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Distressed Debt Research

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Federal – Mogul Corp.

This valuation analysis was prepared by Jefferies & Co., Inc., of the business enterprise of Federal – Mogul assuming an exit from bankruptcy as of the effective date.

- Jefferies' analysis produced enterprise values ranging from \$4.1 billion to \$4.3 billion
- Pro forma capitalization is based on current estimates from Federal – Mogul and other Plan Proponents

Effective date Estimated as of December 31, 2004

	Low	High
Estimated Enterprise Value	\$ 4,054	\$ 4,336
<u>Pro Forma Capitalization</u>		
New Exit Revolver	\$ --	\$ --
New Exit Term Loan	828	828
New Tranche A Senior Secured Term Loan, net of discount	1,263	1,263
New Junior Secured PIK Notes, net of discount	224	224
Reduction in Equity Value Arising from Proposed UK Settlement	200	200
Vendor Note	60	60
Foreign Debt	24	24
Total Debt	<u>2,599</u>	<u>2,599</u>
Plus: Excess Cash	<u>382</u>	<u>382</u>
<u>RESIDUAL EQUITY VALUE</u>	\$ 1,837	\$ 2,119
Black Scholes Warrant Valuation	<u>21</u>	<u>30</u>
Equity Value, net of Warrant Value	1,816	2,089
Equity Value to Noteholders (49.9%)	\$ 906	\$ 1,042

- Material presented above obtained from Federal Mogul – Expert Valuation Report – prepared by Jefferies & Co., Inc., Dated Oct 22, 2004. Authors Bill Derrough and Michael Henkin.

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- This communication accurately reflects the analyst's personal views about the company.
- The analyst has not and will not receive compensation with respect to the issuance of this report

RISKS

- The company is currently operating under Chapter 11 bankruptcy protection. The ability of the company to exit from bankruptcy is uncertain, as is the timing of the filing of a plan of reorganization.
- Estimates for the ultimate recovery value of the securities discussed may not be realized.
- Spencer Clarke LLC has not sought legal opinions regarding any topics in this report.
- Special risks are associated with hostilities, acts of war, or terrorist attacks.
- See SEC filings for additional potential risks.
- Combined risk factors make our estimates statistically unreliable.

Ratings Systems Explanation

Buy: We generally expect "BUY" rated investments returns to be $\geq +20\%$ from date of the original recommendation

Neutral: We generally expect "NEUTRAL" rated investments returns to deviate $-20\% < CMV < +20\%$ from date of the original recommendation

Sell: We generally expect "SELL" rated investments returns to be $> -20\%$ from date of the original recommendation

CMV: Current Market Value

Spencer Clarke LLC

Ratings Distribution as of 10/18/04

	Number of Companies	Percent of Total
Buy	3	100
Neutral	0	0
Sell	0	0
Total	3	100

Companies for which Spencer Clarke LLC has performed Investment Banking services in last 12 month as of 10/18/04

	Number of Companies	Percent of Total
Buy	0	0
Neutra	0	0
Sell	0	0
Total	0	0