	750,000	1,000,000	1,000,000
2,200,000	550,000	825,000	1,100,000	1,100,000
2,400,000	600,000	900,000	1,200,000	1,200,000

The SKEPP grants credit for all years of pension service with the Company and under certain predecessor plans. The Named Executive Officers who are eligible to participate in the SKEPP have the following years of credited pension service as of December 31, 2003: Mr. Macher — 4.42 (including 1.50 years of service credited from his prior employer); Mr. McClure — 6.29 years (including 3.37 years of service credited from his prior employer); Mr. Lynch — 3.5 years (including 3 years of service credited from his prior employer); Mr. Schmelzer — 34.5 years; and Mr. Randazzo — 8.99 years (including 2.08 years of service credited from his prior employer).

Ownership of Stock by Principal Owners

To the best of the Company's knowledge and based on public reports filed with the Securities and Exchange Commission, the following table represents the beneficial owners of five percent or more of the outstanding shares of the Company's common stock as of February 13, 2004.

<u>Name and Address of Beneficial Owner</u>	<u>Number of Shares</u>	<u>Percent of Class</u>
Fiduciary Counselors Inc. Ellen A. Hennessy President 601 Pennsylvania Avenue, NW Suite 900 Washington, DC 20004	7,904,085	9.1%

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

No items to be reported.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Principal Accountant Fees and Services:

	<u>Year Ended December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
Audit fees (1).....	\$ 4.6	\$ 3.8
Audit-related fees (2).....	2.9	1.7
Tax fees (3).....	5.5	5.9
All other fees (4).....	<u>0.2</u>	<u>0.8</u>
Total	<u>\$ 13.2</u>	<u>\$ 12.2</u>

- (1) **Audit Fees:** Services under this caption include consolidated financial statement audit fees, domestic subsidiary financial statement audit fees and international statutory audit fees.
- (2) **Audit-related Fees:** Services under this caption include accounting assistance, employee benefit plan audits and due diligence activities.
- (3) **Tax Fees:** Services under this caption include statutory compliance, transaction structuring, bankruptcy structuring, expatriate compliance and tax advisory services.
- (4) **All Other Fees:** Services under this caption include corporate advisory services in connection with the sale of certain businesses.

Audit Committee's Pre-Approval Policies and Procedures:

The Company's independent accountants are directly accountable to the audit committee pursuant to its charter. Accordingly, the audit committee's responsibilities include pre-approving the services of the independent accountant. The audit committee's policy is to review and pre-approve all audit and permissible non-audit services, as deemed appropriate. For the year ended December 31, 2003, all audit, audit related, tax and other fees provided by the Company's independent accountants were pre-approved by the audit committee.

Audit committee pre-approval is granted based upon the nature of the service and the related cost to provide such service. Pre-approval for services is generally not extended for periods in excess of one year. In assessing pre-approval requests, the audit committee considers whether such services are consistent with the auditor's independence; whether the independent accountant may provide a higher quality or more efficient service based upon their understanding and familiarity with the Company's business; and whether performing the service would enhance the independent accountant's audit quality. The Audit Committee Chairman may individually pre-approve such services between scheduled meetings of the Audit Committee up to a threshold of \$200,000, provided that the full Audit Committee reviews and approves the service at the next scheduled meeting. Full Audit Committee pre-approval is required for proposed services in excess of \$200,000.

PART IV

ITEM 15. FINANCIAL STATEMENT SCHEDULE, EXHIBITS, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

1. Financial Statements

Financial statements filed as part of this Annual Report on Form 10-K are listed under Part II, Item 8 hereof.

2. Financial Statement Schedules

Schedule II — Valuation and Qualifying Accounts

Financial Statements and Schedules Omitted

Schedules other than the schedule listed above are omitted because they are not required or applicable under instructions contained in Regulation S-X or because the information called for is shown in the financial statements and notes thereto.

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

FEDERAL-MOGUL CORPORATION AND SUBSIDIARIES

Column A	Column B	Column C		Column D	Column E
Description	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts		
		(Millions of Dollars)			
Year ended December 31, 2003					
Valuation allowance for trade receivables	\$ 74.6	14.4	—	21.6 ⁽¹⁾	\$ 67.4
Reserve for inventory valuation.....	68.1	13.2	—	13.5 ⁽²⁾	67.8
Valuation allowance for deferred tax assets	722.5	169.8	—	—	892.3
Year ended December 31, 2002:					
Valuation allowance for trade receivables	\$ 61.3	13.6	—	0.3 ⁽¹⁾	\$ 74.6
Reserve for inventory valuation.....	49.8	20.6	—	2.3 ⁽²⁾	68.1
Valuation allowance for deferred tax assets	496.8	225.7	—	—	722.5
Year ended December 31, 2001:					
Valuation allowance for trade receivables	\$ 62.0	19.7	—	20.4 ⁽¹⁾	61.3
Reserve for inventory valuation.....	29.3	29.1	—	8.6 ⁽²⁾	49.8
Valuation allowance for deferred tax assets	219.6	277.2	—	—	496.8

(1) Uncollectable accounts charged off net of recoveries.

(2) Obsolete inventory charged off.

3(a). Exhibits

The Company will furnish upon request any of the following exhibits upon payment of the Company's reasonable expenses for furnishing such exhibit.

- 2.1 Purchase and Sale Agreement between Cooper Industries, Inc. and Federal-Mogul Corporation, dated August 17, 1998. (Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed October 26, 1998.)
- 3.1 The Company's Restated Articles of Incorporation. (Incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999. (the "1999 10-K")
- 3.2 The Company's Bylaws, as amended. (Incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001. (the "2002 10-K")
- 4.1 Rights Agreement dated as of February 24, 1999, between the Company and The Bank of New York, as Rights Agent. (Incorporated by reference to Exhibit 4 to the Company's Current Report on Form 8-K filed February 25, 1999.)
- 4.2 Purchase Agreement for 10,000,000 Trust Convertible Preferred Securities of Federal-Mogul Financing Trust, dated as of November 24, 1997. (Incorporated by reference to Exhibit 4.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997. (the "1997 10-K")
- 4.3 Registration Rights Agreement, dated as of December 1, 1997, by and among the Company, Federal-Mogul Financing Trust and Morgan Stanley & Co. Inc. as Initial Purchaser. (Incorporated by reference to Exhibit 4.7 to the Company's 1997 10-K.)
- 4.4 Indenture between Federal-Mogul Corporation and The Bank of New York, dated as of December 1, 1997, with respect to the Subordinated Debentures. (Incorporated by reference to Exhibit 4.8 to the Company's 1997 10-K.)
- 4.5 First Supplemental Indenture dated as of December 1, 1999 to the Indenture between Federal-Mogul Corporation and The Bank of New York, dated as of December 1, 1997, with respect to the Subordinated Debentures. (Incorporated by reference to Exhibit 4.9 to the Company's 1997 10-K.)
- 4.6 Indenture among Federal-Mogul Corporation and The Bank of New York, dated as of January 20, 1999. (Incorporated by reference to Exhibit 4.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.)
- 4.7 First Supplemental Indenture dated as of December 29, 2000 to the Indenture dated as of January 20, 1999 among Federal-Mogul Corporation, certain subsidiaries as guarantors and The Bank of New York, as trustee. (Incorporated by reference to Exhibit 4.3 to the Company's January 17, 2001 8-K.)
- 4.8 Indenture among Federal-Mogul Corporation and Continental Bank, dated as of August 12, 1994. (Incorporated by reference to Exhibit 4.14 to the Company's Current Report on Form 8-K filed August 19, 1994.)
- 4.9 First Supplemental Indenture dated as of July 8, 1998 to the Indenture dated as of August 12, 1994 among Federal-Mogul Corporation, certain subsidiaries as guarantors, and U.S. Bank Trust National Association (as successor to Continental Bank), as trustee. (Incorporated by reference to Exhibit 4.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000 (the "2000 10-K".)
- 4.10 Second Supplemental Indenture dated as of October 9, 1998 to the Indenture dated as of August 12, 1994 among Federal-Mogul Corporation, certain subsidiaries as guarantors, and U.S. Bank Trust National Association (as successor to Continental Bank), as trustee. (Incorporated by reference to Exhibit 4.10 to the Company's 2000 10-K.)

- 4.11 Third Supplemental Indenture dated as of December 29, 2000 to the Indenture dated as of August 12, 1994 among Federal-Mogul Corporation, certain subsidiaries as guarantors, and U.S. Bank Trust National Association (as successor to Continental Bank), as trustee. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed January 17, 2001 (the "January 17, 2001 8-K").)
- 4.12 Indenture among Federal-Mogul Corporation and The Bank of New York, dated as of June 29, 1998. (Incorporated by reference to Exhibit 4.8 to the Company's 1999 10-K.)
- 4.13 First Supplemental Indenture dated as of June 30, 1998 to the Indenture dated as of June 29, 1998 among Federal-Mogul Corporation and The Bank of New York. (Incorporated by reference to Exhibit 4.9 to the Company's 1999 10-K.)
- 4.14 Second Supplemental Indenture dated as of July 21, 1998 to the Indenture dated as of June 29, 1998 among Federal-Mogul Corporation and The Bank of New York. (Incorporated by reference to Exhibit 4.14 to the Company's 2000 10-K.)
- 4.15 Third Supplemental Indenture dated as of October 9, 1998 to the Indenture dated as of June 29, 1998 among Federal-Mogul Corporation and The Bank of New York. (Incorporated by reference to Exhibit 4.15 to the Company's 2000 10-K.)
- 4.16 Fourth Supplemental Indenture dated as of December 29, 2000 to the Indenture dated as of June 29, 1998 among Federal-Mogul Corporation, certain subsidiaries as guarantors and The Bank of New York, as trustee. (Incorporated by reference to Exhibit 4.2 to the Company's January 17, 2001 8-K.)
- 10.1 Federal-Mogul Corporation 1997 Amended and Restated Long-Term Incentive Plan, as adopted by the Shareholders of the Company on May 20, 1998. (Incorporated by reference to the Company's 1998 Definitive Proxy Statement on Form 14A.)
- 10.2 Amended and Restated Deferred Compensation Plan for Corporate Directors. (Incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 1990 (the "1990 10-K").)
- 10.3 Supplemental Executive Retirement Plan, as amended. (Incorporated by reference to Exhibit 10.10 to the Company's 1992 10-K.)
- 10.4 Description of Umbrella Excess Liability Insurance for the Senior Management Team. (Incorporated by reference to Exhibit 10.11 to the Company's 1990 10-K.)
- 10.5 Amended and Restated Declaration of Trust of Federal-Mogul Financing Trust, dated as of December 1, 1997. (Incorporated by reference to Exhibit 10.34 to the Company's 1997 10-K.)
- *10.6 Amended and Restated Revolving Credit, Term Loan and Guaranty Agreement dated August 7, 2003 by and among the Company and certain of its subsidiaries, Debtors and Debtors-in-Possession under Chapter 11 of the Bankruptcy Code, as Borrowers, and The Lenders Party Hereto, and JPMorgan Chase Bank, formerly known as The Chase Manhattan Bank, as Administrative Agent.

- 10.7 Fourth Amended and Restated Credit Agreement dated as of December 29, 2000 among the Company, certain foreign subsidiaries, certain banks and other financial institutions and The Chase Manhattan Bank, as administrative agent. (Incorporated by reference to Exhibit 10.1 to the Company's January 17, 2001 8-K.)
- 10.8 Amended and Restated Domestic Subsidiary Guarantee dated as of December 29, 2000 by certain subsidiaries of the Company in favor of The Chase Manhattan Bank, as administrative agent. (Incorporated by reference to Exhibit 10.2 to the Company's January 17, 2001 8-K.)
- 10.9 Guarantee by F-M UK Holding Limited in favor of The Chase Manhattan Bank, as administrative agent. (Incorporated by reference to Exhibit 10.3 to the Company's January 17, 2001 8-K.)
- 10.10 Trust Agreement dated as of December 29, 2000 among the Company, certain subsidiaries and Wilmington Trust Company, as trustee. (Incorporated by reference to Exhibit 10.4 to the Company's January 17, 2001 8-K.)
- 10.11 Second Amended and Restated Trust Agreement dated as of December 29, 2000 among the Company, certain subsidiaries and First Union National Bank, as trustee. (Incorporated by reference to Exhibit 10.5 to the Company's January 17, 2001 8-K.)
- 10.12 Second Amended and Restated Trust Agreement dated as of December 29, 2000 among the Company, certain subsidiaries and ABN AMRO Trust Company (Jersey) Limited, as trustee. (Incorporated by reference to Exhibit 10.6 to the Company's January 17, 2001 8-K.)
- 10.13 Second Amended and Restated Domestic Pledge Agreement among the Company and certain subsidiaries in favor of First Union National Bank, as trustee. (Incorporated by reference to Exhibit 10.7 to the Company's January 17, 2001 8-K.)
- 10.14 Security Agreement dated as of December 29, 2000 by the Company and certain subsidiaries in favor of Wilmington Trust Company, as trustee. (Incorporated by reference to Exhibit 10.8 to the Company's January 17, 2001 8-K.)
- 10.15 Form of Mortgage or Deed of Trust prepared for execution by the Company or any applicable subsidiaries. (Incorporated by reference to Exhibit 10.9 to the Company's January 17, 2001 8-K.)
- 10.16 Contract of Indemnity dated as of December 29, 2000 by the Company and certain subsidiaries with respect to a surety bond issued by Travelers Casualty & Surety Company of America. (Incorporated by reference to Exhibit 10.10 to the Company's January 17, 2001 8-K.)
- 10.17 Contract of Indemnity dated as of December 29, 2000 by the Company and certain subsidiaries with respect to a surety bond issued by Travelers Casualty & Surety Company of America. (Incorporated by reference to Exhibit 10.11 to the Company's January 17, 2001 8-K.)
- 10.18 Contract of Indemnity dated as of December 29, 2000 by the Company and certain subsidiaries with respect to a surety bond issued by SAFECO Insurance Company of America. (Incorporated by reference to Exhibit 10.12 to the Company's January 17, 2001 8-K.)
- 10.19 Contract of Indemnity dated as of December 29, 2000 by the Company and certain subsidiaries with respect to a surety bond issued by National Fire Insurance Company of Hartford and Continental Casualty Company. (Incorporated by reference to Exhibit 10.13 to the Company's January 17, 2001 8-K.)
- *10.20 Amended and Restated Federal-Mogul Supplemental Key Executive Pension Plan dated January 1, 1999 and Restated February 2004.
- 10.21 Employment Agreement dated as of January 10, 2001 and amended as of January 31, 2001, between the Company and Frank E. Macher. (Incorporated by reference to Exhibit 10.24 to the Company's 2000 10-K.)

- 10.22 Change of Control Agreement dated January 10, 2001, between the Company and Frank E. Macher. (Incorporated by reference to Exhibit 10.25 to the Company's 2000 10-K.)
- *10.23 Amendment to the Employment Agreement between the Company and Charles G. McClure dated as of December 9, 2003.
- 10.24 Change of Control Agreement dated January 10, 2001, between the Company and Charles G. McClure. (Incorporated by reference to Exhibit 10.27 to the Company's 2000 10-K.)
- *21 Subsidiaries of the Registrant.
- *23.1 Consent of Ernst & Young LLP.
- *24 Powers of Attorney.
- *31.1 Certification by the Company's Chief Executive Officer pursuant to Rule 13a-14
- *31.2 Certification by the Company's Chief Financial Officer pursuant to Rule 13a-14
- *32 Certification by the Company's Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 and Rule 13a-14(b)

* Filed Herewith

3(b). Reports on Form 8-K:

- 1) On October 21, 2003, the Company filed a Current Report on Form 8-K to report the issuance of a press release announcing the Company's financial results for the three and nine-month periods ended September 30, 2003.
- 2) On November 3, 2003, the Company filed a Current Report on Form 8-K to report the issuance of a press release announcing that the Company had reached an agreement with the Unsecured Creditors Committee, the Asbestos Committee, the Future Asbestos Claimants Representative, the Agent for the Pre-petition Bank Lenders and the Equity Committee on an amended plan of reorganization.
- 3) On November 17, 2003, the Company filed a Current Report on Form 8-K to announce that the letter of intent it had entered into with Honeywell International, Inc. ("Honeywell") to acquire the Bendix friction materials business of Honeywell had expired on November 15, 2003.

3(c). Separate financial statements of affiliates whose securities are pledged as collateral.

- 1) Financial statements of Federal-Mogul Products, Inc. and subsidiaries including consolidated balance sheets as of December 31, 2003 and 2002, and the related statements of operations and cash flows for the three years ended December 31, 2003.
- 2) Financial statements of Federal-Mogul Ignition Company and subsidiaries including consolidated balance sheets as of December 31, 2003 and 2002, and the related statements of operations and comprehensive income and cash flows for the three years ended December 31, 2003.
- 3) Financial statements of Federal-Mogul Powertrain, Inc. and subsidiaries including consolidated balance sheets as of December 31, 2003 and 2002, and the related statements of operations and cash flows for the three years ended December 31, 2003.
- 4) Financial statements of Federal-Mogul Piston Rings, Inc. and subsidiaries including consolidated balance sheets as of December 31, 2003 and 2002, and the related statements of operations and cash flows for the three years ended December 31, 2003.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Federal-Mogul Corporation

We have audited the accompanying consolidated balance sheets of Federal-Mogul Products, Inc. and subsidiaries, a wholly-owned subsidiary of Federal-Mogul Corporation, as of December 31, 2003 and 2002 and the related consolidated statements of operations and cash flows for each of the three years in the period ended December 31, 2003. 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 auditing standards generally accepted in the 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Federal-Mogul Products, Inc. and subsidiaries at December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States.

The accompanying consolidated financial statements have been prepared assuming that Federal-Mogul Products, Inc. and subsidiaries will continue as a going concern. As more fully described in the notes to the consolidated financial statements, on October 1, 2001, Federal-Mogul Corporation and its wholly-owned United States subsidiaries, which includes Federal-Mogul Products, Inc., filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code. Uncertainties inherent in the bankruptcy process raise substantial doubt about Federal-Mogul Products, Inc.'s ability to continue as a going concern. Management's intentions with respect to these matters are also described in the notes. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 5 to the consolidated financial statements, Federal-Mogul Products, Inc. changed its method of accounting for goodwill and indefinite-lived intangible assets in 2002.

/s/ ERNST & YOUNG LLP
Detroit, Michigan
February 6, 2004,
except as to the ninth paragraph
of Note 1, as to which the date
is March 4, 2004

FEDERAL-MOGUL PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	<u>Year Ended December 31</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(Millions of Dollars)		
Net sales:			
Third party sales	\$ 648.9	\$ 600.2	\$ 574.2
Affiliate sales	91.8	63.7	2.3
Total net sales	740.7	663.9	576.5
Cost of products sold	588.5	545.9	489.8
Gross margin	152.2	118.0	86.7
Selling, general and administrative expenses	103.4	87.9	105.6
Provision for bad debt from affiliate Debtors	—	—	319.0
Amortization expense	2.8	2.8	16.1
Interest expense	—	—	18.7
Other expense, net	8.3	10.1	7.8
Earnings (loss) before income taxes and cumulative effect of change in accounting principle	37.7	17.2	(380.5)
Income tax expense (benefit).....	—	15.0	(16.7)
Earnings (loss) before cumulative effect of change in accounting principle	37.7	2.2	(363.8)
Cumulative effect of change in accounting principle, net of applicable income tax benefit.....	—	437.0	—
Net Income (Loss)	\$ 37.7	\$ (434.8)	\$ (363.8)

See accompanying notes to consolidated financial statements.

FEDERAL-MOGUL PRODUCTS, INC.

CONSOLIDATED BALANCE SHEETS

	December 31	
	2003	2002
	(Millions of Dollars)	
ASSETS		
Accounts receivable, net.....	\$ 120.1	\$ 93.1
Inventories, net.....	146.4	177.8
Other.....	12.3	11.4
Total Current Assets	278.8	282.3
Property, plant and equipment, net.....	258.2	250.1
Definite-lived intangible assets, net.....	52.6	55.4
Asbestos-related insurance recoverable.....	169.3	169.9
Other noncurrent assets.....	16.3	21.8
Total Assets	\$ 775.2	\$ 779.5
LIABILITIES AND NET PARENT INVESTMENT		
Accounts payable.....	\$ 22.0	\$ 30.3
Accrued compensation.....	10.1	9.6
Accrued rebates.....	6.6	5.7
Restructuring reserves.....	—	9.7
Other accrued liabilities.....	17.1	17.1
Total Current Liabilities	55.8	72.4
Liabilities subject to compromise.....	778.2	780.1
Other long-term liabilities.....	3.8	3.7
Net Parent Investment.....	(62.6)	(76.7)
Total Liabilities and Net Parent Investment	\$ 775.2	\$ 779.5

See accompanying notes to consolidated financial statements.

FEDERAL-MOGUL PRODUCTS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>Year Ended December 31</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(Millions of Dollars)		
Cash provided from (used by) operating activities:			
Net loss.....	\$ 37.7	\$ (434.8)	\$ (363.8)
Adjustments to reconcile net loss to net cash provided from (used by) operating activities:			
Cumulative effect of change in accounting principle.....	—	447.8	—
Provision for bad debt from affiliate Debtors.....	—	—	319.0
Loss on sale of assets.....	—	—	11.2
Depreciation and amortization.....	28.9	30.7	42.7
Payments against restructuring reserves.....	(3.8)	(1.9)	(3.5)
Changes in assets and liabilities:			
Accounts receivable.....	(27.0)	6.2	—
Inventories.....	31.4	(38.0)	(0.9)
Accounts payable.....	(8.3)	5.2	25.4
Liabilities subject to compromise.....	(1.9)	(9.5)	—
Other assets and liabilities.....	8.2	12.6	(59.8)
Net cash (used by) provided from operating activities.....	<u>65.2</u>	<u>18.3</u>	<u>(29.7)</u>
Cash provided from (used by) investing activities:			
Proceeds from sale of assets.....	—	—	2.8
Capital expenditures.....	(41.6)	(39.9)	(37.6)
Net cash used by investing activities.....	<u>(41.6)</u>	<u>(39.9)</u>	<u>(34.8)</u>
Cash provided from (used by) financing activities:			
Transfers (to) from parent.....	(23.6)	21.6	64.5
Net cash (used by) provided from financing activities.....	<u>(23.6)</u>	<u>21.6</u>	<u>64.5</u>
Net change in cash.....	—	—	—
Cash at beginning of year.....	—	—	—
Cash at end of year.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes to consolidated financial statements.

FEDERAL-MOGUL PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying financial statements reflect the consolidated assets, liabilities and operations of Federal-Mogul Products, Inc. and subsidiaries ("Products"). Products is a wholly-owned subsidiary of Federal-Mogul Corporation ("Federal-Mogul"). Products manufactures friction products, including various brake pads and linings, and chassis products.

Products operates with financial and operational staff on a decentralized basis. Federal-Mogul provides certain centralized services for employee benefits administration, cash management, risk management, legal services, public relations, domestic tax reporting and internal and external audit. Federal-Mogul charges Products for all such direct expenses incurred on its behalf. General expenses, excluding Chapter 11 and Administration related reorganization expenses, that are not directly attributable to the operations of Products have been allocated based on management's estimates, primarily driven by sales. Management believes that this allocation method is reasonable.

The accompanying consolidated financial statements are presented as if Products had existed as an entity separate from its parent during the periods presented and include the assets, liabilities, revenues and expenses that are directly related to Products' operations.

Products' separate debt and related interest expense have been included in the consolidated financial statements. Products is fully integrated into its parent's cash management system and, as such, all cash requirements are provided by its parent and any excess cash generated by Products is transferred to its parent.

Voluntary Reorganization Under Chapter 11 and Administration

On October 1, 2001 (the "Petition Date"), Federal-Mogul Corporation (the "Company" or "Federal-Mogul") and all of its wholly-owned United States subsidiaries filed voluntary petitions for reorganization (the "U.S. Restructuring") under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). Also on October 1, 2001, certain of the Company's United Kingdom subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code and petitions for Administration (the "U.K. Restructuring") under the United Kingdom Insolvency Act of 1986 (the "Act") in the High Court of Justice, Chancery division in London, England (the "High Court"). The Company and its U.S. and U.K. subsidiaries included in the U.S. Restructuring and U.K. Restructuring are herein referred to as the "Debtors". The U.S. Restructuring and U.K. Restructuring are herein referred to as the "Restructuring Proceedings". The Chapter 11 cases of the Debtors (collectively, the "Chapter 11 Cases") have been consolidated for purposes of joint administration as In re: Federal-Mogul Global Inc., T&N Limited, et. al (Case No. 01-10578(RTL)). Subsidiaries outside of the aforementioned U.S. and U.K. subsidiaries are not party to the Chapter 11 Cases and, therefore, are not currently provided protection from creditors by any bankruptcy court and are operating in normal course.

The Restructuring Proceedings were initiated in response to a sharply increasing number of asbestos-related claims and their related demand on the Company's cash flows and liquidity. Under the Restructuring Proceedings, the Debtors expect to develop and implement a plan for addressing the asbestos-related claims against them.

Consequences of the Restructuring Proceedings

The U.S. Debtors, including Products, are operating their businesses as debtors-in-possession subject to the provisions of the Bankruptcy Code. The U.K. Debtors are continuing to manage their operations under the supervision of Administrators approved by the High Court. All vendors will be paid for all goods furnished and services provided after the Petition Date. However, as a consequence of the Restructuring Proceedings, pending litigation against the Debtors as of the Petition Date is stayed (subject to certain exceptions in the case of governmental authorities), and no party may take any action to pursue or collect pre-petition claims except pursuant to an order of the Bankruptcy Court or the High Court as applicable. It is the Debtors' intention to address all

FEDERAL-MOGUL PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

pending and future asbestos-related claims and all other pre-petition claims through a unified plan of reorganization under the Bankruptcy Code or scheme of arrangement under the Act.

In the U.S., four committees, representing asbestos claimants, asbestos property damage claimants, unsecured creditors and equity security holders (collectively, the "Committees") have been appointed as official committees in the Chapter 11 Cases and, in accordance with the provisions of the Bankruptcy Code, have the right to be heard on all matters that come before the Bankruptcy Court. The Committees, together with the legal representative for the future asbestos claimants, play important roles in the Restructuring Proceedings. In the U.K., the Administrators have appointed a creditors committee, representing both asbestos claimants and general unsecured creditors.

On March 4, 2004, Federal-Mogul filed an amended plan of reorganization and related disclosure statement with the Bankruptcy Court. This amended plan of reorganization was jointly proposed by Federal-Mogul along with the Unsecured Creditors Committee, the Asbestos Claimants Committee, the Future Asbestos Claimants Representative, the Agent for the Prepetition Bank Lenders and the Equity (collectively referred to as the "Co-Proponents"). The joint amended plan of reorganization is consistent with the principal terms of the plan originally filed with the Bankruptcy Court on March 6, 2003.

The amended joint plan of reorganization provides that asbestos personal injury claimants, both present and future, will be permanently channeled to a trust or series of trusts established pursuant to Section 524(g) of the Bankruptcy Code, thereby protecting Federal-Mogul and its affiliates in the Chapter 11 Cases from existing and future asbestos liability. Although technical issues remain to be resolved, the amended joint plan provides that all currently outstanding stock of Federal-Mogul will be cancelled, and 50.1% of newly authorized and issued common stock of reorganized Federal-Mogul will be distributed to the asbestos trusts or trusts for the benefit of existing and future asbestos claimants, and 49.9% of the newly authorized and issued common stock will be distributed pro rata to the noteholders. Trade creditors of Federal-Mogul will receive cash distributions in an amount that has yet to be determined. If the classes of holders of common and preferred stock of Federal-Mogul vote in favor of the amended joint plan, the holders of currently outstanding common and preferred stock of Federal-Mogul will receive warrants in reorganized Federal-Mogul.

There are two possible types of U.K. schemes of arrangements. The first is under Section 425 of the Companies Act of 1985, which may involve a scheme for the reconstruction of the Company. If a majority in number representing three-fourths in value of the creditors or members or any class of them agree to the compromise or arrangement, it is binding if sanctioned by the High Court. Section 425 may be invoked where there is an Administration order in force in relation to the Company. The other possible type of scheme arises under Section 1 of the Insolvency Act of 1986 in relation to Company Voluntary Arrangements ("CVA"). If a majority in value representing more than three-fourths of the creditors agrees to the compromise or arrangement set out in the CVA proposal, it will be approved.

Products is unable to predict with a high degree of certainty at this time what treatment will be accorded under any such plan of reorganization to claims arising from intercompany indebtedness, licenses, executory contracts, transfers of goods and services, and other intercompany arrangements, transactions and relationships that were entered into prior to the Petition Date. Various parties in the Chapter 11 Cases may challenge these arrangements, transactions, and relationships, and the outcome of those challenges, if any, may have an impact on the treatment of various claims under such plan of reorganization.

The Bankruptcy Court may confirm a plan of reorganization only upon making certain findings required by the Bankruptcy Code, and a plan may be confirmed over the dissent of non-accepting creditors and equity security holders if certain requirements of the Bankruptcy Code are met. The payment rights and other entitlements of pre-petition creditors and equity security holders may be substantially altered by any plan of reorganization confirmed in the Chapter 11 Cases. There is no assurance that there will be sufficient assets to satisfy the Debtors' pre-petition liabilities in whole or in part, and the pre-petition creditors of some Debtors may be treated differently than those of other Debtors.

FEDERAL-MOGUL PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Chapter 11 Financing

In connection with the Restructuring Proceedings, Federal-Mogul entered into a \$675 million debtor-in-possession ("DIP") credit facility to supplement liquidity and fund operations during the restructuring proceedings. In August 2003, the DIP credit facility was amended to reduce the commitment to \$600 million, change the expiration date to February 2005, and reduce the interest rate to either the alternate base rate ("ABR") plus 2 percentage points or a formula based on the London Inter-Bank Offered Rate ("LIBOR") plus 3 percentage points. The ABR is the greatest of either the bank's prime rate or the base CD rate plus 1 percentage point or the federal funds rate plus ½ percentage point. The \$600 million commitment is mandatorily reduced by a portion of proceeds received from future asset or business divestitures.

Federal-Mogul's available borrowings under the DIP credit facility are determined by the underlying collateral at any point in time, which includes Products' domestic inventories, domestic accounts receivable, and domestic property, plant, and equipment. The DIP lenders received permission from the lenders of the Senior Credit Agreements to have priority over their collateral interest.

Financial Statement Presentation

The accompanying consolidated financial statements have been prepared in accordance with AICPA Statement of Position 90-7 ("SOP 90-7"), "Financial Reporting by Entities in Reorganization under the Bankruptcy Code" and on a going concern basis, which contemplates continuity of operations and realization of assets and liquidation of liabilities in the ordinary course of business. However, as a result of the Restructuring Proceedings, such realization of assets and liquidation of liabilities, without substantial adjustments and/or changes of ownership, is highly uncertain. Given this uncertainty, there is substantial doubt about the ability of Products to continue as a going concern. While operating as debtors-in-possession under the protection of Chapter 11 of the Bankruptcy Code and Administration under the Act, and subject to approval of the Bankruptcy Court, Administrators or the High Court or otherwise as permitted in the ordinary course of business, Products may sell or otherwise dispose of assets and liquidate or settle liabilities for some amounts other than those reflected in the consolidated financial statements. Further, a plan of reorganization or scheme of arrangement could materially change the amounts and classifications in the historical consolidated financial statements.

As reflected in the consolidated financial statements, "Liabilities subject to compromise" refers to liabilities of entities of Products included in the Restructuring Proceedings incurred prior to the Petition Date. The amounts of the various liabilities that are subject to compromise are set forth below. These amounts represent Products' estimate of known or potential pre-petition claims to be resolved in connection with the Restructuring Proceedings. Such claims remain subject to future adjustments. Future adjustments may result from (i) negotiations; (ii) actions of the Bankruptcy Court, High Court or Administrators; (iii) further developments with respect to disputed claims; (iv) rejection of executory contracts and unexpired leases; (v) the determination as to the value of any collateral securing claims; (vi) proofs of claim; or (vii) other events. Payment terms for these claims will be established in connection with the Restructuring Proceedings.

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
Loans payable to affiliated companies.....	\$ 314.8	\$ 314.8
Asbestos liabilities.....	214.5	214.5
Accounts payable to affiliated companies.....	164.1	164.1
Accounts payable.....	57.3	58.9
Interest payable to affiliated companies.....	27.3	27.3
Environmental liabilities.....	0.2	0.5
Total.....	<u>\$ 778.2</u>	<u>\$ 780.1</u>

The Debtors, including Products, have received approval from the Bankruptcy Court to pay or otherwise honor certain of their pre-petition obligations, including employee wages, salaries, benefits and other employee obligations

FEDERAL-MOGUL PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

and from limited available funds, pre-petition claims of certain critical vendors, certain customer programs and warranty claims and certain other pre-petition claims.

Pursuant to the Bankruptcy Code, Federal-Mogul has filed schedules with the Bankruptcy Court setting forth the assets and liabilities of the Debtors as of the Petition Date. On October 4, 2002, the Debtors issued approximately 100,000 proof of claim forms to its current and prior employees, known creditors, vendors and other parties with whom the Debtors have previously conducted business. To the extent that recipients disagree with the claims as quantified on these forms, the recipient may file discrepancies with the Bankruptcy Court. Differences between amounts recorded by the Debtors and claims filed by creditors will be investigated and resolved as part of the Restructuring Proceedings. The Bankruptcy Court ultimately will determine liability amounts that will be allowed for these claims in the Chapter 11 Cases. A March 3, 2003 bar date was set for the filing of proofs of claim against the Debtors. Because the Debtors have not completed evaluation of the claims received in connection with this process, the ultimate number and allowed amount of such claims are not presently known. The resolution of such claims could result in a material adjustment to the Company's financial statements.

The Debtors, including Products, continue to review and analyze the proofs of claim filed to date. In addition, the Debtors continue to file objections and seek stipulations to certain claims. Additional claims may be filed after the general bar date, which could be allowed by the Bankruptcy Court. Accordingly, the ultimate number and allowed amount of such claims are not presently known and cannot be reasonably estimated at this time. The resolution of such claims could result in a material adjustment to the Company's financial statements.

The appropriateness of using the going concern basis for the Products' financial statements is dependent upon, among other things: (i) Federal-Mogul's ability to comply with the terms of the DIP credit facility and any cash management order entered by the Bankruptcy Court in connection with the Chapter 11 Cases; (ii) the ability of Federal-Mogul to maintain adequate cash on hand; (iii) the ability of Federal-Mogul to generate cash from operations; (iv) confirmation of a plan(s) of reorganization under the Bankruptcy Code; (v) confirmation of a scheme(s) of arrangement in the U.K. under Administration; and (vi) Federal-Mogul's ability to achieve profitability following such confirmations.

2. Summary of Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of Products and all majority-owned subsidiaries and other controlled entities. Intercompany accounts and transactions have been eliminated in consolidation. Investments in affiliates of not more than 20% are accounted for using the cost method, while investments greater than 20% and not more than 50% are accounted for using the equity method.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be based upon amounts that differ from these estimates.

Trade Accounts Receivable and Allowance for Doubtful Accounts: Trade accounts receivable are stated at historical value, which approximates fair value. Products does not generally require collateral for its trade accounts receivable.

Accounts receivable have been reduced by an allowance for amounts that may become uncollectible in the future. This estimated allowance is based primarily on management's evaluation of specific balances as the balances become past due, the financial condition of its customers and the Company's historical experience of write-offs. If not reserved through specific examination procedures, the Company's general policy for uncollectible accounts is to reserve based upon the aging categories of accounts receivable and upon whether the amounts are due from an OE customer or Aftermarket customer. Past due status is based upon the invoice date of the original amounts outstanding. The allowance for doubtful accounts was \$9.3 million and \$11.3 million at December 31, 2003 and 2002, respectively.

FEDERAL-MOGUL PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Inventories: Inventories are stated at the lower of cost or market. Cost is determined using the last-in, first-out method ("LIFO"). If inventories had been valued at current cost, amounts reported would have been increased by \$6.9 million and \$6.8 million as of December 31, 2003 and 2002, respectively. Inventories have also been reduced by an allowance for excess and obsolete inventories based on management's review of on-hand inventories compared to estimated future sales and usage.

Long-Lived Assets: Long-lived assets, such as property, plant and equipment and definite-lived intangible assets, are stated at cost. Depreciation and amortization is computed principally by the straight-line method for financial reporting purposes and by accelerated methods for income tax purposes. Definite-lived assets are periodically reviewed for impairment indicators. If impairment indicators exist, the Company performs the required analysis and records an impairment charge, as required, in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144). If the carrying value of a long-lived asset is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value.

Revenue Recognition: Products records sales when products are shipped and title has transferred to the customer, the sales price is fixed or determinable, and the collectibility of revenue is reasonably assured. Affiliate sales are transferred at cost. Accruals for sales returns and other allowances are provided at the time of shipment based upon past experience. Adjustments to such returns and allowances are made as new information becomes available.

Shipping and Handling Costs: Products recognizes shipping and handling costs as a component of cost of products sold in the statement of operations.

Recoverable Customer Engineering and Tooling: Pre-production tooling and engineering costs that Products will not own and that will be used in producing products under long-term supply arrangements are expensed as incurred unless the supply arrangement provides Products the non-cancelable right to use the tools or the reimbursement of such costs is agreed to by the customer. Pre-production tooling and engineering costs that are owned by Products are capitalized as part of machinery and equipment, and are depreciated over the shorter of the toolings' expected life or the duration of the related program.

Research and Development Costs: Products expenses research and development costs as incurred. Research and development expense for 2003, 2002 and 2001 was \$11.4 million, \$6.2 million and \$5.9 million, respectively.

Restructuring: Products defines restructuring expense to include charges incurred with exit or disposal activities accounted for in accordance with SFAS No. 146, employee severance costs incurred as a result of an exit or disposal activity accounted for in accordance with SFAS Nos. 88 and 112, and pension and other post employment benefit costs incurred as a result of an exit or disposal activity accounted for in accordance with SFAS Nos. 87 and 106.

Rebates/Sales Incentives: Products accrues for rebates pursuant to specific arrangements with certain of its customers, primarily in the aftermarket. Rebates generally provide for price reductions based upon the achievement of specified purchase volumes and are recorded as a reduction of sales as they are earned by such customers.

Fair Value of Financial Instruments: The carrying amounts of certain financial instruments such as accounts payable approximate their fair value.

Net Parent Investment: The Net Parent Investment account reflects the balance of Products' historical earnings, intercompany amounts, income taxes accrued and deferred, post employment liabilities and other transactions between Products and Federal-Mogul. During 2001, Products recorded a provision for bad debt from affiliate Debtors of \$319.0 million for pre-petition accounts receivable from related debtor entities outside of Products at the Petition Date. These receivables were previously recorded in Net Parent Investment.

Reclassifications: Certain items in the prior years financial statements have been reclassified to conform with the presentation used in 2003.

FEDERAL-MOGUL PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

New Accounting Pronouncements:

Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity: In May 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity," which provides standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The statement is effective for financial instruments entered into or modified after May 31, 2003 and for pre-existing instruments as of the beginning of the first interim period beginning after June 15, 2003. In November 2003, the FASB elected to indefinitely defer the effective date for certain provisions of SFAS No. 150 relating to investments in limited-life entities. The adoption of the provisions of SFAS No. 150 that were not deferred by the FASB did not have a material effect on Products' financial condition, results of operations, or cash flows.

Derivative Instruments and Hedging Activities: In April 2003, the FASB issued SFAS No. 149, "Amendments of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. The statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of this standard did not have a material effect on Products' financial condition, results of operations, or cash flows.

Consolidation of Variable Interest Entities: In January 2003, the FASB issued FASB Interpretation Number 46 (FIN No. 46), "Consolidation of Variable Interest Entities", an interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements". FIN No. 46 provides guidance regarding the identification of, and financial reporting for entities over which control is achieved through means other than voting rights; such entities are considered variable interest entities. FIN No. 46 requires the consolidation of variable interest entities in which an enterprise is deemed to be the primary beneficiary, which is determined by the obligation to absorb a majority of the entity's expected losses, the right to receive a majority of an entity's expected residual returns or both.

In December 2003, the FASB issued revised FIN No. 46, which provided an exclusion for entities meeting the definition of a "business" (as defined in the interpretation) and extending the effective date for variable interest entities entered into prior to February 1, 2003 to periods ending after March 15, 2004. Management believes that its joint ventures meet this definition of a business, however, is currently evaluating such entities to determine whether consolidation is required under FIN No. 46 and to quantify the effect that adoption of FIN No. 46 will have on its consolidated financial statements.

Accounting for Costs Associated with Exit or Disposal Activities: In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". This pronouncement addresses financial accounting and reporting for costs associated with an exit activity (including restructuring) or with the disposal of long-lived assets and supercedes Emerging Issues Task Force Issue No. 94-3. Under SFAS No. 146, a liability is recorded for a cost associated with an exit activity when that liability is incurred and can be measured at fair value. SFAS No. 146 requires disclosure of information about exit and disposal activities, the related costs, and changes in those costs in the notes to the interim and annual financial statements that include the period in which an exit activity is initiated and in any subsequent period until the activity is completed. SFAS No. 146 is effective prospectively for exit and disposal activities initiated after December 31, 2002. SFAS No. 146 does not allow for the restatement of previously issued financial statements and continues the accounting for liabilities previously recorded under Emerging Issues Task Force Issue No. 94-3. Products adopted SFAS No. 146 effective January 1, 2003.

FEDERAL-MOGUL PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

3. Inventory

Inventories consisted of the following:

	December 31	
	2003	2002
	(Millions of Dollars)	
Raw materials	\$ 38.4	\$ 42.3
Work-in-process	18.4	26.5
Finished goods.....	109.4	127.3
	166.2	196.1
Valuation reserves	(19.8)	(18.3)
	<u>\$ 146.4</u>	<u>\$ 177.8</u>

4. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	December 31	
	2003	2002
	(Millions of Dollars)	
Land and land improvements	\$ 6.4	\$ 6.6
Buildings	68.3	70.7
Machinery and equipment	261.6	257.0
	336.3	334.3
Accumulated depreciation	(78.1)	(84.2)
	<u>\$ 258.2</u>	<u>\$ 250.1</u>

Future minimum payments under noncancelable operating leases with initial or remaining terms of more than one year are as follows, in millions:

2004.....	\$ 0.4
2005.....	0.4
2006.....	0.4
2007.....	0.4
2008.....	0.4
Thereafter	0.8

Total rental expense under operating leases for the years ended December 31, 2003, 2002 and 2001 was \$7.8 million, \$8.9 million and \$7.4 million, respectively, exclusive of property taxes, insurance and other occupancy costs generally payable by Federal-Mogul.

5. Goodwill and Other Intangible Assets

Effective January 1, 2002, Products adopted SFAS No. 142, resulting in the discontinuance of amortization of goodwill and indefinite-lived intangible assets. The adoption of this standard also required the reclassification of various intangible asset classes according to the measurability of their useful lives. Upon the adoption of SFAS No. 142, Products recorded a non-cash charge of \$437.0 million to reduce the carrying value of its goodwill and indefinite-lived intangible assets to their estimated fair value as required by SFAS No. 142. The tax impact related to the charge was \$10.8 million and was limited to the benefit derived from the impairment of certain intangible assets other than goodwill. The charge is presented as a cumulative effect of change in accounting principle in the consolidated statement of operations for the year ended December 31, 2002.

FEDERAL-MOGUL PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

At December 31, 2003 and 2002, other intangible assets consists of the following:

	December 31, 2003			December 31, 2002		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(Millions of Dollars)					
Definite-Lived Intangible Assets						
Developed technology	\$ 67.2	\$ (14.6)	\$ 52.6	\$ 67.2	\$ (11.8)	\$ 55.4

Products expects that amortization expense for its amortizable intangible assets for each of the years between 2004 and 2008 will be approximately \$3 million.

The following table shows the pro-forma effect of SFAS No. 142 on Products' earnings:

	Year Ended December 31		
	2003	2002	2001
	(Millions of Dollars)		
Reported Net Income (Loss)	\$ 37.7	\$ (434.8)	\$ (363.8)
Add-back: Goodwill amortization	—	—	12.6
Add-back: Indefinite-lived intangible asset amortization	—	—	5.3
Adjusted Net Income (Loss)	<u>\$ 37.7</u>	<u>\$ (434.8)</u>	<u>\$ (345.9)</u>

Prior to the adoption of SFAS No. 142, Products evaluated its goodwill and other intangible assets in accordance with SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and Assets to be Disposed of". There were no impairment charges during 2001.

6. Restructuring Charges

In 2000, Products recognized a \$17.8 million restructuring charge related to severance and exit costs. Employee severance costs of \$13.9 million and exit costs of \$3.9 million resulted primarily from the planned reorganization of the America's friction business. Cash payments made during 2003, 2002 and 2001 against these reserves were \$3.8 million, \$1.9 million and \$3.5 million, respectively. This reorganization was completed during 2003 and the remaining reserves of \$5.9 million were reversed and are included in the income statement within "other expense, net".

7. Commitments and Contingencies

Abex and Wagner Asbestos Litigation

Background

Two of Products' businesses formerly owned by Cooper Industries, Inc., known as Abex and Wagner, are involved as defendants in numerous court actions in the U.S. alleging personal injury from exposure to asbestos or asbestos-containing products. These claims mainly involve friction products. As of the Petition Date, Abex and Wagner were defendants in approximately 66,000 and 33,000 pending claims, respectively. As a result of the Restructuring Proceedings, Products includes as a pending claim open served claims, settled but not documented claims and settled but not paid claims. Notices of complaints continue to be received post-petition and are in violation of the automatic stay.

The liability of Products with respect to claims alleging exposure to Wagner products arises from the 1998 stock purchase from Cooper Industries, Inc. of the corporate successor by merger to Wagner Electric Company; the

FEDERAL-MOGUL PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

purchased entity is now a wholly-owned subsidiary of Federal-Mogul and one of the Debtors in the Restructuring Proceedings. As a consequence, all claims against the Debtors, including asbestos-related claims, have been stayed.

The liability of Products with respect to claims alleging exposure to Abex products arises from a contractual liability entered into in 1994 by the predecessor to Products whose stock Federal-Mogul purchased in 1998. Pursuant to that contract, prior to the Restructuring Proceedings, Products was liable for certain indemnity and defense payments incurred on behalf of an entity known as Pneumo Abex Corporation, the successor in interest to Abex Corporation. Effective as of the Petition Date, Products has ceased making such payments and is currently considering whether to accept or reject the 1994 contractual liability.

As mentioned above, as of the Petition Date, pending asbestos litigation of Abex (as to Federal-Mogul only) and Wagner is stayed (subject to certain exceptions in the case of governmental authorities), and no party may take action to pursue or collect on such asbestos claims absent specific authorization of the Bankruptcy Court or the High Court.

Recorded Liability

The liability (comprised of \$129.5 million in Abex liabilities and \$85.0 million in Wagner liabilities as of December 31, 2003) represented Products' estimate prior to the Restructuring Proceedings for claims currently pending and those which were reasonably estimated to be asserted and paid through 2012. Products did not provide a liability for claims that may be brought subsequent to this period as it could not reasonably estimate such claims. In estimating the liability prior to the Restructuring Proceedings, Products made assumptions regarding the total number of claims anticipated to be received in a future period, the typical cost of settlement (which is sensitive to the industry in which the plaintiff claims exposure, the alleged disease type and the jurisdiction in which the action is being brought), the rate of receipt of claims, the settlement strategy in dealing with outstanding claims and the timing of settlements.

As a result of the Restructuring Proceedings, pending asbestos-related litigation is stayed.

While Products believes that the liability recorded was appropriate as of October 1, 2001 for anticipated losses arising from asbestos-related claims related to Abex and Wagner through 2012, it is Products' view that, as a result of the Restructuring Proceedings, there is even greater uncertainty in estimating the future asbestos liability and related insurance recovery for pending and future claims. There are significant differences in the treatment of asbestos claims in a bankruptcy proceeding as compared to the tort litigation system. Among other things, it is uncertain at this time as to the number of asbestos-related claims that will be filed in the proceeding, the number of future claims that will be included in a plan of reorganization, how claims for punitive damages and claims by persons with no asbestos-related physical impairment will be treated and whether such claims will be allowed, and the impact historical settlement values for asbestos claims may have on the estimation of asbestos liability in the Restructuring Proceedings.

No assurance can be given that Products will not be subject to material additional liabilities and significant additional litigation relating to Abex and Wagner asbestos matters through 2012 or thereafter. In the event that such liabilities exceed the amounts recorded by Products or the remaining insurance coverage, Products' results of operations and financial condition could be materially affected.

Insurance Recoverable

Abex maintained product liability insurance coverage for most of the time that it manufactured products that contained asbestos. This coverage is shared with other third-party companies. Products may be liable for certain indemnity and defense payments with respect to Abex has the benefit of that insurance up to the extent of that liability. Abex has been in litigation since 1982 with the insurance carriers of its primary layer of liability concerning coverage for asbestos claims. Abex also has substantial excess layer liability insurance coverage that is shared with other companies that, barring unforeseen insolvencies of excess carriers or other adverse events, should

FEDERAL-MOGUL PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

provide coverage for asbestos claims against Abex. The Abex insurance recoverable was \$115.7 million as of December 31, 2003.

Wagner also maintained product liability insurance coverage for some of the time that it manufactured products that contained asbestos. This coverage is shared with other third-party companies. One of the companies, Dresser Industries, Inc. ("Dresser") initiated an adversary action against the Debtors and a number of insurance carriers in Federal-Mogul's Restructuring Proceedings. In its complaint, Dresser alleged that it has rights under certain primary and excess general liability insurance policies that may be shared with Products as the successor to Wagner Electric Corporation. Dresser seeks, among other things, a declaration of the parties respective rights and obligations under the policies and a partition of the competing rights of Dresser and Products under the policies. Products answered Dresser's complaint and filed cross-claims against all of the defendant-insurers seeking a declaration of Products' rights to the policies. Products may be liable for asbestos claims against Wagner and has the benefit of that insurance, subject to the rights of other potential insureds under the policies. Primary layer liability insurance coverage for asbestos claims against Wagner is the subject of an agreement with Wagner's solvent primary carriers. The agreement provides for partial reimbursement of indemnity and defense costs for Wagner asbestos claims until exhaustion of aggregate limits. Wagner also has substantial excess layer liability insurance coverage which, barring unforeseen insolvencies of excess carriers or other adverse events, should provide coverage for asbestos claims against Wagner. The Wagner insurance recoverable was \$53.5 million as of December 31, 2003.

The ultimate realization of insurance proceeds is directly related to the amount of related covered claims paid by Products. If the ultimate asbestos claims are higher than the recorded liability, Products expects the ultimate insurance recoverable to be higher than the recorded amount. If the ultimate asbestos claims are lower than the recorded liability, Products expects the ultimate insurance recoverable to be lower than the recorded amount. While the Restructuring Proceedings will impact the timing and amount of the asbestos claims and the insurance recoverable, there has been no change to the recorded amounts due to the uncertainties created by the Restructuring Proceedings. Accordingly, the recorded amounts for this insurance recoverable asset change materially based upon events that occur from the Restructuring Proceedings.

Products believes that based on its review of the insurance policies, the financial viability of the insurance carriers, and advice from outside legal counsel, it is probable that Abex and Wagner will realize an insurance recoverable correlating with the respective liability.

Environmental Liabilities

Products has identified certain present and former properties at which it may be responsible for cleaning up environmental contamination, in some cases as a result of contractual commitments. Products is actively seeking to resolve these matters. Although difficult to quantify based on the complexity of the issues, Products has accrued amounts corresponding to its best estimate of the costs associated with such matters based upon current available information from site investigations and consultants.

Environmental reserves were \$4.0 million and \$4.2 million at December 31, 2003 and 2002, respectively and are included in the consolidated balance sheets as follows:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
Current liabilities	\$ —	\$ —
Long-term accrued liabilities	3.8	3.7
Liabilities subject to compromise	<u>0.2</u>	<u>0.5</u>
	<u>\$ 4.0</u>	<u>\$ 4.2</u>

Management believes that such accruals will be adequate to cover Products' estimated liability for its exposure in respect to such matters. In the event that such liabilities were to significantly exceed the amounts recorded by Products, Products' results of operations and financial condition could be materially affected. At December 31,

FEDERAL-MOGUL PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

2003, management estimates that reasonably possible material additional losses above and beyond management's best estimate of required remediation costs as recorded approximates \$4.0 million.

Environmental reserves subject to compromise include those that may be reduced in Federal Mogul's bankruptcy proceeding because they may be determined to be "dischargeable debts" incurred prior to Federal Mogul's filing for bankruptcy. Such liabilities generally arise at either (1) commercial waste disposal sites to which Products and other companies sent wastes for disposal, or (2) sites in relation to which Products has a contractual obligation to indemnify the current owner of a site for the costs of cleanup of contamination that was released into the environment before Products sold the site.

Environmental reserves determined not to be subject to compromise include those which arise from a legal obligation of Products, under an administrative or judicial order, to perform cleanup at a site. Such obligations are normally associated with sites, which a bankrupt entity such as Products owns and either operates or formerly operated.

The best estimate of environmental liability at a site may change from time to time during a bankruptcy proceeding even though the liability relating to that site is subject to compromise and Products' responsibility to make payments is stayed. Notwithstanding the stay of proceedings regarding such a site, activities such as further site investigation and/or actual cleanup work usually continue to be performed by other parties. Such activities may produce new and better information that requires Products to revise its best estimate of total site cleanup costs and its own share of such costs.

8. Long-Term Debt and Other Financing Arrangements

Products' cash and indebtedness is managed by Federal-Mogul. The majority of the cash provided by or used by a particular division, including Products, is provided through a consolidated cash and debt management system. As a result, the amount of domestic cash or debt historically related to Products is not determinable.

Products has intercompany loans from Federal-Mogul in the amount of \$270.8 million, which are included in liabilities subject to compromise at December 31, 2003 and 2002. In 2001, Federal-Mogul charged interest on the intercompany loans based on the stated rate of 7.0%. In accordance with SOP 90-7, Products has stopped recording interest expense on its intercompany debt effective October 1, 2001. Products' contractual interest not accrued or paid in 2003, 2002 and 2001 for this note was \$19.0 million, \$19.0 million and \$4.7 million respectively.

Products has a note payable to another subsidiary of Federal-Mogul in the amount of \$44.0 million for the transfer of certain assets and liabilities. Interest on this note is calculated at the stated rate of 6.154%. This note is included in Products' balance sheet under the caption liabilities subject to compromise at December 31, 2003 and 2002. In accordance with SOP 90-7, Products has stopped recording interest expense on its intercompany debt effective October 1, 2001. Products contractual interest not accrued or paid for this note in 2003, 2002 and 2001 was \$2.7 million, \$2.7 million and \$0.7 million, respectively.

Federal-Mogul has pledged 100% of Products' capital stock and also provided collateral in the form of a pledge of inventories, property, plant and equipment, real property and intellectual properties to secure certain outstanding debt of Federal-Mogul. In addition, Products has guaranteed fully and unconditionally, on a joint and several basis, the obligation to pay principal and interest under Federal-Mogul's Senior Credit Agreement and its publicly registered debt. Such pledges and guarantees have also been made by other subsidiaries of Federal-Mogul. Federal-Mogul is in default of the terms of such debt agreements. Borrowing outstanding on such agreements aggregates \$4,020.7 million and \$3,982.7 million as of December 31, 2003 and 2002, respectively.

FEDERAL-MOGUL PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

9. Net Parent Investment

Changes in net parent investment were as follows:

	(Millions of Dollars)
Balance at January 1, 2001	\$ 719.6
Reclassification of intercompany accounts and loans payable at the Petition Date to liabilities subject to compromise	(502.1)
Reclassification of accounts receivable from affiliates at the Petition Date....	319.0
Reclassification transfer of accounts receivable from Federal-Mogul to Products	<u>99.3</u>
	635.8
Net loss	(363.8)
Intercompany transactions, net	<u>64.5</u>
Balance at December 31, 2001	336.5
Net loss	(434.8)
Intercompany transactions, net	<u>21.6</u>
Balance at December 31, 2002	(76.7)
Net income	37.7
Intercompany transactions, net	<u>(23.6)</u>
Balance at December 31, 2003	<u>\$ (62.6)</u>

10. Income Taxes

Products files a consolidated return with Federal-Mogul for U.S. federal income tax purposes. Federal income tax expense is calculated on a separate-return basis for financial reporting purposes.

	<u>Year Ended December 31</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Components of income tax expense (benefit)	(Millions of Dollars)		
Current	\$ —	\$ 0.6	\$ —
Deferred	—	14.4	(16.7)
Income tax expense (benefit)	<u>\$ —</u>	<u>\$ 15.0</u>	<u>\$ (16.7)</u>

A reconciliation between the statutory federal income tax rate and the effective tax rate is as follows:

	<u>Year Ended December 31</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
U.S. Federal statutory rate	35%	35%	35%
State and local taxes	3	2	2
Nondeductible goodwill	—	—	(2)
Valuation allowance	<u>(38)</u>	<u>50</u>	<u>(31)</u>
Effective tax rate	<u>—%</u>	<u>87%</u>	<u>4%</u>

FEDERAL-MOGUL PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the related amounts used for income tax purposes. Significant components of Product's net deferred tax asset are non-deductible accruals and amortization and depreciation timing differences.

	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
Net current deferred tax assets	\$ 34.9	\$ 47.0
Net long-term deferred tax assets	55.5	73.0
Gross deferred tax assets	90.4	120.0
Valuation allowance	(90.4)	(120.0)
Net deferred tax assets	\$ —	\$ —

11. Pension Plans

Products is included in the Federal-Mogul Corporation Pension Plan. As such, the related pension liability is recorded in Net Parent Investment at December 31, 2003 and 2002.

The pension charge allocated to Products was \$3.8 million, \$4.0 million and \$2.1 million for 2003, 2002 and 2001, respectively.

12. Postretirement Benefits Other Than Pensions

Benefits provided to employees of Products under various Federal-Mogul postretirement plans other than pensions, all of which are unfunded, include retiree medical care, dental care, prescription drugs and life insurance, with medical care accounting for approximately 45% of the total. The majority of participants under such plans are retirees. The expense related to such plans approximated \$1.1 million, \$2.0 million and \$2.3 million for 2003, 2002 and 2001, respectively.

13. Concentrations of Credit Risk and Other

Products grants credit to their customers, which are primarily in the automotive industry. Credit risk with respect to trade receivables is generally diversified due to the large number of entities comprising Products' customer base. Products performs periodic credit evaluations of their customers and generally does not require collateral.

Products operates in a single business segment. Products manufactures and distributes brake friction materials and other products for use by the automotive aftermarket and in automobile assemblies. In addition, Products manufactures and distributes suspension, steering drive-line and brake system components and material for the automotive aftermarket. No single customer accounted for 10% or more of revenues in 2003, 2002 or 2001. All revenues and assets of Products reside in the United States.

14. Subsequent Event (Unaudited)

On March 5, 2004, a fire destroyed the Company's Smithville, Tennessee distribution center. This facility was the Company's primary source for supplying chassis parts to the North American aftermarket. The Company does not believe this incident will impact its long-term ability to supply chassis products to the North American aftermarket, and is taking appropriate measures to minimize any impact this incident may have on short-term product availability.

Sales fulfilled from this distribution center during the year ended December 31, 2003 approximated \$200 million. In addition, this distribution center had inventory on-hand of approximately \$46 million at December 31, 2003, and

FEDERAL-MOGUL PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

approximately \$51 million at March 5, 2004. The net book value of this building at December 31, 2003 was approximately \$6 million. Management believes its insurance coverage is adequate to cover its direct and indirect costs resulting from the fire, but is unable to estimate with certainty the extent to which incremental costs not directly attributable to the fire may be reimbursed under its insurance policies.

The Company has temporarily leased a facility to conduct its distribution operations while plans for permanent arrangements can be developed and implemented. To replace inventory damaged or destroyed in the fire, other Federal-Mogul facilities have increased production of chassis parts through additional production shifts or overtime.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Federal-Mogul Corporation

We have audited the accompanying consolidated balance sheets of Federal-Mogul Ignition Company and subsidiaries, a wholly-owned subsidiary of Federal-Mogul Corporation, as of as of December 31, 2003 and 2002, and the related consolidated statements of operations and comprehensive income and cash flows for each of the three years in the period ended December 31, 2003. 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 auditing standards generally accepted in the 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Federal-Mogul Ignition Company and subsidiaries at December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States.

The accompanying consolidated financial statements have been prepared assuming that Federal-Mogul Ignition Company and subsidiaries will continue as a going concern. As more fully described in the notes to the consolidated financial statements, on October 1, 2001, Federal-Mogul Corporation and its wholly-owned United States subsidiaries, which includes Federal-Mogul Ignition Company, filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code. Uncertainties inherent in the bankruptcy process raise substantial doubt about Federal-Mogul Ignition Company's ability to continue as a going concern. Management's intentions with respect to these matters are also described in the notes. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 6 to the consolidated financial statements, Federal-Mogul Ignition Company changed its method of accounting for goodwill and indefinite-lived intangible assets in 2002.

/s/ ERNST & YOUNG LLP
Detroit, Michigan
February 6, 2004,
except as to the ninth paragraph
of Note 1, as to which the date
is March 4, 2004

FEDERAL-MOGUL IGNITION COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	<u>Year Ended December 31</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(Millions of Dollars)		
Third party sales	\$ 714.3	\$ 681.1	\$ 697.8
Affiliate sales.....	<u>126.1</u>	<u>136.5</u>	<u>121.7</u>
Total net sales.....	840.4	817.6	819.5
Cost of products sold.....	<u>640.6</u>	<u>627.7</u>	<u>617.5</u>
Gross margin	199.8	189.9	202.0
Selling, general and administrative expenses	107.2	132.1	137.8
Provision for bad debt from affiliate Debtors	—	—	306.4
Amortization expense.....	1.9	1.9	13.5
Restructuring charges	12.0	2.8	3.5
Adjustment of assets held for sale and other long-lived assets to fair value.....	—	0.6	228.7
Interest (income) expense, net.....	(3.3)	(5.8)	23.7
Other expense (income), net.....	<u>13.2</u>	<u>4.3</u>	<u>8.3</u>
Earnings (loss) from continuing operations before income taxes	68.8	54.0	(519.9)
Income tax expense	<u>14.8</u>	<u>21.4</u>	<u>8.5</u>
Earnings (loss) from continuing operations	54.0	32.6	(528.4)
Loss from discontinued operations, net of income taxes	<u>(0.3)</u>	<u>(16.5)</u>	<u>(23.2)</u>
Net earnings (loss)	53.7	16.1	(551.6)
 Components of comprehensive income (loss)			
Translation adjustments	<u>(12.2)</u>	<u>5.4</u>	<u>(6.1)</u>
Comprehensive income (loss).....	\$ 41.5	\$ 21.5	\$ (557.7)

See accompanying notes to consolidated financial statements

FEDERAL-MOGUL IGNITION COMPANY

CONSOLIDATED BALANCE SHEETS

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
ASSETS		
Cash and equivalents	\$ 29.6	\$ 20.4
Accounts receivable, net	165.9	177.8
Inventories, net	145.5	154.9
Supplies inventories	20.4	19.9
Other	<u>6.2</u>	<u>15.7</u>
Total Current Assets	367.6	388.7
Property, plant and equipment, net	274.7	272.7
Goodwill and indefinite-lived intangible assets	247.4	250.4
Definite-lived intangible assets, net	34.7	36.3
Other noncurrent assets	<u>2.0</u>	<u>6.9</u>
Total Assets	<u>\$ 926.4</u>	<u>\$ 955.0</u>
LIABILITIES AND NET PARENT INVESTMENT		
Short-term debt	\$ 2.0	\$ —
Accounts payable	55.8	43.4
Accrued compensation	18.6	18.5
Restructuring reserves	4.2	1.9
Accrued rebates and customer incentives	8.6	7.2
Other accrued liabilities	<u>17.7</u>	<u>27.8</u>
Total Current Liabilities	106.9	98.8
Other long-term liabilities	17.3	15.7
Liabilities subject to compromise	798.9	806.5
Minority interest in consolidated subsidiaries	81.8	72.1
Net Parent Investment		
Accumulated other comprehensive loss	(37.1)	(49.3)
Intercompany transactions	<u>(41.4)</u>	<u>11.2</u>
Net Parent Investment	<u>(78.5)</u>	<u>(38.1)</u>
Total Liabilities and Net Parent Investment	<u>\$ 926.4</u>	<u>\$ 955.0</u>

See accompanying notes to consolidated financial statements.

FEDERAL-MOGUL IGNITION COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31		
	2003	2002	2001
	(Millions of Dollars)		
Cash provided from (used by) operating activities:			
Net earnings (loss).....	\$ 53.7	\$ 16.1	\$ (551.6)
Adjustments to reconcile net earnings (loss) to net cash provided from operating activities:			
Provision for bad debt from affiliate Debtors	—	—	306.4
Gain on sale of businesses, net	(2.2)	(2.8)	(35.6)
Depreciation and amortization.....	33.1	33.1	49.6
Restructuring charge.....	13.7	5.4	3.7
Adjustment of assets held for sale and other long-lived assets to fair value	—	11.2	289.1
Changes in assets and liabilities:			
Accounts receivable.....	11.9	(5.9)	(4.3)
Inventories	9.4	3.1	(14.8)
Accounts payable.....	12.4	3.2	8.0
Other assets and liabilities	(36.7)	4.7	(42.0)
Net cash provided from operating activities	95.3	68.1	8.5
Cash provided from (used by) investing activities:			
Capital expenditures	(26.4)	(52.7)	(73.9)
Proceeds from sale of businesses.....	20.2	33.0	164.8
Net cash (used by) provided from investing activities	(6.2)	(19.7)	90.9
Cash provided from (used by) financing activities:			
Borrowings on short-term debt.....	2.0	—	—
Transfers to parent.....	(81.9)	(60.6)	(117.3)
Net cash used by financing activities	(79.9)	(60.6)	(117.3)
(Decrease) Increase in cash and equivalents.....	9.2	(12.2)	(17.9)
Cash and equivalents at beginning of year.....	20.4	32.6	50.5
Cash and equivalents at end of year.....	\$ 29.6	\$ 20.4	\$ 32.6

See accompanying notes to consolidated financial statements.

FEDERAL-MOGUL IGNITION COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying financial statements reflect the consolidated assets, liabilities and operations of Federal-Mogul Ignition Company and its subsidiaries ("Ignition"). Ignition is a wholly-owned subsidiary of Federal-Mogul Corporation ("Federal-Mogul"). Ignition manufactures wipers, spark plugs, glow plugs, and ignition coils.

Ignition operates with financial and operations staff on a decentralized basis. Federal-Mogul provides certain centralized services for employee benefits administration, cash management, risk management, legal services, public relations, domestic tax reporting and internal and external audit. Federal-Mogul charges Ignition for all such direct expenses incurred on its behalf. General expenses that are not directly attributable to the operations of Ignition have been allocated based on management's estimates, primarily driven by sales. Management believes that this allocation method is reasonable.

The accompanying consolidated financial statements are presented as if Ignition had existed as an entity separate from its parent during the periods presented, and includes the assets, liabilities, revenues and expenses that are directly related to Ignition's operations.

Ignition's separate debt and related interest expense have been included in the consolidated financial statements. Ignition is fully integrated into its parent's cash management system, as such, all of their domestic cash requirements are provided by its parent and any excess cash generated by Ignition is transferred to the parent.

Voluntary Reorganization Under Chapter 11 and Administration

On October 1, 2001 (the "Petition Date"), Federal-Mogul Corporation (the "Company" or "Federal-Mogul") and all of its wholly-owned United States subsidiaries filed voluntary petitions for reorganization (the "U.S. Restructuring") under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). Also on October 1, 2001, certain of the Company's United Kingdom subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code and petitions for Administration (the "U.K. Restructuring") under the United Kingdom Insolvency Act of 1986 (the "Act") in the High Court of Justice, Chancery division in London, England (the "High Court"). The Company and its U.S. and U.K. subsidiaries included in the U.S. Restructuring and U.K. Restructuring are herein referred to as the "Debtors". The U.S. Restructuring and U.K. Restructuring are herein referred to as the "Restructuring Proceedings". The Chapter 11 cases of the Debtors (collectively, the "Chapter 11 Cases") have been consolidated for purposes of joint administration as In re: Federal-Mogul Global Inc., T&N Limited, et. al (Case No. 01-10578(RTL)). Subsidiaries outside of the aforementioned U.S. and U.K. subsidiaries are not party to the Chapter 11 Cases and, therefore, are not currently provided protection from creditors by any bankruptcy court and are operating in normal course.

The Restructuring Proceedings were initiated in response to a sharply increasing number of asbestos-related claims and their related demand on the Company's cash flows and liquidity. Under the Restructuring Proceedings, the Debtors expect to develop and implement a plan for addressing the asbestos-related claims against them.

Consequences of the Restructuring Proceedings

The U.S. Debtors, including Ignition, are operating their businesses as debtors-in-possession subject to the provisions of the Bankruptcy Code. The U.K. Debtors are continuing to manage their operations under the supervision of Administrators approved by the High Court. All vendors will be paid for all goods furnished and services provided after the Petition Date. However, as a consequence of the Restructuring Proceedings, pending litigation against the Debtors as of the Petition Date is stayed (subject to certain exceptions in the case of governmental authorities), and no party may take any action to pursue or collect pre-petition claims except pursuant to an order of the Bankruptcy Court or the High Court as applicable. It is the Debtors' intention to address all pending and future asbestos-related claims and all other pre-petition claims through a unified plan of reorganization under the Bankruptcy Code or scheme of arrangement under the Act.

FEDERAL-MOGUL IGNITION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

In the U.S., four committees, representing asbestos claimants, asbestos property damage claimants, unsecured creditors and equity security holders (collectively, the "Committees") have been appointed as official committees in the Chapter 11 Cases and, in accordance with the provisions of the Bankruptcy Code, have the right to be heard on all matters that come before the Bankruptcy Court. The Committees, together with the legal representative for the future asbestos claimants, play important roles in the Restructuring Proceedings. In the U.K., the Administrators have appointed a creditors committee, representing both asbestos claimants and general unsecured creditors.

On March 4, 2004, Federal-Mogul filed an amended plan of reorganization and related disclosure statement with the Bankruptcy Court. This amended plan of reorganization was jointly proposed by Federal-Mogul along with the Unsecured Creditors Committee, the Asbestos Claimants Committee, the Future Asbestos Claimants Representative, the Agent for the Prepetition Bank Lenders and the equity security holders (collectively referred to as the "Co-Proponents"). The joint amended plan of reorganization is consistent with the principal terms of the plan originally filed with the Bankruptcy Court on March 6, 2003.

The amended joint plan of reorganization provides that asbestos personal injury claimants, both present and future, will be permanently channeled to a trust or series of trusts established pursuant to Section 524(g) of the Bankruptcy Code, thereby protecting Federal-Mogul and its affiliates in the Chapter 11 Cases from existing and future asbestos liability. Although technical issues remain to be resolved, the amended joint plan provides that all currently outstanding stock of Federal-Mogul will be cancelled, and 50.1% of newly authorized and issued common stock of reorganized Federal-Mogul will be distributed to the asbestos trusts or trusts for the benefit of existing and future asbestos claimants, and 49.9% of the newly authorized and issued common stock will be distributed pro rata to the noteholders. Trade creditors of Federal-Mogul will receive cash distributions in an amount that has yet to be determined. If the classes of holders of common and preferred stock of Federal-Mogul vote in favor of the amended joint plan, the holders of currently outstanding common and preferred stock of Federal-Mogul will receive warrants in reorganized Federal-Mogul.

There are two possible types of U.K. schemes of arrangements. The first is under Section 425 of the Companies Act of 1985, which may involve a scheme for the reconstruction of the Company. If a majority in number representing three-fourths in value of the creditors or members or any class of them agree to the compromise or arrangement, it is binding if sanctioned by the High Court. Section 425 may be invoked where there is an Administration order in force in relation to the Company. The other possible type of scheme arises under Section 1 of the Insolvency Act of 1986 in relation to Company Voluntary Arrangements ("CVA"). If a majority in value representing more than three-fourths of the creditors agrees to the compromise or arrangement set out in the CVA proposal, it will be approved.

Ignition is unable to predict with a high degree of certainty at this time what treatment will be accorded under any such plan of reorganization to claims arising from intercompany indebtedness, licenses, executory contracts, transfers of goods and services, and other intercompany arrangements, transactions and relationships that were entered into prior to the Petition Date. Various parties in the Chapter 11 Cases may challenge these arrangements, transactions, and relationships, and the outcome of those challenges, if any, may have an impact on the treatment of various claims under such plan of reorganization.

The Bankruptcy Court may confirm a plan of reorganization only upon making certain findings required by the Bankruptcy Code, and a plan may be confirmed over the dissent of non-accepting creditors and equity security holders if certain requirements of the Bankruptcy Code are met. The payment rights and other entitlements of pre-petition creditors and equity security holders may be substantially altered by any plan of reorganization confirmed in the Chapter 11 Cases. There is no assurance that there will be sufficient assets to satisfy the Debtors' pre-petition liabilities in whole or in part, and the pre-petition creditors of some Debtors may be treated differently than those of other Debtors.

Chapter 11 Financing

In connection with the Restructuring Proceedings, Federal-Mogul entered into a \$675 million debtor-in-possession ("DIP") credit facility to supplement liquidity and fund operations during the restructuring proceedings. In August

FEDERAL-MOGUL IGNITION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

2003, the DIP credit facility was amended to reduce the commitment to \$600 million, change the expiration date to February 2005, and reduce the interest rate to either the alternate base rate ("ABR") plus 2 percentage points or a formula based on the London Inter-Bank Offered Rate ("LIBOR") plus 3 percentage points. The ABR is the greatest of either the bank's prime rate or the base CD rate plus 1 percentage point or the federal funds rate plus ½ percentage point. The \$600 million commitment is mandatorily reduced by a portion of proceeds received from future asset or business divestitures.

Federal-Mogul's available borrowings under the DIP credit facility are determined by the underlying collateral at any point in time, which includes Ignition's domestic inventories, domestic accounts receivable, and domestic property, plant, and equipment. The DIP lenders received permission from the lenders of the Senior Credit Agreements to have priority over their collateral interest.

Financial Statement Presentation

The accompanying consolidated financial statements have been prepared in accordance with AICPA Statement of Position 90-7 ("SOP 90-7"), "Financial Reporting by Entities in Reorganization under the Bankruptcy Code" and on a going concern basis, which contemplates continuity of operations and realization of assets and liquidation of liabilities in the ordinary course of business. However, as a result of the Restructuring Proceedings, such realization of assets and liquidation of liabilities, without substantial adjustments and/or changes of ownership, is highly uncertain. Given this uncertainty, there is substantial doubt about the ability of Ignition to continue as a going concern. While operating as debtors-in-possession under the protection of Chapter 11 of the Bankruptcy Code and Administration under the Act, and subject to approval of the Bankruptcy Court, Administrators or the High Court or otherwise as permitted in the ordinary course of business, Ignition may sell or otherwise dispose of assets and liquidate or settle liabilities for some amounts other than those reflected in the consolidated financial statements. Further, a plan of reorganization or scheme of arrangement could materially change the amounts and classifications in the historical consolidated financial statements.

As reflected in the consolidated financial statements, "Liabilities subject to compromise" refers to liabilities of entities of Ignition included in the Restructuring Proceedings incurred prior to the Petition Date. The amounts of the various liabilities that are subject to compromise are set forth below. These amounts represent Ignition's estimate of known or potential pre-petition claims to be resolved in connection with the Restructuring Proceedings. Such claims remain subject to future adjustments. Future adjustments may result from (i) negotiations; (ii) actions of the Bankruptcy Court, High Court or Administrators; (iii) further developments with respect to disputed claims; (iv) rejection of executory contracts and unexpired leases; (v) the determination as to the value of any collateral securing claims; (vi) proofs of claim; or (vii) other events. Payment terms for these claims will be established in connection with the Restructuring Proceedings.

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Accounts payable.....	\$ 32.7	\$ 36.5
Accounts payable to affiliated companies.....	148.6	156.7
Loans payable to affiliated companies.....	447.5	447.5
Interest payable to affiliated companies.....	162.8	162.8
Environmental liabilities.....	7.3	3.0
Total.....	<u>\$ 798.9</u>	<u>\$ 806.5</u>

The Debtors, including Ignition, have received approval from the Bankruptcy Court to pay or otherwise honor certain of their pre-petition obligations, including employee wages, salaries, benefits and other employee obligations and from limited available funds, pre-petition claims of certain critical vendors, certain customer programs and warranty claims and certain other pre-petition claims.

Pursuant to the Bankruptcy Code, Federal-Mogul has filed schedules with the Bankruptcy Court setting forth the assets and liabilities of the Debtors as of the Petition Date. On October 4, 2002, the Debtors issued approximately 100,000 proof of claim forms to its current and prior employees, known creditors, vendors and other parties with

FEDERAL-MOGUL IGNITION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

whom the Debtors have previously conducted business. To the extent that recipients disagree with the claims as quantified on these forms, the recipient may file discrepancies with the Bankruptcy Court. Differences between amounts recorded by the Debtors and claims filed by creditors will be investigated and resolved as part of the Restructuring Proceedings. The Bankruptcy Court ultimately will determine liability amounts that will be allowed for these claims in the Chapter 11 Cases. A March 3, 2003 bar date was set for the filing of proofs of claim against the Debtors. Because the Debtors have not completed evaluation of the claims received in connection with this process, the ultimate number and allowed amount of such claims are not presently known. The resolution of such claims could result in a material adjustment to the Company's financial statements.

The Debtors, including Ignition, continue to review and analyze the proofs of claim filed to date. In addition, the Debtors continue to file objections and seek stipulations to certain claims. Additional claims may be filed after the general bar date, which could be allowed by the Bankruptcy Court. Accordingly, the ultimate number and allowed amount of such claims are not presently known and cannot be reasonably estimated at this time. The resolution of such claims could result in a material adjustment to the Company's financial statements.

The appropriateness of using the going concern basis for the Ignition's financial statements is dependent upon, among other things: (i) Federal-Mogul's ability to comply with the terms of the DIP credit facility and any cash management order entered by the Bankruptcy Court in connection with the Chapter 11 Cases; (ii) the ability of Federal-Mogul to maintain adequate cash on hand; (iii) the ability of Federal-Mogul to generate cash from operations; (iv) confirmation of a plan(s) of reorganization under the Bankruptcy Code; (v) confirmation of a scheme(s) of arrangement in the U.K. under Administration; and (vi) Federal-Mogul's ability to achieve profitability following such confirmations.

FEDERAL-MOGUL IGNITION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Debtors' Financial Statements

The condensed consolidated financial statements of the Ignition entities included in the U.S. Restructuring are presented below. These statements reflect the financial position, results of operations and cash flows of the combined Ignition entities in the U.S. Restructuring, including certain amounts and activities between Debtors and non-Debtor subsidiaries of Ignition, which are eliminated in the consolidated Ignition financial statements.

Debtors' Condensed Consolidated Statement of Operations

	<u>Year Ended December 31</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(Millions of Dollars)		
Third party sales	\$ 436.8	\$ 426.7	\$ 454.7
Affiliate sales.....	<u>46.5</u>	<u>48.4</u>	<u>47.0</u>
Total net sales.....	483.3	475.1	501.7
Cost of products sold	<u>351.8</u>	<u>361.0</u>	<u>385.9</u>
Gross margin	131.5	114.1	115.8
Selling, general and administrative expenses	70.7	93.7	100.7
Provision for bad debt from affiliate Debtors	—	—	244.3
Amortization expense	1.8	1.9	12.0
Restructuring charges	0.9	2.8	1.8
Adjustment of assets held for sale and other long-lived assets to fair value.....	—	0.6	184.0
Interest expense, net	—	—	28.7
Other expense, net	<u>11.0</u>	<u>5.3</u>	<u>11.3</u>
Earnings (loss) from continuing operations before income taxes and equity loss of non-Debtor subsidiaries	47.1	9.8	(467.0)
Income tax expense (benefit).....	<u>1.4</u>	<u>2.1</u>	<u>(8.6)</u>
Earnings (loss) from continuing operations before equity loss of non-Debtor subsidiaries.....	45.7	7.7	(458.4)
Equity earnings (loss) from continuing operations of non-Debtor subsidiaries.....	<u>8.3</u>	<u>24.9</u>	<u>(70.1)</u>
Earnings (loss) from continuing operations	54.0	32.6	(528.5)
Loss (income) from discontinued operations, net of income taxes, Debtors	0.4	4.8	(2.0)
Loss (income) from discontinued operations, net of income taxes, non-Debtors	<u>(0.1)</u>	<u>11.7</u>	<u>25.1</u>
Net earnings (loss)	\$ 53.7	\$ 16.1	\$ (551.6)

FEDERAL-MOGUL IGNITION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Debtors' Condensed Consolidated Balance Sheet

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
ASSETS		
Accounts receivable, net.....	\$ 95.5	\$ 113.5
Accounts receivable – non-Debtor affiliates.....	10.8	10.4
Inventories, net.....	87.5	100.6
Other.....	<u>11.1</u>	<u>13.7</u>
Total Current Assets	204.9	238.2
Property, plant and equipment, net.....	110.5	119.2
Goodwill and indefinite-lived intangible assets.....	230.4	230.4
Definite-lived intangible assets, net.....	34.4	36.3
Investment in non-Debtor subsidiaries	175.9	171.6
Loan receivable – non-Debtor affiliates	22.2	18.5
Other noncurrent assets	<u>0.3</u>	<u>3.6</u>
Total Assets	<u>\$ 778.6</u>	<u>\$ 817.8</u>
LIABILITIES AND NET PARENT INVESTMENT		
Accounts payable	\$ 16.1	\$ 13.5
Accounts payable – non-Debtors.....	25.0	17.7
Other accrued liabilities.....	<u>14.1</u>	<u>15.5</u>
Total Current Liabilities	55.2	46.7
Other long-term liabilities	1.2	1.3
Liabilities subject to compromise.....	798.9	806.5
Net Parent Investment	<u>(76.7)</u>	<u>(36.7)</u>
Total Liabilities and Net Parent Investment	<u>\$ 778.6</u>	<u>\$ 817.8</u>

FEDERAL-MOGUL IGNITION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Debtors' Condensed Consolidated Statements of Cash Flows

	Year Ended December 31		
	2003	2002	2001
	(Millions of Dollars)		
Net cash provided from (used by) operating activities	\$ 24.3	\$ 22.5	\$ (32.0)
Cash provided from (used by) investing activities:			
Capital expenditures	(8.2)	(10.3)	(15.5)
Proceeds from sale of businesses	2.7	2.6	164.8
Net cash (used by) provided from investing activities	(5.5)	(7.7)	149.3
Cash provided from (used by) financing activities:			
Transfers to parent	(18.8)	(14.8)	(117.3)
Net cash used by financing activities	(18.8)	(14.8)	(117.3)
Net change in cash	—	—	—
Cash at beginning of year	—	—	—
Cash at end of year	\$ —	\$ —	\$ —

2. Summary of Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of Ignition and all majority-owned subsidiaries and other controlled entities. Intercompany accounts and transactions have been eliminated in consolidation. Investments in affiliates of not more than 20% are accounted for using the cost method, while investments greater than 20% and not more than 50% are accounted for using the equity method.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be based upon amounts that differ from these estimates.

Cash and Equivalents: The Company considers all highly liquid investments with maturities of 90 days or less from the date of purchase to be cash equivalents.

Trade Accounts Receivable and Allowance for Doubtful Accounts: Trade accounts receivable are stated at historical value, which approximates fair value. Ignition does not generally require collateral for its trade accounts receivable.

Accounts receivable have been reduced by an allowance for amounts that may become uncollectible in the future. This estimated allowance is based primarily on management's evaluation of specific balances as the balances become past due, the financial condition of its customers and Ignition's historical experience of write-offs. If not reserved through specific examination procedures, Ignition general policy for uncollectible accounts is to reserve based upon the aging categories of accounts receivable and upon whether the amounts are due from an OE customer or Aftermarket customer. Past due status is based upon the invoice date of the original amounts outstanding. The allowance for doubtful accounts was \$10.1 million and \$16.2 million at December 31, 2003 and 2002, respectively.

Inventories: Inventories are carried at cost or, if lower, net realizable value. Cost is determined using the last-in, first-out ("LIFO") method for approximately 54% and 63% of the inventory at December 31, 2003 and 2002, respectively. The remaining inventories are recorded using the first-in, first-out method. If inventories had been valued at current cost amounts reported would have increased by \$7.0 million and \$8.8 million at December 31, 2003 and 2002 respectively. Inventories have also been reduced by an allowance for excess and obsolete inventories based on management's review of on-hand inventories compared to estimated future sales and usage.

Long-Lived Assets: Long-lived assets, such as property, plant and equipment and definite-lived intangible assets, are stated at cost. Depreciation and amortization is computed principally by the straight-line method for financial

FEDERAL-MOGUL IGNITION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

reporting purposes and by accelerated methods for income tax purposes. Definite-lived assets are periodically reviewed for impairment indicators. If impairment indicators exist, the Company performs the required analysis and records an impairment charge, as required, in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144). If the carrying value of a long-lived asset is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value.

Indefinite-lived Intangible Assets: Indefinite-lived intangible assets, such as goodwill and trademarks, are carried at historical value and not amortized. Indefinite-lived intangible assets are reviewed for impairment annually as of October 1, or more frequently if impairment indicators exist. The impairment analysis compares the estimated fair value of these assets to the related carrying value, and an impairment charge is recorded for any excess of carrying value over estimated fair value. The estimated fair value is based upon consideration of various valuation methodologies, including guideline transaction multiples, multiples of current earnings, and discounted future cash flows discounted at rates commensurate with the risk involved.

Revenue Recognition: Ignition recognizes sales when products are shipped and title has transferred to the customer, the sales price is fixed or determinable, and the collectibility of revenue is reasonably assured. Affiliate sales are transferred at cost. Accruals for sales returns and other allowances are provided at the time of shipment based upon past experience. Adjustments to such returns and allowances are made as new information becomes available.

Shipping and Handling Costs: Ignition recognizes shipping and handling costs as a component of cost of products sold in the statement of operations.

Recoverable Customer Engineering and Tooling: Pre-production tooling and engineering costs that Ignition will not own and that will be used in producing products under long-term supply arrangements are expensed as incurred unless the supply arrangement provides Ignition the noncancelable right to use the tools or the reimbursement of such costs is agreed to by the customer. Pre-production tooling and engineering costs that are owned by Ignition are capitalized as part of machinery and equipment, and are depreciated over the shorter of the toolings' expected life or the duration of the related program.

Research and Development and Advertising Costs: Ignition expenses research and development costs as incurred. Research and development expense for 2003, 2002 and 2001 was \$14.5 million, \$14.5 million and \$17.3 million, respectively. Advertising and promotion expense was \$3.0 million, \$3.0 million and \$3.4 million for 2003, 2002 and 2001, respectively.

Restructuring: Ignition defines restructuring expense to include charges incurred with exit or disposal activities accounted for in accordance with SFAS No. 146, employee severance costs incurred as a result of an exit or disposal activity accounted for in accordance with SFAS Nos. 88 and 112, and pension and other post employment benefit costs incurred as a result of an exit or disposal activity accounted for in accordance with SFAS Nos. 87 and 106.

Rebates/Sales Incentives: Ignition accrues for rebates pursuant to specific arrangements with certain of its customers, primarily in the aftermarket. Rebates generally provide for price reductions based upon the achievement of specified purchase volumes and are recorded as a reduction of sales as they are earned by such customers.

Currency Translation: Exchange adjustments related to international currency transactions and translation adjustments for subsidiaries whose functional currency is the United States dollar (principally those located in highly inflationary economies) are reflected in the consolidated statements of operations. Translation adjustments of foreign subsidiaries for which the United States dollar is not the functional currency are reflected in the consolidated financial statements as a component of accumulated other comprehensive loss.

Net Parent Investment: The Net Parent Investment account reflects the balance of Ignition's historical earnings, intercompany amounts, income taxes accrued and deferred, post employment liabilities, other transactions between Ignition and Federal-Mogul, foreign currency translations and equity pension adjustments. During 2001, Ignition recorded a provision for bad debt from affiliated Debtors of \$306.4 million for pre-petition intercompany accounts

FEDERAL-MOGUL IGNITION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

receivable from related Debtors outside of Ignition at the Petition Date. These receivables were previously recorded in Net Parent Investment.

Reclassifications: Certain items in the prior years financial statements have been reclassified to conform with the presentation used in 2003.

New Accounting Pronouncements:

Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity: In May 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity," which provides standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The statement is effective for financial instruments entered into or modified after May 31, 2003 and for pre-existing instruments as of the beginning of the first interim period beginning after June 15, 2003. In November 2003, the FASB elected to indefinitely defer the effective date for certain provisions of SFAS No. 150 relating to investments in limited-life entities. The adoption of the provisions of SFAS No. 150 that were not deferred by the FASB did not have a material effect on Ignition's financial condition, results of operations, or cash flows.

Derivative Instruments and Hedging Activities: In April 2003, the FASB issued SFAS No. 149, "Amendments of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. The statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of this standard did not have a material effect on Ignition's financial condition, results of operations, or cash flows.

Consolidation of Variable Interest Entities: In January 2003, the FASB issued FASB Interpretation Number 46 (FIN No. 46), "Consolidation of Variable Interest Entities", an interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements". FIN No. 46 provides guidance regarding the identification of, and financial reporting for entities over which control is achieved through means other than voting rights; such entities are considered variable interest entities. FIN No. 46 requires the consolidation of variable interest entities in which an enterprise is deemed to be the primary beneficiary, which is determined by the obligation to absorb a majority of the entity's expected losses, the right to receive a majority of an entity's expected residual returns or both.

In December 2003, the FASB issued revised FIN No. 46, which provided an exclusion for entities meeting the definition of a "business" (as defined in the interpretation) and extending the effective date for variable interest entities entered into prior to February 1, 2003 to periods ending after March 15, 2004. Management believes that its joint ventures meet this definition of a business, however, is currently evaluating such entities to determine whether consolidation is required under FIN No. 46 and to quantify the effect that adoption of FIN No. 46 will have on its consolidated financial statements.

Accounting for Costs Associated with Exit or Disposal Activities: In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". This pronouncement addresses financial accounting and reporting for costs associated with an exit activity (including restructuring) or with the disposal of long-lived assets and supercedes Emerging Issues Task Force Issue No. 94-3. Under SFAS No. 146, a liability is recorded for a cost associated with an exit activity when that liability is incurred and can be measured at fair value. SFAS No. 146 requires disclosure of information about exit and disposal activities, the related costs, and changes in those costs in the notes to the interim and annual financial statements that include the period in which an exit activity is initiated and in any subsequent period until the activity is completed. SFAS No. 146 is effective prospectively for exit and disposal activities initiated after December 31, 2002. SFAS No. 146 does not allow for the restatement of previously issued financial statements and continues the accounting for liabilities previously recorded under Emerging Issues Task Force Issue No. 94-3. Ignition adopted SFAS No. 146 effective January 1, 2003.

FEDERAL-MOGUL IGNITION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

3. Discontinued Operations

In connection with its strategic planning process, Federal-Mogul assesses its operations for market position, product technology and capability, and profitability. Those businesses determined by management not to have a sustainable competitive advantage are considered non-core and may be considered for divestiture or other exit activities. Over the past several years, Ignition has divested numerous non-core businesses. The elimination of these non-core businesses has freed up both human and capital resources which have been devoted to Federal-Mogul's core businesses.

During 2003, Ignition completed the following divestitures of non-core businesses:

- During April 2003, Ignition completed the divestitures of substantially all of its original equipment lighting operations. The original equipment lighting divestitures include operations in Matamoros, Mexico; Brownsville, Texas; and Toledo, Ohio.

During 2002, Ignition completed two divestitures of non-core businesses as follows:

- During the first quarter of 2002 Ignition completed the divestiture of its Signal-Stat Lighting Products business ("Signal-Stat") to Truck-Lite Co., Inc. Signal-Stat produces exterior lighting and power distribution products primarily for heavy-duty and commercial vehicle markets.
- In November 2002, Ignition completed the divestiture of Federal-Mogul Camshafts de Mexico S. de R.L. de C.V. ("Camshafts de Mexico"), to Linamar Corporation. Camshafts de Mexico manufactures camshafts for the North American original equipment market.

During 2001, Ignition completed divestitures of non-core businesses including:

- In May 2001, the divestiture of its Champion aviation ignition products division ("Aviation") to TransDigm Inc. Aviation provides products for all major commercial, military and general aircraft applications.
- In August 2001, the divestiture of the aftermarket operations of Blazer Lighting Products ("Blazer") to Clean-Rite Products LLC, an automotive aftermarket supplier. Blazer manufactures exterior vehicle lighting products.

Further information related to Ignition's discontinued operations is as follows:

	Year Ended December 31		
	2003	2002	2001
	(Millions of Dollars)		
Net sales.....	\$ 46.8	\$ 140.2	\$ 170.0
Cost of products sold	39.8	124.9	154.8
Gross margin	7.0	15.3	15.2
Selling, general and administrative expenses	2.8	9.1	21.2
Restructuring charges	1.7	2.6	0.2
Adjustment of assets held for sale and other long-lived assets to fair value	—	10.6	60.4
Net (gain) loss on divestitures	2.1	(2.8)	(36.1)
Other expenses, net.....	0.7	(0.6)	4.4
(Loss) income before income taxes	(0.3)	(3.6)	(34.9)
Income tax expense (benefit).....	—	12.9	(11.7)
Loss from discontinued operations	\$ (0.3)	\$ (16.5)	\$ (23.2)

FEDERAL-MOGUL IGNITION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

At December 31, 2002, Ignition had assets held for sale included in its consolidated balance sheet as follows (in millions of dollars):

Accounts receivable, net.....	\$	9.3
Inventories, net		9.2
Other current assets		<u>3.6</u>
Total Current Assets		22.1
Property, plant and equipment, net		4.9
Other long-term assets		<u>0.3</u>
Total Assets		27.3
Accounts payable.....		(7.8)
Other accrued liabilities.....		<u>(2.1)</u>
Total Liabilities	\$	<u>(9.9)</u>

4. Inventories

Inventories consisted of the following:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
Raw materials	\$ 36.4	\$ 42.1
Work-in-process	43.0	40.9
Finished goods.....	<u>87.7</u>	<u>84.9</u>
	167.1	167.9
Valuation reserves	<u>(21.6)</u>	<u>(13.0)</u>
	<u>\$ 145.5</u>	<u>\$ 154.9</u>

5. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
Land and land improvements.....	\$ 6.1	\$ 7.5
Buildings.....	62.7	60.5
Machinery and equipment	<u>312.7</u>	<u>350.8</u>
	381.5	418.8
Accumulated depreciation	<u>(106.8)</u>	<u>(146.1)</u>
	<u>\$ 274.7</u>	<u>\$ 272.7</u>

Total rental expense under operating leases for the years ended December 31, 2003, 2002 and 2001 was \$9.8 million, \$8.3 million and \$8.8 million, respectively, exclusive of property taxes, insurance and other occupancy costs generally payable by Federal-Mogul.

FEDERAL-MOGUL IGNITION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Future minimum payments under noncancelable operating leases with initial or remaining terms of more than one year are as follows, in millions:

2004	\$ 3.0
2005	2.7
2006	2.6
2007	1.7
2008	1.0
Thereafter	0.1

6. Goodwill and Other Indefinite-Lived Intangible Assets

Effective January 1, 2002, Ignition adopted SFAS No. 142, resulting in the discontinuance of amortization of goodwill and indefinite-lived intangible assets. The adoption of this standard also required the reclassification of various intangible asset classes according to the measurability of their useful lives. Ignition's initial impairment test indicated that its carrying value did not exceed the corresponding fair values, which were determined by using discounted cash flows and market multiples. Therefore, no impairment charge was required. Ignition completed its required annual impairment analysis as of October 1, 2003 and, based upon this analysis, no impairment charge was required.

At December 31, 2003 and 2002, goodwill and other intangible assets consists of the following:

	December 31, 2003			December 31, 2002		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(Millions of Dollars)					
Definite-Lived Intangible Assets						
Developed technology	\$ 44.3	\$ (9.6)	\$ 34.7	\$ 44.3	\$ (8.0)	\$ 36.3
Indefinite-Lived Intangible Assets						
Goodwill			\$ 137.2			\$ 140.2
Trademarks			110.2			110.2
Total Indefinite-Lived Intangible Assets			<u>\$ 247.4</u>			<u>\$ 250.4</u>

Ignition expects that amortization expense for its amortizable intangible assets for each of the years between 2003 and 2007 will be approximately \$2 million.

The following table shows the pro-forma effect of SFAS No. 142 on Ignition's earnings:

	Year Ended December 31		
	2003	2002	2001
	(Millions of Dollars)		
Reported Net Earnings (Loss)	\$ 53.7	\$ 16.1	\$ (551.6)
Add-back: Goodwill amortization	—	—	7.5
Add-back: Indefinite-lived intangible asset amortization	—	—	5.2
Adjusted Net Earnings (Loss)	<u>\$ 53.7</u>	<u>\$ 16.1</u>	<u>\$ (538.9)</u>

FEDERAL-MOGUL IGNITION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

7. Restructuring Charges

Ignition recorded \$12.0 million, \$2.8 million, and \$3.5 million in 2003, 2002, and 2001, respectively, of restructuring charges from continuing operations primarily related to severance costs resulting from salaried employee reductions in North America and Europe. Cash payments made during 2003 and 2002 were \$9.7 million and \$6.7 million, respectively.

8. Commitments and Contingencies

Ignition has identified certain present and former properties at which it may be responsible for cleaning up environmental contamination, in some cases as a result of contractual commitments. Ignition is actively seeking to resolve these matters. Although difficult to quantify based on the complexity of the issues, Ignition has accrued amounts corresponding to its best estimate of the costs associated with such matters based upon current available information from site investigations and consultants.

Environmental reserves were \$8.8 million and \$5.5 million at December 31, 2003 and 2002, respectively and are included in the consolidated balance sheets as follows:

	December 31	
	2003	2002
	(Millions of Dollars)	
Current liabilities	\$ 0.4	\$ 1.4
Long-term accrued liabilities	1.1	1.1
Liabilities subject to compromise	7.3	3.0
	\$ 8.8	\$ 5.5

Management believes that such accruals will be adequate to cover Ignition's estimated liability for its exposure in respect to such matters. In the event that such liabilities were to significantly exceed the amounts recorded by Ignition, Ignition's results of operations and financial condition could be materially affected. At December 31, 2003, management estimates that reasonably possible material additional losses above and beyond management's best estimate of required remediation costs as recorded approximates \$0.2 million.

Environmental reserves subject to compromise include those that may be reduced in Federal-Mogul's bankruptcy proceeding because they may be determined to be "dischargeable debts" incurred prior to Federal-Mogul's filing for bankruptcy. Such liabilities generally arise at either (1) commercial waste disposal sites to which Ignition and other companies sent wastes for disposal, or (2) sites in relation to which Ignition has a contractual obligation to indemnify the current owner of a site for the costs of cleanup of contamination that was released into the environment before Ignition sold the site.

Environmental reserves determined not to be subject to compromise include those which arise from a legal obligation of Ignition, under an administrative or judicial order, to perform cleanup at a site. Such obligations are normally associated with sites, which a bankrupt entity such as Ignition owns and either operates or formerly operated.

The best estimate of environmental liability at a site may change from time to time during a bankruptcy proceeding even though the liability relating to that site is subject to compromise and Ignition's responsibility to make payments is stayed. Notwithstanding the stay of proceedings regarding such a site, activities such as further site investigation and/or actual cleanup work usually continue to be performed by other parties. Such activities may produce new and better information that requires Ignition to revise its best estimate of total site cleanup costs and its own share of such costs.

FEDERAL-MOGUL IGNITION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

9. Long-Term Debt and Other Financing Arrangements

Ignition's cash and indebtedness is managed by Federal-Mogul. The majority of the cash provided by or used by a particular division, including Ignition, is provided through a consolidated cash and debt management system. As a result, the amount of cash or debt historically related to Ignition is not determinable.

Ignition has an intercompany loan, including accrued interest, from Federal-Mogul in the amount of \$610.3 million, which is included in liabilities subject to compromise at December 31, 2003 and 2002. In 2002 and 2001, Federal-Mogul charged interest on the intercompany loans based on the stated rate of 6.8%. In accordance with SOP 90-7, Ignition stopped recording interest expense on its outstanding notes effective October 1, 2001. As a result, Ignition was relieved of \$32.4 million, \$32.4 million, and \$8.1 million for the years ended December 31, 2003, 2002, and 2001 respectively.

Federal-Mogul has pledged 100% of Ignition's capital stock and also provided collateral in the form of a pledge of inventories, property, plant and equipment, real property and intellectual properties to secure certain outstanding debt of Federal-Mogul. In addition, Ignition has guaranteed fully and unconditionally, on a joint and several basis, the obligation to pay principal and interest under Federal-Mogul's Senior Credit Agreement and its publicly registered debt. Such pledges and guarantees have also been made by other subsidiaries of Federal-Mogul. Federal-Mogul is in default of the terms of such debt agreements. Borrowings under such agreements aggregated \$4,020.7 million and \$3,982.7 million as of December 31, 2003 and 2002, respectively.

10. Net Parent Investment

Changes in net parent investment were as follows:

	(Millions of Dollars)
Balance at January 1, 2001	\$ 1,004.7
Reclassification of intercompany accounts and loans payable at the Petition Date to Liabilities subject to compromise.....	(758.7)
Reclassification of accounts receivable from affiliates at the Petition Date.....	306.4
Reclassification transfer of accounts receivable from Federal-Mogul to Ignition.....	43.0
	595.4
Comprehensive loss.....	(557.7)
Intercompany transactions, net.....	(36.7)
Balance at December 31, 2001	1.0
Comprehensive income	21.5
Intercompany transactions, net.....	(60.6)
Balance at December 31, 2002	(38.1)
Comprehensive income	41.5
Intercompany transactions, net.....	(81.9)
Balance at December 31, 2003	\$ (78.5)

Ignition includes accumulated other comprehensive loss in Net Parent Investment. At December 31, 2003 accumulated other comprehensive loss included \$41.2 million of foreign currency translation adjustments and \$(4.1) million of minimum pension funding. At December 31, 2002 accumulated other comprehensive loss included \$53.4 million of foreign currency translation adjustments and \$(4.1) million of minimum pension funding.

FEDERAL-MOGUL IGNITION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

11. Income Taxes

Ignition files a consolidated return with its parent for U.S. federal income tax purposes. Federal income tax expense is calculated on a separate-return basis for financial reporting purposes.

	<u>Year Ended December 31</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Components of income tax expense (benefit)	(Millions of Dollars)		
Current.....	\$ (0.2)	\$ 14.4	\$ 58.3
Deferred.....	15.0	7.0	(49.8)
Income tax expense.....	<u>\$ 14.8</u>	<u>\$ 21.4</u>	<u>\$ 8.5</u>

A reconciliation between the statutory federal income tax rate and the effective tax rate is as follows:

	<u>Year Ended December 31</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Effective tax rate reconciliation:			
U.S. Federal statutory rate	35%	35%	35%
State and local taxes.....	1	1	2
Foreign operations	1	(7)	(3)
Goodwill amortization and other	8	3	(8)
Valuation allowance	(24)	4	(28)
Effective tax rate.....	<u>21%</u>	<u>36%</u>	<u>(2)%</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the related amounts used for income tax purposes. Significant components of the Ignition net deferred tax asset are non-deductible accruals and amortization and depreciation timing differences.

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
Net current deferred tax assets.....	\$ 9.3	\$ 29.1
Net long-term deferred tax assets	97.7	96.2
Net deferred tax assets	107.0	125.3
Valuation allowance	(115.8)	(123.1)
Net deferred tax assets (liabilities).....	<u>\$ (8.8)</u>	<u>\$ 2.2</u>

As Ignition files a consolidated tax return with Federal-Mogul, the net deferred tax liability at December 31, 2003 and net deferred tax asset at December 31, 2002 is a component of the net parent investment.

12. Pension Plans

Ignition is included in the Federal-Mogul Corporation Pension Plan. As such, the related pension liability is recorded in Net Parent Investment at December 31, 2003 and 2002.

The pension charge allocated to Ignition for the years ended December 31, 2003 and 2002 was \$2.6 million and \$2.7 million, respectively. For the year ended December 31, 2000, a pension credit was allocated to Ignition of approximately \$0.3 million.

FEDERAL-MOGUL IGNITION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

13. Postretirement Benefits Other Than Pensions

Benefits provided to employees of Ignition under various Federal-Mogul postretirement plans other than pensions, all of which are unfunded, include retiree medical care, dental care, prescription drugs and life insurance, with medical care accounting for approximately 45% of the total. The majority of participants under such plans are retirees. The expense related to such plans approximated \$13.3 million, \$12.5 million and \$14.4 million, for 2003, 2002 and 2001, respectively.

14. Concentrations of Credit Risk and Other

Financial instruments, which potentially subject Ignition to concentrations of credit risk, consist primarily of accounts receivable and cash investments. Ignition's customer base is primarily in the automotive industry. Ignition's credit evaluation process, reasonably short collection terms and the geographical dispersion of sales transactions help to mitigate any concentration of credit risk. Ignition requires placement of cash in financial institutions evaluated as highly creditworthy. Ignition performs periodic credit evaluations of their customers and generally does not require collateral.

Ignition operates in a single business segment. Ignition manufactures and distributes spark plugs, wiper blades, lamps, and other products for use by the automotive aftermarket and in automobile assemblies. No single customer accounted for 10% or more of revenues in 2003, 2002 or 2001. The following table shows geographic information:

	<u>Third Party Sales</u>			<u>Net Property, Plant and Equipment</u>	
	<u>Year Ended December 31</u>			<u>December 31</u>	
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)				
United States.....	\$ 426.6	\$ 438.9	\$ 455.9	\$ 110.6	\$ 119.2
Mexico.....	167.1	142.2	142.2	102.7	97.5
Europe	99.7	82.9	82.9	60.4	55.3
Other	<u>20.9</u>	<u>17.1</u>	<u>16.8</u>	<u>1.0</u>	<u>0.7</u>
Total.....	<u>\$ 714.3</u>	<u>\$ 681.1</u>	<u>\$ 697.8</u>	<u>\$ 274.7</u>	<u>\$ 272.7</u>

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Federal-Mogul Corporation

We have audited the accompanying consolidated balance sheets of Federal-Mogul Powertrain, Inc. and subsidiaries, a wholly-owned subsidiary of Federal-Mogul Corporation, as of December 31, 2003 and 2002 and the related consolidated statements of operations and cash flows for each of the three years in the period ended December 31, 2003. 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 auditing standards generally accepted in the 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Federal-Mogul Powertrain, Inc. and subsidiaries at December 31, 2003 and 2002 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States.

The accompanying consolidated financial statements have been prepared assuming that Federal-Mogul Powertrain, Inc. and subsidiaries will continue as a going concern. As more fully described in the notes to the consolidated financial statements, on October 1, 2001, Federal-Mogul Corporation and its wholly-owned United States subsidiaries, which includes Federal-Mogul Powertrain, Inc. filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code. Uncertainties inherent in the bankruptcy process raise substantial doubt about Federal-Mogul Powertrain, Inc.'s ability to continue as a going concern. Management's intentions with respect to these matters are also described in the notes. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 6 to the consolidated financial statements, Federal-Mogul Powertrain, Inc. changed its method of accounting for goodwill and indefinite-lived intangible assets in 2002.

/s/ ERNST & YOUNG LLP
Detroit, Michigan
February 6, 2004,
except as to the ninth paragraph
of Note 1, as to which the date
is March 4, 2004

FEDERAL-MOGUL POWERTRAIN, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31		
	2003	2002	2001
	(Millions of Dollars)		
Third party sales	\$ 531.6	\$ 583.2	\$ 560.5
Affiliate sales.....	35.5	41.5	29.7
Total net sales.....	567.1	624.7	590.2
Cost of products sold.....	480.3	516.9	487.1
Gross margin	86.8	107.8	103.1
Selling, general and administrative expenses	61.3	74.4	67.8
Provision for bad debt from affiliate Debtors	—	—	1,088.4
Amortization expense.....	—	—	8.4
Restructuring charges.....	1.8	11.0	—
Adjustment of assets held for sale and other long-lived assets to fair value.....	7.4	25.3	—
Interest expense, net	—	—	30.2
Other expense, net	2.0	1.2	5.8
Earnings (loss) from continuing operations before income taxes and cumulative effect of change in accounting principle.....	14.3	(4.1)	(1,097.5)
Income tax expense	0.1	3.7	22.8
Earnings (loss) from continuing operations before cumulative effect of change in accounting principle.....	14.2	(7.8)	(1,120.3)
Earnings (loss) from discontinued operations, net of income taxes.....	(2.7)	3.7	(89.3)
Cumulative effect of change in accounting principle	—	202.2	—
Net Earnings (Loss)	\$ 11.5	\$ (206.3)	\$(1,209.6)

See accompanying notes to consolidated financial statements.

FEDERAL-MOGUL POWERTRAIN, INC.

CONSOLIDATED BALANCE SHEETS

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
ASSETS		
Accounts receivable, net.....	\$ 59.1	\$ 80.7
Inventories, net.....	30.2	36.9
Other.....	<u>9.4</u>	<u>12.5</u>
Total Current Assets	98.7	130.1
Property, plant and equipment, net.....	255.8	301.7
Goodwill and indefinite-lived intangible assets.....	103.1	103.1
Other noncurrent assets.....	<u>16.7</u>	<u>29.9</u>
Total Assets	<u>\$ 474.3</u>	<u>\$ 564.8</u>
LIABILITIES AND NET PARENT INVESTMENT		
Accounts payable.....	\$ 19.1	\$ 24.9
Accrued compensation.....	13.8	14.6
Restructuring reserves.....	4.6	7.7
Other accrued liabilities.....	<u>16.5</u>	<u>16.4</u>
Total Current Liabilities	54.0	63.6
Other long-term liabilities.....	2.4	3.1
Liabilities subject to compromise.....	650.0	651.7
Minority interest in consolidated subsidiaries.....	20.4	20.4
Net Parent Investment.....	<u>(252.5)</u>	<u>(174.0)</u>
Total Liabilities and Net Parent Investment	<u>\$ 474.3</u>	<u>\$ 564.8</u>

See accompanying notes to consolidated financial statements.

FEDERAL-MOGUL POWERTRAIN, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31		
	2003	2002	2001
	(Millions of Dollars)		
Cash provided from (used by) operating activities:			
Net earnings (loss).....	\$ 11.5	\$ (206.3)	\$(1,209.6)
Adjustments to reconcile net earnings (loss) to net cash provided from (used by) operating activities:			
Cumulative effect of change in accounting principle.....	—	202.2	—
Provision for bad debt from affiliate Debtors.....	—	—	1,088.4
Depreciation and amortization.....	33.6	59.5	49.9
Restructuring charges.....	1.8	11.2	—
Adjustment of assets held for sale and other long-lived assets to fair value.....	7.4	25.3	133.7
Payments against restructuring reserves.....	(4.9)	—	—
Changes in assets and liabilities:			
Accounts receivable.....	21.6	(1.5)	8.0
Inventories.....	2.0	(3.3)	4.7
Accounts payable and accrued liabilities.....	(2.0)	4.0	(0.9)
Other assets and liabilities, net.....	<u>33.4</u>	<u>(30.0)</u>	<u>51.4</u>
Net cash provided from operating activities.....	104.4	61.1	125.6
Cash provided from (used by) investing activities:			
Capital expenditures.....	(29.1)	(41.1)	(37.2)
Proceeds from sale of businesses.....	<u>14.7</u>	<u>1.6</u>	<u>45.4</u>
Net cash (used by) provided from investing activities.....	(14.4)	(39.5)	8.2
Cash provided from (used by) financing activities:			
Repayments of long-term debt.....	—	—	(4.7)
Transfers (to) from parent.....	<u>(90.0)</u>	<u>(21.6)</u>	<u>(129.1)</u>
Net cash (used by) provided from financing activities.....	(90.0)	(21.6)	(133.8)
Net change in cash.....	—	—	—
Cash at beginning of year.....	<u>—</u>	<u>—</u>	<u>—</u>
Cash at end of year.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes to consolidated financial statements.

FEDERAL-MOGUL POWERTRAIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying financial statements reflect the consolidated assets, liabilities and operations of Federal-Mogul Powertrain, Inc. and its subsidiaries ("Powertrain"). Powertrain is a wholly-owned subsidiary of T&N Industries Inc., which is a wholly-owned subsidiary of Federal-Mogul Corporation ("Federal-Mogul"). Powertrain manufactures pistons, rings and liners.

Powertrain operates with financial and operational staff on a decentralized basis. Federal-Mogul provides certain centralized services for employee benefits administration, cash management, risk management, legal services, public relations, domestic tax reporting and internal and external audit. Federal-Mogul charges Powertrain for all such direct expenses incurred on its behalf. General expenses, excluding Chapter 11 and Administration related organization expenses, that are not directly attributable to the operations of Powertrain have been allocated based on management's estimates, primarily driven by sales. Management believes that this allocation method is reasonable.

The accompanying consolidated financial statements are presented as if Powertrain had existed as an entity separate from its parent during the periods presented and include the assets, liabilities, revenues and expenses that are directly related to Powertrain's operations.

Powertrain's separate debt and related interest expense have been included in the consolidated financial statements. Powertrain is fully integrated into its parent's cash management system, as such, all cash requirements are provided by its parent and any excess cash generated by Powertrain is transferred to its parent.

Voluntary Reorganization Under Chapter 11 and Administration

On October 1, 2001 (the "Petition Date"), Federal-Mogul Corporation (the "Company" or "Federal-Mogul") and all of its wholly-owned United States subsidiaries filed voluntary petitions for reorganization (the "U.S. Restructuring") under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). Also on October 1, 2001, certain of the Company's United Kingdom subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code and petitions for Administration (the "U.K. Restructuring") under the United Kingdom Insolvency Act of 1986 (the "Act") in the High Court of Justice, Chancery division in London, England (the "High Court"). The Company and its U.S. and U.K. subsidiaries included in the U.S. Restructuring and U.K. Restructuring are herein referred to as the "Debtors". The U.S. Restructuring and U.K. Restructuring are herein referred to as the "Restructuring Proceedings". The Chapter 11 cases of the Debtors (collectively, the "Chapter 11 Cases") have been consolidated for purposes of joint administration as In re: Federal-Mogul Global Inc., T&N Limited, et. al (Case No. 01-10578(RTL)). Subsidiaries outside of the aforementioned U.S. and U.K. subsidiaries are not party to the Chapter 11 Cases and, therefore, are not currently provided protection from creditors by any bankruptcy court and are operating in normal course.

The Restructuring Proceedings were initiated in response to a sharply increasing number of asbestos-related claims and their related demand on the Company's cash flows and liquidity. Under the Restructuring Proceedings, the Debtors expect to develop and implement a plan for addressing the asbestos-related claims against them.

Consequences of the Restructuring Proceedings

The U.S. Debtors, including Powertrain, are operating their businesses as debtors-in-possession subject to the provisions of the Bankruptcy Code. The U.K. Debtors are continuing to manage their operations under the supervision of Administrators approved by the High Court. All vendors will be paid for all goods furnished and services provided after the Petition Date. However, as a consequence of the Restructuring Proceedings, pending litigation against the Debtors as of the Petition Date is stayed (subject to certain exceptions in the case of governmental authorities), and no party may take any action to pursue or collect pre-petition claims except pursuant to an order of the Bankruptcy Court or the High Court as applicable. It is the Debtors' intention to address all pending and future asbestos-related claims and all other pre-petition claims through a unified plan of reorganization under the Bankruptcy Code or scheme of arrangement under the Act.

FEDERAL-MOGUL POWERTRAIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

In the U.S., four committees, representing asbestos claimants, asbestos property damage claimants, unsecured creditors and equity security holders (collectively, the "Committees") have been appointed as official committees in the Chapter 11 Cases and, in accordance with the provisions of the Bankruptcy Code, have the right to be heard on all matters that come before the Bankruptcy Court. The Committees, together with the legal representative for the future asbestos claimants, play important roles in the Restructuring Proceedings. In the U.K., the Administrators have appointed a creditors committee, representing both asbestos claimants and general unsecured creditors.

On March 4, 2004, Federal-Mogul filed an amended plan of reorganization and related disclosure statement with the Bankruptcy Court. This amended plan of reorganization was jointly proposed by Federal-Mogul along with the Unsecured Creditors Committee, the Asbestos Claimants Committee, the Future Asbestos Claimants Representative, the Agent for the Prepetition Bank Lenders and the equity security holders (collectively referred to as the "Co-Proponents"). The joint amended plan of reorganization is consistent with the principal terms of the plan originally filed with the Bankruptcy Court on March 6, 2003.

The amended joint plan of reorganization provides that asbestos personal injury claimants, both present and future, will be permanently channeled to a trust or series of trusts established pursuant to Section 524(g) of the Bankruptcy Code, thereby protecting Federal-Mogul and its affiliates in the Chapter 11 Cases from existing and future asbestos liability. Although technical issues remain to be resolved, the amended joint plan provides that all currently outstanding stock of Federal-Mogul will be cancelled, and 50.1% of newly authorized and issued common stock of reorganized Federal-Mogul will be distributed to the asbestos trusts or trusts for the benefit of existing and future asbestos claimants, and 49.9% of the newly authorized and issued common stock will be distributed pro rata to the noteholders. Trade creditors of Federal-Mogul will receive cash distributions in an amount that has yet to be determined. If the classes of holders of common and preferred stock of Federal-Mogul vote in favor of the amended joint plan, the holders of currently outstanding common and preferred stock of Federal-Mogul will receive warrants in reorganized Federal-Mogul.

There are two possible types of U.K. schemes of arrangements. The first is under Section 425 of the Companies Act of 1985, which may involve a scheme for the reconstruction of the Company. If a majority in number representing three-fourths in value of the creditors or members or any class of them agree to the compromise or arrangement, it is binding if sanctioned by the High Court. Section 425 may be invoked where there is an Administration order in force in relation to the Company. The other possible type of scheme arises under Section 1 of the Insolvency Act of 1986 in relation to Company Voluntary Arrangements ("CVA"). If a majority in value representing more than three-fourths of the creditors agrees to the compromise or arrangement set out in the CVA proposal, it will be approved.

Powertrain is unable to predict with a high degree of certainty at this time what treatment will be accorded under any such plan of reorganization to claims arising from intercompany indebtedness, licenses, executory contracts, transfers of goods and services, and other intercompany arrangements, transactions and relationships that were entered into prior to the Petition Date. Various parties in the Chapter 11 Cases may challenge these arrangements, transactions, and relationships, and the outcome of those challenges, if any, may have an impact on the treatment of various claims under such plan of reorganization.

The Bankruptcy Court may confirm a plan of reorganization only upon making certain findings required by the Bankruptcy Code, and a plan may be confirmed over the dissent of non-accepting creditors and equity security holders if certain requirements of the Bankruptcy Code are met. The payment rights and other entitlements of pre-petition creditors and equity security holders may be substantially altered by any plan of reorganization confirmed in the Chapter 11 Cases. There is no assurance that there will be sufficient assets to satisfy the Debtors' pre-petition liabilities in whole or in part, and the pre-petition creditors of some Debtors may be treated differently than those of other Debtors.

Chapter 11 Financing

In connection with the Restructuring Proceedings, Federal-Mogul entered into a \$675 million debtor-in-possession ("DIP") credit facility to supplement liquidity and fund operations during the restructuring proceedings. In August 2003, the DIP credit facility was amended to reduce the commitment to \$600 million, change the expiration date to

FEDERAL-MOGUL POWERTRAIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

February 2005, and reduce the interest rate to either the alternate base rate ("ABR") plus 2 percentage points or a formula based on the London Inter-Bank Offered Rate ("LIBOR") plus 3 percentage points. The ABR is the greatest of either the bank's prime rate or the base CD rate plus 1 percentage point or the federal funds rate plus ½ percentage point. The \$600 million commitment is mandatorily reduced by a portion of proceeds received from future asset or business divestitures.

Federal-Mogul's available borrowings under the DIP credit facility are determined by the underlying collateral at any point in time, which includes Powertrain's domestic inventories, domestic accounts receivable, and domestic property, plant, and equipment. The DIP lenders received permission from the lenders of the Senior Credit Agreements to have priority over their collateral interest.

Financial Statement Presentation

The accompanying consolidated financial statements have been prepared in accordance with AICPA Statement of Position 90-7 ("SOP 90-7"), "Financial Reporting by Entities in Reorganization under the Bankruptcy Code" and on a going concern basis, which contemplates continuity of operations and realization of assets and liquidation of liabilities in the ordinary course of business. However, as a result of the Restructuring Proceedings, such realization of assets and liquidation of liabilities, without substantial adjustments and/or changes of ownership, is highly uncertain. Given this uncertainty, there is substantial doubt about the ability of Powertrain to continue as a going concern. While operating as debtors-in-possession under the protection of Chapter 11 of the Bankruptcy Code and Administration under the Act, and subject to approval of the Bankruptcy Court, Administrators or the High Court or otherwise as permitted in the ordinary course of business, Powertrain may sell or otherwise dispose of assets and liquidate or settle liabilities for some amounts other than those reflected in the consolidated financial statements. Further, a plan of reorganization or scheme of arrangement could materially change the amounts and classifications in the historical consolidated financial statements.

As reflected in the consolidated financial statements, "Liabilities subject to compromise" refers to liabilities of entities of Powertrain included in the Restructuring Proceedings incurred prior to the Petition Date. The amounts of the various liabilities that are subject to compromise are set forth below. These amounts represent Powertrain's estimate of known or potential pre-petition claims to be resolved in connection with the Restructuring Proceedings. Such claims remain subject to future adjustments. Future adjustments may result from (i) negotiations; (ii) actions of the Bankruptcy Court, High Court or Administrators; (iii) further developments with respect to disputed claims; (iv) rejection of executory contracts and unexpired leases; (v) the determination as to the value of any collateral securing claims; (vi) proofs of claim; or (vii) other events. Payment terms for these claims will be established in connection with the Restructuring Proceedings.

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Accounts payable to affiliated companies.....	\$ 618.1	\$ 618.1
Accounts payable.....	26.5	28.0
Environmental liabilities.....	3.5	3.2
Other accrued liabilities.....	0.9	1.4
Debt.....	<u>1.0</u>	<u>1.0</u>
Total.....	<u>\$ 650.0</u>	<u>\$ 651.7</u>

The Debtors, including Powertrain, have received approval from the Bankruptcy Court to pay or otherwise honor certain of their pre-petition obligations, including employee wages, salaries, benefits and other employee obligations and from limited available funds, pre-petition claims of certain critical vendors, certain customer programs and warranty claims and certain other pre-petition claims.

Pursuant to the Bankruptcy Code, Federal-Mogul has filed schedules with the Bankruptcy Court setting forth the assets and liabilities of the Debtors as of the Petition Date. On October 4, 2002, the Debtors issued approximately 100,000 proof of claim forms to its current and prior employees, known creditors, vendors and other parties with whom the Debtors have previously conducted business. To the extent that recipients disagree with the claims as

FEDERAL-MOGUL POWERTRAIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

quantified on these forms, the recipient may file discrepancies with the Bankruptcy Court. Differences between amounts recorded by the Debtors and claims filed by creditors will be investigated and resolved as part of the Restructuring Proceedings. The Bankruptcy Court ultimately will determine liability amounts that will be allowed for these claims in the Chapter 11 Cases. A March 3, 2003 bar date was set for the filing of proofs of claim against the Debtors. Because the Debtors have not completed evaluation of the claims received in connection with this process, the ultimate number and allowed amount of such claims are not presently known. The resolution of such claims could result in a material adjustment to the Company's financial statements.

The Debtors, including Powertrain, continue to review and analyze the proofs of claim filed to date. In addition, the Debtors continue to file objections and seek stipulations to certain claims. Additional claims may be filed after the general bar date, which could be allowed by the Bankruptcy Court. Accordingly, the ultimate number and allowed amount of such claims are not presently known and cannot be reasonably estimated at this time. The resolution of such claims could result in a material adjustment to the Company's financial statements.

The appropriateness of using the going concern basis for the Powertrain's financial statements is dependent upon, among other things: (i) Federal-Mogul's ability to comply with the terms of the DIP credit facility and any cash management order entered by the Bankruptcy Court in connection with the Chapter 11 Cases; (ii) the ability of Federal-Mogul to maintain adequate cash on hand; (iii) the ability of Federal-Mogul to generate cash from operations; (iv) confirmation of a plan(s) of reorganization under the Bankruptcy Code; (v) confirmation of a scheme(s) of arrangement in the U.K. under Administration; and (vi) Federal-Mogul's ability to achieve profitability following such confirmations.

2. Summary of Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of Powertrain and all majority-owned subsidiaries and other controlled entities. Intercompany accounts and transactions have been eliminated in consolidation. Investments in affiliates of greater than 20% and not more than 50% are accounted for using the equity method.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be based upon amounts that differ from these estimates.

Trade Accounts Receivable and Allowance for Doubtful Accounts: Trade accounts receivable are stated at historical value, which approximates fair value. Powertrain does not generally require collateral for its trade accounts receivable.

Accounts receivable have been reduced by an allowance for amounts that may become uncollectible in the future. This estimated allowance is based primarily on management's evaluation of specific balances as the balances become past due, the financial condition of its customers and Powertrain's historical experience of write-offs. If not reserved through specific examination procedures, Powertrain's general policy for uncollectible accounts is to reserve based upon the aging categories of accounts receivable and upon whether the amounts are due from an OE customer or Aftermarket customer. Past due status is based upon the invoice date of the original amounts outstanding. The allowance for doubtful accounts was \$9.3 million and \$9.7 million at December 31, 2003 and 2002, respectively.

Inventories: Inventories are stated at the lower of cost or market. Cost determined by the last-in, first-out (LIFO) method was used for 14% and 20% of the inventory at December 31, 2003 and 2002, respectively. The remaining inventories are recorded using the first-in, first out (FIFO) method. LIFO approximated FIFO cost at December 31, 2003 and 2002.

FEDERAL-MOGUL POWERTRAIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Investments in non-consolidated entities: Equity investments that comprise more than 20% but less than 50% of the outstanding equity of the investee are accounted for by the equity investment method and are not consolidated. Such investments aggregated \$15.7 million and \$29.1 million at December 31, 2003 and 2002, respectively, and are included in the consolidated balance sheets as "other non current assets". Net income from non-consolidated equity investments was \$6.6 million, \$4.5 million and \$5.3 million for 2003, 2002 and 2001, respectively, and is included in the statements of operations as "other expense, net".

Long-Lived Assets: Long-lived assets, such as property, plant and equipment and definite-lived intangible assets, are stated at cost. Depreciation and amortization is computed principally by the straight-line method for financial reporting purposes and by accelerated methods for income tax purposes. Definite-lived assets are periodically reviewed for impairment indicators. If impairment indicators exist, the Company performs the required analysis and records an impairment charge, as required, in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144). If the carrying value of a long-lived asset is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value.

Indefinite-lived Intangible Assets: Indefinite-lived intangible assets, such as goodwill and trademarks, are carried at historical value and not amortized. Indefinite-lived intangible assets are reviewed for impairment annually as of October 1, or more frequently if impairment indicators exist. The impairment analysis compares the estimated fair value of these assets to the related carrying value, and an impairment charge is recorded for any excess of carrying value over estimated fair value. The estimated fair value is based upon consideration of various valuation methodologies, including guideline transaction multiples, multiples of current earnings, and discounted future cash flows discounted at rates commensurate with the risk involved.

Revenue Recognition: Powertrain records sales when products are shipped and title has transferred to the customer, the sales price is fixed or determinable and the collectibility of revenue is reasonably assured. Affiliate sales are transferred at cost. Accruals for sales returns and other allowances are provided at the time of shipment based upon past experience. Adjustments to such returns and allowances are made as new information becomes available.

Shipping and Handling Costs: Powertrain recognizes shipping and handling costs as a component of cost of products sold in the statement of operations.

Recoverable Customer Engineering and Tooling: Costs of pre-production tooling and engineering that Powertrain will not own and that will be used in producing products under long-term supply arrangements are expensed as incurred unless the supply arrangement provides Powertrain the noncancelable right to use the tools or the reimbursement of such costs is agreed to by the customer. Pre-production tooling and engineering costs that are owned by Powertrain are capitalized as part of machinery and equipment, and are depreciated over the shorter of the toolings' expected life or the duration of the related program.

Research and Development Costs: Powertrain expenses research and development costs as incurred. Research and development expense was \$2.5 million, \$3.0 million and \$2.8 million for 2003, 2002 and 2001, respectively.

Restructuring: Powertrain defines restructuring expense to include charges incurred with exit or disposal activities accounted for in accordance with SFAS No. 146, employee severance costs incurred as a result of an exit or disposal activity accounted for in accordance with SFAS Nos. 88 and 112, and pension and other post employment benefit costs incurred as a result of an exit or disposal activity accounted for in accordance with SFAS Nos. 87 and 106.

Fair Value of Financial Instruments: The carrying amounts of certain financial instruments such as accounts receivable and accounts payable approximate their fair value.

Net Parent Investment: The Net Parent Investment account reflects the balance of Powertrain historical earnings, intercompany debt, income taxes accrued and deferred, post employment liabilities and other transactions between Powertrain and Federal-Mogul. During 2001, Powertrain recorded a provision for bad debt from affiliated Debtors

FEDERAL-MOGUL POWERTRAIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

of \$1,088.4 million for pre-petition accounts receivable from related debtor entities outside of Powertrain at the Petition Date. These receivables were previously recorded in net parent investment.

Reclassifications: Certain items in the prior year financial statements have been reclassified to conform to the presentation used in 2003.

New Accounting Pronouncements:

Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity: In May 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity," which provides standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The statement is effective for financial instruments entered into or modified after May 31, 2003 and for pre-existing instruments as of the beginning of the first interim period beginning after June 15, 2003. In November 2003, the FASB elected to indefinitely defer the effective date for certain provisions of SFAS No. 150 relating to investments in limited-life entities. The adoption of the provisions of SFAS No. 150 that were not deferred by the FASB did not have a material effect on Powertrain's financial condition, results of operations, or cash flows.

Derivative Instruments and Hedging Activities: In April 2003, the FASB issued SFAS No. 149, "Amendments of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. The statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of this standard did not have a material effect on Powertrain's financial condition, results of operations, or cash flows.

Consolidation of Variable Interest Entities: In January 2003, the FASB issued FASB Interpretation Number 46 (FIN No. 46), "Consolidation of Variable Interest Entities", an interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements". FIN No. 46 provides guidance regarding the identification of, and financial reporting for entities over which control is achieved through means other than voting rights; such entities are considered variable interest entities. FIN No. 46 requires the consolidation of variable interest entities in which an enterprise is deemed to be the primary beneficiary, which is determined by the obligation to absorb a majority of the entity's expected losses, the right to receive a majority of an entity's expected residual returns or both.

In December 2003, the FASB issued revised FIN No. 46, which provided an exclusion for entities meeting the definition of a "business" (as defined in the interpretation) and extending the effective date for variable interest entities entered into prior to February 1, 2003 to periods ending after March 15, 2004. Management believes that its joint ventures meet this definition of a business, however, is currently evaluating such entities to determine whether consolidation is required under FIN No. 46 and to quantify the effect that adoption of FIN No. 46 will have on its consolidated financial statements.

Accounting for Costs Associated with Exit or Disposal Activities: In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". This pronouncement addresses financial accounting and reporting for costs associated with an exit activity (including restructuring) or with the disposal of long-lived assets and supercedes Emerging Issues Task Force Issue No. 94-3. Under SFAS No. 146, a liability is recorded for a cost associated with an exit activity when that liability is incurred and can be measured at fair value. SFAS No. 146 requires disclosure of information about exit and disposal activities, the related costs, and changes in those costs in the notes to the interim and annual financial statements that include the period in which an exit activity is initiated and in any subsequent period until the activity is completed. SFAS No. 146 is effective prospectively for exit and disposal activities initiated after December 31, 2002. SFAS No. 146 does not allow for the restatement of previously issued financial statements and continues the accounting for liabilities previously recorded under Emerging Issues Task Force Issue No. 94-3. Powertrain adopted SFAS No. 146 effective January 1, 2003.

FEDERAL-MOGUL POWERTRAIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

3. Discontinued Operations

In connection with its strategic planning process, Federal-Mogul assesses its operations for market position, product technology and capability, and profitability. Those businesses determined by management not to have a sustainable competitive advantage are considered non-core and may be considered for divestiture or other exit activities. Over the past several years, Powertrain has divested numerous non-core businesses. The elimination of these non-core businesses has freed up both human and capital resources which have been devoted to Federal-Mogul's core businesses.

During April 2003, Powertrain completed the divestitures of its U.S. camshaft operations, which include manufacturing operations in Grand Haven, Michigan and Orland, Indiana, as well as the Company's share of an assembled camshaft joint venture operation in Grand Haven.

In July 2002, Powertrain completed the divestiture of its automotive camshaft manufacturing plant in Jackson, Michigan, to Camshaft Machine Company, a new company formed by the facility's management. Powertrain also entered into a three-year supply agreement with Camshaft Machine Company, under which Powertrain will continue to market and sell aftermarket camshafts produced at the Jackson facility through its aftermarket business. This business employed approximately 90 employees and had 2001 net sales of \$5.9 million. Powertrain received aggregate proceeds of \$1.6 million. The sale did not result in a material gain or loss.

In July 2001, Powertrain completed the divestiture of its industrial heavy wall bearing operation in McConnelsville, Ohio, to Miba-Bearings - US, LLC, a subsidiary of Miba AG, a major Austrian industrial bearing manufacturer. Powertrain received aggregated proceeds of \$45.4 million and recognized a pre-tax loss of \$17.2 million. The loss is included in "other expense, net" in the accompanying consolidated statements of operations.

Further information related to Powertrain's discontinued operations is as follows:

	Year Ended December 31		
	2003	2002	2001
	(Millions of Dollars)		
Net sales.....	\$ 21.0	\$ 86.5	\$ 109.2
Cost of products sold	<u>19.3</u>	<u>80.0</u>	<u>104.5</u>
Gross margin	1.7	6.5	4.7
Selling, general and administrative expenses	—	—	0.7
Restructuring charges	0.1	0.2	0.2
Adjustment of assets held for sale and other long-lived assets to fair value	—	—	133.7
Net loss on divestitures.....	5.0	1.7	17.2
Other (income) expense, net	<u>(0.7)</u>	<u>0.7</u>	<u>5.0</u>
(Loss) income before income taxes	(2.7)	3.9	(152.1)
Income tax expense (benefit).....	—	0.2	(62.8)
(Loss) income from discontinued operations	<u>\$ (2.7)</u>	<u>\$ 3.7</u>	<u>\$ (89.3)</u>

FEDERAL-MOGUL POWERTRAIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

As of December 31, 2002, Powertrain had assets held for sale included in its consolidated balance sheet as follows (in millions of dollars):

Accounts receivable, net.....	\$ 1.6
Inventories, net	4.9
Other current assets	<u>0.5</u>
Total Current Assets	7.0
Property, plant and equipment, net	18.1
Other long-term assets	<u>—</u>
Total Assets	25.1
Accounts payable.....	(3.3)
Other accrued liabilities	<u>(3.3)</u>
Total Liabilities	<u>(6.6)</u>

4. Inventories

Inventories consisted of the following:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
Raw materials	\$ 9.1	\$ 12.8
Work-in-process	9.9	9.8
Finished goods.....	<u>13.6</u>	<u>16.6</u>
	32.6	39.2
Valuation reserves	<u>(2.4)</u>	<u>(2.3)</u>
	<u>\$ 30.2</u>	<u>\$ 36.9</u>

5. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
Land and land improvements	\$ 3.9	\$ 4.2
Buildings	65.5	79.5
Machinery and equipment	<u>349.5</u>	<u>373.6</u>
	418.9	457.3
Accumulated depreciation	<u>(163.1)</u>	<u>(155.6)</u>
	<u>\$ 255.8</u>	<u>\$ 301.7</u>

Future minimum payments under noncancelable operating leases with initial or remaining terms of more than one year are as follows, in millions:

2004	\$ 1.4
2005	1.2
2006	1.2
2007	1.2
2008	1.1
Thereafter	2.1

FEDERAL-MOGUL POWERTRAIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Total rental expense under operating leases for the years ended December 31, 2003, 2002 and 2001 was \$2.3 million, \$2.5 million and \$2.3 million, respectively, exclusive of property taxes, insurance and other occupancy costs generally payable by Federal-Mogul.

6. Adjustment of Assets Held for Sale and Other Long-Lived Assets to Fair Value

Definite-Lived Long-Lived Assets

During 2003 and 2002, Powertrain recorded impairment charges of \$7.4 million and \$25.3, respectively, to adjust long-lived tangible assets to their estimated fair values in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144). The charges was recorded to write-down property, plant and equipment at three facilities that the Company is closing or consolidating into other facilities. The fair value of property, plant and equipment was based upon estimated discounted future cash flows and estimates of salvage value. The impairment charges represent the difference between the estimated fair values and the carrying value of the subject assets.

Goodwill and Other Indefinite-Lived Intangible Assets

Effective January 1, 2002, Powertrain adopted SFAS No. 142, resulting in the discontinuance of amortization of goodwill and indefinite-lived intangible assets. The adoption of this standard also required the reclassification of various intangible asset classes according to the measurability of their useful lives. Upon the adoption of SFAS No. 142, Powertrain recorded a non-cash charge of \$202.2 million to reduce the carrying value of its goodwill and indefinite-lived intangible assets to their estimated fair value as required by SFAS No. 142. The charge is presented as a cumulative effect of change in accounting principle in the consolidated statement of operations for the year ended December 31, 2002. Powertrain completed its required annual impairment analysis as of October 1, 2003 and, based upon this analysis, no impairment charge was required.

At December 31, 2002 and 2001, Powertrain did not have any amortized intangible assets. A summary of the changes in Powertrain's goodwill and indefinite-lived intangible assets is as follows:

	Balance at December 31, 2002	Impairments (Millions of Dollars)	Balance at December 31, 2003
Goodwill.....	\$ 103.1	\$ —	\$ 103.1
Other Intangible Assets	—	—	—
Total Indefinite-Lived Intangible Assets	\$ 103.1	\$ —	\$ 103.1

The following table shows the pro-forma effect of SFAS No. 142 on Powertrain's earnings:

	Year Ended December 31		
	2003	2002	2001
	(Millions of Dollars)		
Reported Net Earnings (Loss)	\$ 11.5	\$ (206.3)	\$ (1,209.6)
Add-back: Goodwill amortization.....	—	—	11.9
Add-back: Indefinite-lived intangible asset amortization.....	—	—	0.1
Adjusted Net Earnings (Loss)	\$ 11.5	\$ (206.3)	\$ (1,197.6)

7. Restructuring Charges

Powertrain recognized \$1.8 million and \$11.2 million of restructuring charges in 2003 and 2002, respectively, primarily related to severance costs associated with the continuing consolidation of operations to maximize

FEDERAL-MOGUL POWERTRAIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

production efficiencies and achieve economies of scale. Cash payments against these restructuring reserves during 2003 were \$4.9 million. There were no cash payments for restructuring charges in 2002 or 2001.

8. Commitments and Contingencies

Environmental Liabilities

Powertrain has identified certain present and former properties at which it may be responsible for cleaning up environmental contamination, in some cases as a result of contractual commitments. Powertrain is actively seeking to resolve these matters. Although difficult to quantify based on the complexity of the issues, Powertrain has accrued amounts corresponding to its best estimate of the costs associated with such matters based upon current available information from site investigations and consultants.

Environmental reserves were \$6.4 million and \$7.3 million at December 31, 2003 and 2002, respectively and are included in the consolidated balance sheets as follows:

	December 31	
	2003	2002
	(Millions of Dollars)	
Current liabilities	\$ 1.9	\$ 1.5
Long-term accrued liabilities	1.0	2.6
Liabilities subject to compromise	<u>3.5</u>	<u>3.2</u>
	<u>\$ 6.4</u>	<u>\$ 7.3</u>

Management believes that such accruals will be adequate to cover Powertrain's estimated liability for its exposure in respect to such matters. In the event that such liabilities were to significantly exceed the amounts recorded by Powertrain, Powertrain's results of operations and financial condition could be materially affected. At December 31, 2003, management estimates that reasonably possible material additional losses above and beyond management's best estimate of required remediation costs as recorded approximates \$4.9 million.

Environmental reserves subject to compromise include those that may be reduced in Federal-Mogul's bankruptcy proceeding because they may be determined to be "dischargeable debts" incurred prior to Federal-Mogul's filing for bankruptcy. Such liabilities generally arise at either (1) commercial waste disposal sites to which Powertrain and other companies sent wastes for disposal, or (2) sites in relation to which Powertrain has a contractual obligation to indemnify the current owner of a site for the costs of cleanup of contamination that was released into the environment before Powertrain sold the site.

Environmental reserves determined not to be subject to compromise include those which arise from a legal obligation of Powertrain, under an administrative or judicial order, to perform cleanup at a site. Such obligations are normally associated with sites, which a bankrupt entity such as Powertrain owns and either operates or formerly operated.

The best estimate of environmental liability at a site may change from time to time during a bankruptcy proceeding even though the liability relating to that site is subject to compromise and Powertrain's responsibility to make payments is stayed. Notwithstanding the stay of proceedings regarding such a site, activities such as further site investigation and/or actual cleanup work usually continue to be performed by other parties. Such activities may produce new and better information that requires Powertrain to revise its best estimate of total site cleanup costs and its own share of such costs.

FEDERAL-MOGUL POWERTRAIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

9. Redeemable Stock

Federal-Mogul Piston Rings Inc., which is a wholly-owned subsidiary of Powertrain, issued 862 shares of class B common stock, redeemable at the option of the holder, to a minority investor in 1994. The shares of class B stock are redeemable for \$23,201.85 per share plus accrued dividends. This redeemable stock is included in "minority interest in consolidated subsidiaries" in the consolidated balance sheet at December 31, 2003 and 2002.

10. Long-Term Debt and Other Financing Arrangements

Powertrain's cash and indebtedness is managed on a worldwide basis by Federal-Mogul. The majority of the cash provided by or used by a particular division, including Powertrain, is provided through this consolidated cash and debt management system. As a result, the amount of cash or debt historically related to Powertrain is not determinable.

Federal-Mogul allocated Powertrain \$29.8 million of the interest it incurred on the financing of T&N, plc. in 2001. Interest was calculated by allocating a portion of the amount Federal-Mogul borrowed to purchase T&N plc. Federal-Mogul allocated \$666.1 million of the debt to Powertrain and calculated interest at a rate of 6% to the Petition date. In accordance with SOP 90-7, Powertrain stopped recording interest expense on its outstanding notes effective October 1, 2001. Powertrain's contractual interest not accrued or paid for this note in 2003, 2002 and 2001 was \$40.0 million, \$40.0 million and \$10.0 million, respectively.

Federal-Mogul has pledged 100% of Powertrain's capital stock and also provided collateral in the form of a pledge of inventories, property, plant and equipment, real property and intellectual properties to secure certain outstanding debt of Federal-Mogul. In addition, Powertrain has guaranteed fully and unconditionally, on a joint and several basis, the obligation to pay principal and interest under Federal-Mogul's Senior Credit Agreement and its publicly registered debt. Such pledges and guarantees have also been made by other subsidiaries of Federal-Mogul. Federal-Mogul is in default of the terms of such debt agreements. Borrowing outstanding on such agreements aggregated \$4,020.7 million and \$3,982.7 million as of December 31, 2003 and 2002, respectively.

11. Net Parent Investment

Changes in net parent investment were as follows (in millions of dollars):

Balance at January 1, 2001	\$ 835.0
Reclassification of intercompany accounts and loans payable at the Petition Date to Liabilities subject to compromise.....	(610.5)
Reclassification of accounts receivable from affiliates at the Petition Date.....	1,088.4
Reclassification transfer of accounts receivable from Federal-Mogul to Ignition.....	<u>79.7</u>
	1,392.6
Net loss.....	(1,209.6)
Intercompany transactions, net.....	<u>(129.1)</u>
Balance at December 31, 2001	53.9
Net loss.....	(206.3)
Intercompany transactions, net.....	<u>(21.6)</u>
Balance at December 31, 2002	\$ (174.0)
Net earnings.....	11.5
Intercompany transactions, net.....	<u>(90.0)</u>
Balance at December 31, 2003	<u>\$ (252.5)</u>

FEDERAL-MOGUL POWERTRAIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

12. Income Taxes

Powertrain files a consolidated return with Federal-Mogul for U.S. federal income tax purposes. Federal income tax expense is calculated on a separate-return basis for financial reporting purposes.

	<u>Year Ended December 31</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Components of income tax expense (benefit)	(Millions of Dollars)		
Current.....	\$ 0.1	\$ 1.5	\$ 65.7
Deferred.....	—	2.2	(42.9)
Income tax expense (benefit).....	<u>\$ 0.1</u>	<u>\$ 3.7</u>	<u>\$ 22.8</u>

A reconciliation between the statutory federal income tax rate and the effective tax rate is as follows:

	<u>Year Ended December 31</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
U.S. Federal statutory rate.....	35%	35%	35%
State and local taxes.....	5	(39)	2
Nondeductible goodwill and other.....	(5)	34	(4)
Valuation allowance.....	(34)	(120)	(35)
Effective tax rate.....	<u>1%</u>	<u>(90)%</u>	<u>(2)%</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the related amounts used for income tax purposes. Significant components of the Company's net deferred tax asset are non-deductible accruals, intangible assets and depreciation timing differences.

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
Net current deferred tax liabilities.....	\$ 9.5	\$ (5.6)
Net long-term deferred tax assets.....	386.0	388.1
Gross deferred tax assets.....	395.5	382.5
Valuation allowance.....	(395.5)	(382.5)
Net deferred tax assets.....	<u>\$ —</u>	<u>\$ —</u>

13. Pension Plans

Powertrain is included in the Federal-Mogul Corporation Pension Plan. As such the related pension liability is included in Net Parent Investment at December 31, 2003 and 2002. The pension charge allocated to Powertrain, was \$5.9 million, \$6.5 million and \$3.9 million for 2003, 2002 and 2001, respectively.

14. Postretirement Benefits Other Than Pensions

Benefits provided to employees of Powertrain under various Federal-Mogul postretirement plans other than pensions, all of which are unfunded, include retiree medical care, dental care, prescriptions and life insurance, with medical care accounting for approximately 36% of the total. The majority of participants under such plans are retirees. The expense related to such plans approximated \$4.8 million, \$4.9 million and \$5.3 million for 2003, 2002 and 2001, respectively.

FEDERAL-MOGUL POWERTRAIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

15. Concentrations of Credit Risk and Other

Powertrain grants credit to their customers, which are primarily in the automotive industry. Credit risk with respect to trade receivables is generally diversified due to the large number of entities comprising Powertrain customer base and their dispersion across many different countries. Powertrain performs periodic credit evaluations of their customers and generally does not require collateral.

Powertrain operates in a single business segment. Powertrain manufactures and distributes pistons, piston pins, rings, cylinder liners, engine bearings, valve train and transmission products and sealing systems. Powertrain's largest customers are Ford Motor Co. and General Motors Corporation, which accounted for 34%, 34%, and 35% of Powertrain's net sales in 2003, 2002, and 2001, respectively. All revenues and assets of Powertrain reside in the United States.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Federal-Mogul Corporation

We have audited the accompanying consolidated balance sheets of Federal-Mogul Piston Rings, Inc., a wholly-owned subsidiary of Federal-Mogul Corporation, as of December 31, 2003 and 2002, and the related statements of operations and cash flows for each of the three years in the period ended December 31, 2003. 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 auditing standards generally accepted in the 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 financial statements referred to above present fairly, in all material respects, the financial position of Federal-Mogul Piston Rings, Inc. at December 31, 2003 and 2002, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that Federal-Mogul Piston Rings, Inc. will continue as a going concern. As more fully described in the notes to the financial statements, on October 1, 2001, Federal-Mogul Corporation and its wholly-owned United States subsidiaries, which includes Federal-Mogul Piston Rings, Inc., filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code. Uncertainties inherent in the bankruptcy process raise substantial doubt about Federal-Mogul Piston Ring, Inc.'s ability to continue as a going concern. Management's intentions with respect to these matters are also described in the notes. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 6 to the consolidated financial statements, Federal-Mogul Piston Rings, Inc. changed its method of accounting for goodwill and indefinite-lived intangible assets in 2002.

/s/ ERNST & YOUNG LLP
Detroit, Michigan
February 6, 2004,
except as to the ninth paragraph
of Note 1, as to which the date
is March 4, 2004

FEDERAL-MOGUL PISTON RINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	<u>Year Ended December 31</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(Millions of Dollars)		
Net sales:			
Third party sales	\$ 91.8	\$ 93.6	\$ 96.2
Affiliate sales	<u>12.2</u>	<u>11.5</u>	<u>10.7</u>
Total net sales	104.0	105.1	106.9
Cost of products sold	<u>93.1</u>	<u>93.8</u>	<u>92.9</u>
Gross margin	10.9	11.3	14.0
Selling, general and administrative expenses	7.9	7.8	8.0
Amortization expense	—	—	1.5
Provision for bad debt from affiliate Debtors	—	—	147.3
Interest expense, net	—	—	5.0
Other expense, net	<u>1.9</u>	<u>2.1</u>	<u>3.1</u>
Earnings (loss) before income taxes and cumulative effect of change in accounting principle.....	1.1	1.4	(150.9)
Income tax expense	<u>0.1</u>	<u>0.7</u>	<u>4.7</u>
Earnings (loss) before cumulative effect of change in accounting principle.....	1.0	0.7	(155.6)
Cumulative effect of change in accounting principle	<u>—</u>	<u>47.3</u>	<u>—</u>
Net Earnings (Loss)	<u>\$ 1.0</u>	<u>\$ (46.6)</u>	<u>\$ (155.6)</u>

See accompanying notes to consolidated financial statements.

FEDERAL-MOGUL PISTON RINGS, INC.

CONSOLIDATED BALANCE SHEETS

	December 31	
	2003	2002
	(Millions of Dollars)	
ASSETS		
Accounts receivable.....	\$ 12.1	\$ 7.7
Inventories, net.....	6.1	8.1
Other.....	0.7	0.7
Total Current Assets.....	18.9	16.5
Property, plant and equipment, net.....	62.9	66.0
Total Assets.....	\$ 81.8	\$ 82.5
LIABILITIES AND NET PARENT INVESTMENT		
Accounts payable.....	\$ 2.9	\$ 2.9
Other accrued liabilities.....	7.9	5.4
Total Current Liabilities.....	10.8	8.3
Liabilities subject to compromise.....	152.2	152.2
Other long-term liabilities.....	0.6	1.2
Redeemable stock.....	20.0	20.0
Net Parent Investment.....	(101.8)	(99.2)
Total Liabilities and Net Parent Investment.....	\$ 81.8	\$ 82.5

See accompanying notes to consolidated financial statements.

FEDERAL-MOGUL PISTON RINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31		
	2003	2002	2001
	(Millions of Dollars)		
Cash provided from (used by) operating activities:			
Net earnings (loss).....	\$ 1.0	\$ (46.6)	\$ (155.6)
Adjustments to reconcile net earnings (loss) to net cash provided from operating activities:			
Cumulative effect of change in accounting principle.....	—	47.3	—
Provision for bad debt from affiliate Debtors	—	—	147.3
Depreciation and amortization.....	8.2	9.8	8.5
Changes in assets and liabilities:			
Accounts receivable.....	(4.4)	1.6	—
Inventories	2.0	(3.4)	1.1
Accounts payable.....	—	0.7	1.1
Other assets and liabilities	2.0	(5.5)	(1.7)
Net cash provided from operating activities	8.8	3.9	0.7
Cash provided from (used by) investing activities:			
Capital expenditures	(5.2)	(9.1)	(3.3)
Net cash used by investing activities	(5.2)	(9.1)	(3.3)
Cash provided from (used by) financing activities:			
Transfers from (to) parent.....	(3.6)	5.2	2.6
Net cash provided from (used by) financing activities.....	(3.6)	5.2	2.6
Net change in cash.....			
Cash at beginning of year	—	—	—
Cash at end of year	\$ —	\$ —	\$ —

See accompanying notes to consolidated financial statements.

FEDERAL-MOGUL PISTON RINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying financial statements reflect the consolidated assets, liabilities and operations of Federal-Mogul Piston Rings, Inc. ("Piston Rings"). Piston Rings is an indirect subsidiary of Federal-Mogul Corporation ("Federal-Mogul"). Piston Rings manufactures pistons, rings and liners.

Piston Rings operates with financial and operational staff on a decentralized basis. Federal-Mogul provides certain centralized services for employee benefits administration, cash management, risk management, legal services, public relations, tax reporting and internal and external audit. Federal-Mogul charges Piston Rings for all such direct expenses incurred on its behalf. General expenses that are not directly attributable to the operations of Piston Rings have been allocated based on management's estimates, primarily driven by sales. Management believes that this allocation method is reasonable.

The accompanying consolidated financial statements are presented as if Piston Rings had existed as an entity separate from its parent during the period presented and include the assets, liabilities, revenues and expenses that are directly related to Piston Rings' operations.

Piston Rings' separate debt and related interest expense have been included in the consolidated financial statements. Piston Rings is fully integrated into its parent's cash management system. As such, all cash requirements are provided by its parent and any excess cash generated by Piston Rings is transferred to its parent.

Voluntary Reorganization Under Chapter 11 and Administration

On October 1, 2001 (the "Petition Date"), Federal-Mogul Corporation (the "Company" or "Federal-Mogul") and all of its wholly-owned United States subsidiaries filed voluntary petitions for reorganization (the "U.S. Restructuring") under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). Also on October 1, 2001, certain of the Company's United Kingdom subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code and petitions for Administration (the "U.K. Restructuring") under the United Kingdom Insolvency Act of 1986 (the "Act") in the High Court of Justice, Chancery division in London, England (the "High Court"). The Company and its U.S. and U.K. subsidiaries included in the U.S. Restructuring and U.K. Restructuring are herein referred to as the "Debtors". The U.S. Restructuring and U.K. Restructuring are herein referred to as the "Restructuring Proceedings". The Chapter 11 cases of the Debtors (collectively, the "Chapter 11 Cases") have been consolidated for purposes of joint administration as In re: Federal-Mogul Global Inc., T&N Limited, et. al (Case No. 01-10578(RTL)). Subsidiaries outside of the aforementioned U.S. and U.K. subsidiaries are not party to the Chapter 11 Cases and, therefore, are not currently provided protection from creditors by any bankruptcy court and are operating in normal course.

The Restructuring Proceedings were initiated in response to a sharply increasing number of asbestos-related claims and their related demand on the Company's cash flows and liquidity. Under the Restructuring Proceedings, the Debtors expect to develop and implement a plan for addressing the asbestos-related claims against them.

Consequences of the Restructuring Proceedings

The U.S. Debtors, including Piston Rings, are operating their businesses as debtors-in-possession subject to the provisions of the Bankruptcy Code. The U.K. Debtors are continuing to manage their operations under the supervision of Administrators approved by the High Court. All vendors will be paid for all goods furnished and services provided after the Petition Date. However, as a consequence of the Restructuring Proceedings, pending litigation against the Debtors as of the Petition Date is stayed (subject to certain exceptions in the case of

governmental authorities), and no party may take any action to pursue or collect pre-petition claims except pursuant to an order of the Bankruptcy Court or the High Court as applicable. It is the Debtors' intention to address all pending and future asbestos-related claims and all other pre-petition claims through a unified plan of reorganization under the Bankruptcy Code or scheme of arrangement under the Act.

In the U.S., four committees, representing asbestos claimants, asbestos property damage claimants, unsecured creditors and equity security holders (collectively, the "Committees") have been appointed as official committees in the Chapter 11 Cases and, in accordance with the provisions of the Bankruptcy Code, have the right to be heard on all matters that come before the Bankruptcy Court. The Committees, together with the legal representative for the future asbestos claimants, play important roles in the Restructuring Proceedings. In the U.K., the Administrators have appointed a creditors committee, representing both asbestos claimants and general unsecured creditors.

On March 4, 2004, Federal-Mogul filed an amended plan of reorganization and related disclosure statement with the Bankruptcy Court. This amended plan of reorganization was jointly proposed by Federal-Mogul along with the Unsecured Creditors Committee, the Asbestos Claimants Committee, the Future Asbestos Claimants Representative, the Agent for the Prepetition Bank Lenders and the equity security holders (collectively referred to as the "Co-Proponents"). The joint amended plan of reorganization is consistent with the principal terms of the plan originally filed with the Bankruptcy Court on March 6, 2003.

The amended joint plan of reorganization provides that asbestos personal injury claimants, both present and future, will be permanently channeled to a trust or series of trusts established pursuant to Section 524(g) of the Bankruptcy Code, thereby protecting Federal-Mogul and its affiliates in the Chapter 11 Cases from existing and future asbestos liability. Although technical issues remain to be resolved, the amended joint plan provides that all currently outstanding stock of Federal-Mogul will be cancelled, and 50.1% of newly authorized and issued common stock of reorganized Federal-Mogul will be distributed to the asbestos trusts or trusts for the benefit of existing and future asbestos claimants, and 49.9% of the newly authorized and issued common stock will be distributed pro rata to the noteholders. Trade creditors of Federal-Mogul will receive cash distributions in an amount that has yet to be determined. If the classes of holders of common and preferred stock of Federal-Mogul vote in favor of the amended joint plan, the holders of currently outstanding common and preferred stock of Federal-Mogul will receive warrants in reorganized Federal-Mogul.

There are two possible types of U.K. schemes of arrangements. The first is under Section 425 of the Companies Act of 1985, which may involve a scheme for the reconstruction of the Company. If a majority in number representing three-fourths in value of the creditors or members or any class of them agree to the compromise or arrangement, it is binding if sanctioned by the High Court. Section 425 may be invoked where there is an Administration order in force in relation to the Company. The other possible type of scheme arises under Section 1 of the Insolvency Act of 1986 in relation to Company Voluntary Arrangements ("CVA"). If a majority in value representing more than three-fourths of the creditors agrees to the compromise or arrangement set out in the CVA proposal, it will be approved.

Piston Rings is unable to predict with a high degree of certainty at this time what treatment will be accorded under any such plan of reorganization to claims arising from intercompany indebtedness, licenses, executory contracts, transfers of goods and services, and other intercompany arrangements, transactions and relationships that were entered into prior to the Petition Date. Various parties in the Chapter 11 Cases may challenge these arrangements, transactions, and relationships, and the outcome of those challenges, if any, may have an impact on the treatment of various claims under such plan of reorganization.

The Bankruptcy Court may confirm a plan of reorganization only upon making certain findings required by the Bankruptcy Code, and a plan may be confirmed over the dissent of non-accepting creditors and equity security holders if certain requirements of the Bankruptcy Code are met. The payment rights and other entitlements of pre-petition creditors and equity security holders may be substantially altered by any plan of reorganization confirmed in the Chapter 11 Cases. There is no assurance that there will be sufficient assets to satisfy the Debtors' pre-petition liabilities in whole or in part, and the pre-petition creditors of some Debtors may be treated differently than those of other Debtors.

FEDERAL-MOGUL PISTON RINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued

Chapter 11 Financing

In connection with the Restructuring Proceedings, Federal-Mogul entered into a \$675 million debtor-in-possession (“DIP”) credit facility to supplement liquidity and fund operations during the restructuring proceedings. In August 2003, the DIP credit facility was amended to reduce the commitment to \$600 million, change the expiration date to February 2005, and reduce the interest rate to either the alternate base rate (“ABR”) plus 2 percentage points or a formula based on the London Inter-Bank Offered Rate (“LIBOR”) plus 3 percentage points. The ABR is the greatest of either the bank’s prime rate or the base CD rate plus 1 percentage point or the federal funds rate plus ½ percentage point. The \$600 million commitment is mandatorily reduced by a portion of proceeds received from future asset or business divestitures.

Federal-Mogul’s available borrowings under the DIP credit facility are determined by the underlying collateral at any point in time, which includes Piston Rings’ domestic inventories, domestic accounts receivable, and domestic property, plant, and equipment. The DIP lenders received permission from the lenders of the Senior Credit Agreements to have priority over their collateral interest.

Financial Statement Presentation

The accompanying consolidated financial statements have been prepared in accordance with AICPA Statement of Position 90-7 (“SOP 90-7”), “Financial Reporting by Entities in Reorganization under the Bankruptcy Code” and on a going concern basis, which contemplates continuity of operations and realization of assets and liquidation of liabilities in the ordinary course of business. However, as a result of the Restructuring Proceedings, such realization of assets and liquidation of liabilities, without substantial adjustments and/or changes of ownership, is highly uncertain. Given this uncertainty, there is substantial doubt about the ability of Piston Rings to continue as a going concern. While operating as debtors-in-possession under the protection of Chapter 11 of the Bankruptcy Code and Administration under the Act, and subject to approval of the Bankruptcy Court, Administrators or the High Court or otherwise as permitted in the ordinary course of business, Piston Rings may sell or otherwise dispose of assets and liquidate or settle liabilities for some amounts other than those reflected in the consolidated financial statements. Further, a plan of reorganization or scheme of arrangement could materially change the amounts and classifications in the historical consolidated financial statements.

As reflected in the consolidated financial statements, “Liabilities subject to compromise” refers to liabilities of entities of Piston Rings included in the Restructuring Proceedings incurred prior to the Petition Date. The amounts of the various liabilities that are subject to compromise are set forth below. These amounts represent Piston Rings’ estimate of known or potential pre-petition claims to be resolved in connection with the Restructuring Proceedings. Such claims remain subject to future adjustments. Future adjustments may result from (i) negotiations; (ii) actions of the Bankruptcy Court, High Court or Administrators; (iii) further developments with respect to disputed claims; (iv) rejection of executory contracts and unexpired leases; (v) the determination as to the value of any collateral securing claims; (vi) proofs of claim; or (vii) other events. Payment terms for these claims will be established in connection with the Restructuring Proceedings.

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
Accounts payable.....	\$ 4.4	\$ 4.4
Accounts payable to affiliated companies.....	146.5	146.5
Environmental liabilities.....	1.3	1.3
Total.....	<u>\$ 152.2</u>	<u>\$ 152.2</u>

The Debtors, including Piston Rings, have received approval from the Bankruptcy Court to pay or otherwise honor certain of their pre-petition obligations, including employee wages, salaries, benefits and other employee obligations and from limited available funds, pre-petition claims of certain critical vendors, certain customer programs and warranty claims and certain other pre-petition claims.

Pursuant to the Bankruptcy Code, Federal-Mogul has filed schedules with the Bankruptcy Court setting forth the assets and liabilities of the Debtors as of the Petition Date. On October 4, 2002, the Debtors issued approximately

FEDERAL-MOGUL PISTON RINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued

100,000 proof of claim forms to its current and prior employees, known creditors, vendors and other parties with whom the Debtors have previously conducted business. To the extent that recipients disagree with the claims as quantified on these forms, the recipient may file discrepancies with the Bankruptcy Court. Differences between amounts recorded by the Debtors and claims filed by creditors will be investigated and resolved as part of the Restructuring Proceedings. The Bankruptcy Court ultimately will determine liability amounts that will be allowed for these claims in the Chapter 11 Cases. A March 3, 2003 bar date was set for the filing of proofs of claim against the Debtors. Because the Debtors have not completed evaluation of the claims received in connection with this process, the ultimate number and allowed amount of such claims are not presently known. The resolution of such claims could result in a material adjustment to the Company's financial statements.

The Debtors, including Piston Rings, continue to review and analyze the proofs of claim filed to date. In addition, the Debtors continue to file objections and seek stipulations to certain claims. Additional claims may be filed after the general bar date, which could be allowed by the Bankruptcy Court. Accordingly, the ultimate number and allowed amount of such claims are not presently known and cannot be reasonably estimated at this time. The resolution of such claims could result in a material adjustment to the Company's financial statements.

The appropriateness of using the going concern basis for the Piston Rings' financial statements is dependent upon, among other things: (i) Federal-Mogul's ability to comply with the terms of the DIP credit facility and any cash management order entered by the Bankruptcy Court in connection with the Chapter 11 Cases; (ii) the ability of Federal-Mogul to maintain adequate cash on hand; (iii) the ability of Federal-Mogul to generate cash from operations; (iv) confirmation of a plan(s) of reorganization under the Bankruptcy Code; (v) confirmation of a scheme(s) of arrangement in the U.K. under Administration; and (vi) Federal-Mogul's ability to achieve profitability following such confirmations.

2. Summary of Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of Piston Rings and all majority-owned subsidiaries and other controlled entities. Intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be based upon amounts that differ from these estimates.

Trade Accounts Receivable and Allowance for Doubtful Accounts: Trade accounts receivable are stated at historical value, which approximates fair value. Piston Rings does not generally require collateral for its trade accounts receivable.

Accounts receivable have been reduced by an allowance for amounts that may become uncollectible in the future. This estimated allowance is based primarily on management's evaluation of specific balances as the balances become past due, the financial condition of its customers and Piston Rings' historical experience of write-offs. If not reserved through specific examination procedures, Piston Rings' general policy for uncollectible accounts is to reserve based upon the aging categories of accounts receivable and upon whether the amounts are due from an OE customer or Aftermarket customer. Past due status is based upon the invoice date of the original amounts outstanding. The allowance for doubtful accounts was \$0.8 million and \$0.6 million at December 31, 2003 and 2002, respectively.

Inventories: Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method ("FIFO").

Long-Lived Assets: Long-lived assets, such as property, plant and equipment and definite-lived intangible assets, are stated at cost. Depreciation and amortization is computed principally by the straight-line method for financial reporting purposes and by accelerated methods for income tax purposes. Definite-lived assets are periodically

FEDERAL-MOGUL PISTON RINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued

reviewed for impairment indicators. If impairment indicators exist, the Company performs the required analysis and records an impairment charge, as required, in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144). If the carrying value of a long-lived asset is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value.

Revenue Recognition: Piston Rings records sales when products are shipped and title has transferred to the customer, the sales price is fixed or determinable and the collectibility of revenue is reasonably assured. Affiliate sales are transferred at cost. Accruals for sales returns and other allowances are provided at the time of shipment based upon past experience. Adjustments to such returns and allowances are made as new information becomes available.

Shipping and Handling Costs: Piston Rings recognizes shipping and handling costs as a component of cost of Piston Rings sold in the statement of operations.

Recoverable Customer Engineering and Tooling: Pre-production tooling and engineering costs that Piston Rings will not own and that will be used in producing Piston Rings under long-term supply arrangements are expensed as incurred unless the supply arrangement provides Piston Rings the non-cancelable right to use the tools or the reimbursement of such costs is agreed to by the customer. Pre-production tooling and engineering costs that are owned by Piston Rings are capitalized as part of machinery and equipment, and are depreciated over the shorter of the toolings' expected life or the duration of the related program.

Restructuring: Piston Rings defines restructuring expense to include charges incurred with exit or disposal activities accounted for in accordance with SFAS No. 146, employee severance costs incurred as a result of an exit or disposal activity accounted for in accordance with SFAS Nos. 88 and 112, and pension and other post employment benefit costs incurred as a result of an exit or disposal activity accounted for in accordance with SFAS Nos. 87 and 106.

Fair Value of Financial Instruments: The carrying amounts of certain financial instruments such as accounts payable approximate their fair value.

Net Parent Investment: The net parent investment account reflects the balance of Piston Rings' historical earnings, intercompany amounts, income taxes accrued and deferred, post employment liabilities and other transactions between Piston Rings and Federal-Mogul. During 2001, Piston Rings recorded a provision for bad debt from affiliated Debtors of \$147.3 million for pre-petition accounts receivable from related debtor entities outside of Piston Rings at the Petition Date. These receivables were previously recorded in net parent investment.

Reclassifications: Certain items in the prior years financial statements have been reclassified to conform with the presentation used in 2003.

New Accounting Pronouncements:

Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity: In May 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity," which provides standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The statement is effective for financial instruments entered into or modified after May 31, 2003 and for pre-existing instruments as of the beginning of the first interim period beginning after June 15, 2003. In November 2003, the FASB elected to indefinitely defer the effective date for certain provisions of SFAS No. 150 relating to investments in limited-life entities. The adoption of the provisions of SFAS No. 150 that were not deferred by the FASB did not have a material effect on Piston Rings' financial condition, results of operations, or cash flows.

Derivative Instruments and Hedging Activities: In April 2003, the FASB issued SFAS No. 149, "Amendments of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. The statement is effective for contracts entered into or modified after June 30, 2003 and for hedging

FEDERAL-MOGUL PISTON RINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued

relationships designated after June 30, 2003. The adoption of this standard did not have a material effect on Piston Rings' financial condition, results of operations, or cash flows.

Consolidation of Variable Interest Entities: In January 2003, the FASB issued FASB Interpretation Number 46 (FIN No. 46), "Consolidation of Variable Interest Entities", an interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements". FIN No. 46 provides guidance regarding the identification of, and financial reporting for entities over which control is achieved through means other than voting rights; such entities are considered variable interest entities. FIN No. 46 requires the consolidation of variable interest entities in which an enterprise is deemed to be the primary beneficiary, which is determined by the obligation to absorb a majority of the entity's expected losses, the right to receive a majority of an entity's expected residual returns or both.

In December 2003, the FASB issued revised FIN No. 46, which provided an exclusion for entities meeting the definition of a "business" (as defined in the interpretation) and extending the effective date for variable interest entities entered into prior to February 1, 2003 to periods ending after March 15, 2004. Management believes that its joint ventures meet this definition of a business, however, is currently evaluating such entities to determine whether consolidation is required under FIN No. 46 and to quantify the effect that adoption of FIN No. 46 will have on its consolidated financial statements.

Accounting for Costs Associated with Exit or Disposal Activities: In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". This pronouncement addresses financial accounting and reporting for costs associated with an exit activity (including restructuring) or with the disposal of long-lived assets and supercedes Emerging Issues Task Force Issue No. 94-3. Under SFAS No. 146, a liability is recorded for a cost associated with an exit activity when that liability is incurred and can be measured at fair value. SFAS No. 146 requires disclosure of information about exit and disposal activities, the related costs, and changes in those costs in the notes to the interim and annual financial statements that include the period in which an exit activity is initiated and in any subsequent period until the activity is completed. SFAS No. 146 is effective prospectively for exit and disposal activities initiated after December 31, 2002. SFAS No. 146 does not allow for the restatement of previously issued financial statements and continues the accounting for liabilities previously recorded under Emerging Issues Task Force Issue No. 94-3. Piston Rings adopted SFAS No. 146 effective January 1, 2003.

3. Commitments and Contingencies

Environmental Liabilities

Piston Rings has identified certain present and former properties at which it may be responsible for cleaning up environmental contamination, in some cases as a result of contractual commitments. Piston Rings is actively seeking to resolve these matters. Although difficult to quantify based on the complexity of the issues, Piston Rings has accrued amounts corresponding to its best estimate of the costs associated with such matters based upon current available information from site investigations and consultants.

FEDERAL-MOGUL PISTON RINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued

Environmental reserves were \$2.3 million and \$2.3 million at December 31, 2003 and 2002, respectively and are included in the consolidated balance sheets as follows:

	December 31	
	2003	2002
	(Millions of Dollars)	
Current liabilities	\$ 0.5	\$ 0.4
Long-term accrued liabilities	0.5	0.6
Liabilities subject to compromise	1.3	1.3
	\$ 2.3	\$ 2.3

Management believes that such accruals will be adequate to cover Piston Rings' estimated liability for its exposure in respect to such matters. In the event that such liabilities were to significantly exceed the amounts recorded by Piston Rings, Piston Rings' results of operations and financial condition could be materially affected. At December 31, 2003, management estimates that reasonably possible material additional losses above and beyond management's best estimate of required remediation costs as recorded approximates \$2.7 million.

Environmental reserves subject to compromise include those that may be reduced in Federal Mogul's bankruptcy proceeding because they may be determined to be "dischargeable debts" incurred prior to Federal Mogul's filing for bankruptcy. Such liabilities generally arise at either (1) commercial waste disposal sites to which Piston Rings and other companies sent wastes for disposal, or (2) sites in relation to which Piston Rings has a contractual obligation to indemnify the current owner of a site for the costs of cleanup of contamination that was released into the environment before Piston Rings sold the site.

Environmental reserves determined not to be subject to compromise include those which arise from a legal obligation of Piston Rings, under an administrative or judicial order, to perform cleanup at a site. Such obligations are normally associated with sites, which a bankrupt entity such as Piston Rings owns and either operates or formerly operated.

The best estimate of environmental liability at a site may change from time to time during a bankruptcy proceeding even though the liability relating to that site is subject to compromise and Piston Rings' responsibility to make payments is stayed. Notwithstanding the stay of proceedings regarding such a site, activities such as further site investigation and/or actual cleanup work usually continue to be performed by other parties. Such activities may produce new and better information that requires Piston Rings to revise its best estimate of total site cleanup costs and its own share of such costs.

4. Inventories

Inventories consisted of the following:

	December 31	
	2003	2002
	(Millions of Dollars)	
Raw materials	\$ 0.5	\$ 0.9
Work-in-process	3.1	2.8
Finished goods.....	2.7	4.7
	6.3	8.4
Valuation reserves	(0.2)	(0.3)
	\$ 6.1	\$ 8.1

FEDERAL-MOGUL PISTON RINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued

5. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
Land and land improvements	\$ 0.4	\$ 0.3
Buildings	13.7	13.5
Machinery and equipment	<u>89.2</u>	<u>84.6</u>
	103.3	98.4
Accumulated depreciation	<u>(40.4)</u>	<u>(32.4)</u>
	<u>\$ 62.9</u>	<u>\$ 66.0</u>

Future minimum payments under noncancelable operating leases with initial or remaining terms of more than one year are as follows, in millions:

2004	\$ 0.2
2005	0.1
2006	0.1
2007	0.1
2008	0.1
Thereafter	—

Total rental expense under operating leases for the years ended December 31, 2003, 2002 and 2001 was \$0.2 million, \$0.3 million and \$0.2 million, respectively, exclusive of property taxes, insurance and other occupancy costs generally payable by Federal-Mogul.

6. Goodwill and Other Intangible Assets

Effective January 1, 2002, Piston Rings adopted SFAS No. 142, resulting in the discontinuance of amortization of goodwill and indefinite-lived intangible assets. The adoption of this standard also required the reclassification of various intangible asset classes according to the measurability of their useful lives. Upon the adoption of SFAS No. 142, Piston Rings recorded a non-cash charge of \$47.3 million to reduce the carrying value of its goodwill and indefinite-lived intangible assets to their estimated fair value as required by SFAS No. 142. The charge is presented as a cumulative effect of change in accounting principle in the consolidated statement of operations for the year ended December 31, 2002.

At December 31, 2003 and 2002, Piston Rings did not have any amortized or unamortized intangible assets.

The following table shows the pro-forma effect of SFAS No. 142 on Piston Rings' earnings:

	<u>Year Ended December 31</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(Millions of Dollars)		
Reported Net Earnings (Loss)	\$ 1.0	\$ (46.6)	\$ (155.6)
Add-back: Goodwill amortization	—	—	1.5
Adjusted Net Earnings (Loss)	<u>\$ 1.0</u>	<u>\$ (46.6)</u>	<u>\$ (154.1)</u>

FEDERAL-MOGUL PISTON RINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued

7. Redeemable Stock

Piston Rings issued 862 shares of Class B common stock, redeemable at the option of the holder, to a minority investor in 1994. The shares of Class B stock are redeemable for \$23,201.85 per share plus accrued dividends.

8. Long-Term Debt and Other Financing Arrangements

Piston Rings' cash and indebtedness is managed on a worldwide basis by Federal-Mogul. The majority of the cash provided by or used by a particular division, including Piston Rings, is provided through a consolidated cash and debt management system. As a result, the amount of domestic cash or debt historically related to Piston Rings is not determinable.

Federal-Mogul allocated Piston Rings a portion of the interest it incurred on the financing of T&N, plc. Federal-Mogul allocated \$5.0 million of interest in 2001. Interest was calculated by allocating a portion of the amount Federal-Mogul borrowed to purchase T&N plc. Federal-Mogul allocated \$110.8 million of the debt to Piston Rings and calculated interest at a rate of 6% to the Petition date. In accordance with SOP 90-7, Piston Rings stopped recording interest expense on its outstanding notes effective October 1, 2001. Piston Rings' contractual interest not accrued or paid for this note was \$6.6 million in 2003 and 2002, respectively, and \$1.7 million in 2001.

Federal-Mogul has pledged 100% of Piston Rings' capital stock and also provided collateral in the form of a pledge of inventories, property, plant and equipment, real property and intellectual properties to secure certain outstanding debt of Federal-Mogul. In addition, Piston Rings has guaranteed fully and unconditionally, on a joint and several basis, the obligation to pay principal and interest under Federal-Mogul's Senior Credit Agreement and its publicly registered debt. Such pledges and guarantees have also been made by other subsidiaries of Federal-Mogul. Federal-Mogul is in default of the terms of such debt agreements. Borrowings outstanding on such agreements aggregated \$4,020.7 million and \$3,982.7 million as of December 31, 2003 and 2002, respectively.

9. Net Parent Investment

Changes in net parent investment were as follows (in millions of dollars):

Balance at January 1, 2001	\$ 85.2
Reclassification of intercompany accounts and loans payable at the Petition Date to Liabilities subject to compromise.....	(146.6)
Reclassification of accounts receivable from affiliates at the Petition Date.....	147.3
Reclassification transfer of accounts receivable from Federal-Mogul to Products	9.3
	<u>95.2</u>
Net loss.....	(155.6)
Intercompany transactions, net.....	<u>2.6</u>
Balance at December 31, 2001	(57.8)
Net loss.....	(46.6)
Intercompany transactions, net.....	<u>5.2</u>
Balance at December 31, 2002	(99.2)
Net income	1.0
Intercompany transactions, net.....	<u>(3.6)</u>
Balance at December 31, 2003	<u>\$ (101.8)</u>

FEDERAL-MOGUL PISTON RINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued

10. Income Taxes

Piston Rings files a consolidated return with Federal-Mogul for U.S. federal income tax purposes. Federal income tax expense is calculated on a separate-return basis for financial reporting purposes.

	<u>Year Ended December 31</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(Millions of Dollars)		
Components of income tax expense			
Current.....	\$ 0.1	\$ 0.1	\$ —
Deferred.....	—	0.6	4.7
Income tax expense.....	<u>\$ 0.1</u>	<u>\$ 0.7</u>	<u>\$ 4.7</u>

A reconciliation between the statutory federal income tax rate and the effective tax rate is as follows:

	<u>Year Ended December 31</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Effective tax rate reconciliation:			
U.S. Federal statutory rate	35%	35%	35%
State and local taxes.....	9	5	2
Nondeductible goodwill.....	—	—	(1)
Valuation allowance	(35)	10	(39)
Effective tax rate.....	<u>9%</u>	<u>50%</u>	<u>(3)%</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the related amounts used for income tax purposes. Significant components of the Company's net deferred tax asset are non-deductible accruals and amortization and depreciation timing differences.

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
	(Millions of Dollars)	
Net current deferred tax assets.....	\$ 1.5	\$ 0.7
Net long-term deferred tax assets	60.3	59.0
Gross deferred tax assets	61.8	59.7
Valuation allowance	(61.8)	(59.7)
Net deferred tax assets.....	<u>\$ —</u>	<u>\$ —</u>

11. Pension Plans

Piston Rings is included in the Federal-Mogul Corporation Pension Plan. As such, the related pension liability is included in Net Parent Investment at December 31, 2003 and 2002.

The pension charge allocated to Piston Rings was \$0.8 million for 2003 and 2002, respectively, and \$0.7 million for 2001.

12. Postretirement Benefits Other Than Pensions

As part of T&N plc. and subsequently Federal-Mogul, benefits provided to employees of Piston Rings under various postretirement plans other than pensions, all of which are unfunded, include retiree medical care, dental care, prescriptions and life insurance, with medical care accounting for approximately 95% of the total. The majority of participants under such plans are retirees. The expense related to such plans approximated \$4.8 million, \$4.9 million and \$5.3 million for 2003, 2002 and 2001, respectively.

FEDERAL-MOGUL PISTON RINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued

13. Concentrations of Credit Risk and Other

Piston Rings grants credit to their customers, which are primarily in the automotive industry. Credit risk with respect to trade receivables is generally diversified due to the large number of entities comprising Piston Rings' customer base. Piston Rings performs periodic credit evaluations of their customers and generally does not require collateral.

Piston Rings operates in a single business segment. Piston Rings manufactures and distributes piston rings for use in many engine markets including automotive, heavy-duty, diesel, locomotive and compressors. In addition, Piston Rings manufactures and distributes liners to automotive and heavy-duty engine assemblers. Five customers accounted for a combined 60%, 55% and 60% of total revenues in 2003, 2002 and 2001, respectively. All revenues and assets of Piston Rings reside in North America, principally in the United States.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FEDERAL-MOGUL CORPORATION

By: /s/ G. Michael Lynch
G. Michael Lynch
Executive Vice President and Chief Financial Officer,
Principal Financial Officer

By: /s/ William G. Quigley III
William G. Quigley III
Vice President and Controller,
Chief Accounting Officer

Date: March 15, 2004

FEDERAL-MOGUL CORPORATION SUBSIDIARIES

The direct and indirect subsidiaries of the Company and their respective States or other jurisdictions of incorporation as of December 31, 2003 are as follows:

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation</u>	<u>Percentage of voting stock owned directly and indirectly by Federal-Mogul</u>
Federal-Mogul Canada Limited	Canada	100%
Federal-Mogul, S.A.	France	100%
Federal-Mogul Holdings Deutschland GmbH	Germany	100%
Federal-Mogul Weisbaden GmbH	Germany	100%
Federal-Mogul Burscheid GmbH	Germany	100%
Federal-Mogul Ignition S.r.l.	Italy	100%
Federal-Mogul Holding Italy S.P.A.	Italy	100%
Federal-Mogul Operations Italy S.r.l.	Italy	100%
Federal-Mogul de Mexico S.A. de C.V.	Mexico	94%
Servicios de Componentes Automotrices, S.A.	Mexico	100%
Servicios Administrativos Industriales, S.A.	Mexico	100%
Federal-Mogul Netherlands B.V.	Netherlands	100%
Federal-Mogul Growth B.V.	Netherlands	100%
Federal-Mogul Holdings B.V.	Netherlands	100%
Federal-Mogul Investments B.V.	Netherlands	100%
T & N Holdings Ltd.	South Africa	100%
Federal-Mogul, SARL	Switzerland	100%
Federal-Mogul Acquisition Company Limited	United Kingdom	100%
Federal-Mogul Global Growth Limited	United Kingdom	100%
F-M UK Holding Ltd.	United Kingdom	100%
T & N Limited	United Kingdom	100%
T & N Trademarks Ltd.	United Kingdom	100%
Federal-Mogul World Wide, Inc.	Michigan	100%
Federal-Mogul Ignition Company	Delaware	100%
Federal-Mogul Products, Inc.	Missouri	100%
Federal-Mogul UK Holdings Inc.	Delaware	100%
Federal-Mogul Global Inc.	Delaware	100%
Federal-Mogul Dutch Holdings Inc.	Delaware	100%
FM International, LLC	Delaware	100%
Felt Products Manufacturing Co	Delaware	100%
T & N Industries Inc.	Delaware	100%
Federal-Mogul Piston Rings, Inc.	Delaware	100%
Ferodo America, Inc.	Delaware	100%
Federal-Mogul Powertrain, Inc.	Michigan	100%

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (33-55135, 33-54717, 333-56725, 333-53853, 333-67805 and 333-74661) on Form S-3, the Registration Statement (333-81943) on Form S-4, and the Registration Statements (333-38961, 33-54301, 33-51403, 33-32429, 33-32323, 33-30171, 2-93179 and 333-50370) on Form S-8 of our report dated February 6, 2004, except as to the fifth paragraph of Note 1, as to which the date is March 4, 2004, with respect to the consolidated financial statements and schedule of Federal-Mogul Corporation, and our reports dated February 6, 2004, except as to the ninth paragraph of Note 1, as to which the date is March 4, 2004, with respect to the consolidated financial statements of Federal-Mogul Powertrain, Inc., Federal-Mogul Products, Inc., Federal-Mogul Ignition Company and Federal-Mogul Piston Rings, Inc.. all of which are included in Federal-Mogul Corporation's Annual Report on Form 10-K for the year ended December 31, 2003.

/s/ ERNST & YOUNG LLP
Detroit, Michigan
March 11, 2004

POWERS OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each one of the undersigned directors of FEDERAL-MOGUL CORPORATION, a Michigan corporation, which is about to file with the Securities and Exchange Commission, Washington D.C. under the provisions of the Securities Exchange Act of 1934, as amended, the Corporation's Annual Report on Form 10-K for the year ended December 31, 2003, hereby nominates, constitutes and appoints David M. Sherbin as his/her true and lawful attorney-in-fact, with full power to act and with full power of substitution, for him/her and in his/her name, place and stead, to sign such Report and any and all amendments thereto, and to file said Report and each Amendment so signed, with all Exhibits thereto, with the Securities and Exchange Commission.

IN WITNESS WHEREOF, each of the undersigned has executed this Power of Attorney this 17th day of February, 2004.

/s/ ROBERT S. MILLER, JR.
Robert S. Miller, Jr.
Chairman of the Board

/s/ JOHN J. FANNON
John J. Fannon
Director

/s/ PAUL S. LEWIS
Paul S. Lewis
Director

/s/ FRANK E. MACHER
Frank E. Macher
Director

/s/ SHIRLEY D. PETERSON
Shirley D. Peterson
Director

/s/ CHARLES G. MCCLURE, JR.
Charles G. McClure, Jr.
Director

/s/ JOHN C. POPE
John C. Pope
Director

/S/ GEOFFREY H. WHALEN
Geoffrey H. Whalen
Director

CERTIFICATION

Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

I, Charles G. McClure, the Chief Executive Officer of Federal-Mogul Corporation (the "Company"), certify that:

1. I have reviewed this annual report on Form 10-K of Federal-Mogul Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonable likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2004

By: /s/ Charles G. McClure, Jr.
Charles G. McClure, Jr.
Chief Executive Officer

CERTIFICATION

Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

I, G. Michael Lynch, the Chief Financial Officer of Federal-Mogul Corporation (the "Company"), certify that:

1. I have reviewed this annual report on Form 10-K of Federal-Mogul Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonable likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2004

By: /s/ G. Michael Lynch
G. Michael Lynch
Chief Financial Officer

CERTIFICATION

Pursuant to 18 United States Code § 1350 and
Rule 13a-14(b) of the Securities Exchange Act of 1934

The Undersigned hereby certifies that to his knowledge the annual report on Form 10-K of Federal-Mogul Corporation (the "Company") filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such annual report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: March 15, 2004

By: /s/ Charles G. McClure, Jr.
Charles G. McClure, Jr.
Chief Executive Officer

By: /s/ G. Michael Lynch
G. Michael Lynch
Chief Financial Officer