

## **Exhibit 1.1.14**

**IN THE HIGH COURT OF JUSTICE**  
**CHANCERY DIVISION**  
**COMPANIES COURT**

**Nos. 5835 and 5853 of 2001**

**IN THE MATTERS OF:**

**F-M UK HOLDING LIMITED**  
**FEDERAL-MOGUL GLOBAL GROWTH LIMITED**

**(EACH IN ADMINISTRATION)**  
**(together the "Companies" and each one a "Company")**

**AND IN THE MATTER OF THE INSOLVENCY ACT 1986**

**BETWEEN**

**THE COMPANIES**  
**AND**  
**THE HOLDERS OF CVA CLAIMS AGAINST THE COMPANIES (as defined herein)**

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**THE ADMINISTRATORS' PROPOSALS FOR  
COMPANY VOLUNTARY ARRANGEMENTS  
under Part I of the Insolvency Act 1986  
(as amended by the Insolvency Act 2000)**

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## **PART I. EXPLANATION OF THE CVAs**

### **1 Administrators' proposals**

- 1.1 The administrators of F-M UK Holding Limited (**FMUK**) and Federal-Mogul Global Growth Limited (**FMGGL**) (together the **Companies**) appointed by the High Court on 1 October 2001 (the **Administrators**), are making proposals (the **Proposals**) to the Companies and the holders of CVA Claims against the Companies for Company Voluntary Arrangements (the **CVAs**) to be implemented pursuant to Part I of the Insolvency Act in respect of each of the Companies in full and final settlement of the CVA Claims against them.
- 1.2 This proposal document sets out:
- 1.2.1 In Part I, an introduction and information about the Companies, as well as an explanation of the main terms of the CVAs.
- 1.2.2 In Part II, the detailed terms of the CVAs proposed in respect of the Companies.
- 1.3 The Companies are two of 133 affiliated companies incorporated under the laws of England and Wales that commenced administration proceedings before the High Court on 1 October 2001. Federal-Mogul Corporation (**FMC**) is the ultimate parent of all of those 133 affiliated companies. The Proposals are being made contemporaneously with separate proposals for CVAs for 49 of those affiliated companies. Those separate proposals are referred to herein as the **Primary CVAs**, and reference will be made from time to time to the Primary CVAs for the meaning of certain defined terms in these Proposals.
- 1.4 There is one composite proposal document which covers the CVAs in respect of both of the Companies. However, the implementation and effectiveness of the CVA for each of the Companies will be separate.
- 1.5 In the event of any conflict between any provision(s) of Part I of these Proposals and Part II of these Proposals, the provisions of Part II shall control.
- 1.6 Save where otherwise stated, capitalised terms in this Part I have the meaning which is given to them in paragraph 2.1 of Part II. Where a capitalised term is not defined in either Part I or II of this document, reference should be made to paragraph 2.1 of Part V of the Primary CVAs for its meaning.
- 1.7 Unless otherwise expressed, in this Part I, references to paragraph numbers are to paragraphs of this Part I.

### **2 What is a CVA?**

- 2.1 A CVA is an abbreviation for "company voluntary arrangement," a formal procedure which enables a company to agree a composition or scheme of arrangement with its creditors determining how their debts should be paid and in what proportions. It requires the approval of a majority in excess of 75% in value of the creditors present in person or by proxy and voting on the resolution. A resolution approving a CVA will be invalid if those voting against it include more than half in value of the creditors, disregarding creditors who are connected with the company. If it is approved, subject to a creditor's right of challenge (see paragraph 3.5 below), it binds all creditors who were entitled to vote at the meeting (whether or not they so voted) or would have been so entitled had they received notice of the meeting.
- 2.2 A CVA also requires the approval of a majority in excess of 50% in value of the company's shareholders present in person or by proxy and voting on the resolution. However, if the

outcome of the meeting of shareholders differs from the outcome of the meeting of creditors, the decision of the creditors will prevail, subject to the right of any shareholder to apply to the English Court to challenge the approval of the arrangement.

- 2.3 If approved, a CVA will bind all creditors (except any creditors whose claims are specifically excluded by the terms of the CVA). Creditors who are based in the European Union should note that by virtue of the EC Regulation on Insolvency Proceedings, the courts of the EU member states (other than Denmark) are obliged to recognise and thus give effect to a CVA.

### 3 The Solicitation Package and Key Dates

- 3.1 Creditors have been sent a package of documents (the Solicitation Package) which comprises:
- 3.1.1 this document, which sets out the Proposals;
  - 3.1.2 a Notice of the Creditors' Meetings in respect of the Companies;
  - 3.1.3 a Proxy Form to complete, should creditors wish to vote at the creditors' meeting(s) by proxy (rather than in person);
  - 3.1.4 a Voting and Notice of Claim Form to complete, by which creditors (other than holders of Noteholder Claims who submit a Proxy Form) are asked to provide details of their claim(s) against the Companies in accordance with the instructions at paragraphs 3.2 to 3.5 below; and
  - 3.1.5 a covering letter from the Administrators (or, in the case of Noteholder Claims, from Donlin Recano & Company (**DRC**)).
- 3.2 There are 3 types of Proxy Forms relevant to the CVAs:
- 3.2.1 a Proxy Form for use by creditors other than holders of Noteholder Claims;
  - 3.2.2 a Proxy Form for use by holders of Noteholder Claims; and
  - 3.2.3 a Master Proxy Form which may be used to register multiple proxies with the Administrators in respect of Noteholder Claims in the manner described in DRC's covering letter to the holders of such claims.

If you believe that you have received the wrong type of Proxy Form, you should contact the Administrators' helpline on 0845 603 7717 (for calls made within the UK) or +44 161 436 4048 (for calls made outside the UK), or log on to [www.fmukclaims.co.uk](http://www.fmukclaims.co.uk). Alternatively if you are a holder of a Noteholder Claim, you should contact DRC on +1 212 771 1128. Additional information in respect of Noteholder Claims can be found at [www.donlinrecano.com](http://www.donlinrecano.com).

- 3.3 Subject as follows, all creditors who wish to vote should complete and return to the Administrators a Voting and Notice of Claim Form in order to provide details about their claim so that a value may be ascribed to it for voting purposes. The exception is that holders of Noteholder Claims who wish to vote *by proxy* do not need to complete a Voting and Notice of Claim Form, because relevant information is sought by the Proxy Form applicable to Noteholder Claims. However, holders of Noteholder Claims who wish to vote at the creditors' meeting in person (and who are therefore not submitting a Proxy Form) should complete a Voting and Notice of Claim Form in accordance with the instructions in paragraph 3.5 below.
- 3.4 Creditors are referred to the covering letter from the Administrators or DRC for further details about how to vote, and for details about where they should send completed Voting and Notice of Claim Forms and Proxy Forms. In short:

3.4.1 For all creditors (other than holders of Noteholder Claims) who wish to vote - completed Voting and Notice of Claim Forms and Proxy Forms are requested to be returned to the Administrators in accordance with the timetable below and the instructions set out in the Administrators' covering letter.

3.4.2 For holders of Noteholder Claims who wish to vote:

- (a) by proxy – and for persons who hold Notes through a nominee - completed Proxy Forms are requested to be returned to the respective nominee in sufficient time for a Master Proxy Form to be completed by the nominee and returned to DRC (who the Administrators have retained to receive such documentation), in accordance with the instructions in DRC's covering letter,
- (b) by proxy – and for persons who do not hold Notes through a nominee - completed Proxy Forms are requested to be returned to DRC, in accordance with the instructions in DRC's covering letter,
- (c) in person, regardless of how such Notes are held – completed Voting and Notice of Claim Forms are requested to be returned to DRC,

in each case in accordance with the timetable below.

3.5 Dates of key importance are as follows:

|   |   |
|---|---|
| <p><b><i>For holders of CVA Claims other than Noteholder Claims who wish to vote:</i></b></p> <p>Completed Voting and Notice of Claim Forms are requested to be returned to the Administrators by:<br/>AND<br/>If you wish to vote by proxy, completed Proxy Forms for use at the Creditors' Meetings are requested to be returned to the Administrators by:</p>  | <p>4pm (BST) 1 September 2006</p> <p>4pm (BST) 1 September 2006</p>                                   |
| <p><b><i>For holders of Noteholder Claims:</i></b></p> <p>If you wish to vote by proxy and you hold your Notes through a nominee: Proxy Forms are requested to be returned to such nominee in sufficient time so that a Master Proxy Form may be completed and returned by such nominee to DRC (on behalf of the Administrators) by:<br/>OR<br/>If you wish to vote by proxy and you do not hold your Notes through a nominee: Proxy Forms are requested to be returned to DRC (on behalf of the Administrators) by:<br/>OR<br/>If you wish to vote in person: Voting and Notice of Claim Forms are requested to be returned to DRC (on behalf of the Administrators) by:</p> | <p>4pm (EDT) 1 September 2006</p> <p>4pm (EDT) 1 September 2006</p> <p>4pm (EDT) 1 September 2006</p> |
| <p>Forms of Proxy for use at shareholders' meetings are requested to be returned to the Administrators by:</p>  | <p>4pm (BST) 4 September 2006</p>   |
| <p>Date of shareholders' meetings and Creditors' Meetings:</p>  | <p>7 September 2006</p>   |
| <p>Latest date for chairman of meetings to file report with English Court:</p>  | <p>13 September 2006</p>  |
| <p>Earliest Effective Date of the CVAs*:</p>  | <p>11 October 2006</p>  |

(where BST is British Summer Time, and EDT is Eastern Daylight Time)

Documents to be returned to the Administrators should be sent to: **Federal-Mogul CVA Response, PO Box 4178, Manchester M60 1TB, United Kingdom.**

Documents to be returned to DRC on behalf of the Administrators) should be sent to: **Donlin Recano & Company, RE: Federal Mogul UK, Post Office Box 2034, Murray Hill Station, New York, NY 10156-0701, United States of America.**

\*This date represents the end of the 28 day Challenge Period under s.6(3)(a) of the Insolvency Act, but the Effective Date may be later.

#### **4 Background of the Companies**

- 4.1 The Companies are two indirect subsidiaries of FMC. FMC and its subsidiaries and affiliates (collectively the **Federal-Mogul Group**) are together one of the world's largest producers of automotive and vehicle parts. The business of the Federal-Mogul Group is conducted in many countries, including the United States, the UK, other European countries, Australia, New Zealand and countries in Asia and Africa. Most of the UK businesses are carried on by or through T&N Limited (**T&N**); however, neither of the Companies are subsidiaries of T&N Limited nor were in any way affiliated with T&N's business prior to the acquisition of T&N by the Federal-Mogul Group in 1998.
- 4.2 FMGGL was incorporated on 23 October 1997 under the name Designsome Limited, and changed its name to Federal-Mogul Global Growth Limited on 6 November 1997. FMUK was incorporated on 31 October 1997 under the name Superglory Limited, and changed its name to FMUK Limited on 6 November 1997. FMUK and FMGGL are each holding companies that neither conduct nor have conducted in the past any manufacturing, sales, distribution, or similar operations. The sole assets of each of the Companies are shares in certain other companies in the Federal-Mogul Group, certain intercompany loan receivables and cash.
- 4.3 Neither FMUK nor FMGGL has any history of or involvement in the manufacture, treatment, sale, application, or other use of asbestos, as both of those companies have throughout their history been non-operating holding companies.
- 4.4 On 1 October 2001, the Administrators were appointed in respect of 133 English registered companies within the Federal Mogul Group, including each of the Companies. Administrators were subsequently appointed in respect of a Scottish subsidiary of T&N, T&N Investments Limited, on 6 April 2002. All those companies are also the subject of bankruptcy proceedings in the USA under Chapter 11 of the US Bankruptcy Code (**Chapter 11**). There are a further 23 US registered corporations which are subject only to Chapter 11 proceedings. All of the 157 companies which are subject to Chapter 11 proceedings are referred to in this document as the **Debtors**. The 134 companies which are subject to both administration and Chapter 11 proceedings are referred to as the **UK Debtors**. The 23 US companies which are subject to Chapter 11 proceedings only are referred to as the **US Debtors**.
- 4.5 The Chapter 11 filings and applications for administration orders in October 2001 were principally in response to a rising tide of asbestos litigation, particularly in the US. T&N and certain of its subsidiaries in the UK had, historically, been involved in the manufacture, treatment, sale and application of asbestos and products incorporating asbestos. FMC and certain of its US subsidiaries had also manufactured products including asbestos, on account of which asbestos personal injury claims were asserted against those entities in the US. However, the acquisition of T&N and its subsidiaries (the **T&N Group**) by FMC in 1998 significantly increased the overall asbestos-related liabilities of the Federal-Mogul Group.
- 4.6 Further information required by the Insolvency Rules 1986 in respect of the Companies appears at Annex 1 to this document.

## **5 Background respecting these Proposals**

- 5.1 When the Debtors became subject to the Chapter 11 and administration proceedings, it was anticipated that a financial restructuring would be achieved through the promotion of a Plan of Reorganisation in the Chapter 11 proceedings, which would be implemented by schemes of arrangement under section 425 of the Companies Act 1985 and/or CVAs under the Insolvency Act 1986 in respect of the UK Debtors.
- 5.2 Negotiations during the UK Debtors' administration proceedings between the various interested parties to agree terms for a financial restructuring proved difficult. However, an agreement (the terms of which are set out in the **Settlement Agreement**) was reached on 26 September 2005, which paved the way for the UK Debtors to exit their administration proceedings. In accordance with the Settlement Agreement and subsequent negotiations between the Administrators, FMC, and certain other major parties-in-interest in the Debtors' restructuring proceedings, the Primary CVAs, which cover 49 of the UK Debtors, are being proposed by the Administrators contemporaneously with the proposal of the CVAs for the two Companies. Further details concerning the Settlement Agreement and its formulation may be found at paragraphs 12 and 13 of Part I(B) of the Primary CVAs.
- 5.3 The Settlement Agreement did not expressly address the treatment of any of the Companies. However, in subsequent negotiations between the Administrators, FMC, and certain other major parties-in-interest in the Debtors' restructuring proceedings, it was determined that the proposal of a separate CVA for the two Companies, rather than incorporating them into the Primary CVAs, was beneficial.
- 5.4 Although the Settlement Agreement did not expressly address the means by which the Companies would exit their administration proceedings, the Settlement Agreement did establish reserves or indemnities to fund certain payments by all of the UK Debtors following the date of the Settlement Agreement. Accordingly, those reserves and indemnities which are applicable to all of the UK Debtors (being for the payment of Administration Remuneration, Supervision Remuneration, and Revenue Claims) have been incorporated into these Proposals as well as into the Primary CVAs.
- 5.5 It is anticipated that the Companies (and, indeed, all of the UK Debtors) will remain in their Chapter 11 Cases after the CVAs become effective and the Companies exit their administration proceedings. Certain holders of claims against the Companies who do not have their claims addressed by the CVAs will have those claims addressed by the US Plan of Reorganisation in the Companies' Chapter 11 Cases. Save for in the case of Cooper Claims (as to which see paragraph 6.3.7 below), those creditors who will receive or who are entitled to a payment under the CVAs will not receive a second dividend under any US Plan of Reorganisation, and vice versa. The Third Amended Plan of Reorganisation, which applies to all of the Debtors and upon which creditors voted in 2004, is presently being modified. The exit from the Chapter 11 proceedings is expected to take place after the exit from the administration proceedings.
- 5.6 Further details about the duration and conclusion of the CVAs are set out in paragraphs 20 and 21 of this Part I.

## **6 Description of Claims against the Companies and their Proposed Treatment**

- 6.1 These Proposals separate the various liabilities of the Companies into different categories as follows:
- 6.1.1 CVA Claims – generally, CVA Claims are any unsecured liabilities of the Companies as at 1 October 2001 (the date they became subject to the administration proceedings) and certain other rights to payment which may have arisen since that date. Holders of CVA Claims are entitled to vote on the CVAs. The different categories of CVA Claims comprise:

- (a) Noteholder Claims;
- (b) Chapter 11 Asbestos Claims (including Cooper Claims);
- (c) Preferential Claims;
- (d) General Unsecured Claims (including Inter-Company Claims);
- (e) Revenue Claims;
- (f) Chapter 11 Costs Claims; and
- (g) Bank Claims and Surety Claims (to the extent such claims are not secured).

Further details of these types of CVA Claims and their treatment under the CVAs is set out in paragraphs 6.2 and 6.3.

- 6.1.2 Claims which are not CVA Claims – these are any secured liabilities of the Companies, being Secured Claims. Bank Claims and Surety Claims are Secured Claims to the extent they are secured.
- 6.1.3 Costs and expenses – the CVAs make separate provision for the remuneration and expenses of the Supervisors (such liabilities being Supervision Remuneration), the remuneration and expenses of the Administrators (such liabilities being Administration Remuneration) and the other expenses of the Companies' administration proceedings (such expenses being Administration Costs which include Revenue Administration Costs). These liabilities are addressed in paragraph 12 below.

6.2 Further details of the categories of claims listed in paragraph 6.1 are as follows:

- 6.2.1 **Secured Claims** comprise, in respect of each Company, any Claim which is secured by a mortgage, charge, lien or other encumbrance on an asset of the Company. Secured Claims include Bank Claims and Surety Claims to the extent of their respective security.
- 6.2.2 **Bank Claims** are claims against FMUK only, which relate to FMUK's guarantee of the obligations of certain other entities within the Federal-Mogul Group under a Fourth Amended and Restated Credit Agreement dated 29 December 2000 (as such agreement has been amended, supplemented, or otherwise modified thereafter) among FMC, certain of FMC's Affiliates, a syndicate of lenders, and JPMorgan Chase Bank (formerly The Chase Manhattan Bank), as administrative agent. FMUK's guarantee of those obligations, and consequently the Bank Claims, are secured by security interests in some or all of the stock in the direct subsidiaries of FMUK, including a security interest in 65% of the stock of FMGGL. Bank Claims are Secured Claims under FMUK's CVA to the extent of their security.
- 6.2.3 **Surety Claims** are claims against FMUK only, which relate to FMUK's guarantee prior to the Filing Date of certain obligations to three sets of surety bond issuers which secured the obligations of FMC and certain of its Affiliates to the Center for Claims Resolution, an asbestos personal injury claims resolution facility in the US. The Surety Claims are the subject of a negotiated settlement embodied in that certain Stipulation and Agreement for Companies and Settlement of Secured Surety Claims, for Treatment thereof under Third Amended Joint Plan of Reorganization and Related Matters, which was entered into by FMC, the Sureties, and certain other parties in early 2005 and approved by the US Court on 16 March 2005. Under that agreement, the Sureties' claims will be allowed against FMC and all of FMC's affiliates (including FMUK) will be released from such claims. That settlement is intended to be effected through the US Plan of Reorganisation. Surety Claims were secured prior to the Filing Date in the same collateral as Bank Claims. Surety Claims are Secured Claims under FMUK's CVA to the extent of their security.

- 6.2.4 **Noteholder Claims** are claims against FMUK only relating to F-M UK Holding's guarantee of FMC's obligations under various note issues, being the 7.5% Notes due 2009, 7.375% Notes due 2006, 7.75% Notes due 2006, 7.875% Notes due 2010, 7.5% Notes due 2004, 8.8% Senior Notes due 2007, 8.37% Medium Term Notes due 2001, 8.25% Medium Term Notes due 2005, 8.33% Medium Term Notes due 2001, 8.12% Medium Term Notes due 2003, 8.16% Medium Term Notes due 2003 and 8.46% Medium Term Notes due 2002 (collectively the **Notes**). FMUK guaranteed FMC's obligations under the Notes on an unsecured basis prior to the Filing Date.
- 6.2.5 **Chapter 11 Asbestos Claims** are defined in the Primary CVAs. Broadly, they comprise all Asbestos Personal Injury Claims (including indirect asbestos personal injury claims) against the Companies other than UK Asbestos PI Claims, Australian Asbestos PI Claims, Cape Claims and Chester Street Claims. UK Asbestos PI Claims and Australian Asbestos PI Claims encompass, in summary, asbestos personal injury claims that relate in whole or predominantly to exposure to asbestos or an asbestos-containing product prior to the Filing Date in either the UK or Australia. Cape Claims and Chester Street Claims are defined in the Primary CVAs. Chapter 11 Asbestos Claims include the claims of Cooper Industries, Inc., Cooper Industries, Ltd., Cooper Industries, LLC, and any of their subsidiaries or affiliates against either FMUK or FMGGL, which are referred to in the CVAs as **Cooper Claims**.
- 6.2.6 **Preferential Claims** are any Claims against any of the Companies to which preferential status is afforded by section 386 of and Schedule 6 to the Insolvency Act.
- 6.2.7 **Revenue Claims** are Claims or other rights to payment against any of the Companies (which do not rank as administration expenses) by HM Revenue & Customs for corporation tax payable by the relevant Company in respect of any period ending on or before the date of the discharge of the Administration Order in respect of that Company.
- 6.2.8 **Chapter 11 Costs Claims** are any costs and/or expenses which have been or may be incurred by any of the Companies relating to any of the Debtors' Chapter 11 Cases, such as the costs of professional advisors retained by the Debtors and certain other parties and the costs of the Office of the United States Trustee.
- 6.2.9 **General Unsecured Claims** are any unsecured claims that do not fall into one of the categories described in paragraphs 6.2.2 to 6.2.8. General Unsecured Claims include **Inter-Company Claims**, which are Claims or other rights to payment on the part of any company in the Federal-Mogul Group existing as at the date of the Creditors' Meeting.
- 6.3 The treatment (if any) proposed under the CVAs for each type of claim listed above is as follows:
- 6.3.1 Secured Claims, Bank Claims and Surety Claims (to the extent such claims are Secured Claims) will be unaffected by the CVAs. Further details are given in paragraph 29. As such, these claims will not be admitted in the CVAs, and will not receive any payment from the CVAs.
- 6.3.2 Bank Claims and Surety Claims (to the extent such Claims are not Secured Claims), Noteholder Claims, and Chapter 11 Asbestos Claims (other than Cooper Claims) will be unaffected by the CVAs. Consequently, these types of CVA Claims may not be submitted for proof under the CVAs and will not receive any payment from the CVAs. Instead, it is intended that the holders of such Claims will rely upon their rights, as they may be, under a plan of reorganisation in the Debtors' Chapter 11 Cases if and when confirmed.
- 6.3.3 Preferential Claims will be paid pursuant to the CVAs. To the extent any such Claims exist, they will be submitted to the Supervisors for proof under the CVAs and will be admitted (i.e. **Allowed**) or not Allowed by the Supervisors in accordance with the

detailed procedures described in paragraph 8 of this Part I and set out in paragraph 7 of Part II. Allowed Preferential Claims will then be paid in full in the manner described in paragraph 9 of this Part I and as set out in paragraph 8 of Part II.

- 6.3.4 General Unsecured Claims will be compromised by the CVAs. They will be submitted to the Supervisors for proof under the CVAs and will be Allowed or not Allowed by the Supervisors in accordance with the detailed procedures described in paragraph 8 of this Part I and set out in paragraph 7 of Part II. A dividend will be paid on Allowed General Unsecured Claims in the manner described in paragraph 9 of this Part I and as set out in paragraph 8 of Part II.
- 6.3.5 Revenue Claims will be compromised by the CVAs. They will be Allowed under the CVAs as agreed by FMC and HM Revenue & Customs or, if no such agreement is reached, in accordance with procedures established by the English Court. A dividend will be paid on Allowed Revenue Claims in the manner described in paragraph 9.4 of this Part I and as set out in paragraph 8.13 of Part II.
- 6.3.6 Chapter 11 Costs Claims will be addressed by the CVAs. The Settlement Agreement provides that costs of the UK Debtors' Chapter 11 Cases shall not be paid by any of the UK Debtors except for a payment of £5.5 million from T&N to FMC. This sum is to be paid pursuant to the Primary CVAs. In light of this, Chapter 11 Costs Claims against the Companies will be Allowed on the effective date of the CVAs against each of the Companies in the amount of £5.5 million and paid a single fixed Distribution of £1. No Chapter 11 Costs Claims will be paid as Administration Costs.
- 6.3.7 Cooper Claims will be compromised by the CVAs on the basis that:
- (a) they will be entitled to the treatment set forth in any settlement agreement or compromise entered into by Cooper in the Debtors' Chapter 11 Cases, and
  - (b) will be Allowed on the effective date of the CVAs in such an amount as to permit a single fixed Distribution of £1 to be paid in full satisfaction of such Claims.

## **7 Levels of dividend payable on Allowed CVA Claims and the funding of the CVAs**

### ***Level of dividends***

- 7.1 The levels of dividend payable on Allowed Preferential Claims, General Unsecured Claims and Revenue Claims have been fixed by reference to the estimated percentage dividend which would be payable in respect of such Claims in a hypothetical liquidation of the relevant Company, subject to a small uplift in each case. This calculation has been carried out by reference to the Administrators' estimated liquidation analysis for each Company, which is incorporated into the Administrators' financial statements for each Company which appear in Annex 2. Although these liquidation analyses are prepared to 30 June 2005, the Administrators are not aware of any matter which would materially affect the level of projected dividend.
- 7.2 On this basis, the dividends payable in respect of Allowed Preferential Claims, General Unsecured Claims and Revenue Claims will be as follows:
- 7.2.1 Allowed Preferential Claims (if any) against either of the Companies will be paid in full. Accordingly, the dividend payable to the holders of those Claims will be 100 pence in the pound.
  - 7.2.2 Allowed General Unsecured Claims and Allowed Revenue Claims against FMUK will be paid a dividend of 0.24 pence in the pound.

7.2.3 Allowed General Unsecured Claims and Allowed Revenue Claims against FMGGL will be paid a dividend of 3 pence in the pound.

Payment of these dividends is dependent upon the compliance with the indemnities referred to in paragraph 7.4.

7.3 The dividends payable in respect of Chapter 11 Costs Claims and Cooper Claims are as stated in paragraph 6.3.6 and 6.3.7 above.

#### ***Funding of the CVAs***

7.4 No cash or other assets will be provided by the Companies to fund the dividends payable under the CVAs. Instead, the dividends payable in respect of CVA Claims will be funded by the following indemnities:

7.4.1 FMC is to provide an indemnity in favour of the Companies to fund the payment of any dividends payable in respect of Allowed Preferential Claims, Allowed General Unsecured Claims, Chapter 11 Costs Claims and Cooper Claims (the **FMC CVA Indemnity**). For each Company, the sums payable under this indemnity are limited to an amount equal to the gross realisable value of the Company's assets set forth in the column headed "Estimated Realisable Value" in the financial statements at Annex 2, less the amount of any sums paid on account of Revenue Claims against that Company (save that this limit may be increased by agreement between the Supervisors and FMC). FMC will execute this indemnity in favour of each of the Companies on or before the Effective Date of the CVAs (and its provision is a condition precedent to the CVAs becoming effective). In the event that there is default under this indemnity so that the Supervisors are unable to pay dividends due in respect of those CVA Claims which it covers, the Supervisors will become entitled to treat the CVA in respect of which the default has occurred as having partially failed insofar as it provides a compromise of CVA Claims other than Revenue Claims. Further details are set out in paragraph 23.9 of Part II. A copy of the FMC CVA Indemnity appears at Annex 8.

7.4.2 Each of FMC and T&N are to provide an indemnity to fund the payment of (among other things) Allowed Revenue Claims against the Companies (the **FMC Revenue Indemnity** and the **T&N Revenue Indemnity**). FMC will execute such an indemnity in favour of each of the Companies (as well as the other UK Debtors) on or before the Effective Date of the CVAs (and its provision is a condition precedent to the CVAs becoming effective), and T&N will do so following the discharge of its administration order. In the event that T&N fails to enter into the T&N Revenue Indemnity, or there is default under either or both of these indemnities so that the Supervisors are unable to pay dividends due in respect of Revenue Claims, the Supervisors will become entitled to treat the CVAs as having partially failed insofar as they provide a compromise of Revenue Claims. Further details are set out in paragraph 23.8 of Part II. Copies of the FMC Revenue Indemnity and the T&N Revenue Indemnity appear at Annexes 21 and 23 respectively to the Primary CVAs.

Any funds made available by FMC and/or T&N pursuant to the indemnities referred to in paragraphs 7.4.1 and 7.4.2 will give rise to inter-company claims which will not be compromised by the CVAs and will be left outstanding. However, neither FMC nor T&N will be entitled to seek repayment of any such liabilities until the earlier of (i) the date on which the administration order in respect of the relevant Company is discharged, and (ii) the date upon which the CVA in respect of the relevant Company is concluded in accordance with paragraph 22 below.

7.5 Save for the indemnities referred to in paragraph 7.4, no credit facilities will be arranged for the purpose of funding the CVAs.

7.6 The Supervisors will establish certain bank accounts (being collectively the **CVA Accounts**) as follows:

- 7.6.1 They will maintain a bank account for each of the Companies (the **FMGGL CVA Account** and the **FMUK CVA Account**) into which they will pay sums received pursuant to the FMC CVA Indemnity.
- 7.6.2 They will maintain a separate bank account (the **Revenue Account**) into which they will pay sums received pursuant to the FMC Revenue Indemnity and the T&N Revenue Indemnity.
- 7.7 Creditors are referred to Part II for the full terms of the CVAs and the procedures for Allowance and payment of claims against the Companies set out in that Part.

## **8 Procedure for submission and Allowance of Preferential Claims, General Unsecured Claims and Revenue Claims**

- 8.1 This paragraph is intended to explain to holders of Preferential Claims, General Unsecured Claims and Revenue Claims how their claims may be submitted for proof in the CVAs and Allowed, assuming the CVAs become effective.
- 8.2 Preferential Claims and General Unsecured Claims will be Allowed using the procedures set out in paragraphs 8.4 to 8.12 below. Full details of the Allowance procedures for Preferential Claims and General Unsecured Claims are set out in paragraph 7 of Part II.
- 8.3 Revenue Claims will be Allowed under the CVAs as agreed by FMC and HM Revenue & Customs or, if no such agreement is reached, in accordance with procedures established by the English Court. Full details concerning the Allowance of Revenue Claims are set out in paragraph 7.1(c) of Part II.
- 8.4 The Supervisors will send a notice of the effective date of the CVAs to known holders of Preferential Claims and General Unsecured Claims and advertise the notice of the effective date in the London Gazette and one national newspaper in the UK in an effort to reach unknown parties that may hold such claims.
- 8.5 From the date of notice of the effective date, holders of Preferential Claims and General Unsecured Claims will have 70 days to submit a Notice of Claim (see Annex 5) to the Supervisors in respect of their claims. If a holder of such a claim does not submit a Notice of Claim by that date (the **Claims Date**), their claim will be barred and no distribution will be paid on account of that claim under the CVAs. This is subject to the exception that, where a holder of a Preferential Claim or General Unsecured Claim does not submit a Notice of Claim by the Claims Date, but their failure to do so was not wilful or the product of a failure to exercise reasonable diligence (as determined by the Supervisors or the English Court), the Supervisors may accept the Notice of Claim before the **Claims Deadline Date**. The Claims Deadline Date will fall 60 days after the Claims Date, save that the Supervisors have discretion to extend it (whether in respect of both or just one of the Companies) for up to 90 days one or more times.
- 8.6 The passing of the Claims Deadline Date will be the **Bar Date**. The Bar Date for one of the Companies may differ from that of the other. No Notice of Claim in respect of a Preferential Claim or General Unsecured Claim against a particular Company will be accepted by the Supervisors after the Bar Date for that Company.
- 8.7 Holders of Preferential Claims and General Unsecured Claims need not submit Notices of Claim where the Administrators have already received details of such claims for the purposes of voting on the CVAs. It is the responsibility of the holder of a Preferential Claim or General Unsecured Claim to ensure that such details have been received by the Administrators.
- 8.8 The Supervisors will review and evaluate Notices of Claim that are submitted within the required time period. They may request that the holder of a Preferential Claim or General Unsecured Claim submit further details or evidence in support of the claim. After the review and evaluation is complete, the Supervisors will either Allow the Preferential Claim or General Unsecured Claim in whole or part or not Allow the Preferential Claim or General Unsecured

Claim in whole or part. However, the Supervisors are required to give FMC not less than 5 Business Days' notice in writing before Allowing any Preferential Claim or General Unsecured Claim. If the relevant claim is not for a fixed amount, the Supervisors may also estimate the amount of such claim and Allow the Preferential Claim or General Unsecured Claim in the estimated amount.

- 8.9 After making their determination in respect of a particular Preferential Claim or General Unsecured Claim, the Supervisors will advise the holder of the claim in writing of that determination (a **Determination Notice**). The Supervisors may amend a Determination Notice if circumstances change or if additional information subsequently becomes available to them.
- 8.10 If a holder of a Preferential Claim or General Unsecured Claim disagrees with the Supervisors' determination of their claim, they may apply to the English Court for a determination of the claim within 42 days of receiving the Determination Notice in respect of that claim. The Supervisors may also apply to the English Court for directions with respect to any Preferential Claim or General Unsecured Claim.
- 8.11 Notices of Claim may be varied or withdrawn by the holder of the relevant Preferential Claim or General Unsecured Claim. In addition, holders of Preferential Claims or General Unsecured Claims may compromise such claims by agreement with the Supervisors.
- 8.12 The Supervisors will be bound by any determination of a Preferential Claim or General Unsecured Claim agreed by the Administrators.

## **9 Procedure for payment of dividends in respect of Preferential Claims, General Unsecured Claims and Revenue Claims**

- 9.1 Dividend payments to holders of Preferential Claims and General Unsecured Claims (referred to as **Distributions** in these Proposals) will be made by the Supervisors as soon as reasonably practicable from funds deposited into the relevant CVA Account pursuant to the FMC CVA Indemnity. Payment of the Distribution will be conditional upon funds being provided by FMC pursuant to the FMC CVA Indemnity. Paragraph 8 of Part II deals with Distributions in respect of Preferential Claims and General Unsecured Claims.
- 9.2 The Supervisors have the right to deduct from a Distribution any liability of the holder of an Allowed Preferential Claim or Allowed General Unsecured Claim to the relevant Company as at the Filing Date.
- 9.3 Distributions in respect of Inter-Company Claims will not be made in cash and instead will be left as debts due and outstanding from the relevant Company which shall be recorded by a book entry in the accounts of the relevant Company.
- 9.4 Distributions to HM Revenue & Customs in respect of Allowed Revenue Claims will be made either directly by FMC or T&N, or from the Revenue Account from funds deposited into that account by either FMC or T&N pursuant to the FMC Revenue Indemnity or the T&N Revenue Indemnity. Payment of the Distribution will be conditional upon funds being provided by FMC or T&N pursuant to the FMC Revenue Indemnity and/or the T&N Revenue Indemnity. Paragraph 8.13 of Part II sets out further details.

## **10 Interest on Claims**

- 10.1 Interest will not be paid under the CVA for either of the Companies on any CVA Claims for any period following the Filing Date, except for certain Inter-Company Claims against the Companies. Inter-Company Claims upon which interest is payable will continue to accrue interest after the Filing Date until the first meeting of creditors to consider the CVA for the relevant Company, with such interest to be compromised and paid a single fixed Distribution of £1 under the CVAs. If any Inter-Company Claim remains outstanding after the first creditors'

meeting in whole or part, the outstanding claim or portion thereof will continue to accrue interest at the applicable contractual rate. Further details are set out in paragraphs 12.5 and 12.6 of Part II.

## **11 The CVAs as a compromise of certain CVA Claims**

- 11.1 Preferential Claims, General Unsecured Claims, Revenue Claims, Chapter 11 Costs Claims and Cooper Claims are all compromised pursuant to the CVAs. Holders of such claims, to the extent those claims are Allowed, will receive a dividend on their claims in the event that the CVAs become effective, as set forth in the CVAs. Subject to paragraph 6.3.7(a) in the case of Cooper Claims, this dividend will be in full and final settlement of those claims, and such claims will be discharged by the CVAs. As a result, holders of such claims will be unable thereafter to pursue any private remedy against either of the Companies by reference to their claim.

## **12 Administration Costs, Administration Remuneration and Supervision Remuneration**

- 12.1 Certain liabilities of the Companies rank as administration expenses, which are referred to in the CVAs as **Administration Costs**. Such liabilities are outside the scope of the CVAs and are not CVA Claims. Any such liabilities will be secured on the assets of the relevant Companies and will be paid in full. These liabilities include:
- 12.1.1 debts and liabilities incurred by the Companies (acting by the Administrators) on or after the Filing Date under contracts entered into or adopted during the administration period;
  - 12.1.2 wages and contributions to occupational pension schemes due under employment contracts in respect of services rendered since the date of adoption<sup>1</sup> of the relevant contract by the Administrators;
  - 12.1.3 Revenue Administration Costs, which are sums (if any) payable to HM Revenue & Customs for corporation tax which rank as an expense of the Company's administration; and
  - 12.1.4 any liabilities which the English Court has ordered or may order should rank as expenses of the administrations.

Reference should be made to the definition of Administration Costs in Part II below for full details.

- 12.2 In light of the Companies' status as holding companies without active manufacturing, sales, distribution, or similar operations, the Administrators are not aware as of the date of these Proposals of any contracts entered into or adopted by either of the Companies during the administrations, nor any wages or pension contributions that might be due and classified as Administration Costs under the CVAs.
- 12.3 The procedure for the agreement and payment of Revenue Administration Costs is set out in paragraph 14 of Part II.
- 12.4 The Primary CVAs provide that:
- 12.4.1 the remuneration, costs, and expenses of the Administrators of the Companies and the Primary Companies incurred after the date of the Settlement Agreement (26 September 2005),

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<sup>1</sup> The meaning of adoption is set out in s.19(6) of the Insolvency Act.

12.4.2 certain remuneration, costs, and expenses of the Administrators of the other UK Debtors incurred after the date of the Settlement Agreement; and

12.4.3 the remuneration, costs, and expenses of the Supervisors of these CVAs and the Primary CVAs,

shall be paid solely out of a Remuneration Reserve of £33 million. The reasonable remuneration, costs, and expenses of the Administrators and the Supervisors accordingly do not qualify as Administration Costs under the CVAs, but will instead be paid out of the Remuneration Reserve. The Remuneration Reserve is also available to pay certain other costs arising in connection with the Primary CVAs and full details are set out in paragraph 17 of Part II and paragraph 32 of Part V of the Primary CVAs.

### **13 The Administrators recommend approval of the CVAs**

13.1 The Administrators have no general power to pay distributions to the Companies' ordinary unsecured creditors. Therefore, there has to be an exit route from the administrations which provides a means of distributing funds to creditors. The three principal options are generally a scheme of arrangement under section 425 of the Companies Act 1985, a company voluntary arrangement pursuant to Part I of the Insolvency Act or a liquidation (voluntary or compulsory).

13.2 The Administrators' estimate of the likely return to holders of General Unsecured Claims against the Companies in a liquidation appears from the hypothetical liquidation analyses incorporated into the financial statements for the Companies at Annex 2. A comparative summary of the dividend payable to creditors under the CVAs and those likely to be payable on a liquidation is as follows.

| <b>Company</b> | <b>Dividend in the pound payable on liquidation analysis</b> | <b>Dividend in the pound payable under proposed CVA</b> |
|----------------|--|---|
| FMUK           | 0.22p/£  | 0.24p/£   |
| FMGGL          | 2.97p/£  | 3.00p/£   |

13.3 As illustrated above, the Administrators consider that the distributions which are to be paid under the CVAs are likely to be more beneficial than the likely outcome for creditors in a liquidation, because the distributions paid under the CVAs, while calculated with reference to liquidation values of the Companies, assume no liquidation costs, while such costs would in fact be present in an actual liquidation of the Companies. Moreover, distributions to creditors are more certain and likely to be made more quickly under the CVAs than in a liquidation. Consequently, the Administrators recommend that creditors vote in favour of these Proposals.

### **14 Disclaimer**

14.1 The information contained in these Proposals has been prepared by the Administrators in their capacity as Administrators of the Companies. In preparing these Proposals, the Administrators have relied upon information obtained from both the Companies' records and the Companies' management, and also upon information obtained during the course of the administrations of the Companies. Although the Administrators have no reason to doubt the accuracy of that information, they are unable to warrant or represent that it, or any information prepared by any third party, is accurate.

14.2 Unless otherwise indicated, the statements contained in these Proposals are made as at 1 June 2006 and reflect the circumstances existing and the information of which the Administrators were aware at that time.

- 14.3 Nothing in these Proposals shall constitute any admission on the part of any Company with respect to any asset to which it may be entitled or with respect to any claim against it.
- 14.4 The Administrators have not authorised any person to make any representations concerning the CVAs which are inconsistent with the statements contained herein, and if any such representations have been made, they may not be relied upon.
- 14.5 Nothing appearing in these Proposals is intended to constitute advice to creditors. It is the responsibility of creditors to obtain their own professional advice in connection with the CVAs, should such advice be required.

## **15 Conditions precedent and subsequent**

- 15.1 The CVAs will not become effective until certain conditions precedent have been met, both statutory and conditions which are specific to these Proposals. The conditions precedent are set out in paragraphs 10.1 and 10.2 of Part II. Once all these conditions have been met, the CVAs will become effective, and will reach their **Effective Date**, and the Supervisors will notify creditors of the effective date in accordance with paragraph 10.2.2 of Part II.
- 15.2 In summary, the conditions precedent require:
- 15.2.1 the approval of the CVAs by the requisite majorities at both required meetings of shareholders and creditors to consider the CVAs (subject to the decision of the creditors' meeting prevailing over that of the shareholders' where the outcomes of the meetings differ);
  - 15.2.2 the absence of any challenge by a shareholder or creditor under s.4A(3) or s.6 of the Insolvency Act respectively, the dismissal of any such challenge if brought, or other resolution of such challenge that does not set aside the CVAs;
  - 15.2.3 the provision to the Companies of the FMC CVA Indemnity; and
  - 15.2.4 the provision to the Companies of the FMC Revenue Indemnity.
- 15.3 There is additionally a condition subsequent that T&N enter into the T&N Revenue Indemnity within 14 days of the discharge of the Administration Order in respect of T&N. If T&N fails to comply with this requirement, the Supervisors may treat the CVAs as having partially failed insofar as they provide a compromise of Revenue Claims in accordance with paragraph 23.8 of Part II.

## **16 Conditionality of the CVAs on certain of the Primary CVAs**

- 16.1 In addition to the conditions precedent described above, the effectiveness of the CVAs is also conditional upon the effectiveness of certain of the Primary CVAs, which are the Primary CVAs applicable to T&N and the entities numbered 1 to 19 in Table 4.1.3 in Part V of the Primary CVAs. As a result, until those Primary CVAs become effective, these CVAs will not become effective. This condition to effectiveness can be waived by the Administrators with the prior written consent of FMC.

## **17 Management of Companies**

- 17.1 Subject to their overall supervision and control, the Administrators have consented to the exercise by the boards of directors of the UK Debtors of all of the powers conferred upon the directors. The Administrators have agreed not revoke or vary this consent prior to the discharge of the Administration Orders, unless the proper discharge of their duties requires them to do so.

- 17.2 Following the Effective Date, the Companies will remain in administration for a short period of time, during which the Administrators will continue to exercise their statutory powers and functions, in parallel with their role as Supervisors. The Companies will continue to be managed by their directors subject to the terms of the Protocol.
- 17.3 Following the discharge of the Administration Orders, each of the Companies will conduct its business on its own account and will be solely responsible for any liabilities that it may incur to any party.

## **18 The Supervisors**

- 18.1 It is the responsibility of the Supervisors to administer the CVAs in accordance with their terms.
- 18.2 It is proposed that the Supervisors of the CVAs will be James John Gleave, Anne O'Keefe and Stuart C.E. MacKellar of Kroll Limited, The Observatory, Chapel Walks, Manchester M2 1HL, all of whom are licensed insolvency practitioners. James John Gleave and Anne O'Keefe are both licensed by the Institute of Chartered Accountants in England and Wales and Stuart C.E. Mackellar is licensed by the Institute of Chartered Accountants in Scotland. Mr Gleave presently holds office as one of the Administrators.
- 18.3 The proposed treatment concerning the Supervision Remuneration is as set out in paragraph 17.4 of Part II. In summary, however, and as noted in paragraph 12.4 above, the Supervisors' fees, costs and expenses are payable solely out of the Remuneration Reserve.

## **19 Discharge of administration orders**

- 19.1 The Companies will still be in administration and subject to their Chapter 11 Cases at the Effective Date. This will not affect the CVAs in respect of the Companies: the CVAs will (until discharge of the Administration Orders) exist in parallel with the administrations and the assets in the CVAs will be held on trust by the Supervisors for the holders of CVA Claims (see paragraph 5 of Part II).
- 19.2 However, it is the intention of the Administrators to seek the discharge of the Administration Orders in respect of the Companies and their release as soon as reasonably practicable after the Effective Date. Once the Administration Orders have been discharged, the Companies will remain subject to the CVAs, until conclusion of the CVAs. Separately, the Companies will remain subject to the Chapter 11 proceedings until the conclusion of the Chapter 11 Cases.

## **20 The Chapter 11 proceedings**

- 20.1 It is anticipated that the Debtors will exit Chapter 11 via a confirmed US Plan of Reorganisation. Any failure of the Chapter 11 Cases or failure to confirm a US Plan of Reorganisation will not affect the CVAs, which will remain in full force and existence.

## **21 Proposed duration of CVAs**

- 21.1 Each CVA shall continue until the Supervisors have completed the implementation of it in accordance with the terms set out in Part II of these Proposals. Accordingly, the Administrators are not able to state with any certainty the proposed duration of each CVA. However, it is intended that the CVAs will be concluded as soon as reasonably practicable.

## **22 Conclusion of the CVAs**

- 22.1 The CVAs will come to an end when the Supervisors are satisfied that all matters under the CVA have been dealt with. At such time, the Supervisors will send to creditors a Notice of Termination (see paragraph 23.3 of Part II).
- 22.2 The CVAs may be only partially implemented if certain circumstances occur, as follows:
- 22.2.1 Non-compliance with the FMC Revenue Indemnity and/or the T&N Revenue Indemnity (in which case the CVAs may fail in so far as they compromise Revenue Claims);
- 22.2.2 Non-compliance with the FMC CVA Indemnity, in which case the CVA of the relevant Company may fail; provided that the CVA of one Company shall not fail as a result of non-compliance with the FMC CVA Indemnity in respect of the other Company.

## **23 Summary of assets and liabilities**

- 23.1 The Administrators' summary of assets and liabilities of each of the Companies are incorporated into the Administrators' financial statements for the Companies appearing at Annex 2.
- 23.2 The then directors of the Companies submitted sworn detailed statements of affairs as at the Filing Date to the Administrators pursuant to s.22 of the Insolvency Act. These statements of affairs were filed by the Administrators in the English Court pursuant to rule 2.12(6) of the Insolvency Rules.
- 23.3 Given the passage of time since the Filing Date, creditors should refer to the estimated financial statements at Annex 2 for information about the assets and liabilities of each of the Companies. Although these statements are prepared to 30 June 2005, the Administrators consider that there have been no changes to the financial positions of the Companies since then which would materially affect the position of the Companies' creditors.

## **24 Administrators' liquidation analysis**

- 24.1 The Administrators' hypothetical liquidation analysis for each of the Companies is incorporated into the financial statements at Annex 2.

## **25 Unknown holders of CVA Claims**

- 25.1 Section 5(2)(b)(ii) of the Insolvency Act provides that the CVAs, if approved, will also bind all creditors who would have been entitled to vote at the Creditors' Meeting had they received notice of the meeting. This means that holders of CVA Claims who are not currently known to the Administrators will be bound by the CVA of the Company in respect of which they hold a CVA Claim.
- 25.2 The Supervisors will take steps to cause notice of the Effective Date of the CVAs and the need for holders of Preferential Claims and General Unsecured Claims to submit Notices of Claim by the Claims Date to reach any unknown parties who may hold such CVA Claims. This will involve the placing of advertisements in the London Gazette and one national newspaper in accordance with paragraph 7.2 of Part II.
- 25.3 Provided that the relevant CVA is still in force, any holder of a Preferential Claim, General Unsecured Claim, Revenue Claim, Chapter 11 Costs Claim or Cooper Claim who did not (for any reason) receive notice of the Creditors' Meeting and who is entitled to a Distribution under the CVAs will be entitled to receive a Distribution under the relevant CVA on the same terms as other CVA Claims in the same category, subject to, in the case of such CVA Claim:

- 25.3.1 the CVA Claim being Allowed in accordance with the admission procedure described in paragraph 8 above and set out in paragraph 7 of Part II, and
- 25.3.2 the limitations on the sums payable under the FMC CVA Indemnity and on its duration contained in paragraph 2.1 of Part II.
- 25.4 The procedure described in paragraph 8 of Part I deals with the submission and Allowance of Preferential Claims and General Unsecured Claims. It should be noted that following the Claims Date, the circumstances in which any Preferential Claim or any General Unsecured Claim may be Allowed are very restricted. Also, after the later Bar Date, the claim of any holder of a Preferential Claim or General Unsecured Claim will be barred (whether or not the holder of such a Claim received notice of the Creditors' Meeting). No Distribution will be paid on account of any such claims which have not been Allowed or which have been barred under the CVA. The Claims Date falls 70 days after the Supervisors give notice of the Effective Date of the CVA. Subject to the terms of the CVAs, the Supervisors control when Bar Dates will fall.
- 25.5 The holder of any Preferential Claim or General Unsecured Claim which is notified to the Supervisors after the date upon which the claim is barred is not entitled to receive any Distribution under the CVA and the claim will be released in accordance with the terms of the CVA (whenever the relevant CVA ceases to have effect).
- 25.6 Any Revenue Claim, Chapter 11 Costs Claim or Cooper Claim will not be liable to be barred under the procedure described in paragraph 8 of Part I. However, if such a claim is notified to the Supervisors after the relevant CVA ceases to have effect, the holder of the claim will not be entitled to receive any Distribution under the CVA and his claim against the relevant Company will be released in accordance with the terms of the CVA (whenever the relevant CVA ceases to have effect).

## **26 Preferential Claims**

- 26.1 The Administrators are not aware of any Preferential Claims against either of the Companies. Any Preferential Claims that may ultimately be determined to exist, however, shall be Allowed or not Allowed as described in paragraph 8 above and shall, if Allowed, receive a Distribution as described in paragraph 9 above.

## **27 Connected creditors**

- 27.1 It is necessary for any company voluntary arrangement proposal to set out details of connected creditors. The meaning of a connected creditor is set out in s.249 of the Insolvency Act<sup>2</sup>.
- 27.2 Each of the Companies has substantial obligations to other companies within the F-M Group, all of whom are connected creditors. The claims of these other companies within the F-M Group are Inter-Company Claims. Such claims will be treated as General Unsecured Claims under the CVAs save that (i) any Distribution they receive under the CVAs will not be made in cash, and will instead be made in the manner described in paragraph 9.3 of this Part I and paragraph 8.3.5 of Part II, and (ii) interest on such Inter-Company Claims will be dealt with in the manner described in paragraph 10.1 above (and set out in more detail in paragraphs 12.5 and 12.6 of Part II).
- 27.3 The Administrators are not aware of any other connected creditors. However, to the extent that there are any other connected creditors who hold CVA Claims against the Companies, they will be treated in the same manner as holders of General Unsecured Claims against the Companies, as explained in paragraphs 6.3.4 and 7.2 above.

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<sup>2</sup> The Companies are deemed to be connected to each other for the purposes of s.249 of the Insolvency Act as they are all effectively controlled by the same person or group of persons, and accordingly the Companies are connected creditors.

## **28 Guarantees**

- 28.1 The Administrators are aware that FMUK has provided guarantees of certain obligations of other entities within the Federal-Mogul Group, which have given rise to the Bank Claims, Surety Claims and Noteholder Claims against FMUK described in paragraphs 6.2.2 to 6.2.4 above. None of those liabilities will be compromised under the CVAs.
- 28.2 The Administrators are not aware of any further existing guarantees having been granted by the Companies or by third parties on their behalf.
- 28.3 No guarantees are to be offered by directors of the Companies or other persons for the purposes of the CVA, save that the CVAs are to be funded by the FMC CVA Indemnity, the FMC Revenue Indemnity and/or the T&N Revenue Indemnity.

## **29 Holders of Secured Claims**

- 29.1 The Insolvency Act provides that a CVA cannot affect the rights of a secured creditor without the consent of that creditor. Accordingly, nothing in these Proposals will affect the rights of the holders of Secured Claims.
- 29.2 As far as the Administrators are aware:
- 29.2.1 there are no Secured Claims against FMGGL, and
  - 29.2.2 the only Secured Claims against FMUK are the Bank Claims and the Surety Claims, to the extent of their security.

## **30 Antecedent Transactions**

- 30.1 The Administrators are not aware of any circumstances giving rise to the possibility that the Administrators could apply to the English Court for an order in respect of any transaction which is or may be at an undervalue, a preference, an extortionate credit transaction or a void floating charge under sections 238, 239, 244 and 245 of the Insolvency Act.

## **31 No Creditors' Committees**

- 31.1 There will not be a creditors' committee for either of the CVAs as the dividend levels are fixed.

## **PART II. THE PROPOSALS FOR THE CVAS FOR FMUK AND FMGGL**

### **1 Introduction**

- 1.1 Part II of these Proposals contain 3 sections as follows:
- 1.2 **Section A** (paragraph 2) sets out the **defined terms** and provisions relating to **interpretation** of the CVAs.
- 1.3 **Section B** (paragraphs 3 to 8) sets out those provisions specific to the treatment of **CVA Claims against the Companies**.
- 1.4 **Section C** (paragraphs 9 to 30) sets out the **general provisions of the CVAs**.

### **A: DEFINITIONS AND INTERPRETATION**

### **2 Definitions and interpretation**

#### **2.1 Definitions**

In these Proposals, unless the context otherwise requires, all capitalised terms shall have the meanings set out in this paragraph 2.1:

**"Administration Costs"** means, in respect of each Company, those liabilities which rank as expenses of the Company's administration, namely:

- (a) all liabilities other than Revenue Administration Costs falling within sections 19(4), 19(5) and/or 19(6) of the Insolvency Act;
- (b) all liabilities which are ordered by the English Court to rank as expenses of the Company's administration;
- (c) all liabilities incurred during the course of the Company's administration (other than Revenue Administration Costs) which
  - (i) the Administrators or Supervisors agreed prior to or on the date of approval by creditors of these Proposals,
  - (ii) were incurred in the ordinary course of business, which the Administrators or Supervisors agree (in consultation with FMC, but in the Administrators' or Supervisors' discretion) after the date of approval by creditors of these Proposals, or
  - (iii) were not incurred in the ordinary course of business, which the Supervisors or the Administrators agree (with the prior consent of FMC) after the date approval by creditors of these Proposalsshould be paid as an expense of the Company's administration;
- (d) Revenue Administration Costs, which shall be agreed between FMC and HM Revenue & Customs or as otherwise determined in accordance with paragraph 14; and
- (e) any liabilities arising in connection with any statutory rights of indemnity in favour of the Administrators;

provided that "Administration Costs" shall exclude any such liabilities as would constitute Administration Remuneration, Supervision Remuneration, Inter-Company Claims or Chapter 11 Costs Claims.

"**Administration Orders**" means the orders of the English Court, as varied from time to time, pursuant to which the Administrators were appointed as administrators of each UK Debtor and "**Administration Order**" shall mean any one of them as the context requires.

"**Administration Remuneration**" means in respect of each Company the reasonable remuneration, costs and expenses properly incurred by the Administrators and their professional advisers after 26 September 2005 and prior to the discharge of the relevant Administration Order, which, for the avoidance of doubt, shall include without limitation the reasonable remuneration, costs and expenses properly incurred by the Administrators or their professional advisers in preparing and negotiating these Proposals and seeking to implement them, provided that if the CVA in respect of either Company does not become effective, the Administration Remuneration in respect of such Company shall comprise only such remuneration, costs and expenses as are incurred in seeking the discharge of the Administration Order in respect of such Company.

"**Administrative Agent**" means the administrative agent from time to time under that certain Fourth Amended and Restated Credit Agreement dated as of December 29, 2000 which is referred to in the definition of Bank Claims, and who is currently JPMorgan Chase Bank.

"**Administrators**" means the persons who are the administrators for the time being of the Companies (the Administrators of each Company being, as at the date hereof, Gary Peter Squires, James John Gleave, and Simon Vincent Freakley).

"**Affiliate**" means, in relation to each Debtor:

- (a) a company 20% or more of whose outstanding voting shares are directly or indirectly owned, controlled, or held with power to vote, by that Debtor, or by an entity that directly or indirectly owns, controls, or holds with power to vote, 20% or more of the outstanding voting shares of that Debtor, other than an entity that holds such securities in a fiduciary or agency capacity without sole discretionary power to vote such securities, or solely to secure a debt, if such entity has not in fact exercised such power to vote;
- (b) a person whose business is operated under a lease or operating agreement by that Debtor, or a person substantially all of whose property is operated under an operating agreement with that Debtor; or
- (c) an entity that operates the business or substantially all of the property of that Debtor under a lease or operating agreement.

References to "**Affiliated**" shall be construed accordingly.

"**Allowed**"

- (a) in relation to any CVA Claim against either of the Companies, means that the CVA Claim or part of a CVA Claim has been admitted in accordance with paragraph 7 below, and
- (b) in relation to any Revenue Claim against either of the Companies, means that the Revenue Claim or part thereof has been agreed between FMC and HM Revenue & Customs or determined in accordance with paragraph 7.1(c) below.

For the avoidance of doubt, no Chapter 11 Asbestos Claim (other than a Cooper Claim), Bank Claim, Surety Claim, Noteholder Claim, or Secured Claim may be Allowed. Reference to the "**Allowance**" of a Claim shall be construed accordingly.

"**Amended Determination Notice**" has the meaning given to that term in paragraph 7.17.

**"Asbestos Claimants Committee"** shall have the meaning ascribed to such term in the Primary CVAs.

**"Bank Claims"** means any and all obligations, rights, claims or interests, whether matured or unmatured, fixed or contingent, of any nature whatsoever, including, but not limited to, principal, accrued and unpaid interest, secured or unsecured, charges, costs, breakage fees, counsel fees, contingent reimbursement obligations under letters of credit (whether unfunded, partially drawn or otherwise), and any and all other rights to payment of money arising under, based upon, or related to FMUK's guarantee of obligations under that certain Fourth Amended and Restated Credit Agreement dated as of December 29, 2000 (as such agreement has been amended, supplemented, or otherwise modified thereafter among FMC, certain of FMC's Affiliates, a syndicate of lenders, and JPMorgan Chase Bank (formerly The Chase Manhattan Bank), as administrative agent).

**"Bar Date"** has the meaning given to that term in paragraph 7.6.

**"Business Day"** means any day other than a Saturday, Sunday or public holiday in England and Wales or the United States of America.

**"Challenge Period"** means the period ending 28 days after the day on which the reports referred to in section 4(6) of the Insolvency Act have been made to the English Court.

**"Chapter 11"** means Chapter 11 of the U.S. Bankruptcy Code.

**"Chapter 11 Asbestos Claims"** shall have the meaning ascribed to such term in the Primary CVAs; provided, however, that as used in these CVAs such term shall not refer to Chapter 11 Asbestos Claims against the Primary Companies, but shall instead refer to Chapter 11 Asbestos Claims against FMGGL and/or FMUK. Chapter 11 Asbestos Claims shall be deemed to include Cooper Claims.

**"Chapter 11 Cases"** means Chapter 11 proceedings in respect of the Debtors which are pending in the US Court.

**"Chapter 11 Costs Claims"** means any costs and/or expenses of any nature whatsoever which have been or may be incurred by either of the Companies in or as a result of any of the Debtors' Chapter 11 Cases, which shall include without limitation the costs of any professional advisors retained by the Debtors, any other Plan Proponent and/or other official committee appointed in the Chapter 11 Cases and the costs of the US Trustee.

**"Claim"** means any right to payment or satisfaction of a debt or liability existing as at the Filing Date, whether the right, debt or liability is present or future, certain or contingent, fixed or liquidated, ascertained or unascertained, and regardless of whether any such right, debt or liability is provable in a solvent or insolvent winding-up or other insolvency process. For the avoidance of doubt:

- (a) any right to payment or satisfaction of a debt or liability includes any right to payment or satisfaction of a debt or liability to pay money or money's worth under any enactment, statute or regulation, any debt or liability for breach of trust, any debt or liability in contract, tort or bailment, and any debt or liability arising out of an obligation to make restitution; and
- (b) a contingent right to payment or satisfaction of a debt or liability includes any debt or liability for personal injury arising from exposure to asbestos which could cause an asbestos-related disease or diseases and which exposure occurred prior to the Filing Date, regardless of whether a cause of action or existing legal obligation in respect of the debt or liability for personal injury had accrued as at or prior to the Filing Date, and any reference to a Claim "existing" at the Filing Date shall be construed accordingly.

**"Claims Date"** has the meaning given to that term in paragraph 7.2.1.

**"Claims Deadline Date"** has the meaning given to that term in paragraph 7.3.

"**Claims Deadline Extension**" has the meaning given to that term in paragraph 7.5.

"**Companies**" means FMUK and FMGGL, and "**Company**" means either of them, as the context requires.

"**Cooperation Agreement**" means the agreement dated 12 October 2005 between FMC, FMUK, FMGGL, T&N and the Administrators (as amended by an agreement dated 23 December 2005) which governs, among other things, the procedure for the administration of Revenue Claims and Revenue Administration Costs in respect of the Companies.

"**Cooper**" means Cooper Industries, LLC, Cooper Industries, Ltd., and Cooper Industries, Inc., and any affiliates or subsidiaries of any of those entities.

"**Cooper Claims**" means any and all Claims or rights to payment of Cooper against FMUK and/or FMGGL.

"**Creditors' Meeting**" means in respect of each Company, the meeting of creditors which will be held to vote on the Proposal relating to that Company, or any adjournment thereof, and "**Creditors' Meetings**" means all or any of them, as the context requires.

"**CVA Account**" means any of the FMUK CVA Account, the FMGGL CVA Account or the Revenue Account as the context requires, and "**CVA Accounts**" means all of them.

"**CVA Claim**" means and/or shall be deemed to include:

- (a) any Claim against a Company on the part of any person, and
- (b) to the extent not within sub-paragraph (a), Revenue Claims, Cooper Claims, Chapter 11 Costs Claims, Bank Claims, Surety Claims and Inter-Company Claims,

provided that the term "CVA Claim" shall exclude or be deemed to exclude:

- (i) Secured Claims;
- (ii) Surety Claims and Bank Claims to the extent that they are Secured Claims; and
- (iii) Administration Costs, Administration Remuneration and Supervision Remuneration.

"**CVAs**" means the company voluntary arrangements between the Companies and their respective holders of CVA Claims under Part I of the Insolvency Act, the terms of which are set out in these Proposals, as may be modified from time to time in accordance with their terms, and "**CVA**" means either of the CVAs, as the context requires.

"**Debtors**" means FMC and each of its Affiliates that is currently the subject of Chapter 11 proceedings and "**Debtor**" means any one of them.

"**Determination Notice**" has the meaning given to that term in paragraph 7.16.

"**Distribution**" means the dividend(s) (if any) which are to be paid to holders of CVA Claims in respect of those claims in accordance with the terms of the CVAs.

"**Effective Date**" has the meaning given to that term in paragraph 10.2.1.

"**English Court**" means the High Court of Justice of England and Wales and (where used in relation to Revenue Administration Costs or a Revenue Claim) shall include the Commissioners for the general purposes of the income tax and the Commissioners for the special purposes of the Income Tax Acts.

**"Federal-Mogul Group"** means the Federal-Mogul group of companies of which FMC is the ultimate parent company as at the date hereof.

**"Filing Date"** means 1 October 2001.

**"Final Non-Appealable Order"** means an order from which there is no right of appeal or for which the time prescribed for lodging an appeal has expired without an appeal having been lodged.

**"First Creditors Meeting"** means, in relation to a Company, the first date that any Creditors' Meeting is held in relation to that Company (whether or not that meeting is adjourned).

**"FMC"** means Federal Mogul Corporation.

**"FMC Indemnities"** or **"FMC Indemnity"** means either or both of the FMC CVA Indemnity and the FMC Revenue Indemnity, as the context requires.

**"FMC CVA Indemnity"** means the indemnity which is to be provided by FMC to each Company which:

- (a) shall rank as an administrative expense of the Chapter 11 Case of FMC,
- (b) is to be substantially in the terms of the document attached at Annex 8,
- (c) shall indemnify the Company in respect of any amounts actually payable under these CVAs in respect of Allowed CVA Claims (other than Revenue Claims), and
- (d) shall lapse in relation to each Company when the Supervisors send a Notice of Termination in accordance with paragraph 23 for such Company (save in respect of any CVA Claims of which the Supervisors have notice on or before the relevant Bar Date), and
- (e) subject to any contrary agreement being reached in writing between the Supervisors and FMC, shall be limited so that the sum payable under the indemnity, when aggregated with all sums already paid under the indemnity together with sums paid on account of Allowed Revenue Claims in respect of that Company, does not exceed an amount equal to the estimated gross realisation value of the relevant Company's assets as detailed in the column headed "Estimated Realisable Value" in the financial statement relating to such Company appearing in Annex 2 provided that, for the avoidance of doubt, Distributions recorded by book entry pursuant to paragraph 8.3.5 shall be deemed for this purpose to be sums paid under the FMC CVA Indemnity.

**"FMC Revenue Indemnity"** shall have the meaning ascribed to such term in the Primary CVAs.

**"FMGGL"** means Federal-Mogul Global Growth Limited whose company number is 03454611 and registered office is at Manchester International Office Centre, Styal Road, Manchester M22 5TN.

**"FMGGL CVA Account"** means the bank account which may be maintained by the Supervisors pursuant to paragraph 3.2, into which any funds received pursuant to the FMC CVA Indemnity with respect to CVA Claims (other than Revenue Claims) against FMGGL shall be paid.

**"FMUK"** means F-M UK Holding Limited whose company number is 03459039 and whose registered office is at Manchester International Office Centre, Styal Road, Manchester, M22 5TN.

**"FMUK CVA Account"** means the bank account which may be maintained by the Supervisors pursuant to paragraph 3.1, into which any funds received pursuant to the FMC CVA Indemnity with respect to CVA Claims (other than Revenue Claims) against FMUK shall be paid.

**"Future Claimants Representative"** shall have the meaning ascribed to such term in the Primary CVAs.

**"General Unsecured Claims"** means, in respect of each Company, all CVA Claims except Preferential Claims, Revenue Claims, Chapter 11 Asbestos Claims, Noteholder Claims, Surety Claims and Bank Claims and Chapter 11 Costs Claims.

**"Insolvency Act"** means the Insolvency Act 1986 as amended and as in force in England and Wales at the date of these Proposals.

**"Insolvency Rules"** means the Insolvency Rules 1986 as amended and as in force in England and Wales at the date of these Proposals.

**"Inter-Company Claim"** means in respect of each Company, any Claim or other right to payment on the part of any company in the Federal-Mogul Group against such Company existing as at the date of the First Creditors' Meeting. For the avoidance of doubt, all Inter-Company Claims shall be CVA Claims.

**"Noteholder Claims"** means any Claim against FMUK arising under or evidenced by the Notes, the indentures applicable to the Notes, and/or any related documents.

**"Notes"** means FMC's 7.5% Notes due 2009, 7.375% Notes due 2006, 7.75% Notes due 2006, 7.875% Notes due 2010, 7.5% Notes due 2004, 8.8% Senior Notes due 2007, 8.37% Medium Term Notes due 2001, 8.25% Medium Term Notes due 2005, 8.33% Medium Term Notes due 2001, 8.12% Medium Term Notes due 2003, 8.16% Medium Term Notes due 2003 and 8.46% Medium Term Notes due 2002.

**"Notice of Claim"** means a notice in writing of a Claim signed by the holder of a CVA Claim in the form entitled "Voting and Notice of Claim Form" set out in Annex 5.

**"Notice of Effective Date"** means, in relation to each Company, the notice which will be sent to holders of CVA Claims by the Supervisors upon the occurrence of the Effective Date, and which specifies the Effective Date, in accordance with paragraph 10.2.2.

**"Notice of Termination"** means, in relation to each Company, the notice which will be sent by the Supervisors to holders of CVA Claims upon the CVA in respect of the relevant Company being fully implemented in accordance with paragraph 23.3, or upon the CVA for the relevant Company being deemed to be only partially implemented in accordance with paragraphs 23.8 or 23.9.

**"Plan Proponent"** means any of (i) the Official Committee of Unsecured Creditors, (ii) the Asbestos Claimants' Committee, (iii) the Future Claimants' Representative and (iv) the Official Committee of Equity Security Holders appointed in the Debtors' Chapter 11 Cases, (v) the Debtors, and (vi) JPMorgan Chase Bank, as Administrative Agent for the holders of pre-petition Bank Claims, and **"Plan Proponents"** means all of them.

**"Preferential Claims"** means, in respect of each Company, any Claims to which preferential status is afforded by section 386 of and Schedule 6 to the Insolvency Act.

**"Primary Companies"** means those companies which are listed in Annex 9.

**"Primary CVAs"** means the proposals dated 23 June 2006 for company voluntary arrangements in respect of the Primary Companies.

**"Proposal"** or **"Proposals"** means the CVA proposals set out in this document.

**"Protocol"** means the Cross Border Insolvency Protocol dated 1 October 2001.

**"Remuneration Reserve"** means the reserve which is to be established for payment of the liabilities referred to in paragraph 32.1 of the Primary CVAs.

**"Revenue Account"** means the bank account which shall be maintained by the Supervisors pursuant to paragraph 3.3, into which any funds received pursuant to the FMC Revenue Indemnity and/or the T&N Revenue Indemnity as representing liabilities of FMGGL and/or FMUK shall be paid.

**"Revenue Administration Costs"** means, in respect of each Company, any sums which are payable to HM Revenue & Customs for corporation tax payable by that Company which rank as an expense of the Company's administration.

**"Revenue Claim"** means, in respect of each Company, any Claim or other right to payment (which is not a Revenue Administration Cost) by HM Revenue & Customs for corporation tax payable by the Company in respect of any period ending on or before the date of the discharge of the Administration Order in respect of the Company.

**"Secured Claim"** means, in respect of each Company, any Claim which is secured by a mortgage, charge, lien or other encumbrance on an asset of the Company. Secured Claims shall include Bank Claims and Surety Claims to the extent of their respective security.

**"Sterling"** means the lawful currency from time to time of the United Kingdom.

**"Subsidiary"** has the meaning given to that term in Section 736 of the Companies Act 1985.

**"Supervision Remuneration"** means, in respect of each Company, all reasonable remuneration, costs and expenses properly incurred by the Supervisors, which shall include without limitation the reasonable fees, costs and expenses of any professional advisers which may be retained by the Supervisors and which may have been properly incurred from time to time.

**"Supervisors"** means James John Gleave, Anne O'Keefe and Stuart MacKellar all licensed insolvency practitioners of Kroll Limited of The Observatory, Chapel Walks, Manchester M2 1HL, England in their capacity as supervisors of each of the CVAs or such other person(s) who may act as their successor(s).

**"Surety Claim"** means any Claim against FMUK by any of the Sureties (or any assignee(s) or transferee(s) of such Claim), as compromised and settled or proposed to be compromised and settled under the terms of the Surety Claims Settlement Agreement.

**"Surety Claims Settlement Agreement"** means that certain "Stipulation and Agreement for Companies and Settlement of Secured Surety Claims, for Treatment thereof under Third Amended Joint Plan of Reorganization and Related Matters" as approved by Final Non-Appealable Order of the US Court entered on 16 March 2005.

**"Sureties"** means Travelers Casualty and Surety Company of America, SAFECO Insurance Company of America and National Fire Insurance Company of Hartford and Continental Casualty Company as issuers of certain surety bonds securing the obligations of certain of the Debtors to the Center for Claims Resolution.

**"T&N"** means T&N Limited, whose company number is 00163992 and whose registered office is Manchester International Office Centre, Styal Road, Manchester M22 5TN.

**"T&N Revenue Indemnity"** shall have the meaning ascribed to such term in the Primary CVAs.

**"UK Debtors"** means the 134 companies in the Federal-Mogul Group which are currently in administration and which have also filed Chapter 11 petitions in the US Court.

**"US Asbestos Trust"** shall have the meaning ascribed to such term in the Primary CVAs.

**"US Court"** means the United States Bankruptcy Court for the District of Delaware, or, as the context requires, the United States District Court for the District of Delaware, or such other

court of the United States of America as for the time being has jurisdiction in relation to the Chapter 11 Cases.

**"US Plan of Reorganisation"** means the plan of reorganisation in the Debtors' Chapter 11 Cases whereby the Companies emerge from the Chapter 11 Cases.

## 2.2 Interpretation

In these Proposals, unless the context otherwise requires:

- (a) unless otherwise expressed, in this Part II, references to paragraph numbers are to paragraphs of this Part II;
- (b) references to (or to any provision of) the CVAs or these Proposals or any document shall be construed as references to the CVAs, these Proposals, or that document or that provision as in force for the time being and as altered, changed, amended or modified;
- (c) headings are for ease of reference only and shall not affect the interpretation of the CVAs;
- (d) words importing the plural shall include the singular and vice versa and the masculine, feminine or neuter gender shall each include the other genders;
- (e) references to a person shall be construed as including references to an individual, firm, company, corporation, statutory body, fund, trust, unincorporated body of persons or any State or any agency thereof;
- (f) in the case of any inconsistency between any provision of Part II of these Proposals and any other provisions of these Proposals, the provision of Part II shall prevail;
- (g) any reference to the "holder" of a Claim shall be understood to include any person entitled to assert such Claim as the agent or successor in title to the person entitled to assert such Claim;
- (h) any reference to the "holder" of a Claim shall be understood to include any person who asserts a Claim, whether or not the Claim is allowable or is Allowed by the Supervisors;
- (i) references to any enactment or statutory instrument shall be to such enactment or statutory instrument as amended and in force from time to time save where otherwise stated;
- (j) any reference to a Distribution being "paid" or being "payable" by a Company shall include a Distribution that is not paid in cash but is left as a debt due and outstanding from a Company which is recorded by a book entry in the accounts of that Company; and
- (k) prior to the establishment of the US Asbestos Trust, each reference in the Proposals to the "US Asbestos Trust" shall be deemed to be a reference to the Asbestos Claimants' Committee and the Future Claimants' Representative (acting unanimously) in the Chapter 11 Cases affecting the Companies provided that if any liability or obligation is imposed on the US Asbestos Trust either expressly or impliedly under the terms of the CVAs, neither the Asbestos Claimants Committee nor the Future Claimants Representative shall at any time either prior to or subsequent to the establishment of the US Asbestos Trust have any corresponding or equivalent liability or obligation.

## **B: PROVISIONS RELATING TO CVA CLAIMS**

### **3 Establishment of CVA Accounts**

- 3.1 From the Effective Date, the Supervisors shall maintain a bank account which shall be designated the FMUK CVA Account.
- 3.2 From the Effective Date, the Supervisors shall maintain a bank account which shall be designated the FMGGL CVA Account.
- 3.3 From the Effective Date, the Supervisors shall maintain a bank account which shall be designated the Revenue Account. The bank account which is maintained as the Revenue Account pursuant to these Proposals may, at the Supervisors' discretion, be the same bank account which is designated as the "Revenue Account" for the purpose of paragraph 4.3 of the Primary CVAs.

### **4 Application of FMC Indemnity proceeds**

- 4.1 Any funds received by the Supervisors pursuant to calls by them on the FMC CVA Indemnity as representing liabilities of FMUK to be paid under these Proposals (other than sums representing liabilities in respect of Revenue Administration Costs or Revenue Claims) shall be credited to the FMUK CVA Account.
- 4.2 Any funds received by the Supervisors pursuant to calls by them on the FMC CVA Indemnity as representing liabilities of FMGGL to be paid under these Proposals (other than sums representing liabilities in respect of Revenue Administration Costs or Revenue Claims) shall be credited to the FMGGL CVA Account.
- 4.3 Any funds received by the Supervisors pursuant to calls by them on the FMC Revenue Indemnity and/or the T&N Revenue Indemnity as representing liabilities of FMUK and/or FMGGL in respect of Revenue Administration Costs or Revenue Claims shall be credited to the Revenue Account.
- 4.4 Funds standing to the credit of the FMUK CVA Account shall be applied in payment of such Distributions as are payable under the terms of the FMUK CVA in respect of Allowed CVA Claims other than Revenue Claims against FMUK.
- 4.5 Funds standing to the credit of the FMGGL CVA Account shall be applied in payment of such Distributions as are payable under the terms of the FMGGL CVA in respect of Allowed CVA Claims other than Revenue Claims against FMGGL.
- 4.6 Funds standing to the credit of the Revenue Account which have been received by the Supervisors as representing liabilities of FMGGL and/or FMUK shall be applied in payment of any Revenue Administration Costs in accordance with paragraph 14, and in payment of Distributions in respect of Allowed Revenue Claims in accordance with paragraphs 6.4, 6.5, 7.1(c) and 8.13.
- 4.7 Following the occurrence of a Bar Date for CVA Claims in respect of a Company in accordance with paragraph 7.6, a holder of any General Unsecured Claim against that Company who has not submitted a Notice of Claim in respect of such General Unsecured Claim on or before the Bar Date shall have no entitlement or right to payment from or participation in the Distribution or payment of any funds standing to the credit of any of the CVA Accounts or to any other Distribution or payment under the CVA in respect of that Company.

## **5 FMC Indemnity proceeds to be held on trust**

- 5.1 Any funds held in the FMUK CVA Account from time to time shall be held on trust by the Supervisors for the benefit of the persons holding Allowed Preferential Claims against FMUK and Allowed General Unsecured Claims against FMUK.
- 5.2 Any funds held in the FMGGL CVA Account from time to time shall be held on trust by the Supervisors for the benefit of the persons holding Allowed Preferential Claims against FMGGL and Allowed General Unsecured Claims against FMGGL.
- 5.3 Any funds held in the Revenue Account from time to time shall be held on trust by the Supervisors for the benefit of HM Revenue & Customs.

## **6 Distributions payable in respect of CVA Claims against the Companies**

- 6.1 In accordance with the relevant provisions of paragraph 8, the Distributions payable in respect of CVA Claims against the Companies shall be as follows.

### ***Preferential Claims and General Unsecured Claims***

- 6.2 For FMUK:

- 6.2.1 A Distribution of 100 pence in the pound will be paid in respect of Allowed Preferential Claims.
- 6.2.2 A Distribution of 0.24 pence in the pound will be paid in respect of Allowed General Unsecured Claims.

- 6.3 For FMGGL:

- 6.3.1 A Distribution of 100 pence in the pound will be paid in respect of Allowed Preferential Claims.
- 6.3.2 A Distribution of 3 pence in the pound will be paid in respect of Allowed General Unsecured Claims.

### ***Revenue Claims***

- 6.4 For FMUK, a Distribution of 0.24 pence in the pound will be paid in respect of Allowed Revenue Claims.
- 6.5 For FMGGL, a Distribution of 3 pence in the pound will be paid in respect of Allowed Revenue Claims.

### ***Cooper Claims***

- 6.6 Cooper shall be entitled to the treatment set forth in any settlement agreement or compromise entered into by Cooper in the Chapter 11 Cases. Cooper shall also be entitled to the Distributions set forth in paragraphs 6.7 and 6.8.
- 6.7 For FMUK, a Distribution of 0.24 pence in the pound will be paid in respect of Allowed Cooper Claims.
- 6.8 For FMGGL, a Distribution of 3 pence in the pound will be paid in respect of Allowed Cooper Claims.
- 6.9 For the avoidance of Doubt, the Distributions to which Cooper is entitled under paragraphs 6.7 and 6.8 shall, in accordance with paragraphs 7.1(e) and 8.3.6, total £1 on account of the

Allowed Cooper Claims against FMUK and £1 on account of the Allowed Cooper Claims against FMGGL.

### **Chapter 11 Costs Claims**

- 6.10 For FMUK, a single fixed Distribution of £1 will be paid to FMC in respect of Allowed Chapter 11 Costs Claims.
- 6.11 For FMGGL, a single fixed Distribution of £1 will be paid to FMC in respect of Allowed Chapter 11 Costs Claims.
- 6.12 For the avoidance of doubt the Distributions referred to in paragraphs 6.10 and 6.11 above and the payment in accordance with paragraph 29.1 of the Primary CVAs shall be the only amount payable by the Administrators or the Supervisors or the UK Debtors in respect of Chapter 11 Costs Claims (including Chapter 11 Costs Claims in the Primary CVAs) and any other costs and/or expenses incurred in or as a result of the Chapter 11 Cases of the Debtors. All additional Chapter 11 Costs Claims and other costs and/or expenses incurred in or as a result of the Chapter 11 Cases of the US Debtors shall be considered as expenditure by those corporations for their own benefit.

### **Other CVA Claims**

- 6.13 For the avoidance of doubt, Noteholder Claims, Bank Claims, Surety Claims and Chapter 11 Asbestos Claims (other than Cooper Claims) shall not be compromised under the CVAs and no Distributions shall be payable under the CVAs in respect of them.

## **7 Allowance of CVA Claims and resolution of disputed CVA Claims**

- 7.1 This paragraph 7 shall govern the Allowance of all CVA Claims against the Companies other than:
- (a) Preferential Claims to the extent that such Claims have been agreed by the Administrators prior to the Effective Date;
  - (b) Chapter 11 Asbestos Claims (except Cooper Claims), Noteholder Claims, Bank Claims and Surety Claims, none of which shall be Allowed under the CVAs;
  - (c) Revenue Claims: The procedure for the Allowance of Revenue Claims shall be by agreement between FMC and HM Revenue & Customs (or, failing agreement, determination by a Final Non-Appealable Order of the English Court) and:
    - (i) the parties to the Cooperation Agreement shall comply with their obligations arising under it, and
    - (ii) following the discharge of the Administration Order for each of the Companies, FMC shall:
      - (aa) provide such information to the Supervisors as to the progress of any matter regarding the corporation tax affairs of each of the Companies which relate to the period prior to the date upon which the Administration Order in respect of such Company is discharged as the Supervisors may reasonably request from time to time, and
      - (bb) inform the Supervisors promptly following the agreement or determination of any corporation tax liability in respect of the Companies which may rank as a Revenue Claim;
  - (d) Chapter 11 Costs Claims, which shall be Allowed in the sum of £5.5 million and paid a single fixed Distribution in respect of each of the Companies in accordance with paragraphs 6.10 and 6.11; and

- (e) Cooper Claims, which shall be Allowed against FMUK in the sum of £1 and FMGGL in the sum of £1.

All references to CVA Claims in paragraphs 7.2 to 7.26 shall be deemed to exclude the foregoing Claims in (a) to (e) above.

7.2 In relation to each Company the Supervisors shall:

7.2.1 at the date of sending the Notice of Effective Date pursuant to paragraph 10.2.2, write to such holders of CVA Claims against the relevant Company of which they are aware requiring them to submit a Notice of Claim within 70 days from and including the date of the Supervisors' letter. The date upon which such 70 day period expires or, if that is not a Business Day, the next Business Day shall be the **Claims Date**.

7.2.2 within 10 Business Days of the date of sending the Notice of Effective Date pursuant to paragraph 10.2.2 place a notice in the London Gazette and one national newspaper of:

- (a) the Effective Date, and
- (b) the requirement to submit a Notice of Claim on or before the Claims Date.

The choice of newspaper shall be at the Supervisors' discretion. Each such letter and notice shall contain a statement to the effect that (with certain very limited exceptions) all CVA Claims submitted after the Claims Date shall not have any right to any Distribution under the relevant CVA and shall be released and discharged.

- 7.3 The date which falls 60 days after the Claims Date, or if that is not a Business Day, the next Business Day, is referred to as the **Claims Deadline Date**. If the holder of a CVA Claim against either Company fails to submit a Notice of Claim in respect of that CVA Claim by the Claims Date and the Supervisors determine or the English Court determines by Final Non-Appealable Order that the failure by the holder of the CVA Claim did not result from wilful default or lack of reasonable diligence on the part of such holder, the Supervisors shall accept any Notice of Claim in respect of such CVA Claim for determination under paragraph 7.15 provided that such Notice of Claim is submitted to the Supervisors by the Claims Deadline Date.
- 7.4 After fulfilling their obligations in relation to each Company under paragraph 7.2 the Supervisors shall not be obliged to request, invite or otherwise advertise for the submission of CVA Claims in relation to that Company.
- 7.5 On or before the Claims Deadline Date (or the expiry of any extension or extensions under this subparagraph), the Supervisors may extend the Claims Deadline Date in respect of a particular CVA in respect of a Company for a period of not more than 90 days (a **Claims Deadline Extension**) if in the Supervisors' opinion further CVA Claims in respect of that Company will or may be notified to them.
- 7.6 In relation to each Company, the date upon which any Claims Deadline Date finally falls following any extension(s) under paragraph 7.5 is referred to as the **Bar Date**. Within 20 Business Days of the Bar Date the Supervisors shall give notice to FMC that the Bar Date has occurred in relation to the relevant Company and of the date upon which it occurred.
- 7.7 No later than 30 Business Days after receiving a request, the Supervisors shall provide such information as FMC may reasonably require concerning satisfaction of the conditions set out in paragraphs 7.3 and 7.5, and the receipt, amendment, estimation, or determination of Notices of Claim, provided that the Supervisors shall not be obliged to provide such information in response to a request more frequently than once every 6 months in respect of each of the Companies.

- 7.8 Subject to paragraphs 7.3, 7.5, 7.6 and 7.14 a person who receives or becomes aware of a letter or notice under paragraph 7.2 and who seeks to receive a Distribution as the holder of a CVA Claim under the CVA applicable to the Company shall submit a Notice of Claim to the Supervisors on or before the Claims Date applicable to that Company. This is subject to the proviso that a Notice of Claim will be deemed to have been submitted in respect of a CVA Claim by any person who has already submitted details of their claim to the Administrators for the purpose of voting on the CVAs and where such details have actually been received by the Administrators. For the avoidance of doubt, it is the responsibility of the holder of a CVA Claim to ensure that such details have been received by the Administrators.
- 7.9 If the Supervisors consider it necessary for the purpose of clarifying or substantiating the whole or any part of a CVA Claim, the Supervisors may call for further details of any matter required to be specified in the Notice of Claim or for the production to them of such documentary or other evidence as they may require. The Supervisors may require a CVA Claim to be verified by means of an affidavit in such form and to be sworn before such officials as the Supervisors think fit.
- 7.10 Each holder of a CVA Claim against a Company shall bear the cost of submitting his Notice of Claim and, if applicable, of providing such evidence as the Supervisors may require in accordance with paragraph 7.9.
- 7.11 The Supervisors may in their absolute discretion require a Notice of Claim or other notice which is signed by a person on behalf of a holder of a CVA Claim to be accompanied by a power of attorney duly executed by the holder of a CVA Claim in favour of such person whereby such person is authorised to execute the notice concerned, or by a copy of such power of attorney certified as a true copy thereof by a solicitor or notary or a person authorised to administer oaths in any relevant jurisdiction.
- 7.12 In the case of a Notice of Claim or other notice which is signed on behalf of a holder of a CVA Claim which is a corporation or other legally constituted person or a partnership, the Supervisors shall not be required to make enquiry as to the authority of the signatory to sign such Notice of Claim or other notice on behalf of such a holder of a CVA Claim.
- 7.13 Distributions under the CVAs of the Companies shall only be payable on CVA Claims to the extent that such CVA Claims are Allowed.
- 7.14 A CVA Claim against a Company shall be Allowed if:
- (a) a Notice of Claim is submitted to the Supervisors:
    - (i) on or before the Claims Date applicable to that Company, or
    - (ii) after the Claims Date applicable to that Company (but not later than the relevant Bar Date) if the Supervisors determine or the English Court by Final Non-Appealable Order determines that the failure by the holder of a CVA Claim to submit a Notice of Claim by the relevant Claims Date did not result from wilful default or lack of reasonable diligence on the part of the person concerned, and
  - (b) it qualifies for Allowance in accordance with paragraphs 7.15 to 7.22.
- 7.15 Subject to paragraphs 7.21 and 7.23, within a reasonable period after receipt of a Notice of Claim in respect of a Company (or the last of such further information as may be required by the Supervisors under paragraph 7.9), the CVA Claim shall be:
- 7.15.1 Allowed by the Supervisors either for the whole amount claimed or for part of that amount;
  - 7.15.2 not Allowed by the Supervisors in whole or in part for any reason under any applicable law; or

- 7.15.3 estimated and Allowed by the Supervisors if the Claim does not bear a certain value.
- 7.16 Thereafter, the Supervisors shall inform each holder of a CVA Claim in writing of their determination under paragraph 7.15 (a "**Determination Notice**"). To the extent any CVA Claim is not Allowed in whole or in part, or is Allowed at less than the amount submitted, the Supervisors shall set out in writing their reasons for such determination.
- 7.17 The Supervisors may revise any estimate of a CVA Claim made pursuant to paragraph 7.15 if they think fit, by reference to any change of circumstances or to information subsequently becoming available to them. The Supervisors shall inform the holder of a CVA Claim in writing (an "**Amended Determination Notice**") within 21 days of making their revised estimate and of any further revision of it.
- 7.18 Where any CVA Claim is not Allowed in full by the Supervisors pursuant to paragraph 7.15, the CVA Claim shall, to the extent that it has not been Allowed, be released, discharged and extinguished unless the holder of such CVA Claim makes an application in the English Court in accordance with paragraph 7.22 or 12.3(e), within 42 days of the date of the Determination Notice or the Amended Determination Notice, as the case may be, in which case the question of whether or not it should be Allowed shall be determined by Final Non-Appealable Order of the English Court.
- 7.19 Subject to paragraphs 7.21 and 7.23, a Notice of Claim in respect of a Company may at any time, by agreement between the holder of the relevant CVA Claim and the Supervisors, be withdrawn or varied as to the amount claimed.
- 7.20 Subject to paragraph 7.21, the Supervisors may, if they consider it to be in the best interests of the holders of CVA Claims, enter into any compromise with any holder of a CVA Claim, provided that any such compromise is consistent with the provisions of paragraphs 6 and 8.
- 7.21 Subject to paragraph 7.23, notwithstanding the procedure set out for the Allowance of CVA Claims in this paragraph 7:
- 7.21.1 To the extent that, prior to the Effective Date, the Administrators have agreed with the holder of a CVA Claim against a Company the quantum of its Allowed CVA Claim, such agreement shall be binding on the Supervisors. Such agreements shall include, without limitation, any agreement reached with regard to Inter-Company Claims.
- 7.21.2 The Supervisors may, by agreement with FMC, be released from the requirement to issue a Determination Notice in relation to Inter-Company Claims against either of the Companies.
- 7.21.3 If they consider it expedient, the Supervisors may, with the consent of the holder concerned, modify the provisions of this paragraph 7 in dealing with any CVA Claim, provided that the Supervisors shall obtain the prior consent of FMC to any material modification (such consent not to be unreasonably withheld).
- 7.22 The Supervisors may apply to the English Court for directions in relation to any matter in connection with the agreement or determination of the validity of any CVA Claim against a Company or its amount. Similarly, any holder of a CVA Claim against a Company may apply to the English Court under section 7(3) of the Insolvency Act in relation to any steps taken by or decision of the Supervisors as to the Allowance of CVA Claims against a Company, or otherwise.
- 7.23 FMC and the Supervisors shall cooperate and assist one another in connection with the proving process for and Allowance of any CVA Claims, and the Supervisors shall give FMC not less than five (5) Business Days' notice in writing before Allowing any CVA Claim.
- 7.24 The Supervisors shall give notice to FMC of, and shall not object to, any application by any of FMC or the Companies to be heard on any application for directions or general application by

the Supervisors to the English Court concerning the treatment of or principles to be applied to CVA Claims against a Company.

- 7.25 For the avoidance of any doubt, neither the rejection nor the partial Allowance of any CVA Claim against a Company pursuant to this paragraph 7 shall affect the compromise of that CVA Claim in accordance with paragraph 12.
- 7.26 For the avoidance of doubt, the reasonable remuneration, costs and expenses (to the extent properly incurred) of the Supervisors in administering, agreeing, disputing or dealing in any way with CVA Claims against a Company shall be payable as part of the Supervision Remuneration solely out of the Remuneration Reserve.

## **8 Procedure for making Distributions in respect of Allowed CVA Claims**

- 8.1 The provisions of paragraphs 8.2 to 8.12 shall apply to the payment of Distributions in respect of all Allowed CVA Claims against the Companies that are entitled to a Distribution under the CVAs, other than Revenue Claims. Distributions to HM Revenue & Customs in respect of Allowed Revenue Claims against the Companies shall be governed by paragraph 8.13.
- 8.2 Distributions to holders of CVA Claims against either of the Companies shall be made on such dates as the Supervisors consider appropriate, provided that Distributions shall be made to holders of CVA Claims against the Companies as soon as reasonably practicable.
- 8.3 Subject to paragraph 8.12, the procedure for the payment of Distributions in respect of Allowed CVA Claims shall be as follows:
- 8.3.1 Upon agreeing (or otherwise determining) the quantum of each Allowed CVA Claim in accordance with the provisions of paragraph 7, the Supervisors shall promptly inform FMC and shall provide upon request full details of that agreement (or other determination).
- 8.3.2 The Supervisors shall request a payment or payments from FMC pursuant to the FMC CVA Indemnity to fund the Distribution in respect of each Allowed CVA Claim, and upon receiving funds into the relevant CVA Account shall as soon as reasonably practicable pay those funds to the holder of the CVA Claim. For the avoidance of doubt the Supervisors shall make no request for payment under this paragraph 8.3.2 in respect of any Distribution which is to be left as a debt due and outstanding and recorded by book entry pursuant to paragraph 8.3.5.
- 8.3.3 Upon making any payment to the Supervisors pursuant to the FMC CVA Indemnity, FMC shall, at the time of making such payment, specify to the Supervisors in writing which liabilities under which CVA the payment is intended to cover.
- 8.3.4 Subject to paragraph 8.3.5 and without prejudice to paragraph 23.9, the Supervisors shall not be required to make a Distribution in respect of an Allowed CVA Claim until they have received the necessary funds in respect of that Allowed CVA Claim for the credit of the relevant CVA Account from FMC. A Distribution to the holder of the relevant Allowed CVA Claim shall then be made as soon as reasonably practicable after receipt by the Supervisors of the necessary funds pursuant to paragraph 8.3.2 in respect of that Allowed CVA Claim.
- 8.3.5 Distributions in respect of Inter-Company Claims shall not be paid in cash but shall be debts left due and outstanding from the relevant Company which shall be recorded by a book entry in the accounts of the relevant Company. When any Distribution is left as a debt due and outstanding which is recorded by book entry:
- (i) the Supervisors shall notify the holder of the relevant Allowed Inter-Company Claim in writing that the Distribution has been made (and left as a debt due and outstanding from the relevant Company recorded by book entry), and

- (ii) the Supervisors shall instruct the relevant Company making the Distribution to make a book entry recording the Distribution in its books and the relevant Company shall comply with such instruction.
- 8.3.6 If the payment of a Distribution in respect of any Allowed CVA Claim would result in the payment of a sum which is a fraction of a pound, the Distribution in respect of that Allowed CVA Claim shall be rounded up to the nearest pound.
- 8.4 Distributions in relation to CVA Claims against a Company shall be in Sterling and the Supervisors shall convert any such CVA Claim which is not expressed in Sterling into Sterling at the average of the spot rates of exchange offered by the Supervisors' bankers for buying and selling the currency in question for Sterling at 11am on the Filing Date.
- 8.5 If, after a CVA Claim against a Company has been Allowed, the relevant Notice of Claim is withdrawn or expunged or the amount of it is reduced, the holder of the CVA Claim shall repay to the Supervisors for the purposes of the relevant CVA any amount that was overpaid by way of Distribution. Without prejudice to any of the Supervisors' other rights to recover such overpayment, the Supervisors shall be entitled to deduct any overpayment made to a holder of a CVA Claim from any further sum or sums due from time to time to such holder of a CVA Claim by way of Distribution under either of the CVAs. Any overpayment that is recovered shall be paid by the Supervisors to FMC. For the avoidance of doubt the Supervisors shall not be obliged to pursue any holder of a CVA Claim in respect of such overpayment and no overpayment shall (unless actually recovered) be paid to FMC.
- 8.6 All Distributions payable in relation to a CVA Claim may be paid:
  - 8.6.1 by cheque in favour of the holder of the relevant CVA Claim or as he may direct to the Supervisors' satisfaction and may be sent by post to such holder's last known address, or to such address as has been notified to the Supervisors by the holder of that CVA Claim; or
  - 8.6.2 at the Supervisors' option, by telegraphic transfer into such bank account as the holder of the relevant CVA Claim shall from time to time notify to the Supervisors.
- 8.7 It is the duty of every holder of a Preferential Claim or General Unsecured Claim against a Company to advise the Supervisors of any change of address. The sending of a cheque in accordance with paragraph 8.6.1 above shall be a good discharge of the Supervisors and they shall not be liable to the holder of the CVA Claim concerned for any loss in transmission of or failure by the holder of the CVA Claim to receive a cheque drawn and sent in accordance with this paragraph 8. Receipt of the amount of any sum paid by telegraphic transfer into such account as is referred to in paragraph 8.6.2 shall be in satisfaction of the moneys in respect of which it was paid.
- 8.8 Where a Distribution to the holder of a CVA Claim against a Company is returned to the Company or the Supervisors or is otherwise unclaimed by the holder of the CVA Claim, the Supervisors shall retain the unclaimed Distribution until 6 months after the relevant date on which the Distribution was made at which point, if the Distribution is still unclaimed, such Distribution shall be returned to FMC and the holder of the CVA Claim shall have no further claim to the Distribution.
- 8.9 In making any payment to the holder of a CVA Claim against a Company by way of Distribution, the Supervisors may make such deduction on account of withholding or other tax as they may consider is required by law. Furthermore, the holder of any CVA Claim against a Company which includes interest may elect, by giving written notice to the Supervisors, to treat Distributions first as a payment of that interest and the balance as a payment of principal. If no election is made, Distributions shall be treated first as a payment of principal and the balance, if any, as a payment of interest.
- 8.10 The provisions of Rule 11.13 of the Insolvency Rules (debt payable at a future time) shall apply in respect of the CVA Claims against the Companies.

- 8.11 Any holder of a CVA Claim against a Company may agree to defer or waive his entitlement in whole or in part to any Distribution(s) which would otherwise be made to him under the relevant CVA on such terms as may be agreed between the Supervisors and the holder of the CVA Claim concerned.
- 8.12 Notwithstanding the procedure for the making of Distributions set out in this paragraph 8:
- 8.12.1 To the extent that, prior to the date hereof, the Administrators have agreed with any holder of a CVA Claim against a Company provisions regarding the making of Distributions which are inconsistent with the terms hereof, the terms of the agreement so reached by the Administrators shall prevail.
- 8.12.2 If they consider it expedient, the Supervisors may with the consent of the holder concerned, modify the provisions of this paragraph 8 in making Distributions to any holder of a CVA Claim against a Company, provided that the Supervisors shall seek the prior consent of FMC to any material modification (such consent not to be unreasonably withheld).
- 8.13 The procedure for the payment of Distributions in respect of any Allowed Revenue Claims against the Companies shall be as follows:
- 8.13.1 Upon agreeing (or otherwise determining) the quantum of any corporation tax liability which is a Revenue Claim against a Company, FMC shall promptly inform the Supervisors of and provide full details of that agreement (or other determination).
- 8.13.2 Thereafter, FMC shall, upon having agreed (or otherwise determined) the quantum of the Allowed Revenue Claim, promptly inform the Supervisors whether or not it wishes to deal with payment direct.
- (a) If FMC wishes to deal with payment direct, then:
- (i) FMC, T&N or such other appropriate company in the Federal-Mogul Group shall pay the Distribution due in respect of the Allowed Revenue Claim direct to HM Revenue & Customs, and
- (ii) FMC shall promptly provide such evidence of payment as the Supervisors reasonably require.
- (b) If FMC does not wish to deal with payment direct, then the Supervisors shall request a payment or payments from either or both of FMC and/or T&N pursuant to the FMC Revenue Indemnity and/or the T&N Revenue Indemnity to fund the Distribution in respect of the Allowed Revenue Claim, and upon receiving funds into the Revenue Account shall promptly pay those funds to HM Revenue & Customs.
- (c) Upon making any payment pursuant to the FMC Revenue Indemnity and/or the T&N Revenue Indemnity, FMC and/or T&N (as the case may be) shall, at the time of making payment, specify to the Supervisors in writing which liabilities under which CVA the payment is intended to cover.
- 8.13.3 For the avoidance of doubt and without prejudice to paragraph 23.8, in the event that the Supervisors require FMC and/or T&N to provide funds pursuant to the FMC Revenue Indemnity and/or the T&N Revenue Indemnity in order to make Distributions in respect of Allowed Revenue Claims against the Companies, the Supervisors shall not be required to make such Distributions until they have received the necessary funds for the credit of the Revenue Account from FMC or T&N, as the case may be.
- 8.13.4 If they consider it expedient, the Supervisors may with the agreement of FMC and HM Revenue & Customs modify the provisions of this paragraph 8.13.

## **C: GENERAL PROVISIONS**

### **9 Application of the Insolvency Rules and Security Interests**

- 9.1 For the purposes of making Distributions to holders of CVA Claims, the provisions of Rules 4.86 to 4.90 (inclusive), 4.92, 4.94 and 11.9 of the Insolvency Rules shall apply to every CVA Claim to which those Rules would apply if the Companies were in liquidation and a reference in those Rules to a liquidator, proof of debt, proving a debt, the company going into liquidation and section 98 of the Insolvency Act shall be references to the Supervisors, a Notice of Claim, submitting a Notice of Claim, the Filing Date and section 3 of the Insolvency Act respectively.
- 9.2 Nothing in these Proposals shall be construed as affecting the rights of the holder of a Secured Claim to enforce his security, except with the consent of the holder of the Secured Claim concerned.

### **10 Conditions Precedent and Subsequent**

- 10.1 The coming into effect of each CVA shall be conditional upon:

#### **10.1.1 Creditor and shareholder approval**

- (a) Each of the shareholders' meetings and Creditors' Meetings convened for the purpose of voting on the CVA in question voting by the requisite majorities provided for by the Insolvency Act to approve the CVA, or in any case where the holders of CVA Claims vote in favour of the CVA but the shareholders do not vote in favour:
- (i) no challenge being made by any shareholder(s) under section 4A(3) of the Insolvency Act within the period referred to in section 4A(4) of the Insolvency Act; or
- (ii) if an application is made under section 4A(3) of the Insolvency Act by a shareholder, such application being dismissed or otherwise not resulting in an order that has the consequence of setting aside the CVA in question.

#### **10.1.2 Challenges**

- (a) No application being made by any party to challenge the validity of the CVA in question under section 6 of the Insolvency Act during the Challenge Period, or if any such application is made during the Challenge Period:
- (i) such application being dismissed or otherwise not resulting in an order that has the consequence of setting aside the CVA in question; and
- (ii) any further application made under section 6 of the Insolvency Act which is brought out of time during the period prior to the determination of the application referred to in the preceding subparagraph being dismissed or otherwise not resulting in an order that has the consequence of setting aside the CVAs<sup>3</sup>.

#### **10.1.3 Indemnities**

- (a) The provision to the UK Debtors of the FMC Revenue Indemnity.

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<sup>3</sup> For the avoidance of doubt, this provision does not amount to consent to any creditor to bring such an application out of time and applies only in relation to applications brought under section 6(3)(b) of the Insolvency Act.

(b) The provision to the Companies of the FMC CVA Indemnity.

**10.2 The Effective Date** – Subject to paragraph 10.3:

10.2.1 the first Business Day after which all of the conditions referred to in paragraph 10.1 are satisfied or waived in accordance with paragraph 10.3 in relation to either CVA shall be the Effective Date for that CVA.

10.2.2 within 14 days of the Effective Date for either CVA, the Supervisors shall send a notice (in the form of the "**Notice of Effective Date**" at Annex 6) to all holders of CVA Claims against the relevant Company of whom they are aware to inform them that the CVA has become effective.

**10.3 Inter-conditionality**

The coming into the effect of the CVA for each of the Companies shall be conditional upon the CVA of each of T&N and the companies listed at number 1 to 19 inclusive of Table 4.1.3 of the Primary CVAs becoming effective in accordance with the provisions contained at paragraphs 22.1 to 22.3 of the Primary CVAs, so that if the conditions of such CVAs are not satisfied or waived in accordance with their terms, then the CVA of each Company shall not come into effect. The Administrators may waive the condition set forth in this paragraph 10.3, provided that any such waiver shall require the prior written consent of FMC.

**10.4 Provision of T&N Revenue Indemnity**

If, within 14 days of the discharge of the Administration Order in respect of T&N, T&N does not enter into the T&N Revenue Indemnity, the provisions of paragraph 23.8 shall become operational but in all other respects the CVAs shall be unaffected.

**11 Administration of CVA Accounts**

11.1 Subject to paragraph 3.3 in relation to the Revenue Account, each CVA Account shall be maintained separately.

11.2 Any cash held in the FMUK CVA Account, the FMGGL CVA Account or the Revenue Account may be placed on deposit at the discretion of the Supervisors and any interest earned thereon will be credited to the FMUK CVA Account, the FMGGL CVA Account or the Revenue Account, as the case may be, and shall be applied in accordance with these Proposals.

**12 CVAs to Give Effect to Full and Final Settlement of CVA Claims**

12.1 Subject to paragraph 12.3, upon the Effective Date, the rights afforded under the CVAs shall be in exchange for and in complete satisfaction, discharge and release of all CVA Claims against each Company and its property and assets.

12.2 Subject to paragraph 12.3, upon the CVAs coming into effect in accordance with paragraph 10 no holder of a CVA Claim may take or continue any steps or proceedings against the Companies, their assets, the Administrators or the Supervisors (whether by way of demand, legal proceedings, execution of judgement, other legal process or otherwise howsoever) in any jurisdiction whatsoever for the purpose of obtaining payment of any CVA Claim.

12.3 Notwithstanding paragraphs 12.1 and 12.2:

(a) Nothing in these CVAs shall affect the rights of the holder of any Secured Claim, including any right to enforce his security except with the concurrence of the creditor concerned,

- (b) Chapter 11 Asbestos Claims (other than Cooper Claims) shall not be submitted for proof in the CVAs against either of the Companies, whether in accordance with paragraph 7 or otherwise, and Chapter 11 Asbestos Claims (other than Cooper Claims) against either of the Companies shall not be Allowed,
  - (c) Noteholder Claims shall not be compromised and shall be unaffected by the CVAs (and shall be entitled to no Distribution thereunder) and shall be compromised in accordance with and receive the treatment provided in the US Plan of Reorganisation,
  - (d) Bank Claims and Surety Claims, to the extent, if any, that such Claims are not Secured Claims, shall not be compromised and shall be unaffected by the CVAs (and shall be entitled to no Distribution thereunder), and
  - (e) a holder of a CVA Claim, the Companies, the Administrators or the Supervisors may apply to the English Court to determine any matter arising under or in connection with either CVA.
- 12.4 Without prejudice to any rights of the Companies or the Supervisors to take action to restrain proceedings or otherwise, any sums recovered by any holder of a CVA Claim through proceedings in any jurisdiction against either of the Companies or their assets in respect of CVA Claims shall be set off against any Distribution payable under the CVAs. This paragraph 12.4 shall not apply to:
- (a) recoveries on account of Chapter 11 Asbestos Claims in the UK Debtors' Chapter 11 Cases, and
  - (b) the holders of any other category of CVA Claim that is not to be compromised by the CVAs in accordance with paragraph 12.3.
- 12.5 Where before the date of the First Creditors' Meeting interest was payable on any Inter-Company Claim (other than such part of the Inter-Company Claim as represents the interest accruing under this paragraph) pursuant to an agreement entered into before that date:
- (a) it shall continue to accrue at the rate payable pursuant to that agreement provided that any interest accruing thereunder in the period between the Filing Date and the date of the First Creditors' Meeting shall be compromised under the relevant CVA for a single fixed Distribution in the sum of £1; and
  - (b) if the whole or any part of the Inter-Company Claim remains outstanding after the date of the First Creditors' Meeting, interest shall continue to accrue at the rate payable pursuant to any agreement entered into before the date of the First Creditors' Meeting on the outstanding balance of the Inter-Company Claim after the date of the First Creditors' Meeting.
- 12.6 Where interest accrues on an Inter-Company Claim against a Company pursuant to:
- (a) paragraph 12.5(a), the single fixed Distribution in the sum of £1 shall be paid by the relevant Company to the holder of the Inter-Company Claim,
  - (b) paragraph 12.5(b), the interest referred to in paragraph 12.5(b) shall not be compromised by the CVAs and shall remain payable by the relevant Company in accordance with the terms of the relevant agreement,
- and in either case, shall not be paid pursuant to the FMC CVA Indemnity.
- 12.7 Subject to paragraphs 12.5 and 12.6, interest shall not accrue or be paid on any Claim in respect of any period subsequent to the Filing Date.

### **13 Administration Costs**

- 13.1 Administration Costs (including, for the avoidance of doubt, Revenue Administration Costs) in respect of each Company shall be charged upon and paid in full out of the property of the relevant Company without recourse to the funds standing to the credit from time to time of the FMUK CVA Account or the FMGGL CVA Account. Furthermore, there shall be no recourse in respect of Administration Costs (other than Revenue Administration Costs) to the funds standing to the credit from time to time of the Revenue Account.

### **14 Revenue Administration Costs**

- 14.1 It shall be for FMC and HM Revenue & Customs to agree what sums (if any) are payable in respect of Revenue Administration Costs (and if agreement cannot be reached, the matter shall be determined by Final Non-Appealable Order of the English Court) and:
- 14.1.1 the parties to the Cooperation Agreement shall comply with their obligations arising under it, and
- 14.1.2 FMC shall provide such information to the Supervisors as to the progress of any matter regarding the corporation tax affairs of each of the Companies which relate to the period prior to the date upon which the Administration Order in respect of such Company is discharged as the Supervisors may reasonably request from time to time.
- 14.2 The procedure for the payment of Revenue Administration Costs shall be as follows:
- 14.2.1 Upon agreeing (or otherwise determining) the quantum of any corporation tax liability which ranks as a Revenue Administration Cost in respect of a Company, FMC shall promptly inform the Supervisors of and provide full details of that agreement (or other determination).
- 14.2.2 Thereafter, FMC shall promptly inform the Supervisors whether or not it wishes to deal with payment direct.
- (a) If FMC wishes to deal with payment direct, then:
- (i) FMC, T&N or such other appropriate company in the Federal-Mogul Group shall pay the amount due in respect of the Revenue Administration Cost direct to HM Revenue & Customs, and
- (ii) FMC shall promptly provide such evidence of payment as the Supervisors reasonably require.
- (b) If FMC does not wish to deal with payment direct, then the Supervisors shall request a payment or payments from either or both of FMC and/or T&N pursuant to the FMC Revenue Indemnity and/or the T&N Revenue Indemnity to fund the Revenue Administration Cost, and upon receiving funds into the Revenue Account shall promptly pay those funds to HM Revenue & Customs. Upon making any payment pursuant to the FMC Revenue Indemnity and/or the T&N Revenue Indemnity, FMC and/or T&N (as the case may be) shall, at the time of making payment, specify to the Supervisors in writing which liabilities under which CVA the payment is intended to cover.
- 14.2.3 For the avoidance of doubt and without prejudice to paragraph 23.8, in the event that the Supervisors require FMC and/or T&N to provide funds pursuant to the FMC Revenue Indemnity and/or the T&N Revenue Indemnity in order to pay any Revenue Administration Costs in respect of a Company, the Supervisors shall not be required to make such payment until they have received the necessary funds for the credit of the Revenue Account from FMC or T&N, as the case may be.

14.2.4 If they consider it expedient, the Supervisors may with the agreement of FMC and HM Revenue & Customs modify the provisions of this paragraph 14.2.

## **15 The Administrators and discharge of the Administration Orders**

- 15.1 Following the Effective Date, the Administrators of each Company shall continue to exercise their functions and powers in the best interests of the creditors of the relevant Company, until the discharge of the Administration Order made in respect of that Company, and notwithstanding the approval of the CVAs and the occurrence of the Effective Date, for so long as they remain in office in respect of either of the Companies, the Administrators shall retain all their powers and duties conferred on them under any legislation or by the English Court.
- 15.2 Subject to their overall supervision and control, the Administrators have consented pursuant to section 14(4) of the Insolvency Act to the fullest extent permitted by English law to the exercise by the boards of directors of the UK Debtors of all of the powers conferred upon the directors. The Administrators shall not revoke or vary this section 14(4) consent granted in favour of any UK Debtor's directors prior to the discharge of the relevant Administration Order, unless the proper discharge of their duties requires them to do so.
- 15.3 Upon the discharge of the Administration Order for any UK Debtor, the Administrators shall give the requisite notice under clause 11.4(a) of the Protocol to terminate the Protocol in relation to that UK Debtor. Until such time, the Administrators shall not terminate the Protocol.
- 15.4 The Administrators shall not take any steps to realise either of the Companies' assets save to the extent that FMC has agreed to such proposed realisation.
- 15.5 The Administrators and FMC shall consult in good faith with respect to the application of the Administrators to the English Court to seek discharges of the Administration Orders relating to the UK Debtors following the Effective Date, it being acknowledged that it is the desire of FMC and the Administrators that such Administration Orders be discharged simultaneously and as quickly as reasonably practicable after the Effective Date and this desire shall be reflected in any application for discharge made by the Administrators.
- 15.6 Following discharge of the Administration Order in respect of a Company, that Company shall conduct its business on its own account and shall be solely responsible for any liabilities that it may incur to any party.

## **16 Powers and Functions of the Supervisors**

- 16.1 The Supervisors shall act as joint supervisors of the CVAs. The intended Supervisors are qualified to act as Insolvency Practitioners in relation to the Companies and all powers conferred upon them shall be exercisable jointly and severally.
- 16.2 It shall be the duty of the Supervisors to implement each CVA, which duty shall be owed to the holders of CVA Claims against the relevant Company. Save to the extent required by the trust arrangements set out in paragraph 5, the Supervisors shall not assume any fiduciary or other special responsibilities or duties to the holders of CVA Claims.
- 16.3 It will not be the duty of the Supervisors to oversee the business and affairs of either Company and the Supervisors shall have no responsibilities in relation to the conduct of the affairs of either of the Companies or in relation to any matters other than those expressly set out in these Proposals.
- 16.4 The Supervisors shall have such powers as are necessary to enable them to implement each CVA in accordance with the terms of these Proposals. Without limitation to the generality of the foregoing, the Supervisors may:

- 16.4.1 carry out all acts and exercise all discretions, authorities and powers and fulfil all duties required to be carried out in order to facilitate the CVAs' implementation, and
  - 16.4.2 take any action whatsoever to enforce the obligations of the Companies, FMC and/or any other person to comply with the terms of the CVAs, the terms of the FMC Indemnities, the T&N Revenue Indemnity or any collateral agreements or arrangements.
- 16.5 Following the discharge of the Administration Orders in respect of each Company, that Company shall:
- 16.5.1 give the Supervisors upon demand reasonable access to such accounts, books and records of the Company and such information as the Supervisors consider in their sole discretion to be necessary to carry out their functions; and
  - 16.5.2 do all such other things as the Supervisors shall reasonably require for the purpose of the implementation of the CVAs.
- 16.6 The Supervisors may perform their duties through agents, professional advisers and employees and shall be entitled to rely on any communication, instrument, document or information (whether provided in writing or orally) believed by them to be genuine and correct and shall be entitled to rely upon the advice of, or information obtained from, any professional adviser or other person instructed by them believed by them in good faith to be competent.
- 16.7 For the purpose of any acknowledgements or agreements as to, or provisions of, exclusions of liability or indemnity in favour of the Supervisors in the CVAs or any collateral arrangements or agreements relating to the same, references to the Supervisors where the context so permits shall mean and include their present and future firm or firms, partners and employees, and any legal entity or partnership using its names, Kroll Limited, any successor or merged entity and the partners, shareholders, officers and employees of such entity or partnership.
- 16.8 Neither of the Companies shall hold out the Supervisors or the Supervisors' firm as agents of the Companies or their respective businesses save that, in exercising their powers under the CVAs and the ancillary documents (including without limitation the FMC CVA Indemnity, the FMC Revenue Indemnity and the T&N Revenue Indemnity), the Supervisors shall act as the Companies' agents.
- 16.9 Subject to paragraph 7.24, without reference to the holders of CVA Claims, the Supervisors may apply to the English Court for the purpose of obtaining directions on any matters or disputes arising in respect of either of the CVAs.
- 16.10 Each of the Companies shall provide the Supervisors within 5 Business Days of any request such information as the Supervisors reasonably require in order to satisfy themselves that the Administration Costs have been or will be paid.

## **17 The Remuneration Reserve**

- 17.1 The Remuneration Reserve will be available for payment of:
- 17.1.1 the Supervision Remuneration,
  - 17.1.2 the Administration Remuneration, and
  - 17.1.3 such other sums as are referred to in paragraphs 32.1.3(a) and 32.1.3(b) of the Primary CVAs.

Furthermore, the Remuneration Reserve may be available for payment of such liabilities as are referred to in paragraph 17.6 below, and/or paragraphs 32.8 and/or 32.10 of the Primary CVAs, in each case in accordance with the terms of such provisions.

17.2 The provisions of paragraphs 32.2 to 32.4 of the Primary CVAs shall apply to the Remuneration Reserve.

### 17.3 **Administration Remuneration**

17.3.1 The Administration Remuneration shall be subject to the prevailing statutory approval procedures and the CVAs shall not affect such procedures.

17.3.2 Administration Remuneration which is approved in accordance with the prevailing statutory approval procedures shall be payable to the Administrators out of the Remuneration Reserve without further formality.

17.3.3 For the avoidance of doubt, if the CVA for either Company does not become effective, the terms of paragraph 17.5 (regarding VAT on Administration Remuneration incurred in respect of the Companies) shall not limit the ability of the Administrators of the relevant Company to charge to such Company VAT properly chargeable on the reasonable remuneration, costs and/or expenses of the Administrators (other than such as may have been properly incurred after 26 September 2005 in seeking the discharge of the relevant Administration Order) properly incurred in providing services to such Company and for such Company to recover such VAT (subject to paragraph 17.5.2).

### 17.4 **Supervision Remuneration**

17.4.1 The Supervisors will be entitled to receive reasonable remuneration for the time properly incurred by them and their staff in implementing or otherwise giving effect to the CVAs in accordance with the provisions of the Statement of Insolvency Practice 9.

17.4.2 The Supervisors' fees will be fixed by reference to the time properly given by them and their staff in attending to matters arising in the CVAs. The time costs which the Supervisors shall apply for their and their staff's time in implementing or otherwise giving effect to the CVAs shall be charged at Kroll Limited's standard rates from time to time.

17.4.3 The Supervision Remuneration shall comprise the Supervisors' reasonable fees, costs and expenses, including without limitation the reasonable fees, costs and expenses of any professional advisers which may properly be retained by the Supervisors from time to time.

### 17.5 **VAT on Administration Remuneration and Supervision Remuneration**

17.5.1 Subject to paragraphs 17.5.3 and 17.5.4, following the end of each calendar month following the Effective Date:

- (a) the Administrators shall raise a VAT invoice (or invoices) addressed to such Company or Companies as have been the recipients of supplies by the Administrators in respect of the relevant calendar month, and
- (b) the Supervisors shall raise a VAT invoice (or invoices) addressed to such Company or Companies as have been the recipients of supplies by the Supervisors in respect of the relevant calendar month;

and each invoice shall state on its face that it is to be paid solely from the Remuneration Reserve. Such VAT invoices shall properly allocate the Administration Remuneration and the Supervision Remuneration (as appropriate) between the Companies. The Administrators and the Supervisors will then be entitled to draw from the Remuneration Reserve the Administration Remuneration and the Supervision Remuneration respectively together with any VAT properly charged thereon.

- 17.5.2 Neither FMUK or FMGGL is currently registered nor currently required to be registered for VAT. Nothing in this paragraph 17.5 shall require either of the Companies to apply to be registered for VAT or to take any other action or do any other thing with a view to enabling it to recover VAT in respect of any services supplied to it by (i) the Supervisors in connection with the CVA relating to FMUK or FMGGL respectively, or (ii) the Administrators.
- 17.5.3 To the extent that in respect of any VAT invoice issued by the Administrators or the Supervisors pursuant to paragraph 17.5.1 or 17.5.5, the Company which is the addressee of such VAT invoice (or, where the Company is a member of a VAT group, the representative member) recovers an amount in respect of VAT so charged on such VAT invoice (whether by way of credit against output tax or refund by HM Revenue & Customs) the relevant Company shall, following such recovery, make payment to the Administrators or the Supervisors (as appropriate) of an amount equal to the amount of VAT so recovered and the Administrators or the Supervisors as the case may be shall credit such amount of VAT to the Remuneration Reserve.
- 17.5.4 In the event that a Company has paid an amount to the Administrators or the Supervisors as the case may be in respect of recovered VAT in accordance with paragraph 17.5.3 but the recovery of such VAT is subsequently reversed (whether by way of additional assessment by HM Revenue & Customs, denial of input tax credit or otherwise), the Administrators or the Supervisors as the case may be shall pay to the relevant Company from the Remuneration Reserve an amount equal to the amount paid by such relevant Company to the Administrators or the Supervisors in respect of the VAT the recovery of which has been subsequently so reversed, together with a sum equal to the amount of interest, if any, which the Company (or the representative member) has been required to pay to HM Revenue & Customs in respect of the input VAT, the recovery of which has been so reversed.
- 17.5.5 In the event that no VAT invoice is raised or no drawing on account is made in respect of any particular calendar month pursuant to paragraph 17.5.1, the relevant Administration Remuneration or Supervision Remuneration as the case may be will be carried forward and a VAT invoice may be raised and a drawing on account may be made in respect of such Administration Remuneration or Supervision Remuneration when dealing with any following calendar month's Administration Remuneration or Supervision Remuneration (as appropriate).
- 17.5.6 Subject to the provisions of this paragraph 17.5 regarding the payment of VAT, all Administration Remuneration and all Supervision Remuneration and VAT, if any, charged thereon shall be payable solely from the Remuneration Reserve. For the avoidance of doubt, the Companies will have no obligation to provide further funds in respect of the Administration Remuneration or the Supervision Remuneration and VAT, if any, charged thereon if and when the Remuneration Reserve is exhausted.

## 17.6 Other Liabilities

- 17.6.1 The Supervisors may in their sole discretion pay from the Remuneration Reserve:
- (a) any liability incurred by reason of any action, claim, proceedings and/or demand brought or made against them or any of them in respect of the proper conduct of either of the CVAs and in respect of all liabilities and obligations properly incurred by them in carrying out their functions; and
  - (b) any liability incurred by them or any of them in defending any proceedings, whether civil or criminal, arising out of their administration or implementation of or otherwise in connection with either of the CVAs.
- 17.6.2 For the avoidance of doubt, Administration Costs, Administration Remuneration and Supervision Remuneration or any similar costs or expenses shall not be claimable in the Companies' Chapter 11 Cases.

## **18 No Creditors' Committee**

18.1 There shall be no creditors' committee for either of the CVAs.

## **19 No Warranties or Representations**

19.1 The Administrators give no warranties and make no representations in relation to the information contained in these Proposals and their annexes and the provisions of paragraph 14 of Part I shall be deemed incorporated into the CVAs.

## **20 Records**

20.1 The Supervisors shall observe the requirements of Insolvency Rule 1.26 with regard to the documents kept by them, and records to be issued from time to time to the various persons set out in that Rule.

## **21 Vacancy in Office of Supervisors**

21.1 Should a Supervisor vacate office by death or otherwise, the following provisions will apply. If there are joint Supervisors the remaining Supervisor or Supervisors shall continue in office. If the Supervisor is a sole Supervisor then the office may be assumed by a partner in the former Supervisor's firm within two months of the date of the vacancy arising.

## **22 Variation**

22.1 The provisions of this paragraph 22 apply to any variations of either CVA. Variations may be made to either CVA:

- (a) in accordance with any directions of the English Court, or
- (b) in accordance with paragraphs 22.2 and 22.3.

Notwithstanding the foregoing no variation pursuant to such provisions or otherwise shall be made to either CVA which has or may have the effect of:

- (i) creating a liability for, increasing the liability of, or reducing the amount receivable by, any company in the Federal-Mogul Group to or from any person; or
- (ii) materially adversely affecting the position of FMC or of any other company in the Federal-Mogul Group,

without the prior written consent of: (aa) until such time as the Administration Order in respect of T&N is discharged, FMC (such consent not to be unreasonably withheld), or (bb) following the discharge of the Administration Order in respect of T&N, T&N (such consent not to be unreasonably withheld).

### **22.2 Immaterial Variation**

If they consider it is expedient to do so and it is in the best interests of the holders of CVA Claims against the relevant Company, upon written notice to FMC, the Supervisors may (subject to paragraph 22.1) at any time after the Effective Date without reference to the holders of CVA Claims, modify the provisions of either of the CVAs provided such modifications do not, in the reasonable opinion of the Supervisors, materially alter the effect of such CVA.

## 22.3 Material Variation

22.3.1 In respect of any modification which does materially alter the effect of either CVA, the Supervisors must seek the consent of holders of CVA Claims referred to in paragraph 22.3.2 to such modification, in accordance with this paragraph 22.

22.3.2 The Supervisors may at any time after the Effective Date (provided that they have first obtained the consent of FMC or T&N (as appropriate) to the proposed variation where this is required by paragraph 22.1) convene a meeting of the following parties for the purpose of varying either or both CVA(s):

- (a) all persons known to them who held CVA Claims as at the Effective Date (other than Chapter 11 Asbestos Claims) and:
  - (i) to whom a Distribution under the relevant CVA remains or may remain payable, or
  - (ii) who may (in the reasonable opinion of the Supervisors) otherwise be adversely affected by the proposed variation to the CVA, and
- (b) the US Asbestos Trust, which will be entitled to vote on behalf of all holders of Chapter 11 Asbestos Claims.

22.3.3 The notice of the meeting referred to in paragraph 22.3.2 shall set out the proposed variation(s) to the relevant CVAs and will be accompanied by the Supervisors' report giving the reasons for the variation or variations. The report shall contain a statement of the Supervisors' opinion of the effect of the proposed variation on the interests of any creditor or group of creditors of the relevant Company or Companies.

22.3.4 A variation to a CVA shall not require approval of the shareholders but shall require approval by not less than 75% in value of all holders of CVA Claims voting in person or by proxy, provided that the holders of Chapter 11 Asbestos Claims (whether by the US Asbestos Trust or otherwise) and the holders of Bank Claims, Surety Claims and Noteholder Claims shall have no entitlement to vote where the variation does not in the reasonable opinion of the Supervisors affect the rights of holders of such CVA Claims.

22.3.5 So far as is possible and subject to this paragraph 22.3 the meetings referred to in paragraph 22.3.2 above shall be conducted in accordance with section 4 of the Insolvency Act and Insolvency Rules 1.9(2) and 1.13 to 1.21 of the Rules, except that:

- (a) reference to the Proposals shall be taken as references to the proposed variation;
- (b) references to the nominee shall be taken as references to the Supervisors; and
- (c) all CVA Claims shall be calculated as at the date of such meeting.

22.3.6 Any holder of a CVA Claim may apply to the English Court under section 7(3) of the Insolvency Act on the grounds that such person is dissatisfied by the Supervisors' modification.

22.4 The Supervisors shall inform:

22.4.1 all persons known to them who held CVA Claims (other than Chapter 11 Asbestos Claims) as at the Effective Date and:

- (a) to whom Distribution under the relevant CVA remains or may remain payable, or

- (b) who may (in the reasonable opinion of the Supervisors) otherwise be adversely affected by the variation to the CVA,

22.4.2 the US Asbestos Trust on behalf of the holders of Chapter 11 Asbestos Claims, and

22.4.3 FMC,

in writing of any modifications made pursuant to this paragraph 22. Such modifications shall be binding on all holders of CVA Claims.

22.5 Without prejudice to the rights of any person to make an application to the English Court under section 7(3) of the Insolvency Act, it shall be for the Supervisors to determine whether any proposed modification materially alters the effect of either CVA.

## **23 Termination**

### **23.1 Successful implementation**

23.2 Within 28 days of the Supervisors having satisfied themselves in so far as is reasonably practicable that all holders of Allowed CVA Claims in relation to the relevant Company have received their entitlement under a CVA, they shall inform FMC in writing that they are proposing to conclude that CVA by sending a Notice of Termination to those persons referred to in paragraph 23.3.

23.3 Within 28 days of the notice referred to in paragraph 23.2, and only after the relevant Bar Date in paragraph 7 has passed, the Supervisors shall send a Notice of Termination to:

23.3.1 all persons known to them who held CVA Claims as at the Effective Date other than Chapter 11 Asbestos Claims and Bank Claims (to the extent such Claims are CVA Claims),

23.3.2 the US Asbestos Trust on behalf of the holders of Chapter 11 Asbestos Claims,

23.3.3 the Administrative Agent on behalf of the holders of Bank Claims,

23.3.4 the Company's shareholders, and

23.3.5 FMC.

23.4 The relevant CVA shall be deemed to be fully implemented at the time that the Notice of Termination is sent out.

23.5 The Supervisors shall, subject to the provisions paragraph 23.2 and 23.3, comply with the provisions of Rule 1.29 of the Insolvency Rules.

### **23.6 Partial implementation**

23.7 The CVAs shall be deemed to be only partially implemented in the circumstances set out in paragraphs 23.8 and 23.9 below, in which case, the consequences of partial implementation shall be as set out below.

### **23.8 Non-compliance with the FMC Revenue Indemnity and/or T&N Revenue Indemnity**

23.8.1 Subject to 23.8.4, in the event that FMC does not comply with the terms of the FMC Revenue Indemnity, T&N does not comply with paragraph 10.4, and/or T&N does not comply with the terms of the T&N Revenue Indemnity and in any such case, such breach continues unremedied for a period of 20 Business Days after written notice from the Supervisors to FMC or T&N as appropriate, such that:

- (a) the Supervisors are unable to pay in full those Distributions which are payable under the CVAs in respect of Allowed Revenue Claims, and/or
- (b) any Revenue Administration Costs are not paid within 20 days of the payment falling due,

the Supervisors shall be entitled in their sole discretion to treat the CVAs as having failed only insofar as they provide a compromise of Revenue Claims but the CVAs shall continue in all other respects.

23.8.2 Within 30 days of determining to treat the CVAs as having partially failed pursuant to paragraph 23.8.1, the Supervisors shall give notice of that determination to FMC, T&N and HM Revenue & Customs of the same.

23.8.3 In the circumstances described in paragraphs 23.8.1 and 23.8.2:

- (a) Revenue Claims will be deemed uncompromised such that HM Revenue & Customs shall be entitled to exercise all of its legal rights and entitlements against the Companies as if there were no CVAs,
- (b) in all other respects, the CVAs (and the trusts created in accordance with the terms thereof) shall be unaffected and remain in force, such that the compromise of other CVA Claims in accordance with the terms hereof shall be unaffected,
- (c) the Supervisors will continue to administer the CVAs in accordance with the terms hereof save for the provisions which relate to Revenue Claims,
- (d) any monies which may be held in the Revenue Account shall be paid to HM Revenue & Customs firstly in payment of Revenue Administration Costs and secondly, in partial payment of Revenue Claims,
- (e) any monies paid to HM Revenue & Customs on account of any Revenue Claim prior to the Supervisors making the determination in paragraph 23.8.1 above shall be credited against the aggregate amount of Revenue Claims that may be asserted by HM Revenue & Customs pursuant to paragraph 23.8.3(a) above, and
- (f) the conclusion of the CVA shall be dealt with in accordance with paragraphs 23.2 to 23.5 save that any Notice of Termination shall state that the CVA has been fully implemented save for in relation to Revenue Claims.

23.8.4 The Supervisors shall not make any demand for payment under the FMC Revenue Indemnity or the T&N Revenue Indemnity and shall not be obliged to make any payment to HM Revenue & Customs in respect of any of those obligations which are covered by the FMC Revenue Indemnity or the T&N Revenue Indemnity unless and until either (i) FMC or T&N notifies the Supervisors that the relevant liability has been agreed with HM Revenue & Customs in accordance with paragraphs 8.13 or 14.2, or (ii) failing agreement between FMC and HM Revenue & Customs, a Final Non-Appealable Order determining the existence and amount of the relevant liability has been made by the English Court. In addition and notwithstanding anything herein contained, if such Final Non-Appealable Order shall be in favour of HM Revenue & Customs, the Supervisors shall not treat the CVAs as having partially failed insofar as they provide for a compromise of Revenue Claims until any payment determined to be due by the English Court by Final Non-Appealable Order has been outstanding and is unpaid for 10 Business Days.

## 23.9 Non-compliance with the FMC CVA Indemnity

- 23.9.1 In the event that FMC does not comply with the terms of the FMC CVA Indemnity in relation to the CVA for either Company, and such breach continues unremedied for a period of 20 Business Days after written notice from the Supervisors to FMC, such that funds are not made available to pay in full those Distributions which are payable under the Company's CVA in respect of CVA Claims other than Revenue Claims, the Supervisors shall be entitled in their sole discretion to treat the relevant Company's CVA as having failed insofar as it provides a compromise of CVA Claims other than Revenue Claims.
- 23.9.2 If at any time the aggregate sum that would be payable under the FMC CVA Indemnity in relation to a Company, when aggregated with all sums already paid under the FMC CVA Indemnity in respect of that Company together with sums paid on account of Allowed Revenue Claims in respect of that Company, exceeds or will exceed the limit then applicable to the FMC CVA Indemnity in relation to that Company (as referred to in paragraph (e) of the definition of that expression in paragraph 2.1), and FMC has not agreed in writing to increase such limit to such sum as will extend to such aggregate amount within a period of 20 Business Days after written notice from the Supervisors to FMC (such notice to specify the aggregate amount and to give details of the Allowed CVA Claims sufficient to allow them to be identified), the Supervisors shall be entitled in their sole discretion to treat the Company's CVA as having failed in so far as it provides a compromise of CVA Claims other than Revenue Claims, although such CVA shall continue in all other respects.
- 23.9.3 Within 30 days of determining to treat either Company's CVA as having partially failed pursuant to paragraphs 23.9.1 and/or 23.9.2, the Supervisors shall give notice of that determination to FMC and those holders of CVA Claims to whom notice of the CVAs was sent of the same as well as any holders of CVA Claims against the relevant Company who come to the attention of the Supervisors after notice of the CVAs was sent.
- 23.9.4 In the circumstances described in paragraphs 23.9.1 and 23.9.2:
- (a) those CVA Claims (other than Revenue Claims) which were to be compromised by the CVA of the relevant Company will be deemed uncompromised by the CVA,
  - (b) in all other respects, the CVA of the relevant Company (and the trusts created in accordance with the terms thereof) shall be unaffected and remain in force such that the compromise of Revenue Claims in accordance with the terms hereof shall remain unaffected (subject to paragraph 23.8),
  - (c) any monies which are held in the relevant CVA Account (but, for the avoidance of doubt, not the Revenue Account) shall be split on a pro rata basis between those CVA Claims (other than Revenue Claims) which are to receive a Distribution under the terms hereof and which have been Allowed, and shall be paid to holders of such CVA Claims in partial payment of their Allowed Claims,
  - (d) any monies previously paid to a holder of a CVA Claim on account of a CVA Claim shall be credited against that CVA Claim,
  - (e) the conclusion of the CVA shall be dealt with in accordance with paragraphs 23.2 to 23.5 save that any Notice of Termination shall state that the relevant CVA has partially failed insofar as it provides a compromise of CVA Claims other than Revenue Claims, and

- (f) the CVA for the other Company shall be unaffected and remain in force (subject to FMC complying with the FMC CVA Indemnity to facilitate payment of Distributions pursuant to the CVAs for the other Company).

23.10 If a Company goes into liquidation then, without prejudice to paragraphs 23.11 and 23.12:

23.10.1 if there has not been a previous partial termination under either of paragraphs 23.8 or 23.9, the CVA of that Company and any trust or trusts created in accordance with the terms thereof shall continue in its entirety, or

23.10.2 if there has been a previous partial termination of that Company's CVA under either of paragraphs 23.8 or 23.9, such part of the CVA of that Company as has not been terminated and any trust or trusts created in accordance with the terms thereof as has not been terminated shall continue in its entirety save as expressly provided for by the terms of these paragraphs.

23.11 The Supervisors' right to exercise any of the powers given to them under the CVAs, including the power to distribute monies standing to the credit of the CVA Accounts in accordance with the CVAs, shall not be prejudiced by the subsequent liquidation of either of the Companies.

23.12 The terms of these CVAs shall remain in full force and effect notwithstanding any liquidation of either of the Companies.

## **24 Duration of the CVAs**

24.1 Subject to paragraphs 23.8 and 23.9, each CVA shall continue until the Supervisors have completed the implementation of it in accordance with its terms.

## **25 Release**

25.1 With effect from the date of any Notice of Termination in respect of a CVA pursuant to paragraph 23.3:

25.1.1 The Supervisors will be deemed released by each and every holder of a CVA Claim against the relevant Company from all liabilities and obligations:

- (a) in respect of acts and omissions taken directly or indirectly in relation to their conduct as Supervisors; and
- (b) otherwise in relation to the implementation of the CVA and the making of Distributions in accordance with the terms of the CVA as set out in these Proposals.

25.1.2 Each and every holder of a CVA Claim against the relevant Company shall and hereby does waive all claims or rights which he may have against the Supervisors in respect of those matters referred to in paragraph 25.1.1.

25.2 Nothing in this paragraph 25 shall:

- (a) prevent the exercise by the English Court of the powers conferred upon it by law (including, without limitation, those exercisable under Sections 7, 20 and 212 of the Insolvency Act), or
- (b) prejudice or affect the right of any holder of a CVA Claim to make application to the English Court in connection therewith.

## 26 Notices

26.1 A Notice of Claim or other notice to be given by any person to the Supervisors shall be given in writing and shall be delivered by hand or sent by post or by facsimile transmission to the Supervisors at Kroll Limited, The Observatory, Chapel Walks, Manchester M2 1HL, +44 (0) 161 838 4500 facsimile number +44 (0) 161 838 4501, marked for the attention of James Gleave, Anne O'Keefe and/or Stuart MacKellar, or to such other address as may be notified to holders of CVA Claims by the Supervisors.

26.2 A Notice of Claim or other notice given by any person to the Supervisors shall only be deemed served upon actual receipt, provided that if such receipt occurs on a day which is not a Business Day, or after 5.30 p.m. on any Business Day, such Notice of Claim or other such notice shall be deemed to have been received at 9.30 am on the next Business Day.

26.3 Any notice or request to the Supervisors or the Administrators from FMC shall be given or made in the manner referred to in paragraph 26.1, or by email, to:

jgleave@krollworldwide.com, aokeefe@krollworldwide.com and  
smackellar@krollworldwide.com

with a copy to

mark.andrews@dentonwildesapte.com and susan.moore@dentonwildesapte.com

and to such fax numbers, email addresses and representatives therefor as they shall notify to FMC from time to time.

26.4 Any notice or request from the Supervisors or the Administrators to FMC shall be given in writing and shall be delivered by hand or sent by post or by facsimile transmission or by email (unless and until FMC notifies the Supervisors that email is no longer an acceptable form of notice or communication), to:

Federal Mogul Corporation:

26555 Northwestern Highway  
Southfield, MI 48034  
USA

Fax: + 248 354 8103  
Attn: General Counsel  
Email: john.gasparovic@federalmogul.com

Copy to

Sidley Austin LLP  
One South Dearborn  
Chicago, Illinois 60603  
USA

Fax: + 312 853 7036  
Attn: James Conlan  
Email: jconlan@sidley.com

and

Sidley Austin  
Woolgate Exchange  
25 Basinghall Street  
London  
EC2V 5HA

Fax: +44 (0)20 7626 7937  
Attn: Robin Parsons  
Email: rparsons@sidley.com

and/or to such other fax numbers, email addresses and representatives therefor as FMC shall notify to the Supervisors and/or Administrators from time to time.

- 26.5 Any notice to the parties specified in paragraph 26.4 shall only be deemed served upon actual receipt (which shall mean, in the case of email notice, upon receipt of such notice in readable form at the specified address), provided that if such receipt occurs on a day which is not a Business Day, or after 5.30 p.m. on any Business Day such Notice of Claim or other such notice shall be deemed to have been received at 9.30 am on the next Business Day.
- 26.6 Any notice given under either CVA to any other person shall be sufficiently served:
- 26.6.1 by posting the same by pre-paid first class post; or
  - 26.6.2 if sent from an address in one country to an address in another country, by airmail post; or
  - 26.6.3 by leaving the same at the address of such person last known to the Supervisors or the Companies; or
  - 26.6.4 by facsimile transmission.

If such notice is posted by airmail it shall be deemed to have been received by the addressee 96 hours after the same shall have been posted, and if by domestic first class post, 48 hours after the same shall have been posted and if by facsimile transmission, on the business day in London following the day of successful transmission.

## **27 No personal liability**

- 27.1 None of the Administrators, the Supervisors, Kroll Limited, their staff or any agents employed by them shall incur any personal liability whatsoever arising howsoever, whether directly or indirectly, in connection with the implementation, administration or conduct of either of the CVAs, these Proposals in general, or in connection with any associated agreement or arrangement.
- 27.2 Nothing in this paragraph 27 shall prevent the exercise by the English Court of the powers conferred upon it by law (including, without limitation, those exercisable under Sections 7, 20 and 212 of the Insolvency Act) or prejudice or affect the right of any holder of a CVA Claim to make application to the English Court in connection therewith.

## **28 Invalidity/Illegality**

If any provision or part of either CVA is found to be unenforceable, illegal, invalid or contrary to public policy, that will not affect the validity of the remainder of the CVA and the provision or part of the CVA shall be construed accordingly.

## **29 The Regulation**

The Council Regulation (EC) No. 1346/2000 of 29 May 2000 on Insolvency Proceedings Regulation applies and these proceedings are main proceedings as defined by Article 3 of the Regulation.

**30 Governing law and jurisdiction**

The CVAs shall be governed by and construed in accordance with English law and the English Court shall have exclusive jurisdiction to hear and determine any suit, action, or proceeding and to settle any dispute which may arise out of or in connection with any provision of either CVA or any related documents, or out of any action taken or omitted to be taken under either CVA or in connection with the administration and implementation of either CVA.

Dated the 23 day of June 2006

## ANNEX 1 - STATUTORY INFORMATION IN RESPECT OF THE COMPANIES

### **Federal-Mogul Global Growth Limited**

|   |   |                      |
|---|---|----------------------|
| Administrators:                                       | Simon Vincent Freakley, James John Gleave, Gary Peter Squires           |                      |
| Company Number:                                       | 03454611  |                      |
| Date of Incorporation                                 | 23 October 1997   |                      |
| Names of Directors:                                   | David Bozynski  |                      |
| Name of Company Secretary:                            | Andrew Christopher Boydell  |                      |
| Registered Office:                                    | Manchester International Office Centre, Styal Road, Manchester, M22 5TN |                      |
| Details of Issued Share Capital:                      | <u>Issued No</u>  | <u>Nominal Value</u> |
| Ordinary Shares of £1 each                            | 58,850,100  | £58,850,100          |
| 6% Cumulative Redeemable Preference Shares of £1 each | 624,224,114   | £624,224,114         |

### **F-M UK Holding Limited**

|                                  |   |                      |
|----------------------------------|---|----------------------|
| Administrators:                  | Simon Vincent Freakley, James John Gleave, Gary Peter Squires           |                      |
| Company Number:                  | 03459039  |                      |
| Date of Incorporation            | 31 October 1997   |                      |
| Names of Directors:              | David Bozynski  |                      |
| Name of Company Secretary:       | Andrew Christopher Boydell  |                      |
| Registered Office:               | Manchester International Office Centre, Styal Road, Manchester, M22 5TN |                      |
| Details of Issued Share Capital: | <u>Issued No</u>  | <u>Nominal Value</u> |
| Ordinary Shares of £1 each       | 268,002,101   | £268,002,101         |

**ANNEX 2 - FINANCIAL STATEMENTS IN RESPECT OF THE COMPANIES**

Insolvency Act 1986  
Administrators Estimated Statement of Affairs and Liquidation Statement  
All figures as at 30 June 2005  
Federal-Mogul UK Holding Limited

|   | Book<br>Value<br>£ | Estimated<br>Realisable<br>Value<br>£ | Estimated<br>Liquidation<br>Value<br>£ |
|---|--------------------|---------------------------------------|--|
| <b>SUMMARY OF STATUTORY ENTITY ASSETS</b>   |                    |                                       |  |
| <b>Assets not specifically pledged</b>  |                    |                                       |  |
| Cash on hand and at bank  | 762                | 762                                   | 762                                    |
| Intercompany receivables – pre appointment  | 1,072              | -                                     | -                                      |
| Investments   | 452,702,001        | 388,443                               | 345,112                                |
| <b>Total assets not specifically pledged – subject to administration expenses</b> | <b>452,703,835</b> | <b>389,204</b>                        | <b>345,874</b>                         |
| <b>Less: administration income/(expenses)</b>                                     | -                  | -                                     | -                                      |
| Intercompany payables   | -                  | -                                     | -                                      |
| <b>Net assets available for preferential creditors</b>                            | <b>452,703,835</b> | <b>389,204</b>                        | <b>345,874</b>                         |
| <b>SUMMARY OF STATUTORY ENTITY LIABILITIES</b>                                    |                    |                                       |  |
| <b>Less: preferential creditors</b>   | -                  | -                                     | -                                      |
| <b>Estimated surplus/(deficit) available for non-preferential creditors</b>       | <b>452,703,835</b> | <b>389,204</b>                        | <b>345,874</b>                         |
| <b>Less: non-preferential creditors</b>   |                    |                                       |  |
| Intercompany payables   | (160,121,201)      | (160,121,201)                         | (160,121,201)                          |
| <b>Estimated surplus/(deficit) available to Shareholders</b>                      | <b>292,582,634</b> | <b>(159,731,997)</b>                  | <b>(159,775,327)</b>                   |

**Notes**

|   |  |       |       |
|---|--|-------|-------|
| 1. Dividend Comparison  |  |       |       |
| Estimated Dividend to Non-Preferential Creditors under ERV or ELV is: |  | 0.24% | 0.22% |

**Insolvency Act 1986**  
**Administrators Estimated Statement of Affairs and Liquidation Statement**  
**All figures as at 30 June 2005**  
**Federal-Mogul Global Growth Limited**

|   | <b>Book<br/>Value<br/>£</b> | <b>Estimated<br/>Realisable<br/>Value<br/>£</b> | <b>Estimated<br/>Liquidation<br/>Value<br/>£</b> |
|---|-----------------------------|---|--|
| <b>SUMMARY OF STATUTORY ENTITY ASSETS</b>   |                             |   |  |
| <b>Assets not specifically pledged</b>  |                             |   |  |
| Cash on hand and at bank  | 5,483,448                   | 5,483,448                                       | 5,483,448  |
| Deferred Tax Asset  | 366                         | -   | -  |
| Intercompany receivables – pre appointment  | 285,910,803                 | 34,645,640                                      | 32,416,680                                       |
| Investments   | 1,474,353,252               | 50,000  | -  |
| Current intercompany receivables post-appointment                                 | 1,020,808                   | 1,020,808                                       | 1,020,808  |
| <b>Total assets not specifically pledged – subject to administration expenses</b> | <b>1,766,768,677</b>        | <b>41,199,896</b>                               | <b>38,920,936</b>                                |
| <b>Less: administration income/(expenses)</b>                                     | <b>(6,962)</b>              | <b>(801)</b>                                    | <b>(801)</b>                                     |
| Intercompany payables   |                             |   |  |
| <b>Net assets available for preferential creditors</b>                            | <b>1,766,761,715</b>        | <b>41,199,095</b>                               | <b>38,920,135</b>                                |
| <b>SUMMARY OF STATUTORY ENTITY LIABILITIES</b>                                    |                             |   |  |
| <b>Less: preferential creditors</b>   | -                           | -   | -  |
| <b>Estimated surplus/(deficit) available for non-preferential creditors</b>       | <b>1,766,761,715</b>        | <b>41,199,095</b>                               | <b>38,920,135</b>                                |
| <b>Less: non-preferential creditors</b>   |                             |   |  |
| Accruals and other liabilities  | (475,647)                   | (485,448)                                       | (485,448)  |
| Intercompany payables   | (1,160,844,558)             | (1,308,845,823)                                 | (1,308,845,823)                                  |
| <b>Total non-preferential claims</b>  | <b>(1,641,320,205)</b>      | <b>(1,309,331,271)</b>                          | <b>(1,309,331,271)</b>                           |
| <b>Estimated surplus/(deficit) available to Shareholders</b>                      | <b>125,441,509</b>          | <b>(1,268,132,176)</b>                          | <b>(1,270,411,136)</b>                           |

**Notes**

|   |  |       |       |
|---|--|-------|-------|
| 1. Dividend Comparison  |  |       |       |
| Estimated Dividend to Non-Preferential Creditors under ERV or ELV is: |  | 3.15% | 2.97% |

**ANNEX 3 – NOTICE OF CREDITORS' AND MEMBERS' MEETINGS**

**Form 2.11**

**Rule 2.19** Notice of Creditors' and Members' Meetings in Administration Proceedings

**Rule 2.31**

**F-M UK Holding Limited  
Federal-Mogul Global Growth Limited**

Notice is hereby given that meetings of creditors in the above matters are to be held at:

**Hilton Manchester Airport, Outwood Lane, Ringway, Manchester M90 4WP**

on **7 September 2006** at 3.30pm (British Summer Time).

Notice is hereby given that meetings of members in the above matters are to be held at the above address on 7 September 2006 at 4pm (British Summer Time).

In each case, the notices are given under Section 3(2) of the Insolvency Act 1986 (as amended).

Each meeting is called for the purpose of considering the Administrators' proposals for Company Voluntary Arrangements under Part I of the Insolvency Act 1986 (as amended) and, if thought fit, passing the following resolution:

"THAT the company voluntary arrangements in the terms of the document headed "Administrators' Proposals for Company Voluntary Arrangements" dated 23 June 2006 with such modification if any as determined at this meeting (a copy of which (as so modified, if at all) has been presented to this meeting and signed by the chairman for identification) be and is by this resolution approved."

If you cannot attend the meeting but wish to be represented you should complete the enclosed Proxy Form and return it to Federal-Mogul CVA Response, PO Box 4178, Manchester M60 1TB, UK by 4pm on 4 September 2006 and in any event by the date of the meeting. Please refer to paragraph 3 of Part I of the CVA Proposals for more detailed instructions.

The effect of Insolvency Rule 1.19(1), (3) and (4) (requisite majorities (creditors)) is as described in the Schedule overleaf.

A copy of summary information about the companies' assets and liabilities is annexed to the CVA proposal document.

A list of creditors and the amounts of their debts is available:

- on the internet at [www.fmukclaims.co.uk](http://www.fmukclaims.co.uk);
- on request by telephone on 0845 6037717 (local rate for UK) or, for overseas callers, on +44 161 436 4048; and
- on request by post, request to be sent to Federal-Mogul CVA Response, PO Box 4178, Manchester M60 1TB, UK.

\_\_\_\_\_ Date \_\_\_\_\_  
Joint Administrator

### **Schedule - the effect of Insolvency Rule 1.19(1), (3) and (4) (requisite majorities (creditors))**

The effect of Insolvency Rule 1.19(1), (3) and (4) (requisite majorities (creditors)) is as follows.

- (1) At the creditors' meetings, a resolution to approve any proposal or modification to a proposal can only be passed if more than three-quarters in value of the creditors present in person or by proxy and voting vote in favour.
- (2) In counting the votes, votes in respect of the following claims or parts of claims will be disregarded:
  - (a) where written notice of the claim was not given, either at the meeting or before it, to the chairman or convener of the meeting;
  - (b) where the claim or part is secured; and
  - (c) where the claim is in respect of a debt wholly or partly on, or secured by, a current bill of exchange or promissory note, unless the creditor is willing:
    - (i) to treat the liability to him on the bill or note of every person who is liable on it antecedently to the company, and against whom a bankruptcy order has not been made (or in the case of a company, which has not gone into liquidation), as a security in his hands, and
    - (ii) to estimate the value of the security and (for the purpose of entitlement to vote, but not of any distribution under the arrangement) to deduct it from his claim.
- (3) Any resolution is invalid if those voting against it include more than half in value of the creditors, counting in these latter only those:
  - (a) to whom notice of the meeting was sent;
  - (b) whose votes are not to be left out of account under the provisions set out above; and
  - (c) who are not, to the best of the chairman's belief, persons connected with the company.

## **ANNEX 4 - PROXY FORMS**

1. Proxy Form for completion by holders of CVA Claims other than Noteholder Claims
2. Proxy Form for completion by beneficial owners of the Notes issued by Federal-Mogul Corporation and guaranteed by F-M UK Holding Limited
3. Master Proxy Form for completion by record holders of the Notes issued by Federal-Mogul Corporation and guaranteed by F-M UK Holding Limited
4. Proxy Form for completion by members

# PROXY FORM FOR COMPLETION BY HOLDERS OF CVA CLAIMS OTHER THAN NOTEHOLDER CLAIMS

**Form 8.1**

**Rule 8.1** Insolvency Act 1986  
Proxy (Company Voluntary Arrangement)

**F-M UK Holding Limited  
Federal-Mogul Global Growth Limited**

Name of the company in respect of which the proxy is given

Company name (please specify **F-M UK Holding Limited** or **Federal-Mogul Global Growth Limited**)

Please give full name(s) (you may attach a list of names in respect of which the proxy is given if you wish)  
Please give an address to which communications should be sent

Name of creditor

---

Address

---

---

---

Please insert name of person (who must be 18 or over) or the "chairman of the meeting". If you wish to provide for alternative proxy-holders in the circumstances that your first choice is unable to attend please state the name(s) of the alternatives as well

Name of proxy-holder

1  
2  
3

---

---

---

Please delete words in brackets if the proxy-holder is only to vote as directed i.e. he has no discretion

I appoint the above person to be my/the creditor's proxy-holder at the meeting of creditors to be held on....., or at any adjournment of that meeting. The proxy-holder is to propose or vote as instructed below (and in respect of any resolution for which no specific instruction is given, may vote or abstain at his/her discretion).

**Voting instructions for resolutions**

\*Please delete as appropriate

1. For the acceptance/rejection\* of the administrators' proposals as circulated (with the following modifications)

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---

---

**This form must be signed**

Signature \_\_\_\_\_ Date \_\_\_\_\_

Name in CAPITAL LETTERS \_\_\_\_\_

Only to be completed if the creditor/ member has not signed in person

**Position with creditor or relationship to creditor or other authority for signature**

Remember: there may be resolutions on the other side of this form.

**PROXY FORM FOR COMPLETION BY BENEFICIAL OWNERS OF THE NOTES<sup>1</sup> ISSUED BY  
FEDERAL-MOGUL CORPORATION AND GUARANTEED BY F-M UK HOLDING LIMITED**

Form 8.1

**Rule 8.1** Insolvency Act 1986  
Proxy (Company Voluntary Arrangement)

**IN THE MATTER of F-M UK Holding Limited**

**AND IN THE MATTER of the Insolvency Act 1986**

|   |  |
|---|--|
| Please give full name and an address to which communications should be sent.<br><br>(NOTE: Your signature is required on the opposite side of this proxy form.) | <b>Item 1.</b><br><br>Name of creditor _____<br><br>Address _____<br><br>_____<br><br>Broker Name and DTC Participant number (if applicable) _____<br><br>Account Number _____ |
|---|--|

|  |  |
|--|--|
| Principal amount of Notes voted.<br><br>If your Notes are held by a nominee, bank, or broker on your behalf and you do not know the amount, please contact your nominee, bank or broker immediately. | <b>Item 2.</b><br><br>The undersigned certifies that as of the date of this proxy form the undersigned was either the beneficial owner or the nominee of a beneficial owner of Notes as follows: |
|--|--|

| Indicate the aggregate unpaid principal amount for each issue of Notes in respect of which a proxy is appointed by this proxy form. Do not indicate any amounts for issues of Notes for which you are not a holder as of the date of this proxy form. | Name of Issue                    | CUSIP # (Item 2a.) | Aggregate unpaid principal amount in respect of which a proxy is appointed by this form (Item 2b.) |
|---|----------------------------------|--------------------|--|
|   | 7.5% Notes due 2009              | 313549-AS-6        | \$   |
|   | 7.375% Notes due 2006            | 313549-AQ-0        | \$   |
|   | 7.75% Notes due 2006             | 313549-AL-1        | \$   |
|   | 7.875% Notes due 2010            | 313549-AM-9        | \$   |
|   | 7.5% Notes due 2004              | 313549-AK-3        | \$   |
|   | 8.8% Senior Notes due 2007       | 313549-AH-0        | \$   |
|   | 8.37% Medium Term Notes due 2001 | 313906-AG-4        | \$   |
|   | 8.37% Medium Term Notes due 2001 | 313906-AE-9        | \$   |
|   | 8.37% Medium Term Notes due 2001 | 313906-AD-1        | \$   |
|   | 8.37% Medium Term Notes due 2001 | 313906-AF-6        | \$   |
|   | 8.25% Medium Term Notes due 2005 | 313906-AN-9        | \$   |
|   | 8.33% Medium Term Notes due 2001 | 313906-AA-7        | \$   |
|   | 8.12% Medium Term Notes due 2003 | 313906-AQ-2        | \$   |
|   | 8.16% Medium Term Notes due 2003 | 313906-AP-4        | \$   |
|   | 8.46% Medium Term Notes due 2002 | 313906-AC-3        | \$   |

<sup>1</sup> As detailed in Item 2 above.

Please insert name of person (who must be 18 or over) or the "chairman of the meeting" who shall act as your proxy at the meeting. If you wish to provide for alternative proxy-holders in the circumstances that your first choice is unable to attend please state the name(s) of the alternatives as well. If you do not provide the name of a proxy-holder, you will have been deemed to have elected the chairman of the meeting as your proxy.

Item 3.

Name of proxy-holder 1 \_\_\_\_\_  
2 \_\_\_\_\_  
3 \_\_\_\_\_

Circle the appropriate phrase to appoint your proxy-holder at the meeting of creditors.

Item 4

(CIRCLE ONE)

I appoint the above person to be **My** / **the creditor's** proxy-holder at the meeting of creditors to be held on....., or at any adjournment of that meeting. The above proxy-holder is to propose or vote as instructed below (and in respect of any resolution for which no specific instruction is given, may vote or abstain at his/her discretion).

Please delete words in brackets if the proxy-holder is only to vote as directed i.e. he has no discretion

Voting instructions for resolutions

(CIRCLE ONE)

Indicate your voting instructions by circling either "acceptance" or "rejection". If you do not indicate your voting instructions then the proxy-holder may vote or abstain at his/her discretion.

Item 5a. For the **acceptance** / **rejection** of the proposed company voluntary arrangement (with the following modifications):

Any other resolution which the proxy-holder is to propose or vote in favour of or against should be set out in numbered paragraphs in the space provided for Item 5b. If more room is required please use additional sheets of paper.

Item 5b. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Item 6.

**This form must be signed**

Signature \_\_\_\_\_ Date \_\_\_\_\_

Name in CAPITAL LETTERS \_\_\_\_\_

Only to be completed if the creditor has not signed in person

**I am authorised to sign this proxy form on behalf of the creditor**

Signature \_\_\_\_\_ Date \_\_\_\_\_

**Position with creditor or relationship to creditor or other authority for signature**

Remember: there may be resolutions on the other side of this form.

**MASTER PROXY FORM FOR COMPLETION BY RECORD HOLDERS OF  
THE NOTES<sup>1</sup> ISSUED BY FEDERAL-MOGUL CORPORATION AND GUARANTEED BY F-M  
UK HOLDING LIMITED**

Form 8.1

**Rule 8.1** Insolvency Act 1986  
Proxy (Company Voluntary Arrangement)

**IN THE MATTER of F-M UK Holding Limited**

**AND IN THE MATTER of the Insolvency Act 1986**

|  |  |
|--|--|
| Please give full name and an address to which communications should be sent. | Name of broker, bank or other nominee ("the Record Holder")<br><br>DTC participant number _____<br><br>Address _____<br>_____<br>_____ |
|--|--|

|   |   |
|---|---|
| Appointment of proxies on behalf of beneficial owners | I appoint the persons listed in Table 1 to be proxy-holders on behalf of the beneficial owners of Notes listed in Table 1 at the meeting of creditors to be held on....., or at any adjournment of that meeting. The proxy-holders are to propose or vote as instructed as specified in Table 1 (and in respect of any resolution for which no specific instruction is given, may vote or abstain at their discretion).<br><br>I certify that (a) the beneficial owners of the Notes, as identified by their respective customer account numbers on Table 1, are beneficial owners of such securities as of the date of this master proxy form and have delivered to the undersigned proxy forms authorising my appointment of proxies on their behalf in accordance with Table 1, and (b) that the information on Table 1 has been transcribed from said proxy forms. (Please indicate in the appropriate column the aggregate principal amount voted for each issue of Notes for each account, and other information requested. Use additional sheets of paper if necessary.) |
|---|---|

|  |   |
|--|---|
| <b>This form must be signed</b>                                    | Signature _____ Date _____<br><br>Name in CAPITAL LETTERS _____   |
| Only to be completed if the Record Holder has not signed in person | <b>I am authorised to sign this proxy form on behalf of the Record Holder</b><br><br>Signature _____ Date _____<br><br><b>Position with Record Holder or relationship to creditor or other authority for signature</b><br>_____<br><br><b>PLEASE INCLUDE YOUR INSTITUTION'S MEDALLION SIGNATURE</b> |

<sup>1</sup> As detailed in Table 2.



**TABLE 2 - Notes issue and CUSIP number reference**

| <b>Name of Issue</b>             | <b>CUSIP #</b> |
|----------------------------------|----------------|
| 7.5% Notes due 2009              | 313549-AS-6    |
| 7.375% Notes due 2006            | 313549-AQ-0    |
| 7.75% Notes due 2006             | 313549-AL-1    |
| 7.875% Notes due 2010            | 313549-AM-9    |
| 7.5% Notes due 2004              | 313549-AK-3    |
| 8.8% Senior Notes due 2007       | 313549-AH-0    |
| 8.37% Medium Term Notes due 2001 | 313906-AG-4    |
| 8.37% Medium Term Notes due 2001 | 313906-AE-9    |
| 8.37% Medium Term Notes due 2001 | 313906-AD-1    |
| 8.37% Medium Term Notes due 2001 | 313906-AF-6    |
| 8.25% Medium Term Notes due 2005 | 313906-AN-9    |
| 8.33% Medium Term Notes due 2001 | 313906-AA-7    |
| 8.12% Medium Term Notes due 2003 | 313906-AQ-2    |
| 8.16% Medium Term Notes due 2003 | 313906-AP-4    |
| 8.46% Medium Term Notes due 2002 | 313906-AC-3    |

# PROXY FORM FOR COMPLETION BY MEMBERS

## PROXY FORM (members)

Form 8.1

**Rule 8.1** Insolvency Act 1986  
Proxy (Administration)

**F-M UK Holding Limited**  
**Federal-Mogul Global Growth Limited**

Name of the company in respect of which the proxy is given

Company name (please specify **F-M UK Holding Limited** or **Federal-Mogul Global Growth Limited**)

Please give full name and address for communication

Name of member

---

---

Address

---

---

---

Please insert name of person (who must be 18 or over) or the "chairman of the meeting" (see note below). If you wish to provide for alternative proxy-holders in the circumstances that your first choice is unable to attend please state the name(s) of the alternatives as well.

Name of proxy-holder

1

---

2

---

3

---

Please delete words in brackets if the proxy-holder is only to vote as directed ie he has no discretion.

I appoint the above person to be my/the member's proxy-holder at the meeting of members to be held on....., or at any adjournment of that meeting. The proxy-holder is to propose or vote as instructed below (and in respect of any resolution for which no specific instruction is given, may vote or abstain at his/her discretion).

### Voting instructions for resolutions

\*Please delete as appropriate.

1. For the acceptance/rejection\* of the proposed company voluntary arrangement (with the following modifications)

Any other resolution which the proxy-holder is to propose or vote in favour of or against should be set out in numbered paragraphs in the space provided below Paragraph 1. If more room is required please use the other side of this form.

---

---

---

**This form must be signed**

Signature

Date

---

Name in CAPITAL LETTERS

---

Only to be completed if the member has not signed in person

**Position with member or relationship to member or other authority for signature**

---

Remember: there may be resolutions on the other side of this form.

**ANNEX 5 - VOTING AND NOTICE OF CLAIM FORM**

**IN THE HIGH COURT OF JUSTICE**  
**CHANCERY DIVISION**  
**COMPANIES COURT**

**Nos. 5835 and 5853 of 2001**

**IN THE MATTERS OF:**

**F-M UK HOLDING LIMITED**  
**FEDERAL-MOGUL GLOBAL GROWTH LIMITED**

**(EACH IN ADMINISTRATION)**  
**(together the "Companies" and each one a "Company")**

**AND IN THE MATTER OF THE INSOLVENCY ACT 1986**

**COMPANY VOLUNTARY ARRANGEMENT under Part I of the Insolvency Act 1986**  
**(as amended by the Insolvency Act 2000)**

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**VOTING AND NOTICE OF CLAIM FORM**

---

|   |   |  |
|---|---|--|
| 1 | Specify Company against which claim is made (i.e. specify F-M UK Holding Limited <u>OR</u> Federal-Mogul Global Growth Limited):                                |  |
| 2 | Name and Address of Creditor:<br><br>Contact name:<br>Telephone number<br>Fax number:<br>E-mail address:<br><br>Account by which creditor identifies debtor(s): |  |

|    |   |     |  |
|----|---|-----|--|
| 3  | Nature of debt against the Company referred to above (e.g goods sold/ services performed/ guarantee claim etc):   |     |  |
| 4  | Date(s) the debt was incurred:  |     |  |
| 5  | Is any party jointly liable for the debt?   | Yes |  |
|    |   | No  |  |
| 6  | If so, identify the party(ies) in question and specify the nature of the claim against each one:  |     |  |
| 7  | <p>Details of any documents by reference to which the claim against the Company referred to in section 1 above can be substantiated:</p> <p><i>Note that the Supervisors may call for any document or evidence to substantiate the claim at their discretion.</i></p> |     |  |
| 8  | <p>Total amount of claim as at 1 October 2001:</p> <p>Total amount of interest owed on the claim as at date of administration order in respect of the Company:</p>  |     |  |
| 9  | <p>Is your claim secured?</p> <p><i>If your claim is secured, please answer question 10.</i></p> <p><i>If your claim is unsecured, please move on to question 13.</i></p>   | Yes |  |
| 10 | Please provide brief particulars of the security, including the value of security, and the date it was given:   |     |  |

|    |   |     |  |
|----|---|-----|--|
| 11 | Give details of whether the whole or any part of your claim falls within any (and if so which) of the categories of preferential debts under section 386 of, and schedule 6 to, the Insolvency Act 1986 (as read with schedule 3 to the Social Security Pensions Act 1975): |     |  |
| 12 | Have you obtained a court judgment in relation to your claim?   | Yes |  |
|    | <i>If so, please provide particulars, including the date of the judgment.</i>   | No  |  |
|    |   |     |  |
| 13 | So far as you are aware, has anyone else filed a Notice of Claim form relating to your claim?   | Yes |  |
|    | <i>If so, please provide particulars.</i>   | No  |  |
|    |   |     |  |
| 14 | Signature of the Creditor or person authorised to act on their behalf:<br><br>Name in BLOCK LETTERS:<br><br>Position in relation to the Creditor:<br><br>Date:  |     |  |

If you are a holder of a CVA Claim other than a Noteholder Claim, please return this form to **Federal-Mogul CVA Response, PO Box 4178, Manchester M60 1TB, United Kingdom**, so that it is actually received by the Administrators by **4pm BST on 1 September 2006**.

If you are a holder of a Noteholder Claim and wish to vote of the CVAs in person, this form should be sent to: **Donlin Recano & Company, RE: Federal Mogul UK, Post Office Box 2034, Murray Hill Station, New York, NY 10156-0701, United States of America**, so that it is actually received by Donlin Recano & Company by **4pm EDT on 1 September 2006**.

**ANNEX 6 - NOTICE OF EFFECTIVE DATE**

**IN THE HIGH COURT OF JUSTICE**  
**CHANCERY DIVISION**  
**COMPANIES COURT**

**Nos. 5835 and 5853 of 2001**

**IN THE MATTERS OF:**

**F-M UK HOLDING LIMITED**  
**FEDERAL-MOGUL GLOBAL GROWTH LIMITED**

**(together the "Companies" and each one a "Company")**

**AND IN THE MATTER OF THE INSOLVENCY ACT 1986**

**COMPANY VOLUNTARY ARRANGEMENTS under Part I of the Insolvency Act 1986**  
**(as amended by the Insolvency Act 2000)**

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**NOTICE OF EFFECTIVE DATE**

---

**TO: ALL HOLDERS OF CVA CLAIMS AGAINST THE COMPANIES**

**[DATE]**

Notice is hereby given in accordance with paragraph 10.2 of Part II of the Administrators' proposals for Company Voluntary Arrangements in respect of the Companies dated 23 June 2006 (capitalised terms used in which shall have the same meaning in this notice) that the Effective Date has been reached in respect of [both of the CVAs] [the CVAs in respect of [name Company]] and the date of this notice as stated above shall be the Effective Date.

.....  
[name] on behalf of the Joint Supervisors

**ANNEX 7 - NOTICE OF TERMINATION**

**IN THE HIGH COURT OF JUSTICE**  
**CHANCERY DIVISION**  
**COMPANIES COURT**

**Nos. 5835 and 5853 of 2001**

**IN THE MATTERS OF:**

**F-M UK HOLDING LIMITED**  
**FEDERAL-MOGUL GLOBAL GROWTH LIMITED**

**(together the "Companies" and each one a "Company")**

**AND IN THE MATTER OF THE INSOLVENCY ACT 1986**

**COMPANY VOLUNTARY ARRANGEMENTS under Part I of the Insolvency Act 1986**  
**(as amended by the Insolvency Act 2000)**

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**NOTICE OF TERMINATION**

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**TO: ALL HOLDERS OF CVA CLAIMS AGAINST THE COMPANIES**

**[DATE]**

Notice is hereby given in accordance with paragraph 23 of Part II of the Administrators' proposals for Company Voluntary Arrangements in respect of the Companies dated 23 June 2006 (the "**Proposals**") (capitalised terms used in which shall have the same meaning in this notice) that:

Pursuant to paragraph 23 of the Proposals the CVA[s] in relation to [name Company] [the Companies] [has] [have] been fully implemented and shall with effect from the date hereof be deemed terminated.

*and/or*

Pursuant to paragraph 23 of the Proposals the CVA[s] in relation to [name Company] [the Companies] [has] [have] been implemented in respect of all CVA Claims other than [specify type of CVA Claims] and has failed in respect of [specify type of CVA Claims] and shall be deemed terminated with effect from the date hereof.

.....  
[name] on behalf of the Joint Supervisors

**ANNEX 8 - THE FMC CVA INDEMNITY**

## **Deed of FMC CVA Indemnity**

**Dated \*\***

**Federal-Mogul Corporation**

**F-M UK Holding Limited and Federal-Mogul Global Growth Limited (each a Company)**

**The Administrators**

**DentonWildeSapte...**

One Fleet Place  
London EC4M 7WS  
United Kingdom

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info@dentonwilde sapte.com  
www.dentonwilde sapte.com

# Deed of Indemnity

Dated \*\* 2006

This Deed of Indemnity is made between:

- (1) Federal-Mogul Corporation (**FMC**), a corporation existing under the laws of the State of Michigan;
- (2) F-M UK Holding Limited (registered number 3459039) and Federal Mogul Global Growth Limited (registered number 03454611), each having their registered office at Manchester International Office Centre, Styal Road, Manchester, M22 5TN (together, the **Companies** and each a **Company**), each acting by their administrators Simon Vincent Freakley, James John Gleave, and Gary Peter Squires all of Kroll Limited, The Observatory, Chapel Walks, Manchester, M2 1HL (the **Administrators**); and
- (3) the Administrators,  
  
(together the **Parties**).

## Recitals

- A FMC is a debtor under Chapter 11 of the U.S. Bankruptcy Code with case no. 01-10582 in the District of Delaware, jointly administered under case no. 01-10578 District of Delaware.
- B The Companies are as at the date of this deed in administration pursuant to the provisions of the Insolvency Act 1986 (the **Act**) and the Administrators hold office as the administrators of the Companies.
- C The Administrators have made proposals for company voluntary arrangements under Part I of the Act in respect of the Companies. It is a condition precedent to the company voluntary arrangements taking effect that FMC enter into this deed.

## It is agreed:

### 1 Interpretation

1.1 **Capitalised terms used and not otherwise defined herein shall have the meanings respectively ascribed to them in paragraph 2.1 of Part II of the Proposals.**

1.2 **The following terms and expressions shall when used in this deed have the following meanings:**

**Allowed CVA Claim** means, in respect of a Company, any CVA Claim or part of a CVA Claim which has been admitted in accordance with paragraph 7 of the Proposals.

**Discharge Date** means, in respect of each Company, the date upon which its Administration Order is discharged.

**Proposals** means the proposals for company voluntary arrangements dated 23 June 2006 by the Administrators in respect of the Companies.

### 2 Condition Precedent

2.1 The terms of this deed shall only take effect on the Effective Date in respect of either or both of the Companies occurring in accordance with paragraph 10.2 of the Proposals.

- 2.2 This deed shall be effective in relation to those Companies for which the Effective Date has occurred, so that if the CVA for any Company does not become effective, the terms of this deed shall not apply in relation to that Company.

### **3 Indemnity in respect of CVA Claims**

- 3.1 FMC shall, subject to and in accordance with clauses 3 and 4, below, on demand pay to each Company for the account of the relevant CVA Account such amount or amounts as are required to fund any Distributions payable under the Proposals in respect of Allowed CVA Claims. For the avoidance of doubt, such indemnity is on and subject to the terms of the Proposals including, without limitation, paragraphs 7.23, 8.3 and 23.9 of the Proposals.
- 3.2 The liabilities of FMC under this indemnity shall be limited so that the sum payable under this indemnity in relation to a Company, when aggregated with all sums already paid under this indemnity in relation to that Company, does not exceed an amount equal to the estimated gross realisation value of that Company's assets as detailed in the column headed "Estimated Realisable Value" in the financial statement relating to that Company appearing in Annex 2 to the Proposals (or such higher sum as FMC may agree with the Supervisors from time to time in writing). For the avoidance of doubt, Distributions recorded by book entry pursuant to paragraph 8.3.5 of the Proposals shall be deemed for this purpose to be sums paid under this indemnity.

### **4 Demand and Payment**

- 4.1 Each of the Companies irrevocably appoints the Supervisors (jointly and severally) as its agents for the purpose of making demand, enforcing, receiving payment or taking any other action on its behalf under this deed. The Parties acknowledge that each of the Companies shall act by its Supervisors for all purposes in connection with this deed.
- 4.2 Any demand which complies with the terms of this deed shall (save in the case of manifest error) be final and conclusive as to the amount demanded.
- 4.3 Any demand sent under this deed shall be in writing and sent to FMC by facsimile in accordance with the provisions of clause 10 of this deed.
- 4.4 FMC shall make payment in Sterling of the amount specified in a demand within 10 Business Days of the receipt of such demand to the CVA Account specified in such demand. Payments shall be sent to the Supervisors on behalf of the relevant Company or Companies, and any funds which are received by the Supervisors pursuant to this deed shall be credited to the applicable CVA Account.
- 4.5 Upon making any payment pursuant to this deed, FMC shall, at the time of making payment, specify to the Supervisors in writing which liabilities under which CVAs the payment is intended to cover.

### **5 Nature of indemnity liability**

- 5.1 The liabilities of FMC which arise under this deed during its Chapter 11 Case shall rank as administrative expenses in its Chapter 11 Case.
- 5.2 FMC shall not be entitled at any time to make any claim against and shall have no right to reimbursement, repayment or subrogation against the Administrators or the Supervisors (whether under the Proposals or otherwise) in respect of any payment made by it under this deed. Furthermore, FMC shall not be entitled to make any claim against and shall have no right to reimbursement, repayment or subrogation against a Company in respect of any payment made by it under this deed prior to the earlier of:

- 5.2.1 the Discharge Date in relation to that Company, and
  - 5.2.2 the date on which a Notice of Termination in relation to the CVA of that Company is served under paragraph 23 of the Proposals.
- 5.3 The obligations of FMC under this deed in relation to a Company shall terminate on the earlier of:
- 5.3.1 the date on which the Supervisors give notice pursuant to paragraph 23.9.3 of the Proposals to FMC that the CVA for that Company has partially failed insofar as it provides a compromise of CVA Claims other than Revenue Claims, and
  - 5.3.2 the date of any Notice of Termination in respect of the CVA for that Company pursuant to paragraph 23 of the Proposals.

Any demand made before the date referred to in clause 5.3.1 which remains outstanding at that date shall cease to have effect on that date.

## **6 Severance**

If any provision of this deed is or becomes illegal, invalid or unenforceable in any jurisdiction, that shall not affect:

- (a) the legality, validity or enforceability in that jurisdiction of any other provision of this deed; or
- (b) the legality, validity or enforceability in any other jurisdiction of that or any other provision of this deed.

## **7 No implied waivers; remedies cumulative**

The rights of a Company under this deed:

- (a) may be exercised as often as necessary;
- (b) are cumulative and not exclusive of its rights under the general law; and
- (c) may be waived only in writing and specifically.

Delay in exercising or non-exercise of any such right is not a waiver of that right.

## **8 Set-off**

All payments to be made by FMC under this deed shall be made without any withholding, deduction, set-off or counterclaim.

## **9 Accession of the Supervisors**

With effect from the Effective Date in respect of each Company, and without the need for any further act on the part of any person, the Supervisors of the CVA for such Company shall be deemed to be a party to this deed as if they were named as Parties and were signatories to it and references to the Parties shall be construed as including a reference to the Supervisors.

## **10 Demands and notices**

10.1 Each demand, notice or other communication to be given under this deed (a Notice) shall be given in writing in English and, unless otherwise provided, shall be made by facsimile.

10.2 Any Notice shall (unless another address or fax number has been notified to FMC or, as the case may be, the Companies or the Administrators or the Supervisors) be given to the relevant person at the respective addresses and numbers given in clause 10.3.

10.3 The addresses and numbers referred to in clause 10.2 are:

(a) the Companies, the Administrators and the Supervisors:

c/o Kroll Limited  
The Observatory, Chapel Walks  
Manchester M2 1HL

Attention: Anne O'Keefe/James Gleave  
Fax: 0161 838 4501

(b) FMC:

26555 Northwestern Highway  
Southfield, MI 48034  
USA

Attention: General Counsel  
Fax: +1(248) 354 8103

10.4 Any Notice shall be deemed to have been received on the day on which transmitted, with a confirmed receipt of transmission from the receiving machine, provided that a notice given in accordance with the above but received or deemed received on a day which is not a Business Day shall be deemed to have been received on the next Business Day.

## **11 No third party rights**

Save as provided for in Clause 9, the Parties do not intend that any term of this deed shall be enforceable solely by virtue of the Contracts (Rights of Third Parties) Act 1999 by any person who is not a Party.

## **12 Address for service**

FMC hereby appoints T&N Limited, Manchester International Office Centre, Styal Road, Manchester M22 5TN, England (fax number: +44 (0)161 955 5200, F.A.O. The Company Secretary) (or such other entity in England as FMC may from time to time nominate in writing to the Administrators, the Supervisors and the Companies in substitution for and to the exclusion of T&N Limited) as its authorised agent for the purpose of accepting service of process for all purposes in connection with this deed. Nothing contained in this Clause 12 shall affect the right to serve process in any other matter permitted by law.

## **13 Administrators' and Supervisors' liability**

Neither the Administrators nor the Supervisors shall incur any personal liability under or in connection with this deed.

**14 Governing law**

- 14.1 This deed shall be governed by and construed in accordance with English law and FMC hereby submits to the exclusive jurisdiction of the English courts in relation to any claim or dispute under this deed and any action or proceeding concerning this deed shall be brought in the English courts.
- 14.2 FMC irrevocably waives any objection to the effect that any proceedings brought in accordance with clause 14.1 are brought in an inconvenient court and agrees that any judgment given by an English court may be enforced in the courts of other jurisdictions.

Executed as a deed and delivered on the date appearing at the beginning of this deed

Executed as a Deed by )  
**FEDERAL-MOGUL CORPORATION** )  
and signed by [\*\* ] )  
authorised signatory/ies being (a) )  
person(s) who in accordance with )  
the law of the State of Michigan )  
are acting under the )  
authority of Federal-Mogul )  
Corporation )

Executed as a deed by )  
**Federal-Mogul Global Growth Limited**)  
(in administration) (acting by )  
[ ], one of its )  
administrators under the powers )  
conferred on them by Schedule 1 )  
of the Insolvency Act 1986, and )  
without personal liability )

Executed as a deed by )  
**F-M UK Holding Limited** )  
(in administration) (acting by )  
[ ], one of its )  
administrators under the powers )  
conferred on them by Schedule 1 )  
of the Insolvency Act 1986, and )  
without personal liability )

Executed as a deed by )  
  
for and on behalf of the )  
Administrators without personal )  
liability in the presence of )

### **ANNEX 9 - THE PRIMARY COMPANIES**

|     | <b>current company name</b>                            |
|-----|--|
| 1.  | T&N Limited  |
| 2.  | Federal-Mogul Aftermarket UK Limited                   |
| 3.  | Federal-Mogul Bradford Limited                         |
| 4.  | Federal-Mogul Bridgewater Limited                      |
| 5.  | Federal-Mogul Camshaft Castings Limited                |
| 6.  | Federal-Mogul Camshafts Limited                        |
| 7.  | Federal-Mogul Engineering Limited                      |
| 8.  | Federal-Mogul Eurofriction Limited                     |
| 9.  | Federal-Mogul Friction Products Limited                |
| 10. | Federal-Mogul Ignition (UK) Limited                    |
| 11. | Federal-Mogul Powertrain Systems International Limited |
| 12. | Federal-Mogul Sealing Systems (Cardiff) Limited        |
| 13. | Federal-Mogul Sealing Systems (Rochdale) Limited       |
| 14. | Federal-Mogul Sealing Systems (Slough) Limited         |
| 15. | Federal-Mogul Sealing Systems Limited                  |
| 16. | Federal-Mogul Shoreham Limited                         |
| 17. | Federal-Mogul Sintered Products Limited                |
| 18. | Federal-Mogul Systems Protection Group Limited         |
| 19. | Federal-Mogul Technology Limited                       |
| 20. | TBA Industrial Products Limited                        |
| 21. | AE Dayton Services Limited                             |
| 22. | AE Holdings Limited                                    |
| 23. | Aeroplane & Motor Aluminum Castings Limited            |
| 24. | Ashburton Road Services Limited                        |
| 25. | Brake Linings Limited                                  |
| 26. | Cranhold Limited                                       |
| 27. | Duron Limited  |
| 28. | Edmunds Walker & Co. Limited                           |
| 29. | Federal-Mogul UK Limited                               |
| 30. | Ferodo Caernarfon Limited                              |
| 31. | Ferodo Limited   |
| 32. | Fleetside Investments Limited                          |
| 33. | Friction Materials Limited                             |
| 34. | Halls Gaskets Limited                                  |
| 35. | Instantwonder Limited                                  |
| 36. | J.W. Roberts Limited                                   |
| 37. | Lanoth Limited   |
| 38. | Newalls Insulation Company Limited                     |
| 39. | T&N Shelf Seven Limited                                |
| 40. | T&N Shelf Twenty Limited                               |
| 41. | T&N Shelf Twenty-One Limited                           |
| 42. | T&N Shelf Twenty-Six Limited                           |
| 43. | TAF International Limited                              |
| 44. | TBA Belting Limited                                    |
| 45. | Telford Technology Supplies Limited                    |
| 46. | The Washington Chemical Company Limited                |
| 47. | Turner & Newall Limited                                |
| 48. | Turner Brothers Asbestos Company Limited               |
| 49. | Wellworthy Limited                                     |