

# Spencer Clarke LLC

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## *Distressed Debt Research*

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# Federal-Mogul Corporation

Update to a Report Issued on March 1, 2004

## Federal Mogul Amended Plan of Reorganization

### Projected EBITDA<sup>1</sup>

(in millions)

2004	2005	2006	2007
\$558	\$712	\$886	\$929

EBITDA growth will be due to \$650 MM of manufacturing cost savings expected over the forecasted period.

“According to the range of Enterprise Value estimates stated in the Disclosure Statement of \$4.0 to \$4.4 billion and deducting the estimated pro forma debts set forth in “Exhibit G” of the 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 to \$55 million for the warrants to be distributed pursuant to the plan. The value of Federal-Mogul Class A common stock is approximately \$0.9 billion to \$1.1 billion. Thus assuming the allowed amounts of the Noteholders and Convertible Subordinated Debenture Claims is approximately \$2.4 billion; the estimated percentage recovery for the Noteholders is **38% to 47%**. These recoveries, however, do not reflect the impact of the enforcement of the subordination provisions for Convertible Subordinated Debentures. Assuming the enforcement of these subordination provisions, the estimated percentage recovery for the Noteholders is **42% to 51%**.”<sup>2</sup>

Our 10-month price target is 40 and our valuation method reflects valuations presented in the Plan of Reorganization.

**Important disclosures page 2**

<sup>1</sup> Source: [www.fmoplan.com](http://www.fmoplan.com), Page 7 of Exhibit G, Part of Disclosure Statement Issued by Federal-Mogul,

<sup>2</sup> Source: Page 100 of T-3 filed on June 13, 2004

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**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.

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**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  $-20\% \leq CMV < +20\%$  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 05/01/04

	Number of Companies	Percent of Total
Buy	2	100
Neutral	0	0
Sell	0	0
<b>Total</b>	<b>2</b>	<b>100</b>

Companies for which Spencer Clarke LLC has performed  
Investment Banking services in last 12 month as of 05/01/04

	Number of Companies	Percent of Total
Buy	0	0
Neutral	0	0
Sell	0	0
<b>Total</b>	<b>0</b>	<b>0</b>