

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

In re:

FEDERAL-MOGUL GLOBAL INC.,  
T&N LIMITED, et al.,<sup>1</sup>

Debtors.

Chapter 11

Case No. 01-10578 (RTL)

(Jointly Administered)

Hearing Date: March 16, 2005

Time: 10:00 a.m. EST

**STIPULATION AND AGREEMENT FOR COMPROMISE AND SETTLEMENT**  
**OF SECURED SURETY CLAIMS, FOR TREATMENT THEREOF UNDER THIRD**  
**AMENDED JOINT PLAN OF REORGANIZATION, AND RELATED MATTERS**

<sup>1</sup> 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 English 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, 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, 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, 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 English Debtors, T&N Investments Limited is a Scottish rather than English company and has accordingly commenced administration proceedings in Scotland rather than England.

**This STIPULATION AND AGREEMENT FOR COMPROMISE AND SETTLEMENT OF SECURED SURETY CLAIMS, FOR TREATMENT THEREOF UNDER THIRD AMENDED JOINT PLAN OF REORGANIZATION, AND RELATED MATTERS** (the “Stipulation”), is made and entered into by, between and among each of the Plan Proponents (as defined in Section 1.1.116 of the Third Amended Joint Plan of Reorganization, dated June 4, 2004 (“Plan”) on file with the Court), excluding the Administrative Agent but with the consent and approval of the Administrative Agent, on the one hand, and each of the Sureties (as defined in Section 1.1.145 of the Plan), on the other hand, with reference to the facts recited below. Capitalized terms not otherwise defined in the Stipulation shall have the meanings set forth in the Plan.

#### **RECITALS**

A. Prior to the Petition Date, at the request of the Debtors, the Sureties issued the CCR Surety Bonds (also referred to herein as the “Bonds”) in favor of CCR.

B. The CCR Surety Bonds are outstanding as of this date. Any draw on the Bonds has been temporarily restrained and enjoined by order of the United States District Court in the CCR Litigation.

C. In connection with the issuance of the CCR Surety Bonds, certain of the Debtors entered into Contracts of Indemnity (“Contracts of Indemnity”) in favor of the Sureties, and granted liens and security interests in favor of the Sureties as collateral for any obligations of the indemnitor-Debtors arising under such Contracts of Indemnity. Pursuant to such Contracts of Indemnity and related instruments, the Sureties have asserted the Surety Claims against certain of the Debtors and their respective estates.

D. Pursuant to proceedings initiated by the Sureties before the Bankruptcy Court, and for voting purposes only, the Sureties have been accorded the right to vote the Surety Claims as both a Secured Claim and an Unsecured Claim against the estate of each indemnitor-Debtor, other than T&N Limited and Gasket Holdings, Inc., against which the Sureties are entitled to vote the Surety Claims as only Unsecured Claims.

E. The Debtors and the Unsecured Creditors Committee (with the approval of the remaining Plan Proponents), on the one hand, and CCR, on the other hand, have reached an agreement in principle, subject to approval of the Bankruptcy Court, to compromise and settle the claims and causes of action asserted in the CCR Litigation, for the sum of \$29 million cash to be paid to CCR ("CCR Settlement" and "CCR Settlement Amount," respectively). The CCR Settlement is in the process of being documented and has not yet been approved by the Court.

F. Implementation of the CCR Settlement as presently contemplated by the parties and described herein, will, in turn, fix and determine the amount of a major component of the Surety Claims.

G. The Unsecured Creditors Committee and certain other Plan Proponents (excluding the Debtors and the Administrative Agent), contend that the liens and security interests granted by certain of the Debtors in favor of the Sureties prior to the Petition Date, together with certain of the guarantees and co-obligations undertaken by certain of the Debtors under the Contracts of Indemnity, may be set aside and avoided pursuant to the Avoidance Litigation. The Sureties dispute such contentions by the Unsecured Creditors Committee and such other Plan Proponents.

H. Other disputes and disagreements exist between the Sureties and certain of the Plan Proponents regarding the proper treatment of the Surety Claims under the Plan, including matters that could be alleged in the Avoidance Litigation.

I. In addition to the foregoing, prior to the Petition Date, Travelers issued a Supersedeas Bond for the account of Federal-Mogul and T&N in connection with an asbestos personal injury action entitled Hoskins v. Federal-Mogul Corporation and T&N Ltd., Circuit Court of Jackson County, Missouri, case no. 00-CV-206172. As collateral for any obligations arising under the subject Supersedeas Bond, Federal-Mogul caused to be issued in favor of Travelers a documentary Letter of Credit (for reference only, the "Hoskins Letter of Credit") in the original face amount of \$10,956,584.00. The Hoskins Letter of Credit has been partially drawn by Travelers such that as of this date, the principal balance drawable under the Hoskins Letter of Credit has been reduced to approximately \$2.2 million. Travelers contends that the Hoskins Letter of Credit additionally secures Travelers' portion of the Surety Claims; the Debtors, the Unsecured Creditors Committee, and the other Plan Proponents (excluding the Administrative Agent which has taken no position on the issue) dispute Travelers' contention in this regard.

J. The Plan Proponents and the Sureties have compromised and settled their various disputes and differences relating to the Surety Claims, and have entered into this Stipulation to, *inter alia* (i) memorialize the terms of their compromise and settlement, (ii) provide a means of funding the CCR Settlement, (iii) conditionally establish the Allowed amount of the Secured Surety Claims for purposes of future adequate protection payments and distribution under the Plan, including any subsequent modification of the Plan that provides for treatment of the Bank Claims with substantially the same form and value of consideration as is

contained in the Plan, and provided that the holders of Bank Claims have accepted such modified plan ("Modified Plan"), and (iv) provide for the treatment of the Secured Surety Claims together with the Sureties' related claims for reimbursement of costs and attorney's fees in these Reorganization Cases.

### **STIPULATION**

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED, subject to approval of the Bankruptcy Court, as follows:

**1. Settlement of CCR Litigation; Funding of CCR Settlement Amount.**

a. The Debtors and the Unsecured Creditors Committee will use their respective best efforts to document and promptly obtain Court approval of the CCR Settlement upon such terms and conditions as the Debtors and the Committee deem appropriate, but which shall include at least the following protections for the benefit of the Sureties:

(i) The CCR Settlement Amount will not exceed \$29 million;

(ii) The Sureties agree to fund the CCR Settlement Amount by honoring draws by CCR on the CCR Surety Bonds (hereinafter also referred to as the "Bond Draw") with the amount allocated among the Sureties based upon the respective liability of each Surety under the Bonds (i.e., Safeco: 30%; CNA: 30%; Travelers in its capacity as successor in interest to Reliance Insurance Company: 20%; and Travelers: 20%). Subject to entry of a Final Order approving the CCR Settlement, the Bond Draw will occur on the earlier of (x) the third business day after the Effective Date of the Plan or a Modified Plan, or (y) May 2, 2005. Upon payment in full of the Bond Draw, CCR shall return the original Surety Bonds to Federal-Mogul for immediate delivery to the respective Surety.

(iii) Effective upon entry of a Final Order approving the CCR Settlement, CCR and each of its members will issue full releases in favor of, and reasonably acceptable to, the Sureties with respect to any and all claims arising under the CCR Surety Bonds, the claims asserted by the Sureties or CCR in the CCR Litigation, and similar matters; provided, however, that such releases shall be subject to each Surety's payment of the Bond Draw as set forth in subparagraph 1.a.(ii) above; and provided further, however, that such releases shall not include, nor be construed to include, a release issued by or on behalf of any Debtor which is a former member of CCR, but subject to the Debtors' agreement that the Sureties' liability under the Bonds shall not exceed the Bond Draw. Such releases in favor of the Sureties will extend to each of the Sureties' officers, directors and affiliates, and shall contain such other provisions as are standard and customary for releases of this type; and

(iv) Effective upon entry of a Final Order approving the CCR Settlement, the CCR Litigation will be dismissed with prejudice, including, without limitation, any counterclaims or cross-claims asserted by CCR. Each party will bear its own costs and attorney's fees, except for certain of the Sureties' attorney's fees and costs to be reimbursed at the expense of the Debtors' estates as provided herein.

b. Each of the Sureties agrees to consent to and support approval of a settlement of the CCR Litigation which incorporates the foregoing terms and conditions, and does not contain additional terms and conditions that otherwise prejudice the interests of the Sureties. Each Surety shall be a signatory to the CCR Settlement in accordance with the foregoing.

**2. Accrual of Interest on Bond Draw; Adequate Protection.**

a. Upon full payment of the Bond Draw by each of the Sureties in the respective allocations described in subparagraph 1.a.(ii) above, the Bond Draw amount of \$29.0 million, less the sum of \$1.0 million drawn by Travelers under the Hoskins Letter of Credit (as provided hereinbelow), for a total of \$28.0 million ("Net Bond Draw") shall accrue interest at a rate of interest equal to LIBOR plus 200 basis points adjusted monthly. Interest on the Net Bond Draw shall commence to accrue on the date of full payment of the Bond Draw, and shall continue until and cease on the earlier of the following: (i) the later of (x) the Effective Date of the Plan, Modified Plan, or Alternative Plan (as herein defined) which the Sureties have accepted, or (y) the date on which interest payments to the holders of Bank Claims pursuant to the terms of the Final DIP Order terminates; and (ii) the occurrence of an event or condition described in subparagraph 2.c. below.

b. In addition to the Sureties' rights under the Final DIP Order (as modified herein) relating to current payment of certain attorney's fees, and as adequate protection for use of the Sureties' cash and non-cash collateral under Sections 361 and 363 of the Code, the Debtors shall make monthly cash payments to the Sureties in amounts equal to interest accrued on the Net Bond Draw in accordance with and during the term provided in subparagraph 2.a. above. Any accrued interest to which the Sureties are entitled under the terms of this Stipulation which remains unpaid as of the Effective Date of the Plan, Modified Plan or Alternative Plan which the Sureties have accepted, shall be paid in cash on the Effective Date.

c. In the event that either (i) the Creditors Committee obtains a final judgment in its favor with respect to the Avoidance Litigation, (ii) a Final Order is entered in the Valuation Proceedings determining that the value of the Sureties' collateral is equal to or less

than the Net Bond Draw amount plus interest accrued thereon (the events described in clauses (i) or (ii) above are hereinafter referred to as "Termination Events"), or (iii) the Plan is superseded by an Alternative Plan which the Sureties have failed to accept, then the Sureties' entitlement to accrual of interest on the Net Bond Draw (subparagraph 2.a. above) and entitlement to monthly cash payments of interest (subparagraph 2.b. above) shall terminate entirely if the event is a Termination Event, or shall cease upon further order of the Court if the event is a type described in clause (iii) above. Upon occurrence of any of the foregoing, any payments of interest previously paid to the Sureties with respect to the Net Bond Draw shall be reapplied to the principal amount of the Surety Claims in such amounts, if any, as are determined by the Court.

**3. Plan Treatment of Surety Claims.**

Effective upon entry of a Final Order approving the CCR Settlement, entry of a Final Order approving this Stipulation, and funding of the Bond Draw, the Surety Claims shall be treated as follows under the Plan, any Modified Plan, or Alternative Plan in these Reorganization Cases:

**a. Plan or Modified Plan.**

In the event that the Plan Proponents seek and obtain confirmation of the Plan or a Modified Plan, the following provisions shall apply:

(i) The Surety Claims shall be allowed as fully Secured Claims against Federal-Mogul and its estate, in an aggregate amount equal to the Net Bond Draw of \$28.0 million. The Allowed Secured Surety Claims will be allocated among the Sureties, and held and controlled by each Surety as its separate Allowed Secured Claim, as follows: Safeco: \$8.7 million; CNA: \$8.7 million; Travelers in its capacity as successor in interest to Reliance Insurance Company: \$5.3 million; and Travelers: \$5.3 million.



(ii) Upon the mutual releases contained in paragraph 6 of this Stipulation becoming effective, subject to each limitation in paragraph 6 and subject also to the proviso in paragraph 9.a., the Sureties shall be deemed to have waived and released any and all other claims against the Debtors and their respective estates.

(iii) The Plan Proponents will file an appropriate modification of the Plan (or include in any Modified Plan, as the case may be) which shall provide for treatment of the Allowed Secured Surety Claims in substantially the same manner as the Plan proposes to treat the Secured Bank Claims, and with *pari passu* participation in the same collateral that will secure the debt instruments issued under the Plan on account of the Secured Bank Claims. Without limiting the generality of the foregoing, in full and complete satisfaction of the Allowed Secured Surety Claims, the Sureties shall receive (x) senior, secured term loans in the aggregate amount of \$22.764 million to be repaid under the Reorganized Federal-Mogul Secured Term Loan Agreement and related documents, but in any event upon the same terms, conditions, interest rate, maturity, collateral and lien priority as the holders of Bank Claims shall receive under the Plan (or Modified Plan, as the case may be) as evidenced by the Reorganized Federal-Mogul Secured Term Loan Agreement applicable to the Bank Claims, and as particularly set forth in Exhibit 1.1.131 of the Plan; and (y) Junior Secured PIK Notes in the aggregate amount of \$5.236 million, to be repaid under the Reorganized Federal-Mogul Junior Secured PIK Notes and related documents, but in any event upon the same terms, conditions, interest rate, maturity, collateral and lien priority as the holders of Bank Claims shall receive under the Plan as evidenced by the Reorganized Federal-Mogul Junior Secured PIK Notes and as particularly set forth in Exhibit 1.1.130 of the Plan. (The foregoing allocation of senior secured loans and Junior Secured PIK Notes is calculated with reference to the proportionate amount of such instruments

to be issued to the holders of Bank Claims under the Plan.) The Debtors shall provide the Sureties with copies of the loan documents and other instruments relating to treatment of the Bank Claims or the Allowed Secured Surety Claims.

(iv) Upon the Effective Date of the Plan or any Modified Plan, the rights of the Plan Proponents, or any of them, to commence and pursue the Avoidance Litigation or the Valuation Proceedings shall be deemed waived and released, and the releases by certain of the Plan Proponents in favor of the Sureties as provided herein shall take effect.

(v) The definitions of Protected Party (Plan, Sec. 1.1.122) and Released Party (Plan, Sec. 1.1.124) shall be amended to include, and the equivalent provisions of any Modified Plan shall include, each of the Sureties such that the Sureties will be afforded the same protections as the Administrative Agent and the holders of Bank Claims by virtue of the releases and injunctions contained in Article IX of the Plan as applicable by their respective terms; provided, however, that to the extent any party in interest asserts an objection to confirmation of the Plan or any Modified Plan based upon the inclusion of the Sureties within such definitions, releases or injunctions, and the Plan Proponents in the exercise of reasonable judgment determine that such objection may jeopardize the confirmability of the Plan or a Modified Plan, the Plan Proponents shall have the right to further amend the Plan or Modified Plan to omit the Sureties from inclusion within the definition of Protected Party, Released Party, or either of them, or with respect to any or all of the releases and injunctions provided in Article IX, to the extent deemed necessary to overcome the stated objection.

(vi) With respect to the Allowed Secured Surety Claims, each of the Sureties agrees to (w) vote its Allowed Secured Surety Claim to accept the Plan or any Modified Plan, (x) support the Plan or any Modified Plan, (y) so long as the Plan or a Modified Plan is

pending, not vote in favor of or support any alternative plan of reorganization, and (z) hereby waives any objection to confirmation of the Plan.

**b. Alternative Plan.**

In the event that the Plan Proponents do not seek, or fail to obtain, confirmation of the Plan or a Modified Plan, but instead propose and seek confirmation of an alternative plan of reorganization for the Debtors (“Alternative Plan”), then the following provisions shall apply:

(i) The Plan Proponents shall offer to the Sureties the same treatment for the Surety Claims that is proposed for the Bank Claims under such Alternative Plan. If the Sureties elect to accept the proposed treatment of the Surety Claims under the Alternative Plan, then each of the provisions contained in subparagraphs 3.a.(i) – (vi), inclusive, shall apply to the Alternative Plan instead of the Plan, unless the Plan Proponents and the Sureties expressly agree otherwise, subject to the following modifications: subparagraph 3.a.(i): the Surety Claims will be allowed as Secured Claims to the same extent that the Bank Claims are allowed as Secured Claims; subparagraph 3.a.(iii): the form of Alternative Plan consideration shall be the same as provided for treatment of the Bank Claims, and the value thereof provided to the Sureties shall be proportionate to the value provided to the holders of Bank Claims based on the respective amount of Bank Claims and Surety Claims; subparagraph 3.a.(iv): to the extent that the Alternative Plan provides for a waiver of the Avoidance Litigation, waiver of Valuation Proceedings, and a release in favor of the holders of Bank Claims, the same protections shall be afforded the Sureties; subparagraph 3.a.(v): to the extent that the Alternative Plan provides for the releases and injunctions in favor of Protected Parties and Released Parties and such Parties

include the holders of Bank Claims, the provisions of subparagraph 3.a.(v) shall apply in favor of the Sureties under an Alternative Plan.

(ii) If the Sureties elect not to accept the proposed treatment of the Surety Claims under the Alternative Plan, then, unless the Plan Proponents and the Sureties agree otherwise, none of the foregoing provisions contained in subparagraphs 3.a.(i) – (vi), inclusive, shall apply in favor of the Sureties, and the Sureties and the Plan Proponents reserve and retain all of their respective rights, claims, remedies and defenses against the other.

**4. Attorney's Fees and Costs.**

**a. Fees and Costs Not Reimbursed Under Final DIP Order.**

Immediately prior to the date of the Bond Draw, the Debtors shall pay to the Sureties the aggregate amount of \$1.1 million cash to be applied by the Sureties on account of all attorney's fees, costs or expenses incurred by the Sureties, or any of them, as to which the Sureties have not been reimbursed or are not entitled to be reimbursed under the Final DIP Order as of the date of the Bond Draw. Subject to the Mutual Releases contained in Section 6 below becoming effective, such payment shall be in full satisfaction and discharge of all such attorney's fee, cost and expense claims held by the Sureties.

**b. Fees and Costs Reimbursable Under Final DIP Order.**

Any unpaid attorneys' fees and costs incurred by the Sureties from the Petition Date through the last day of the calendar month in which an order is entered approving this Stipulation, shall be reimbursed to the Sureties at the expense of the Debtors' estates in accordance with the provisions of the Final DIP Order (i.e., limited to the highest amount of fees and costs incurred by one set of attorneys only during the applicable billing period). Commencing on the first day of the calendar month immediately following the date of entry of

an order approving this Stipulation, the combined amount of fees and expenses reimbursable to the Sureties under the Final DIP Order, shall not exceed the sum of \$10,000 per month ("Fee Cap") on account of all of the Sureties' fees and expenses. The Fee Cap shall remain in effect for an initial period of sixty (60) days following commencement of the Fee Cap. If an order is entered approving the CCR Settlement before expiration of such 60-day period, the Fee Cap (together with the Sureties' entitlement to receive current monthly payments of fees and expenses pursuant to the Final DIP Order but subject to the Fee Cap) shall remain in effect until the earlier of the Effective Date of a Plan or Modified Plan, the occurrence of a Termination Event, or entry of a Court order terminating further payments of fees and expenses to the Sureties, based upon the occurrence of an event describe in subparagraph 2.c.(iii) of this Stipulation (collectively, "Fee Cap Termination Date"). In the event that an order approving the CCR Settlement is not entered before the expiration of such initial 60-day period, the Fee Cap (but not the Sureties' right to receive monthly payments of fees and expenses pursuant to the Final DIP Order) shall be suspended and shall not apply from the end of such 60-day period until an order is entered by the Court approving the CCR Settlement, on which date the Fee Cap shall be reinstated prospectively and shall remain in effect until the Fee Cap Termination Date; and, provided, however, that the Sureties' fees and expenses covered by the Fee Cap shall not be limited to the highest amount of fees and expenses incurred by one set of attorneys only as currently provided in the Final DIP Order. The Fee Cap shall be subject to upward or downward adjustment by the Court for good cause. The provisions of the Final DIP Order relating to payment of the Sureties' fees and costs shall be deemed amended accordingly.

**5. Hoskins Letter of Credit; Travelers.**

The following provisions represent an integral part of an overall resolution of the Surety Claims as set forth in this Stipulation. Subject to Court approval of the remaining terms and conditions of this Stipulation without material change, the Plan Proponents and Travelers further agree as follows:

a. Travelers shall be entitled to make a partial draw under the Hoskins Letter of Credit by presenting a sight draft to the issuer in the amount of \$1.0 million. The draft shall be honored and paid in accordance with the terms of the Hoskins Letter of Credit and applicable law.

b. The sight draft referenced in paragraph 5.a. above, may be presented by Travelers to the issuer five (5) days prior to the earlier of (i) the Effective Date of the Plan or any Modified Plan, or (ii) May 2, 2005 such that the proceeds thereof may be used by Travelers to partially fund the Bond Draw.

c. Following payment of the sight draft, Travelers shall promptly deliver the Hoskins Letter of Credit, duly endorsed in favor of Federal-Mogul Corporation, to the Debtors. The Hoskins Letter of Credit shall thereupon be returned to the issuer and deemed cancelled.

d. The sum of \$1.0 million drawn by Travelers under the Hoskins Letter of Credit shall be applied against the Bond Draw, thus resulting in an aggregate amount of Secured Surety Claims of \$28 million to be allocated among the Sureties as provided in section 3.a.(i) above.

**6. Mutual Releases.**

With the sole exceptions of the Allowed Secured Surety Claims and the rights and obligations arising under or confirmed by the terms of this Stipulation, each of the Plan

Proponents, excluding the Administrative Agent, on the one hand, and each of the Sureties, and each of them, on the other hand, on behalf of themselves and their respective subsidiaries, predecessors, successors and assigns (including, without limitation, any subsequently appointed trustee in the Reorganization Cases) hereby release and discharge each other from and against any and all manner of action, causes of action, suits, debts, accounts, promises, warranties, damages and consequential damages, demands, controversies, costs, expenses, claims, rights, accounts, defenses, remedies, setoffs, recoupments, crossclaims, counterclaims, third party claims, reimbursement claims, liabilities and obligations of any nature whatsoever, whether or not arising out of federal or state laws or regulations, statutes, rules, or common law, whether in contract, tort or otherwise, whether in law or equity, whether known or unknown, matured or unmatured, fixed or contingent, liquidated or unliquidated, disputed or undisputed, direct or indirect, choate or inchoate, that arise out of or relate to the CCR Surety Bonds, the Contracts of Indemnity, the CCR Litigation, the Avoidance Litigation, the Valuation Proceedings, or the Reorganization Cases, but subject to the limitation contained in paragraph 9.a. below reserving to the Sureties or their affiliates any claims or interests unrelated to the Surety Claims (collectively, the "Released Claims"); provided, however, that the foregoing mutual releases shall not take effect until the earliest of (i) the Effective Date of the Plan or any Modified Plan; (ii) the effective date of an Alternative Plan which provides for a release in favor of the Administrative Agent and the holders of Bank Claims and which each of the Sureties has accepted; and (iii) the effective date of a release and waiver by all Plan Proponents in favor of the Administrative Agent and the holders of Bank Claims that is not contained in any plan.

**7. Tolling of Filing Deadlines.**

Each of the Sureties hereby agrees that (i) the applicable period of limitations under Section 546(a) of the Code with respect to the commencement of any action described therein as against the Sureties, and (ii) any deadline for the commencement of the Avoidance Litigation, the Valuation Proceeding, claim objection or the like, established under the Final DIP Order, as such periods have been heretofore extended pursuant to stipulation or court order, is hereby tolled as of January 31, 2005 such that any such claim, cause of action, objection, or other right in favor of any of the Plan Proponents that remained viable as of January 31, 2005 shall remain viable during the term of this tolling agreement and for a period of thirty (30) days thereafter. This tolling agreement shall remain in full force and effect until the earliest to occur of the Effective Date of the Plan or any Modified Plan, the effective date of an Alternative Plan, or the giving of written notice of termination of this tolling agreement by the Sureties to each of the Plan Proponents through their counsel of record, and for a period of thirty (30) days following the delivery of such notices. The parties agree that the Court's order approving this Stipulation shall provide for an appropriate modification of the Final DIP Order so as to give effect to this tolling agreement without the need for further Court-ordered extensions of the applicable deadlines.

**8. Proration of Bond Premiums.**

Subject to entry of a Final Order approving the CCR Settlement, the Bond renewal premiums for 2005 paid or payable by the Debtors to CNA and Safeco, respectively, shall be prorated for the period January 1, 2005 through the date of the Bond Draw. CNA and Safeco shall promptly refund any excess premiums to the Debtors following the date of the Bond Draw.



9. **Miscellaneous Provisions.**

a. The terms and conditions of this Stipulation shall, subject to Court approval, be binding upon the parties hereto as well as their successors and assigns, including, in the case of the Debtors, any subsequently appointed Trustee or estate representative; provided, however, that nothing contained in this Stipulation shall be deemed to effect any claim or interest of any of the Sureties or their respective affiliates against the Debtors other than the Surety Claims.

b. This Stipulation contains the entire agreement among the parties relating to the subject matter hereof, and is the final and complete expression of their intent. Any prior or contemporaneous agreements or understandings between the parties are superseded in their entirety by the terms of this Stipulation. This Stipulation shall not be changed, modified or amended except by an agreement in writing executed by all of the parties hereto and Court approval.

c. This Stipulation may, and it is contemplated will, be executed in counterparts, each of which shall constitute one agreement. A facsimile signature shall constitute an original signature.

d. Each of the parties hereto, in order to induce each of the other parties to enter into this Stipulation, hereby covenants, agrees, represents and warrants to the other or others, as follows: subject to entry of any necessary approval Order by the Court (i) each party has full power and authority, and is duly authorized and empowered, to enter into, execute, deliver, and perform its obligations under, this Stipulation; (ii) upon execution and delivery, this Stipulation will be a valid, binding, subsisting and enforceable obligation of each party in

accordance with the terms set forth herein; and (iii) the representative of each party executing this Stipulation is duly authorized and empowered to act on behalf of such party.

e. The Debtors agree and stipulate with one another that to the extent Federal-Mogul Corporation has or will provide the settlement consideration to the Sureties under the terms of this Stipulation, and to the extent that such consideration is provided for or on behalf of Debtors other than Federal-Mogul Corporation, such other Debtors shall reimburse Federal-Mogul Corporation and its estate for the allocable share of each such other Debtor entity in such amounts as the parties shall subsequently agree or the Court shall determine.

**10. Court Approval.**

a. The Plan Proponents shall seek Bankruptcy Court approval of the terms and conditions contained in this Stipulation pursuant to motion under Fed. R. Bankr. P. 9019 or other appropriate procedural mechanism. Such approval shall be sought prior to expiration of any deadline for the Sureties to vote on, or file objections to confirmation of, the Plan or any Modified Plan. In the event that this Stipulation is not approved by the Court, nothing contained herein shall constitute an admission on the part of any party, and neither the Stipulation nor its terms shall be admissible in any subsequent proceeding involving the Sureties, and the Plan Proponents, or any of them.

b. In the event that the CCR Settlement is not approved upon terms and conditions which include protections for the Sureties as set forth in this Stipulation, this Stipulation and the agreements contained herein shall be deemed null and void and of no further force and effect. In such event, the rights, claims and interests of each of the parties shall be reinstated, without prejudice or validation, to the same extent that such rights, claims and interests existed prior to the entry, execution and approval of this Stipulation. The Sureties shall

have seven (7) days after entry of an order denying approval of this Stipulation or the CCR Settlement to vote on, or object to confirmation of, the Plan or any Modified Plan.

DATED: February 24, 2005

SIDLEY AUSTIN BROWN & WOOD LLP

Richard T. Peters  
Kevin T. Lantry  
555 West Fifth Street, Suite 4000  
Los Angeles, California 90013  
(213) 896-6000

SIDLEY AUSTIN BROWN & WOOD LLP

Larry J. Nyhan  
James F. Conlan  
Bank One Plaza  
10 South Dearborn Street.  
Chicago, Illinois 60603  
(312) 853-7000

-and-

PACHULSKI, STANG, ZIEHL, YOUNG, JONES &  
WEINTRAUB P.C.

By: \_\_\_\_\_

  
Laura Davis Jones (Bar No. 2436)  
James E. O'Neill (Bar No. 4042)  
919 North Market Street, 16<sup>th</sup> Floor  
P.O. Box 8705  
Wilmington, Delaware 19899-8705 (Courier 19801)  
Telephone: (302) 652-4100  
Facsimile: (302) 652-4400

DATED: Chicago, Illinois  
February \_\_, 2005

BELL BOYD & LLOYD

By: \_\_\_\_\_  
David Heroy  
70 West Madison Street  
Three First National Plaza, Suite 3300  
Chicago, Illinois 60602  
(312) 807-4315

-and-

BIFFERATO BIFFERATO & GENTILOTTI


Connor Bifferato  
Megan N. Harper  
Buckner Building  
1308 Delaware Avenue  
Wilmington, DE 19806  
(302) 429-1900

Attorneys for the Official Committee of Equity  
Security Holders

DATED: Wilmington, Delaware  
February 18, 2005

Approved as to form and content, and consented  
to:

RICHARDS, LAYTON & FINGER, P.A.

By:  \_\_\_\_\_  
Mark Collins  
One Rodney Square  
P.O. Box 551  
Wilmington, DE 19899  
(302) 651-7700

-and-

SIMPSON THACHER & BARTLETT LLP

Steven M. Fuhrman  
425 Lexington Avenue  
New York, NY 10017  
(212) 455-2000

Attorneys for JPMorgan Chase Bank, as  
Administrative Agent

DATED: Wilmington, Delaware  
February \_\_, 2005

THE BAYARD FIRM

By: Charlene D Davis

Charlene Davis (No. 2336)  
Eric M. Suttly (No. 4007)  
222 Delaware Avenue, Suite 900  
Wilmington, Delaware 19899  
(302) 655-5000

Attorneys for the Official Committee of Unsecured  
Creditors

DATED: Wilmington, Delaware  
February \_\_, 2005

YOUNG CONAWAY STARGATT & TAYLOR,  
LLP

By: \_\_\_\_\_

James L. Patton, Jr.  
Edwin J. Harron  
1100 North Market Street, 11<sup>th</sup> Floor  
Wilmington, DE 19899-0391  
(302) 571-6600

Attorneys of the Legal Representative for Future  
Asbestos Claimants

DATED: Wilmington, Delaware  
February \_\_, 2005


THE BAYARD FIRM

By: \_\_\_\_\_  
Charlene Davis (No. 2336)  
Eric M. Suttty (No. 4007)  
222 Delaware Avenue, Suite 900  
Wilmington, Delaware 19899  
(302) 655-5000

Attorneys for the Official Committee of Unsecured  
Creditors

DATED: Wilmington, Delaware  
February 24, 2005

YOUNG CONAWAY STARGATT & TAYLOR,  
LLP

By:  \_\_\_\_\_  
James L. Patton, Jr.  
Edwin J. Harron  
1100 North Market Street, 11<sup>th</sup> Floor  
Wilmington, DE 19899-0391  
(302) 571-6600

Attorneys of the Legal Representative for Future  
Asbestos Claimants

DATED: Wilmington, Delaware  
February \_\_, 2005

DUANE MORRIS LLP

By: \_\_\_\_\_  
Richard W. Riley (No. 4052)  
1100 North Market Street, Suite 1200  
Wilmington, DE 19801-1246  
(302) 657-4928

-and-

John Horstmann  
Lauren Lonergan Taylor  
One Liberty Place  
Philadelphia, PA 19103-7396

Attorneys for National Fire Insurance Company of  
Hartford and Continental Casualty Company,  
certain of the Surety Bond Issuers

DATED: Wilmington, Delaware  
February \_\_, 2005

CAMPBELL & LEVINE, LLC

By: \_\_\_\_\_  
Matja Eskin (No. 2989)  
800 King Street, Suite 300  
Wilmington, DE 19801  
(302) 426-1900

-and-

CAPLIN & DRYSDALE, CHARTERED  
Elihu Inselbuch  
399 Park Avenue  
New York, New York 10022-4614  
(212) 319-7125

-and-

CAPLIN & DRYSDALE, CHARTERED  
Peter Van N. Lockwood  
One Thomas Circle, N.W.  
Washington, D.C. 20005  
(202) 862-5000

Counsel to the Official Committee of Asbestos  
Claimants

DATED: Hartford, CT  
February \_\_, 2005

BINGHAM McCUTCHEN LLP

By: \_\_\_\_\_  
Jonathan B. Alter  
1 State Street  
Hartford, CT 06103  
(860) 240-2700

Counsel to Travelers Casualty & Surety Company  
of America, one of the Surety Bond Issuers

DATED: Chicago, Illinois  
February 18, 2005

ADELMAN & GETTLEMAN, LTD. c  
By: \_\_\_\_\_  
Brad A. Berish  
53 West Jackson Boulevard, Suite 1050  
Chicago, Illinois 60604  
(312) 435-1050

-and-

SEITZ, VAN OGTROP & GREEN P.A.  
R. Karl Hill (No. 2747)  
222 Delaware Avenue, Suite 1500  
P.O. Box 68  
Wilmington, DE 19899  
(302) 888-0600

Counsel to Safeco Insurance Company of  
America, one of the Surety Bond Issuers



DATED: Hartford, CT  
February 18, 2005

BINGHAM McCUTCHEN LLP

By: 

Jonathan B. Alter  
1 State Street  
Hartford, CT 06103  
(860) 240-2700

Counsel to Travelers Casualty & Surety Company  
of America, one of the Surety Bond Issuers

DATED: Chicago, Illinois  
February \_\_, 2005

ADELMAN & GETTLEMAN, LTD.

By: \_\_\_\_\_

Brad A. Berish  
53 West Jackson Boulevard, Suite 1050  
Chicago, Illinois 60604  
(312) 435-1050

-and-

SEITZ, VAN OGTROP & GREEN P.A.

R. Karl Hill (No. 2747)  
222 Delaware Avenue, Suite 1500  
P.O. Box 68  
Wilmington, DE 19899  
(302) 888-0600

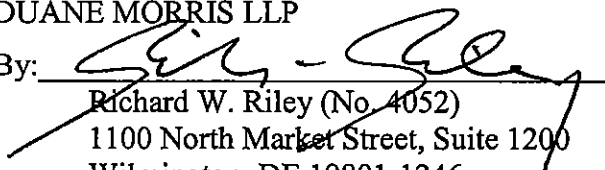
Counsel to Safeco Insurance Company of  
America, one of the Surety Bond Issuers

SEITZ, VAN OGTROP & GREEN P.A.  
R. Karl Hill (No. 2747)  
222 Delaware Avenue, Suite 1500  
P.O. Box 68  
Wilmington, DE 19899  
(302) 888-0600

Counsel to Safeco Insurance Company of  
America, one of the Surety Bond Issuers

DATED: Wilmington, Delaware  
February 24, 2005

DUANE MORRIS LLP

By:   
Richard W. Riley (No. 4052)  
1100 North Market Street, Suite 1200  
Wilmington, DE 19801-1246  
(302) 657-4928

-and-

John Horstmann  
Lauren Lonergan Taylor  
One Liberty Place  
Philadelphia, PA 19103-7396

Attorneys for National Fire Insurance Company of  
Hartford and Continental Casualty Company,  
certain of the Surety Bond Issuers

DATED: Chicago, Illinois  
February 24, 2005

BELL BOYD & LLOYD

By: 

David Heroy  
70 West Madison Street  
Three First National Plaza, Suite 3300  
Chicago, Illinois 60602  
(312) 807-4315

-and-

BIFFERATO BIFFERATO & GENTILOTTI

Connor Bifferato  
Megan N. Harper  
Buckner Building  
1308 Delaware Avenue  
Wilmington, DE 19806  
(302) 429-1900

Attorneys for the Official Committee of Equity  
Security Holders

DATED: Wilmington, Delaware  
February \_\_, 2005

Approved as to form and content, and consented  
to:

RICHARDS, LAYTON & FINGER, P.A.

By: \_\_\_\_\_

Mark Collins  
One Rodney Square  
P.O. Box 551  
Wilmington, DE 19899  
(302) 651-7700

-and-

SIMPSON THACHER & BARTLETT LLP

Steven M. Fuhrman  
425 Lexington Avenue  
New York, NY 10017  
(212) 455-2000

Attorneys for JPMorgan Chase Bank, as  
Administrative Agent