

INSTITUTIONAL RESEARCH

Bishop, Rosen & Co., Inc.

Members: American Stock Exchange, NASD & SIPC
100 Broadway 16th Floor
New York, N. Y. 10005
212-720-0506
800-221-5225

March 2, 2006

Distressed Debt and High Yield Bonds
Stephen P. Vlahos
Managing Director of Investments

FEDERAL-MOGUL CORPORATION Recommendation and Evaluation

The analyst is initiating coverage of Federal-Mogul debt with a neutral rating at the current price range of 38-39. Investors should expect market sector average returns from the current market price of 38-39 within the next 12 months as Federal-Mogul exits the Bankruptcy process and the auto sector and auto parts suppliers reorganize and restructure a process that could take a long time. We believe that EBITDA growth will be muted throughout the next two fiscal years, and lower than current Company projections. Based on the assumption of slower than anticipated EBITDA growth in the foreseeable future we are satisfied that the Federal-Mogul bonds have hit our target price and we have become neutral on Federal-Mogul debt.

On June 4, 2004, Federal-Mogul filed the Third Amended Joint Plan of Reorganization and Disclosure Statement with the Bankruptcy Court. It is expected that a 4th Amended Plan will be filed; votes will be taken again to accept or reject the Amended Plan of the Reorganization. We anticipate the Bankruptcy Court will probably approve the Amended Plan and a confirmation hearing to be held afterwards.

Update of Federal-Mogul Bankruptcy:

“On September 26, 2005 the Company announced an agreement between the Administrators of the U.K. Debtors and the Plan Proponents who have agreed to allow the Company to retain the businesses and other assets of the U.K. affiliates in exchange for monetary amounts and reserves for distributions to the U.K. creditors. A copy of the U.K. Settlement Agreement was filed with the SEC on 9/30/05 (Form 8K).

Also, on September 26, 2005 the Plan Proponents and Carl Icahn agreed to make certain amendments to the Plan of Reorganization. They are: the U.S. Asbestos Trust 524(G) to make payments to U.K. debtors and for Mr. Icahn to receive an option to purchase trust shares. Federal-Mogul has been considering whether to accept or reject a 1994 contractual liability arising from businesses formerly owned by Cooper industries, Inc., which was purchased in 1998 and known as Abex and Wagner who are defendants in court actions alleging injuries from exposure to asbestos.” * Questions remain on liability and whether certain claims should be allowed.

Furthermore:

“A proposed \$140 billion fund for asbestos exposure victims was blocked in the U.S. Senate as it failed to overcome an objection that the company-financed plan would cost taxpayers billions of dollars. Supporters fell one vote short of the required 60 votes to waive a budget rule barring legislation that increases government spending by \$5 billion in any four decades after 2016.” **

* Federal-Mogul 10Q, period 9/30/2005-Federal-Mogul Form 8K dated 9/30/05, pg 10

** Bloomberg, James Rowley, February 14, 2006

See Important Disclosures Page 4 and 5

Plan of Reorganization

“The Plan 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. The Plan provides that 50.1% of newly authorized and issued common stock of the reorganized Federal-Mogul will be distributed to the asbestos trusts, and 49.9% of the newly authorized and issued common stock will be distributed pro rata to note holders. If the classes of holders of common and preferred stock of Federal-Mogul vote in favor of the plan, the holders of currently outstanding common and preferred stock of Federal-Mogul will receive warrants that may be used to purchase shares of the reorganized Federal-Mogul at a predetermined exercise price. Unsecured creditors, including trade creditors, of Federal-Mogul are projected to receive cash distributions under the Plan equal to 35% of their allowed claims, payable in three annual installments, provided that the aggregate of all allowed unsecured claims against U.S. Debtors does not exceed \$258 million. Any excess above this amount could result in a reduction in the percentage distribution that the unsecured creditors of the U.S. Debtors ultimately receive.” ***

Liabilities Subject to Compromise

Liabilities subject to compromise include the following:

	<u>September 30, 2005</u> <u>(Millions of Dollars)</u>
Debt.....	\$ 4,050.3
Asbestos liabilities.....	1,537.4
Accounts payable.....	203.4
Company-obligated mandatory redeemable securities.....	114.6
Interest payable.....	44.0
Environmental liabilities.....	24.7
Other accrued liabilities.....	22.0
	<u>5,996.4</u>
Intercompany payables to affiliates.....	<u>3,198.7</u>
	<u>\$ 9,195.1****</u>

Bond Indebtedness

239.8	Notes due 2004-7.5 % issued in 1998	12/31/01 10-K
391.9	Notes due 2006-7.75% issued in 1998	12/31/01 10-K
394.0	Notes due 2006-7.375% issued in 1999	12/31/01 10-K
562.2	Notes due 2009-7.5% issued in 1999	12/31/01 10-K
340.0	Notes due 2010-7.875% issued in 1998	12/31/01 10-K
84.0	Med. term notes-due between '02 and '05, avg. rate of 8.8% issued in '94 and '95	12/31/01 10-K
103.3	Senior notes-due in 2007, rate of 8.8%, Issued in 1997	12/31/01 -10K
<hr/>		
2,115.6	Total Bond Indebtedness	
439.9	Convertible Subordinated Debentures	9/30/02 10-Q

*** Federal Mogul 10Q, period 9/30/2005, pg 9

****Federal Mogul 10Q, period 9/30/2005, pg 12

See Important Disclosures Page 4 and 5

RISK FACTORS TO CONSIDER (FORM 10Q period ending 9/30/05)

These are some of the factors that could potentially cause actual results to differ materially from expected results. Other risks not contained herein 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 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 Schemes of Arrangement in the U.K.; the outcome of asbestos litigation proceedings; and the Company's compliance with its 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.
- Variations in the financial or operational conditions of the Company's significant customers, particularly the world's original equipment manufacturers of commercial and personal vehicles.
- Fluctuations in the price and availability of raw materials and other supplies used in the manufacturing and distribution of the Company's products.
- 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, devaluations, credit risks in emerging markets which directly impact the valuation of assets and liabilities associated with the Company's pension and other post employment benefit plans.
- 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 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 effect the operations of the Company, including the Fairness in Asbestos Injury Resolution Act of 2005.
- Possible terrorist attacks or acts of aggression or war, that could exacerbate risks such as slowed vehicle production or the availability of supplies for the manufacturing Company's products.

DISCLOSURES SEC Regulation AC, NASD Rule 2711 (h)

The research analyst, a team member, or a member of the research analyst's household does not have a financial interest in any security or derivative mentioned in this report.

Bishop, Rosen & Co., Inc. has no knowledge of any material conflict of interest involving the subject company (s) mentioned in this report and our firm.

Bishop, Rosen & Co., Inc. has not: 1) managed or co-managed an IPO in the past 12 months; 2) received compensation for investment banking services in the past 12 months, and; 3) does not expect or intend to seek compensation for investment banking services in the next 3 months from any company mentioned in this report.

The research analyst or any team member does not have any material conflict of interest, or knows or has reason to know of any conflicts of interest, relative to any of the securities mentioned in this report.

Bishop, Rosen & Co., Inc. and its research analysts do not beneficially own more than 1% or more of any class of common equity security of any company mentioned in this report.

Neither Bishop, Rosen & Co., Inc., the research analyst nor members of the research analyst's household serve as an officer, director or advisory board member of the subject company or any security mentioned herein. Bishop, Rosen & Co., Inc. does not make a market in any of the securities contained in this report at the time the report is published.

ANALYST CERTIFICATION

- This report accurately reflects the analyst's personal views about the subject company (s).
- The analyst has not and will not receive compensation with respect to the issuance of this report.
- The analyst has not effected a transaction in accounts directly or indirectly controlled by the analyst, (30 days prior to and 5 days subsequent to the issuance of this report) in the subject company or any derivative security which is inconsistent with the analyst's recommendation as reflected on the most recent report.

ADDITIONAL RISKS TO CONSIDER

- The company is currently operating under Chapter 11 bankruptcy protection. The ability of the company to exit from bankruptcy is uncertain, as is timing of the filing of a Plan of Reorganization.
- Estimates for the ultimate recovery value of the securities discussed may not be realized.
- Bishop, Rosen & Co., Inc. has not sought legal opinions regarding any topics in this report.
- See SEC filings for additional potential risks.
- Combined risk factors make our estimates statistically unreliable.

Rating System Explanation

Buy: We generally expect "BUY" rated investments returns to be greater than or equal to plus + 20% from date of the original recommendation

Neutral: We generally expect "Neutral" rated investments returns to deviate plus or minus + or - 20% from the date of the original recommendation

Sell: We generally expect "SELL" rated investment returns to be equal to or greater than minus - 20% from the date of the original recommendation

Analyst Rating Distribution as of 3/02/06

Companies for which Bishop Rosen has had and investment banking relationship in the last 12 months as of 3/02/06

Number of Companies		Percent of Total	Number of Companies	
Buy	0	0	Buy	0
Neutral	1	100	Neutral	0
Sell	0	0	Sell	0
Total	<u>1</u>	<u>100</u>	Total	<u>0</u>

DISCLAIMER

This report is intended for residents or entities of the United States where our firm is registered. Information contained herein is not meant or intended for persons or entities in any jurisdiction where such distribution or use would be contrary to the laws or regulations of that jurisdiction; or which would subject Bishop, Rosen & Co., to any registration requirements. Information or opinions contained herein does not constitute a solicitation or offer to buy or sell any security or financial instrument or provide investment advice. The securities mentioned in this report may not be suitable for all types of investors. This report does not take into account the investment objectives, financial situation or specific needs of any particular client. Before making an investment decision with respect to any security mentioned in this report, the recipient should consider whether such investment is appropriate. Investors should consider this report as only a single factor in making any investment decisions.

Information, opinions and statistical data contained in this report were obtained or derived from sources believed to be reliable, but Bishop, Rosen & Co., Inc. does not represent that any such information, opinion or statistical data is accurate or complete, and should not be relied upon. All estimates, opinions and recommendations expressed herein constitute judgments as of the date of this report and are subject to change without notice. Bishop, Rosen & Co., Inc. does not accept any liability whatsoever for any direct or consequential loss howsoever arising, directly or indirectly, from this report or its contents. By accepting this report you agree to be bound by foregoing limitations.

Copy right Bishop, Rosen & Co., Inc. 2006 all rights reserved. Unauthorized use, distributions, duplication or disclosure without the prior written permission of Bishop, Rosen & Co., Inc is prohibited by law.