

April 26, 2004

Dear Senator:

As the largest contributor to the national asbestos trust fund proposed by S. 2290, the Fairness in Asbestos Injury Resolution Act of 2004, we are writing to express the strong and unqualified opposition of Federal-Mogul Corporation (the "Company") and the Official Committee of Unsecured Creditors of Federal-Mogul (the "Creditors Committee") to the manifestly unfair treatment the legislation imposes upon Federal-Mogul. The Company is poised to emerge from bankruptcy later this year with a reorganization plan -- the result of a process that has taken over two and one-half years and cost the Company over \$200 million in expenses -- that would position Federal-Mogul for enhanced liquidity, viability and job preservation and creation. This carefully crafted reorganization, and indeed the Company's future, is threatened by S. 2290.

The proposed funding stream at the heart of S. 2290 -- and the national trust fund itself -- are imperiled due to the excessive and inequitable funding level demanded of Federal-Mogul. The \$82.3 million annual payment sought from the Company -- more than \$2.2 billion over the life of the trust -- is the largest amount from any single defendant contributor. This proposed funding level seriously jeopardizes Federal-Mogul's viability:

- by critically undermining Federal-Mogul's ability to reorganize;
- by failing to resolve Federal-Mogul's unique U.K. asbestos liability, leaving it exposed and unable to pay substantial European and U.K. asbestos claims;
- by forcing U.K. and European claimants to make claims against the \$1 billion of Federal-Mogul insurance currently contemplated by S. 2290 for the national trust fund; and
- by risking the jobs of almost 20,000 U.S. employees of Federal-Mogul in 19 states.

In view of these and other adverse economic consequences of S. 2290's payment formula, the national trust cannot rely on either the Company's \$2.2 billion payment or the \$1 billion of insurance, thus creating an increased likelihood of the national trust's insolvency for which the Federal Government may be forced to assume responsibility.

Accordingly, we request that the Senate reduce -- not increase -- the proposed payment level for Federal-Mogul and that our representatives be included in the negotiations commencing this week.

S. 2290 Imposes an Unsustainable and Unfair Contribution Level on Federal-Mogul

Federal-Mogul faces a grossly disproportionate contribution level compared to other companies that are currently in bankruptcy, as well as to countless businesses that have a far more direct linkage to asbestos-related claims. As presently envisioned under S. 2290, Federal-Mogul would be required to contribute more than \$82.3 million per year over the life of the fund, for a total payment in excess of \$2.2 billion. This payment is substantially more than that of Halliburton, W.R. Grace, USG, Owens-Corning, and all other defendant companies subject to the bill -- many with asbestos liabilities substantially in excess of Federal-Mogul's.

U.S. Senate
April 26, 2004
Page 2

No company in America has been asked to shoulder anywhere near the burden proposed to be hoisted upon Federal-Mogul under the national asbestos trust. The funding disparity is even more incredulous given the unique nature of Federal-Mogul's asbestos liability. As many in the Senate have recognized, Federal-Mogul sought bankruptcy protection in October 2001 in large measure due to asbestos-related claims filed against the Company -- claims that resulted not from the Company's own actions in manufacturing products containing asbestos, but solely due to Federal-Mogul's acquisition of a U.K. based business with substantial asbestos liability.

Enactment of S. 2290 Funding Levels Threatens Federal-Mogul's Viability

Make no mistake, Federal-Mogul is meeting its responsibilities to pay asbestos claimants through the Company's bankruptcy reorganization and the creation of a 524(g) trust. Under the Second Amended Plan of Reorganization filed with the U.S. Bankruptcy Court for the District of Delaware, the Company would transfer 50.1% of its equity, along with all of its available asbestos insurance coverage -- approximately \$1 billion -- into the proposed 524(g) trust. The assets of the trust would then be used to pay asbestos-related personal injury claims. The remaining 49.9% of Federal-Mogul's equity would be transferred to the existing creditors, allowing the Company to continue operations while fixing the amount of liability for future asbestos claims. **This plan has the consent of all major constituents of Federal-Mogul, including the current asbestos claimants and futures' representative, who are co-proponents of the plan.**

Requiring Federal-Mogul to pay \$82.3 million annually to the trust would cause the Company to become free cash flow negative (after debt service) for at least the first two years following its projected exit from bankruptcy around December 31, 2004. This would jeopardize the Company's ability to meet the feasibility standards of the U.S. Bankruptcy Code and would also likely result in the Company breaching covenants in its restructured bank agreements, thereby placing Federal-Mogul's entire reorganization at risk.

Following the release last week of revised forecasts from the Congressional Budget Office projecting that the funding levels in S. 2290 would force the national trust fund to sunset with approximately \$16 billion in unpaid claims, there is little doubt that Federal-Mogul and its creditors will be targeted for any funding increase sought from the business community during negotiations under the auspices of Judge Edward Becker. Any increase would not only be manifestly unfair and unsustainable, but detrimental to the Company's ability to continue operations and preserve U.S. jobs.

20,000 U.S. Jobs At Risk by Imposing S. 2290 Funding Levels on Federal-Mogul

Federal-Mogul employs approximately 20,000 people in the United States, with substantial operations in Alabama, Illinois, Indiana, Michigan, Missouri, Ohio, South Carolina, Tennessee, and Wisconsin. Preserving those jobs is a key priority for our planned reorganization. Absent the relief requested by this letter, those jobs will be in jeopardy, as will any recovery for Federal-Mogul's thousands of public debt holders and trade creditors. The economic projections outlined above do not even begin to take into account the required job cuts and facility closures that Federal-Mogul would be forced to implement if it were to be saddled with the enormous annual payments contemplated by S. 2290.

S. 2290 Fails to Resolve Federal-Mogul's U.K. Asbestos Liabilities

Passage of S. 2290 would leave Federal-Mogul in a weakened position as the Company would continue to be subject to asbestos claims in the U.K. and other foreign jurisdictions while leaving

U.S. Senate
April 26, 2004
Page 3

the Company without its nearly \$1 billion of asbestos insurance coverage. Such a perverse result -- crippling Federal-Mogul financially and leaving it exposed to an unknown amount of non-U.S. asbestos liability -- cannot possibly be consistent with Congress' intent in developing the national trust fund approach in S. 2290.

Under S. 2290's proposed payment levels, Federal-Mogul's parallel insolvency proceeding in the U.K. may result in the need to liquidate a majority of Federal-Mogul's U.K. and European businesses. The attendant cash flow consequences for Federal-Mogul resulting from passage of S. 2290 create a strong likelihood that the U.K. Administrator would proceed with a forced liquidation of certain of Federal-Mogul's non-U.S. businesses. This loss would undermine Federal-Mogul's viability and competitive position as a global supplier to the automotive industry.

* * *

We have communicated to representatives of the Asbestos Working Group and NAM Alliance that the Company cannot sustain any increase in contribution level, and we have withdrawn authorization for either organization to negotiate or make representations on behalf of Federal-Mogul, as these organizations have neither the information nor knowledge with respect to the Company's financial position or capabilities to make payments to the trust. **As the largest proposed contributor to the trust, we respectfully request that representatives of Federal-Mogul and its Creditors Committee be included in negotiations commencing this week.**

Enactment of S. 2290 as introduced would be devastating to Federal-Mogul and its future viability. The Senate must work to reduce -- not increase -- Federal-Mogul's contribution levels. Failure to adjust Federal-Mogul's contributions to the national trust fund to a sustainable level may result in the loss to the trust of more than \$2.2 billion in Company payments, as even Congress may be unable to extract blood from a stone. The indefensible funding level for Federal-Mogul endangers not only the Company and our 20,000 U.S. employees, but those who Congress ultimately desires to benefit -- the asbestos claimants themselves.

Charles G. McClure
Chief Executive Officer and President
Federal-Mogul Corporation

Neil Subin
Chairman
Official Committee of Unsecured Creditors