

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

For the quarterly period ended June 30, 2004

or

Transition Report Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-499-68

COMDISCO HOLDING COMPANY, INC.  
(Exact name of registrant as specified in its charter)

Delaware	54-2066534
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)

6111 North River Road  
Rosemont, Illinois 60018  
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (847) 698-3000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 4,196,022 shares of the registrant's Common Stock, \$0.01 par value per share, were outstanding on July 23, 2004.

COMDISCO HOLDING COMPANY, INC.  
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PART I  
FINANCIAL INFORMATION

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Forward-Looking Statements

This quarterly report on Form 10-Q contains, and our periodic filings with the Securities and Exchange Commission (the "SEC") and written and oral statements made by the Company's officers and directors to press, potential investors, securities analysts and others, will contain, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), and the Company intends that such forward-looking statements be subject to the safe harbors created thereby. These forward-looking statements are not historical facts, but rather are predictions and generally can be identified by use of statements that include phrases such as "believe," "expect," "anticipate," "estimate," "intend," "plan," "foresee," "looking ahead," "is confident," "should be," "will," "predicted," "likely" or other words or phrases of similar import. Similarly, statements that describe or contain information related to matters such as our intent, belief, or expectation with respect to financial performance, realization of value from our equity investments, recoveries on amounts written off in prior periods, claims resolution under the Plan (as defined below), cash availability and cost-cutting measures are forward-looking statements. These forward-looking statements often reflect a number of assumptions and involve known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from those currently anticipated in these forward-looking statements. In light of these risks and uncertainties, the forward-looking events might or might not occur, which may affect the accuracy of forward-looking statements and cause the actual results of the Company to be materially different from any future results expressed or implied by such forward-looking statements.

Important factors that could cause actual results to differ materially from those suggested by these written or oral forward-looking statements, and could adversely affect our future financial performance, include the risk factors discussed in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operation, below. Many of the risk factors that could affect the results of the Company's operations are beyond our ability to control or predict.

ITEM 1. FINANCIAL STATEMENTS

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THE COMPANY EMERGED FROM CHAPTER 11 BANKRUPTCY PROCEEDINGS ON AUGUST 12, 2002. THE PURPOSE OF THE COMPANY IS TO SELL, COLLECT OR OTHERWISE REDUCE TO MONEY IN AN ORDERLY MANNER THE REMAINING ASSETS OF THE CORPORATION. PURSUANT TO THE COMPANY'S PLAN OF REORGANIZATION (THE "PLAN") AND RESTRICTIONS CONTAINED IN THE COMPANY'S CERTIFICATE OF INCORPORATION, THE COMPANY IS SPECIFICALLY PROHIBITED FROM ENGAGING IN ANY BUSINESS ACTIVITIES INCONSISTENT WITH ITS LIMITED BUSINESS PURPOSE. ACCORDINGLY, WITHIN THE NEXT FEW YEARS, IT IS ANTICIPATED THAT THE COMPANY WILL HAVE REDUCED ALL OF ITS ASSETS TO CASH AND MADE DISTRIBUTIONS OF ALL AVAILABLE CASH TO HOLDERS OF ITS COMMON STOCK AND CONTINGENT DISTRIBUTION RIGHTS IN THE MANNER AND PRIORITIES SET FORTH IN THE PLAN. AT THAT POINT, THE COMPANY WILL CEASE OPERATIONS AND NO FURTHER DISTRIBUTIONS WILL BE MADE.

AS A RESULT OF THE REORGANIZATION AND THE IMPLEMENTATION OF FRESH-START REPORTING, AS FURTHER DESCRIBED HEREIN, THE COMPANY'S RESULTS OF OPERATIONS AFTER JULY 31, 2002 ARE NOT COMPARABLE TO RESULTS REPORTED IN PRIOR PERIODS FOR COMDISCO, INC.

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Wind-down of Operations: Resignation of Board of Directors and Officers and assumption of responsibilities by the Disbursing Agent

On April 15, 2004, the Bankruptcy court entered an order (the "Order") granting the motion (the "Motion") that was filed on February 17, 2004 by the Company in furtherance of the Plan. A copy of the Motion was furnished to the SEC on a Form 8-K pursuant to Item 9 on February 18, 2004. The Company also included a copy of the Motion in its Report to Stakeholders, dated March 2, 2004, that was distributed to holders of: the Company's common stock, contingent distribution rights ("CDRs"), and disputed claims remaining in the bankruptcy and also certain other interested parties.

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Pursuant to and in furtherance of the Order, on August 12, 2004, the following will occur:

- o The officers of the Company, including Ronald C. Mishler who has served as Chairman, Chief Executive Officer and President of the Company since August 2002, will resign their respective officer positions.
- o The Board of Directors will appoint Randolph I. Thornton, as Chief Executive Officer, President and Secretary of Comdisco Holding Company, Inc.
- o The Company will file a Certificate of Amendment to the Certificate of Incorporation of Comdisco Holding Company, Inc. (the "Certificate") with the State of Delaware amending the Company's Certificate to provide for a Board of Directors consisting of one member.
- o Four of the five individuals serving on the Board of Directors (Ronald C. Mishler (chairman), Jeffrey A. Brodsky, Robert M. Chefitz and William A. McIntosh) will resign their position as Directors. Randolph I. Thornton will not resign and will continue as sole director.
- o Randolph I. Thornton's appointment as Initial Disbursing Agent will become effective. As Initial Disbursing Agent, he will assume the roles and responsibilities performed by the former Board of Directors and officers of the Company, including all measures which are necessary to complete the administration of the reorganized debtors' Plan and Chapter 11 cases.

Subsequently, pursuant to and in furtherance of the Order, the Company will file, on August 12, 2004, a Certificate of Dissolution with the Secretary of State of the State of Delaware to formally extinguish Comdisco Holding Company, Inc.'s corporate existence with the State of Delaware except for the purpose of completing the wind-down contemplated by the Plan.

Wind-down of Operations: Management Incentive Compensation Plans and End of Term designation

Following the Company's emergence from bankruptcy on August 12, 2002, the Company's operations were reorganized into four reportable business units. These business units were: (i) US Leasing, which included leasing operations in the US and Canada and was managed by Comdisco, Inc.; (ii) European IT Leasing, which was managed by Comdisco Global Holding Company, Inc.; (iii) Ventures, which was managed by Comdisco Ventures, Inc.; and (iv) the Corporate Asset Management group (the "CAM group"). The Company's CAM group was responsible for the sale and run-off of certain assets held by Comdisco Global Holding Company, Inc., Comdisco, Inc. and their subsidiaries that remained after certain pre-emergence asset sales. The CAM group's operations were managed through Comdisco, Inc. For business segment reporting purposes, the CAM group also included various

corporate assets and liabilities managed by Comdisco Holding Company, Inc. corporate staff.

Each of the business units' management teams participated in Bankruptcy court-approved Compensation Plans. While the award opportunities differed for each of these units, the management incentive plan ("MIP"), as a whole, was intended to provide adequate compensation for retention of key employees and an incentive to maximize the value of each business unit's assets for the benefit of all stakeholders. The MIP included two components: Semiannual Performance Bonuses and Upside Sharing opportunities for specified employees. For purposes of the Upside Sharing plans, the Board of Directors determined that the business units had substantially completed their business unit objectives and declared End of Term (as defined in the Compensation Plans) for US Leasing as of May 31, 2004 and for Comdisco Ventures and CAM group as of April 30, 2004 and authorized payments to be made to participants in the respective business unit Upside Sharing Plans. Payments to eligible participants in US Leasing were made in July 2004. Payments to eligible participants for Comdisco Ventures and the CAM group were completed in June 2004. The European IT Leasing unit's compensation plan did not include an Upside Sharing component.

#### Wind-down of Operations: Consolidation of Business Units

As a result of the substantial wind-down of operations, the declaration of End of Term for purposes of each business units' management incentive plan and the consolidation of the management structure, the Company believes that business segment results have become substantially irrelevant and, accordingly, the Company has consolidated its business units and has ceased to report independent business segment results beginning with this quarterly report on Form 10-Q.

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Comdisco Holding Company, Inc.

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) (UNAUDITED)

(in millions except per share data)

<TABLE>

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	Three months ended		Nine months ended	
	June 30,		June 30,	
	2004	2003	2004	2003
	<c>	<c>	<c>	<c>
Revenue				
Leasing				
Operating	\$ 1	\$ 24	\$ 13	\$ 115
Direct financing	-	1	1	3
Sales-type	-	2	1	4
Total leasing	1	27	15	122
Sales	17	38	42	70
Technology services	-	2	1	12
Agere lease participation payment	1	-	25	-
Sale of properties	-	-	5	-
Foreign exchange gain (loss)	(1)	6	-	22
Other	3	4	13	13
Total revenue	21	77	101	239
Costs and expenses				
Leasing				
Operating	1	21	7	98
Sales-type	-	2	1	4
Total leasing	1	23	8	102
Sales	16	32	33	68
Technology services	-	1	1	7
Selling, general and administrative	6	18	25	53
Contingent distribution rights	3	22	4	38
Write-down of equity securities	1	7	1	15
Bad debt expense	(2)	(27)	(10)	(74)
Interest	-	1	-	25
Total costs and expenses	25	77	62	234
Earnings from continuing operations before income taxes (benefit)	(4)	-	39	5
Income taxes (benefit)	(2)	(1)	(10)	-
Earnings from continuing operations	(2)	1	49	5
Earnings (loss) from discontinued operations, net of tax	10	39	(9)	80
Net earnings	\$ 8	\$ 40	\$ 40	\$ 85
	=====	=====	=====	=====

Basic earnings (loss) per common share:

Earnings from continuing operations	\$ (0.41)	\$ 0.24	\$11.75	\$ 1.12
Earnings (loss) from discontinued operations	2.29	9.25	(2.38)	19.13
	-----	-----	-----	-----
Net earnings	\$ 1.88	\$ 9.49	\$ 9.37	\$20.25
	=====	=====	=====	=====

Diluted earnings (loss) per common share:

Earnings from continuing operations	\$ (0.41)	\$ 0.24	\$11.75	\$ 1.12
Earnings (loss) from discontinued operations	2.29	9.25	(2.38)	19.13
	-----	-----	-----	-----
Net earnings	\$ 1.88	\$ 9.49	\$ 9.37	\$20.25
	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

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Comdisco Holding Company, Inc.

CONSOLIDATED BALANCE SHEETS

(in millions except share data)

	(Unaudited) June 30, 2004	(Audited) September 30, 2003
	-----	-----
ASSETS		
Cash and cash equivalents	\$ 169	\$ 97
Cash - legally restricted	19	42
Receivables, net	4	41
Inventory of equipment	-	9
Leased assets:		
Direct financing and sales-type	3	26
Operating (net of accumulated depreciation)	2	16
	-----	-----
Net leased assets	5	42
Equity securities	13	18
Assets of discontinued operations	8	113
Other assets	1	11
	-----	-----
	\$ 219	\$ 373
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 4	\$ 6
Accrued income taxes	43	29
Liabilities related to assets of discontinued operations	1	11
Deferred income	2	27
Other liabilities:		
Accrued compensation	23	62
Contingent distribution rights	25	44
Other	3	12
	-----	-----
Total other liabilities	51	118
	-----	-----
	101	191
Stockholders' equity:		
Common stock \$.01 par value. Authorized 10,000,000 shares; issued 4,200,000 shares. 4,196,022 shares outstanding at June 30, 2004 and 4,197,100 at September 30, 2003	-	-
Additional paid-in capital	110	169
Accumulated other comprehensive income	8	13
Retained earnings	-	-
Common stock held in treasury, at cost; 3,978 shares at June 30, 2004 and 2,900 at September 30, 2003	-	-
	-----	-----
Total stockholders' equity	118	182
	-----	-----
	\$ 219	\$ 373
	=====	=====

See accompanying notes to consolidated financial statements.

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Comdisco Holding Company, Inc.  
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
(in millions)  
For the nine months ended June 30, 2004 and 2003

	2004	2003
	-----	-----
Cash flows from operating activities:		
Operating lease and other leasing receipts	\$ 36	\$ 190
Lease portfolio sales	-	7
Sales of equipment	41	71
Sales costs	(1)	(2)
Technology services receipts	1	14
Technology services costs	-	(2)
Note receivable receipts	1	74
Warrant proceeds	9	3
Other revenue	35	17
Selling, general and administrative expenses	(58)	(39)
Contingent distribution rights payments	(23)	(5)
Interest	-	(37)
Income taxes	23	(18)
	-----	-----
Net cash provided by continuing operations	64	273
Net cash provided by discontinued operations	90	981
	-----	-----
Net cash provided by operating activities	154	1,254
	-----	-----
Cash flows from investing activities:		
Equipment purchased for leasing	(1)	(5)
Notes receivable	-	(1)
Equity investments	(1)	-
Equipment purchased for leasing by discontinued operations	(1)	(27)
Other	1	(1)
	-----	-----
Net cash used in investing activities	(2)	(34)
	-----	-----
Cash flows from financing activities:		
Cash used by discontinued operations	(4)	(135)
Net decrease in notes and term notes payable	-	(1,085)
Dividends paid on Common Stock	(99)	(367)
Decrease (increase) in legally restricted cash	23	(12)
Other	-	(37)
	-----	-----
Net cash used in financing activities	(80)	(1,636)
	-----	-----
Net increase (decrease) in cash and cash equivalents	72	(416)
Cash and cash equivalents at beginning of period	97	546
	-----	-----
Cash and cash equivalents at end of period	\$ 169	\$ 130
	=====	=====

See accompanying notes to consolidated financial statements.

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Comdisco Holding Company, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) -- CONTINUED

(in millions)

For the nine months ended June 30, 2004 and 2003

	2004	2003
	-----	-----
Reconciliation of earnings from continuing operations to net cash provided by operating activities:		
Earnings from continuing operations	\$ 49	\$ 5
Adjustments to reconcile earnings from continuing operations to net cash provided by operating activities:		
Leasing costs, primarily depreciation and amortization	8	102
Leasing revenue, primarily principal portion of direct financing and sales-type lease rentals	20	68
Cost of sales	32	66
Technology services costs, primarily depreciation and amortization	1	5
Interest	-	(12)
Income taxes	12	(18)
Principal portion of notes receivable	-	68
Selling, general, and administrative expenses	(41)	(50)
Contingent distribution rights	(19)	38
Lease portfolio sales	(1)	7
Other, net	3	(6)
	-----	-----
Net cash provided by continuing operations	64	273
Net cash provided by discontinued operations	90	981
	-----	-----
Net cash provided by operating activities	\$ 154	\$1,254
	=====	=====

See accompanying notes to consolidated financial statements.

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COMDISCO HOLDING COMPANY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
June 30, 2004 and 2003

The following discussion and analysis should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 2 below and in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2003, and with the Consolidated Financial Statements and related notes in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2003.

1. Reorganization

On July 16, 2001, Comdisco, Inc. ("Predecessor") and 50 of its domestic subsidiaries filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the Bankruptcy court) (consolidated case number 01-24795) (the "Filing"). Comdisco Holding Company, Inc., as the successor company ("Successor") to Comdisco, Inc., emerged from bankruptcy under a confirmed plan of reorganization (the First Amended Joint Plan of Reorganization (the "Plan")) that became effective on August 12, 2002 (the "Effective Date"). For financial reporting purposes only, however, the effective date for implementation of fresh-start reporting was July 31, 2002.

Implementation of the Plan resulted in the reorganization of Comdisco, Inc. and its domestic and foreign subsidiaries into Comdisco Holding Company, Inc. and three new primary subsidiaries: (i) Comdisco Global Holding Company, Inc. (a direct wholly-owned subsidiary of Comdisco Holding Company, Inc.), which became responsible for the management of the sale and run-off of the Company's reorganized European IT Leasing operations and assets; (ii) Comdisco, Inc. (a direct wholly-owned subsidiary of Comdisco Holding Company, Inc.), which became responsible for the management of the sale and run-off of the Company's reorganized US Leasing operations and assets; and (iii) Comdisco Ventures, Inc. (which became a direct wholly-owned subsidiary of Comdisco, Inc.), which became responsible for the management of the sale and run-off of the Company's venture financing operations and assets ("Ventures"). The Company's Corporate Asset Management group ("CAM group") became responsible for the sale and run-off of certain assets held by Comdisco Global Holding Company, Inc., Comdisco, Inc. and their subsidiaries that remained after certain pre-emergence bankruptcy asset sales. The CAM group's operations were managed through Comdisco, Inc. For business segment reporting purposes, the CAM group also included various corporate assets and liabilities managed by Comdisco Holding Company, Inc. corporate staff. Implementation of the Plan also resulted in the reorganization of Prism Communication Services, Inc. and its subsidiaries ("Prism"); as a consequence, Prism became a direct wholly-owned subsidiary of Comdisco Domestic Holding Company, Inc., which is itself a direct wholly-owned subsidiary of Comdisco, Inc. On February 26, 2004, the Bankruptcy court entered an order closing the fully administered Prism cases effective March 5, 2004.

Comdisco Holding Company, Inc. was formed on August 8, 2002 for the purpose of selling, collecting or otherwise reducing to money in an orderly manner the remaining assets of the Company and all of its direct and indirect subsidiaries, including Comdisco, Inc. As more fully described in the Plan, the Company's business purpose is limited to the orderly sale or run-off of all its remaining assets. Pursuant to the Plan and restrictions contained in its certificate of incorporation, the Company is specifically prohibited from engaging in any business activities inconsistent with its limited business purpose. Prior to the bankruptcy, Comdisco, Inc. provided technology services worldwide to help its customers maximize technology functionality, predictability and availability, while freeing them from the complexity of managing their technology. Comdisco, Inc. offered leasing to key vertical industries, including semiconductor

manufacturing and electronic assembly, healthcare, telecommunication, pharmaceutical, biotechnology and manufacturing. Through its Comdisco Ventures group, Comdisco, Inc. provided equipment leasing and other financing and services to venture capital-backed companies.

Consummation of the Plan resulted in (i) the distribution of cash totaling approximately \$2.2 billion; (ii) the issuance of variable rate senior secured notes due 2004 in aggregate principal amount of \$400 million (the "Senior Notes"); (iii) the issuance of 11% subordinated secured notes due 2005 in aggregate principal amount of \$650 million (the "Subordinated Notes"); (iv) the issuance of 4.2 million shares of new common stock ("Common Stock"); (v) the issuance of contingent distribution rights (the "CDRs") to holders of the

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Predecessor company's common stock; and (vi) the cancellation of the Predecessor company's notes, notes payable, common stock and stock options.

Consummation of the Plan resulted in the election of a new Board of Directors for the Company (the "Board"). The Board is comprised of five members. The management director and Chairman is Ronald C. Mishler, Chief Executive Officer. The four additional members of the Board are Jeffrey A. Brodsky, Robert M. Chefitz, William A. McIntosh and Randolph I. Thornton. (See Item 1 "Wind-down of Operations: Resignation of Board of Directors and Officers and assumption of responsibilities by the Disbursing Agent" regarding anticipated changes in the composition of the Board of Directors).

## 2. Basis of Presentation

In this quarterly report on Form 10-Q, references to "the Company," "Comdisco Holding," "we," "us" and "our" mean Comdisco Holding Company, Inc., its consolidated subsidiaries, including Comdisco Global Holding Company, Inc., Comdisco, Inc., Comdisco Domestic Holding Company, Inc. and the former Comdisco Ventures, Inc., and its predecessors, except in each case where the context indicates otherwise. References to "Comdisco, Inc." mean Comdisco, Inc. and its subsidiaries, other than the Prism entities, prior to the Company's emergence from bankruptcy on August 12, 2002, except where the context indicates otherwise.

Due to the Company's reorganization and implementation of fresh-start reporting effective on July 31, 2002, the consolidated financial statements for the Successor company, presented herein, are not comparable to those of the Predecessor company presented in filings with the SEC for periods prior to July 31, 2002.

Certain reclassifications, including those for discontinued operations, have been made in the 2003 financial statements to conform to the 2004 presentation.

## 3. Discontinued Operations

Because of the sale of assets described in Note 4 of Notes to Consolidated Financial Statements, amounts in the consolidated financial statements and related notes for all periods shown have been restated to account for the US Leasing operations, International Leasing and German leasing operations (the "German Leasing Subsidiary") as discontinued operations. "International Leasing" refers to the Company's former French, Swiss, Austrian, Australian and New Zealand leasing operations. The Company sold the stock of its French, Swiss and Austrian subsidiaries and sold the assets of its Australian and New Zealand operations. Each of the aforementioned transactions resulted from an extensive offering and competitive bidding process run by the Company's independent

investment banking firm.

Following is summary financial information for the Company's discontinued operations for the three and nine months ended June 30, 2004 and 2003 (in millions):

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	Three months ended June 30, 2004				Nine months ended June 30, 2004			
	US Leasing	Inter- national Leasing	German Leasing Sub- sidiary	Total	US Leasing	Inter- national Leasing	German Leasing Sub- sidiary	Total
<s>	<c>	<c>	<c>	<c>	<c>	<c>	<c>	<c>
Revenue	\$ 21	\$ -	\$ -	\$ 21	\$ 30	\$ 1	\$ 2	\$ 33
Earnings (loss) from discontinued operations:								
Before income taxes	\$ 10	\$ -	\$ -	\$ 10	\$ (4)	\$ 1	\$ (6)	\$ (9)
Income taxes	-	-	-	-	-	-	-	-
Net earnings (loss)	\$ 10	\$ -	\$ -	\$ 10	\$ (4)	\$ 1	\$ (6)	\$ (9)

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	Three months ended June 30, 2003				Nine months ended June 30, 2003			
	US Leasing	Inter- national Leasing	German Leasing Sub- sidiary	Total	US Leasing	Inter- national Leasing	German Leasing Sub- sidiary	Total
<s>	<c>	<c>	<c>	<c>	<c>	<c>	<c>	<c>
Revenue	\$ 55	\$ -	\$ 1	\$ 56	\$ 170	\$ 2	\$ 80	\$ 252
Gain on sale	\$ -	\$ 7	\$ 24	\$ 31	\$ -	\$ 7	\$ 24	\$ 31
Earnings from discontinued operations:								
Before income taxes	\$ (3)	\$ 7	\$ 25	\$ 29	\$ 27	\$ 9	\$ 37	\$ 73
Income taxes	(10)	-	-	(10)	(10)	-	3	(7)
Net earnings	\$ 7	\$ 7	\$ 25	\$ 39	\$ 37	\$ 9	\$ 34	\$ 80

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#### 4. Sale of Assets

##### US Leasing

On June 27, 2003, the Board of Directors approved a plan to sell substantially all of the assets of US Leasing and authorized management to enter into negotiations for the purpose of completing a sale transaction. On August 25, 2003, the Company announced that it had agreed to sell its U.S. information technology leasing business to Bay4 Capital Partners, LLC ("Bay4"). On September 9, 2003, the Company completed the sale to Bay4. Under the terms of the asset purchase agreement, and after completion of the post closing adjustments to the purchase price in October 2003, the Company received approximately \$19.4 million in cash, and Bay4 assumed approximately \$21.3 million in secured nonrecourse debt to third parties. The Company retained a secured non-recourse interest of approximately \$27.3 million in certain other leases. In addition, the Company received a note in the amount of approximately \$39.9 million payable primarily from the realization of the residual value of the assets (the "residual note"). Furthermore, the note evidenced the Company's right to share in the proceeds, if any, realized from the assets beyond the stated amount of the note.

Through May 13, 2004, the Company had received approximately \$29 million of payments on the residual note. On May 13, 2004, the remaining residual note balance and the Company's right to share were settled with Bay4 for \$16.5 million. The Company realized a gain of approximately \$6 million as a result of this transaction in the current quarter.

In April 2004, Bay4 paid Comdisco approximately \$15 million in payment of principal on the Company's retained secured non-recourse interest in certain leases purchased by Bay4. The remaining principal balance, which is included in assets of discontinued operations-US leasing, was approximately \$5 million at June 30, 2004.

On September 30, 2003, the Company completed the sale of its Canadian information technology leasing assets to Bay4 Capital Partners, Inc. Under the terms of the asset purchase agreement the Company received approximately 1.6 million Canadian dollars (approximately \$1.2 million as of September 30, 2003).

##### European IT Leasing

On October 18, 2002, the Company announced that it had sold Computer Discount GmbH, a leasing subsidiary of Comdisco, Inc. formerly known as Comdisco Austria GmbH, to the Austrian company PH Holding GmbH. Under the terms of the purchase agreement, PH Holding GmbH agreed to pay euro 7 million (approximately U.S. \$8.6 million as of September 30, 2002) for 100 percent of the stated share capital of Computer Discount GmbH. As part of the deal, PH Holding GmbH agreed to continue to oversee the liquidation of Comdisco Ceska Republika S.R.O., a wholly-owned Czech subsidiary of Computer Discount GmbH, which was completed on August 14, 2002. On October 18, 2002, the Company announced that it had sold Compendium Finance S.A., formerly known as Comdisco (Switzerland) S.A., a leasing subsidiary of Comdisco Global Holding Company, Inc., to Compendium Investments S.A., a Swiss company. Pursuant to the terms of the sale agreement, the Company received CHF 13.0 million (approximately U.S. \$8.7 million as of September 30, 2002). On October 18, 2002, the Company announced that it, along with Comdisco Global Holding Company, Inc., had entered into an agreement for the sale of the stock of the Company's French leasing subsidiaries, Comdisco France SA and Promodata SNC, to Econocom Group SA/NV. Comdisco France S.A. was a wholly-owned subsidiary of Comdisco Global Holding Company, Inc. and Promodata SNC was a wholly-owned subsidiary of Comdisco France S.A. The sale of the French leasing subsidiaries closed on December 23, 2002 and the Company received the proceeds in the amount of approximately euro 69 million (U.S. \$70 million).

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On April 30, 2003, the Company announced that it had completed the sale of the stock of its leasing subsidiary in Germany to Munich-based Comprendium Investment (Deutschland) GmbH, which is owned by Comprendium Investments S.A. ("Comprendium"), a Swiss company. Under the terms of the Amended Share Purchase Agreement, Comdisco received approximately euro 285 million (approximately \$316 million) at closing, and four additional payments totaling up to approximately euro 38 million over the 42 months following closing, dependent upon specific portfolio performance criteria. On March 31, 2004, the Company accepted a discounted prepayment by Comprendium of the four remaining payments due from the sale. The Company received 30.5 million euros in lieu of four payments of 9.5 million euros each, scheduled for payment in April 2004, April 2005, May 2006 and December 2006. The four additional payments would have been subject to reduction if certain customers exercised contractual termination provisions. The Company recorded a charge of approximately \$2 million (\$0.47 per share) in the three months ended March 31, 2004 to reflect the difference between the prepaid amount and the carrying value of the four scheduled payments. In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company recorded a charge of \$6 million (\$1.46 per share) in the first quarter of fiscal 2004 to reduce cost in excess of fair value to reflect the difference between carrying value and estimated proceeds from a sale or early buy-out.

For financial reporting purposes, at September 30, 2003, the four additional payments discussed above were included in the balance sheet as assets of discontinued operations. The results of operations of the Company's German Leasing Subsidiary for the three and nine months ended June 30, 2004 and 2003 are included in the statement of earnings (loss) as discontinued operations.

#### Corporate Asset Management

On January 7, 2004, the Company completed the sale of its participation interest in certain Agere Systems, Inc. ("Agere") lease payments. The aggregate purchase price was approximately \$18 million. Approximately \$15 million was received in cash and the remaining \$3 million was placed in escrow pending the resolution of post-closing adjustments, if any, to be made over the next year. Approximately \$1.2 million of the remaining \$3 million placed in escrow in January 2004 was received by the Company on May 12, 2004.

The participation interest was included in Comdisco's June 30, 2004 and September 30, 2003 balance sheets in receivables at the present value of the minimum payments, or approximately \$2 million and \$24 million, respectively, and, in a like amount, in deferred income. During the three and nine months ended June 30, 2004, the Company received approximately \$1 million and \$25 million (\$9 million in payments prior to the sale, \$15 million from the sale and \$1 million from the escrow in May 2004), respectively, in payments with respect to the participation interest. All proceeds related to the participation interest have and will be reflected in Comdisco's earnings when received.

The Company completed the sale of its former Availability Solutions facility in Eching, Germany in March 2004 for approximately \$2.5 million. The Company recorded a \$2.5 million gain during the three months ended March 31, 2004 as a result of the sale.

The Company completed the sale of its Carlstadt property in November 2003 for approximately \$2.2 million of which approximately \$1.5 million was placed in escrow pending resolution of an unrelated New Jersey state tax issue. On April 28, 2004, the Company and the State of New Jersey settled the unrelated state tax issue and the \$1.5 million in escrow has been received by the Company. The Company recorded a \$2.2 million gain during the three months ended December 31, 2003 as a result of the sale.

The only remaining property owned by the Company at June 30, 2004 was a day-care facility adjacent to the Company's headquarters, with an estimated fair market value of less than \$1 million.

## 5. Interest-Bearing Liabilities

Upon emergence, the Company's general unsecured creditors received, and the Disputed Claims Reserve was funded with, their pro-rata share of an initial cash distribution of approximately \$2.2 billion. In addition, general unsecured creditors received, and the Disputed Claims Reserve was funded with, their pro-rata share of two separate note issuances: the Senior Notes in aggregate principal amount of \$400 million with an interest rate of three month LIBOR plus 3% and the Subordinated Notes in aggregate principal amount of \$650 million with an interest rate of 11%.

On October 21, 2002, the Company redeemed the entire \$400 million outstanding principal amount of its Senior Notes. On April 28, 2003, the Company

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made the final redemption of its Subordinated Notes. The Senior and Subordinated Notes were redeemed at 100% of their principal amount plus accrued and unpaid interest from August 12, 2002 to their respective redemption dates.

The average daily borrowings outstanding during the nine months ended June 30, 2004 were nominal. This compares to average daily borrowings during the nine months ended June 30, 2003 of approximately \$502 million, with a contractual weighted average interest rate of 8.68%.

## 6. Receivables

Receivables include the following as of June 30, 2004 and September 30, 2003 (in millions):

	June 30, 2004	September 30, 2003
	-----	-----
Notes	\$ 2	\$ 27
Accounts	4	17
Other	-	8
	-----	-----
Total receivables	6	52
Allowance for credit losses	(2)	(11)
	-----	-----
Total	\$ 4	\$ 41
	=====	=====

### Notes

Certain payments due from the Agere escrow are included in the balance sheet in Notes at the present value of the minimum lease payments, or approximately \$2 million and \$24 million at June 30, 2004 and September 30, 2003, respectively and, in a like amount, in Deferred income. As payments are received, the Company records earnings equal in amount to the payment received. See Note 4 of Notes to Consolidated Financial Statements.

At September 30, 2003, Ventures had notes receivable of approximately \$2.6 million. No Ventures notes were outstanding as of June 30, 2004. As part of a Ventures note transaction, the Company customarily received warrants to purchase an equity interest in its customer, or a conversion option, in each case at a stated exercise price based on the price paid by other venture capitalists.

## Accounts

Accounts receivable represent lease rentals, notes receivable and equipment sales proceeds due but unpaid as of the balance sheet date.

## Other

Included in other receivables at June 30, 2004 is approximately \$1.1 million of estimated collections on Ventures leases currently in default, offset by a foreign VAT payable of approximately \$1.3 million.

## Allowance

The allowance for credit losses includes management's estimate of the amounts expected to be lost on specific accounts and for losses on other as of yet unidentified accounts, including estimated losses on future non-cancelable lease rentals, net of estimated recoveries from remarketing of related leased equipment. In estimating the reserve component for unidentified losses inherent within the receivables and lease portfolio, management assesses the collectability of its specific receivables and leases and also relies on historical experience, adjusted for any known trends, including industry trends, in the portfolio.

Changes in the allowance for credit losses for the nine months ended June 30, 2004 and 2003 were as follows (in millions):

	2004	2003
	----	----
Balance at beginning of period	\$ 11	\$162
Provision for credit losses	(10)	(74)
Net credit recoveries (losses)	1	(29)
	----	----
Balance at end of period	\$ 2	\$ 59
	====	====

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## 7. Equity Securities

Prior to Filing, the Company, primarily through its Ventures group, provided financing to privately held companies, in networking, optical networking, software, communications, internet-based and other industries for which the Company received warrants and/or equity positions. The Ventures group also made direct investments in equity securities.

### Marketable equity securities:

Ventures' available-for-sale security holdings were as follows (in millions):

	Cost	Gross unrealized gains	Gross unrealized losses	Market value
	----	-----	-----	-----
June 30, 2004	\$ -	\$ 7	\$ -	\$ 7
September 30, 2003	\$ 1	\$ 11	\$ -	\$ 12

Changes in the valuation of available-for-sale securities are included as changes in the unrealized holding gains (losses) in accumulated other comprehensive income (loss) (see Note 8 of Notes to Consolidated Financial Statements). At June 30, 2004, the Company held securities of four publicly-traded companies, Blue Nile, Inc., Atheros Communications, Inc.,

Cytokinetics, Inc. and NuVasive, Inc. Each of these holdings are subject to lock-up periods, which restrict the Company's ability to sell in the near term. At September 30, 2003, the Company held securities of one publicly-traded company, iPass, Inc. ("iPass"). The Company sold its holdings of iPass common stock in February 2004. The market value of the Company's holdings of iPass common stock of approximately \$11 million at September 30, 2003 declined to approximately \$7 million at the time of its sale in February 2004. The Company's practice is to sell its marketable equity securities upon the expiration of the lock-up period. The lock-up period for iPass expired in late January 2004.

Realized gains or losses are recorded on the trade date based upon the difference between the proceeds and the cost basis determined using the specific identification method. Net realized gains are included in other revenue in the consolidated statements of earnings (loss). A gain of approximately \$7 million from the sale of the Company's holdings in iPass is included in other revenue in the consolidated statements of earnings (loss) for the nine months ended June 30, 2004.

#### Equity investments in private companies:

On February 23, 2004, the Company announced that its subsidiary, Comdisco, Inc., entered into agreements (collectively, the "Agreements") with Windspeed Acquisition Fund GP, LLC ("Windspeed") for the ongoing management and liquidation of Comdisco Ventures, Inc.'s warrant and equity investment portfolio. The management agreement includes substantially all of the Company's warrant and equity investment portfolio. Windspeed will be entitled to certain fixed and declining management fees. Additionally, after the Company has realized a specified amount, Windspeed will share in the net receipts at various percentages. Copies of the Amended and Restated Limited Liability Company Agreement of Comdisco Ventures Fund A, LLC (the former Comdisco Ventures, Inc.), dated as of February 20, 2004 by and among Comdisco, Inc., Windspeed and Comdisco Ventures Fund B, LLC and the Limited Liability Company Agreement of Comdisco Ventures Fund B, LLC, dated as of February 20, 2004, by and among Comdisco, Inc., Windspeed and Windspeed Acquisition Fund, L.P. were filed with the SEC on a Form 8-K pursuant to Item 5 on February 23, 2004. As a result of the Agreements, the ongoing management of the Company's equity investments in private companies is being provided by Windspeed.

The Company's policy for equity investments in privately held companies, which are non-quoted investments, is, in consultation with Windspeed, to regularly review the assumptions underlying the operating performance and cash flow forecasts in assessing the carrying values. The Company identifies and records impairment losses on equity securities when market and customer specific events and circumstances indicate the carrying value might be impaired. All write-downs are considered permanent impairments for financial reporting purposes. Write-downs of equity securities totaled \$1 million for three and nine months ended June 30, 2004, compared to \$7 million and \$15 million recorded in the three and nine months ended June 30, 2003, respectively.

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#### 8. Stockholders' Equity

When the Company emerged from bankruptcy, 4,200,000 shares of Common Stock were issued. As of June 30, 2004, the Company had 4,196,022 shares of Common Stock outstanding and 3,978 shares of Common Stock held in treasury.

All shares of the Predecessor company's common stock were cancelled on August 12, 2002. The Predecessor company's common stockholders were entitled to

distributions of CDRs under the Plan if they properly completed a transmittal form and surrendered shares of the Predecessor company's common stock to Mellon Investor Services LLC prior to August 12, 2003. Approximately five hundred thousand CDRs were forfeited because holders of Comdisco, Inc. common stock did not exchange their cancelled shares for CDRs prior to the deadline prescribed in the Plan. More information on the CDRs can be found in a Registration Statement on Form 8-A filed by the Company on August 12, 2002 with the SEC and in two Bankruptcy Court orders entered in respect of the CDRs (incorporated by reference to Exhibits 99.3 and 99.4 filed with the Company's Quarterly Report on Form 10-Q as filed with the SEC on May 14, 2003).

From September 30, 2003 to June 30, 2004, the Company distributed approximately \$99 million in dividends on its Common Stock, including approximately \$48.3 million in May 2004. Comdisco intends to treat the dividend distributions for federal income tax purposes as a series of liquidating distributions in complete liquidation of the Company.

Stockholders' equity consists of the following (in millions):

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	Common Stock	Additional paid-in capital	Accumulated other compre- hensive income	Retained earnings	Total
	-----	-----	-----	-----	-----
<s>	<c>	<c>	<c>	<c>	<c>
Balance at September 30, 2003	\$ -	\$ 169	\$ 13	\$ -	\$ 182
Net earnings				40	40
Translation adjustment (1)			(1)		
Change in unrealized gain (4)			(4)		
					-----
Total comprehensive income					35
Liquidating dividend (99)		(59)		(40)	
	-----	-----	-----	-----	-----
Balance at June 30, 2004	\$ -	\$ 110	\$ 8	\$ -	\$ 118
	=====	=====	=====	=====	=====

</TABLE>

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Total comprehensive income (loss) consists of the following (in millions):

	Three months ended June 30,		Nine months ended June 30,	
	2004	2003	2004	2003
	----	----	----	----
	<c>	<c>	<c>	<c>
Foreign currency translation adjustments	\$ (1)	\$(38)	\$ (1)	\$ (4)
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during the period	7	1	5	2
Reclassification adjustment for gains included in earnings before income taxes	(1)	(1)	(9)	(2)
	----	----	----	----
Net unrealized gains (losses), before income taxes	6	-	(4)	-
Income taxes	-	-	-	-
	----	----	----	----
Net unrealized gains (losses)	6	-	(4)	-
	----	----	----	----
Other comprehensive income (loss)	5	(38)	(5)	(4)
Net earnings	8	40	40	85
	----	----	----	----
Total comprehensive income	\$ 13	\$ 2	\$ 35	\$ 81
	=====	=====	=====	=====

</TABLE>

#### 9. Other Financial Information

Legally restricted cash represents cash and cash equivalents that are restricted solely for use as collateral supporting letters of credit, cash and cash equivalents related to the Company's employee incentive compensation plans, and cash and cash equivalents held in escrow or in similar accounts as a result of the various proposed or completed asset sales. Legally restricted cash is comprised of the following at June 30, 2004 and September 30, 2003 (in millions):

	June 30, 2004	September 30, 2003
	-----	-----
SunGard escrow	\$ -	\$ 1
Letter of credit	-	3
Incentive compensation escrows	18	37
Other	1	1
	-----	-----
	\$ 19	\$ 42
	=====	=====

In November 2003, the Company and SunGard resolved all disputed matters associated with the SunGard escrow and, as a result, the Company received \$763,000. The Company's exposure at September 30, 2003 on the letter of credit was eliminated in November 2003 by the customer prepaying the obligation underlying the letter of credit. The decrease in the incentive compensation escrow is primarily the result of payments, approved by the Board of Directors, made during the nine months ended June 30, 2004 under the Company's Bankruptcy court approved compensation plans.

Other assets consist of the following (in millions):

	June 30, 2004	September 30, 2003
	-----	-----
Deferred costs	\$ -	\$ 5
Prepaid expenses	-	2
Deposits on rent	-	1
Other	1	3
	-----	-----
	\$ 1	\$ 11
	=====	=====

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Other liabilities consist of the following (in millions):

	June 30, 2004	September 30, 2003
	-----	-----
Accrued compensation	\$ 23	\$ 62
CDRs	25	44
Other:		
Customer advances, deposits	-	7
Taxes other than income	1	2
Accrued professional services	-	1
Due SunGard	-	1
Other	2	1
	-----	-----
Total other	3	12
	-----	-----
	\$ 51	\$ 118
	=====	=====

The liability for accrued compensation includes payroll and estimated amounts payable under the Company's Bankruptcy court approved compensation plans. The decrease in the accrued compensation liability from \$62 million at September 30, 2003 to \$23 million at June 30, 2004 is primarily the result of payments made by the Company under its Bankruptcy court approved management incentive compensation plans. (See Item 1 "Wind-down of Operations: Management Incentive Compensation Plans and End of Term designation").

From October 2003 to June 2004, the Company made payments to holders of CDRs totaling approximately \$23 million. CDR expense was approximately \$4 million in the nine months ended June 30, 2004. Accordingly, the liability for CDRs has decreased from \$44 million to \$25 million from September 30, 2003 to June 30, 2004, respectively.

Management has adopted a methodology for estimating the amount due to CDR holders following the provisions of Statement of Financial and Accounting Standards No. 5, Accounting For Contingencies ("SFAS No. 5"). Under SFAS No. 5, a liability must be booked that is probable and reasonably estimable as of the balance sheet date.

The amount due to CDR holders is based on the amount and timing of distributions made to former creditors of the Company's predecessor, Comdisco, Inc., and is impacted by both the value received from the orderly sale or run-off of Comdisco Holding's assets and on the resolution of Disputed Claims still pending in the bankruptcy estate of Comdisco, Inc.

The Company is not able to definitively estimate either the ultimate value

to be received for the remaining assets or the final resolution of remaining Disputed Claims. Accordingly, the Company does not forecast these outcomes in calculating the liability. Instead, the liability calculation uses the Company's book equity value as the basis for remaining asset value, reduced for estimated operating expenses and increased for two items which did not impact book equity for financial reporting purposes at June 30, 2004: the estimated fair market value of the remaining property held for sale, and the participation interest in certain lease rental payments due from Agere. See Notes 4 and 6 of Notes to Consolidated Financial Statements for further discussion of these items. In addition, the liability for CDRs is calculated as if all remaining Disputed Claims are allowed. The amounts due to CDR holders will be greater to the extent that Disputed Claims are disallowed. The disallowance of a Disputed Claim results in a distribution from the Disputed Claims Reserve to previously allowed creditors that is entirely in excess of the minimum percentage recovery threshold, above which recoveries to general unsecured creditors are shared with CDR holders. In contrast, the allowance of a Disputed Claim results in a distribution to a newly allowed creditor that is only partially in excess of the minimum percentage recovery threshold.

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The remaining estimated Disputed Claims in the bankruptcy estate of Comdisco, Inc. were \$289 million at June 30, 2004. The Company does not expect the Disputed Claims Reserve to change with the next scheduled quarterly distribution on August 16, 2004. Two groups of Disputed Claims (related to the Shared Investment Plan and a Ventures' compensation plan dispute) represent approximately 78 percent of the remaining aggregate estimated amount. The portion of the CDR liability that is based on the resolution of Disputed Claims assumes the entire \$289 million of estimated Disputed Claims are allowed. Utilizing the June 30, 2004 assumptions, if the liability had been calculated as if the entire \$289 million of estimated Disputed Claims are disallowed, the incremental expense for the nine months ended June 30, 2004 would have been approximately \$110 million.

Gross cash distributions related to general unsecured claims totaled \$3.983 billion through August 12, 2004. The distributions funded claims allowed on the initial distribution date and the Disputed Claims Reserve, where cash and Common Stock are being held pending the outcome of the remaining Disputed Claims. A portion of the original Disputed Claims have been allowed subsequent to the initial distribution date.

Pursuant to the Rights Agent Agreement that established the terms of CDRs distributed in accordance with the Plan, the Company agreed to provide information in its annual and quarterly reports regarding the Present Value of Distributions (as defined in the Rights Agent Agreement) made to certain former creditors of Comdisco, Inc. The Present Value of Distributions calculation requires the Company to discount the cash distributions to the initially allowed claimholders from the date the distribution is made to the date of the Company's emergence from Bankruptcy on August 12, 2002. The gross distributions through August 12, 2004 of approximately \$3.632 billion made to initially allowed claimholders equates to a present value of \$3.498 billion. The associated percentage recovery was approximately 96.4 percent as of August 12, 2004.

10. Financial Information by Segment and Geographic Area

The Company has consolidated its business units and has ceased to report independent business segment results beginning with this quarterly report on Form 10-Q.

The following table presents total revenue by geographic location based on the location of the Company's offices (in millions):

	Three months ended June 30,		Nine months ended June 30,	
	2004	2003	2004	2003
North America	\$ 11	\$ 40	\$ 71	\$159
Europe	10	37	30	77
Pacific Rim	-	-	-	3
Total	\$ 21	\$ 77	\$101	\$239

The following table presents total assets and cash by geographic location based on the location of the Company's offices (in millions):

	June 30, 2004		September 30, 2003	
	Total Assets	Cash	Total Assets	Cash
North America	\$ 206	\$177	\$ 286	\$128
Europe	12	10	84	10
Pacific Rim	1	1	3	1
Total	\$ 219	\$188	\$ 373	\$139

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2003, and with the information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2003.

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THE COMPANY EMERGED FROM CHAPTER 11 BANKRUPTCY PROCEEDINGS ON AUGUST 12, 2002. THE PURPOSE OF THE COMPANY IS TO SELL, COLLECT OR OTHERWISE REDUCE TO MONEY IN AN ORDERLY MANNER THE REMAINING ASSETS OF THE CORPORATION. PURSUANT TO THE COMPANY'S PLAN OF REORGANIZATION AND RESTRICTIONS CONTAINED IN THE COMPANY'S CERTIFICATE OF INCORPORATION, THE COMPANY IS SPECIFICALLY PROHIBITED FROM ENGAGING IN ANY BUSINESS ACTIVITIES INCONSISTENT WITH ITS LIMITED BUSINESS PURPOSE. ACCORDINGLY, WITHIN THE NEXT FEW YEARS, IT IS ANTICIPATED THAT THE COMPANY WILL HAVE REDUCED ALL OF ITS ASSETS TO CASH AND MADE DISTRIBUTIONS OF ALL AVAILABLE CASH TO HOLDERS OF ITS COMMON STOCK AND CONTINGENT DISTRIBUTION RIGHTS IN THE MANNER AND PRIORITIES SET FORTH IN THE PLAN. AT THAT POINT, THE COMPANY WILL CEASE OPERATIONS AND NO FURTHER DISTRIBUTIONS WILL BE MADE.

AS A RESULT OF THE REORGANIZATION AND THE IMPLEMENTATION OF FRESH-START REPORTING, AS FURTHER DESCRIBED HEREIN, THE COMPANY'S RESULTS OF OPERATIONS AFTER JULY 31, 2002 ARE NOT COMPARABLE TO RESULTS REPORTED IN PRIOR PERIODS FOR COMDISCO, INC.

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General

Wind-Down of Operations: Reductions in assets, revenues, cash flows and employees since emerging from bankruptcy

Since emerging from bankruptcy proceedings on August 12, 2002, the Company has, pursuant to the Plan, focused on the monetization of its remaining assets. The Company's asset base has decreased by approximately 91 percent to \$219 million at June 30, 2004 from \$2.341 billion at September 30, 2002, and has decreased by 41 percent from \$373 million at September 30, 2003. At June 30, 2004, assets other than cash were approximately \$31 million. Total revenue and net cash provided by operating activities have decreased by 58 percent and 88 percent, respectively, during the nine months ended June 30, 2004 as compared to the prior year period. The Company expects total revenue and net cash provided by operating activities to continue to decrease until the wind-down of its operations is completed; however, the Company cannot accurately predict the net amount to be realized, or the timing of such realization, from the continued monetization of its assets. Therefore, comparisons of quarter-to-quarter or year-to-year results of operations should not be relied upon as an indication of the Company's future performance.

The Company has reduced, and expects to continue to reduce, the size and complexity of its organizational and systems infrastructure concurrently with the monetization of its assets. As of August 1, 2004, the Company had a total of 25 employees, a decrease of approximately 96 percent from approximately 600 employees upon emergence from bankruptcy proceedings on August 12, 2002. On January 6, 2004, the Bankruptcy court approved an order granting authority for the Company to migrate from its legacy mainframe-based information system to a simplified, alternative information system which the Company completed by April 30, 2004.

Wind-down of Operations: Resignation of Board of Directors and Officers and assumption of responsibilities by the Disbursing Agent

On April 15, 2004, the Bankruptcy court entered an order (the "Order") granting the motion (the "Motion") that was filed on February 17, 2004 by the Company in furtherance of the Plan. A copy of the Motion was furnished to the SEC on a Form 8-K pursuant to Item 9 on February 18, 2004. The Company also included a copy of the Motion in its Report to Stakeholders, dated March 2, 2004, that was distributed to holders of: the Company's common stock, contingent distribution rights ("CDRs"), and disputed claims remaining in the bankruptcy and also certain other interested parties.

Pursuant to and in furtherance of the Order, on August 12, 2004, the following will occur:

- o The officers of the Company, including Ronald C. Mishler who has served as Chairman, Chief Executive Officer and President of the Company since August 2002, will resign their respective officer positions.
- o The Board of Directors will appoint Randolph I. Thornton, as Chief Executive Officer, President and Secretary of Comdisco Holding Company, Inc.
- o The Company will file a Certificate of Amendment to the Certificate of Incorporation of Comdisco Holding Company, Inc. (the "Certificate") with the State of Delaware amending the Company's Certificate to provide for a Board of Directors consisting of one member.

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- o Four of the five individuals serving on the Board of Directors (Ronald C. Mishler (chairman), Jeffrey A. Brodsky, Robert M. Chefitz and William A. McIntosh) will resign their position as Directors. Randolph I. Thornton will not resign and will continue as the sole director.
- o Randolph I. Thornton's appointment as Initial Disbursing Agent will become effective. As Initial Disbursing Agent, he will assume the roles and responsibilities performed by the former Board of Directors and officers of the Company, including all measures which are necessary to complete the administration of the reorganized debtors' Plan and Chapter 11 cases.

Subsequently, pursuant to and in furtherance of the Order, the Company will file, on August 12, 2004, a Certificate of Dissolution with the Secretary of State of the State of Delaware to formally extinguish Comdisco Holding Company, Inc.'s corporate existence with the State of Delaware except for the purpose of completing the wind-down contemplated by the Plan.

Wind-down of Operations: Management Incentive Compensation Plans and End of Term designation

Following the Company's emergence from bankruptcy on August 12, 2002, the Company's operations were reorganized into four re portable business units. These business units were: (i) US Leasing, which included leasing operations in the US and Canada and was managed by Comdisco, Inc.; (ii) European IT Leasing, which was managed by Comdisco Global Holding Company, Inc.; (iii) Ventures, which was managed by Comdisco Ventures, Inc.; and (iv) the Corporate Asset Management group ("CAM group"). The Company's CAM group was responsible for the sale and run-off of certain assets held by Comdisco Global Holding Company, Inc., Comdisco, Inc. and their subsidiaries that remained after certain pre-emergence asset sales. The CAM group's operations were managed through Comdisco, Inc. For business segment reporting purposes, the CAM group also included various corporate assets and liabilities managed by Comdisco Holding Company, Inc. corporate staff.

Each of the business units' management teams participated in Bankruptcy court-approved Compensation Plans. While the award opportunities differed for each of these units, the management incentive plan ("MIP"), as a whole, was intended to provide adequate compensation for retention of key employees and an incentive to maximize the value of each business unit's assets for the benefit of all stakeholders. The MIP included two components: Semiannual Performance Bonuses and Upside Sharing opportunities for specified employees. For purposes of the Upside Sharing plans, the Board of Directors determined that the business units had substantially completed their business unit objectives and declared End of Term (as defined in the Compensation Plans) for US Leasing as of May 31, 2004 and for Comdisco Ventures and CAM group as of April 30, 2004 and authorized payments to be made to participants in the respective business unit Upside Sharing Plans. Payments to eligible participants in US Leasing were made in July 2004. Payments to eligible participants for Comdisco Ventures and the CAM group were completed in June 2004. The European IT Leasing unit's compensation plan did not include an Upside Sharing component.

#### Wind-down of Operations: Consolidation of Business Units

As a result of the substantial wind-down of operations, the declaration of End of Term for purposes of each business units' management incentive plan and the consolidation of the management structure, the Company believes that business segment results have become substantially irrelevant and, accordingly, the Company has consolidated its business units and has ceased to report independent business segment results beginning with this quarterly report on Form 10-Q.

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#### Overview

Bankruptcy: On July 16, 2001, Comdisco, Inc. and 50 of its domestic subsidiaries voluntarily filed for bankruptcy. Prior to the bankruptcy, Comdisco, Inc. provided technology services worldwide to help its customers maximize technology functionality, predictability and availability, while freeing them from the complexity of managing their technology. Comdisco, Inc. leased information technology equipment to a variety of industries and more specialized equipment to key vertical industries, including semiconductor manufacturing and electronic assembly, healthcare, telecommunications, pharmaceutical, biotechnology and manufacturing. Through its Ventures group, Comdisco, Inc. provided equipment leasing and other financing and services to venture capital-backed companies.

Emergence from Bankruptcy: Comdisco Holding Company, Inc., as the successor company to Comdisco, Inc., emerged from bankruptcy under a confirmed plan of reorganization that was effective on August 12, 2002. In accordance with the Plan, Comdisco Holding became the successor to Comdisco, Inc.

Since the Company emerged from Chapter 11 bankruptcy proceedings on August 12, 2002, the Company's business activities have been limited to the orderly sale or run-off of all of its existing asset portfolios. Pursuant to the Plan and restrictions contained in its certificate of incorporation, the Company is specifically prohibited from engaging in any business activities inconsistent with its limited business purpose. Since emerging from bankruptcy, the Company has not engaged in any new leasing or financing activities, except for previously existing customer commitments and to restructure existing equipment leases and loans to maximize the value of the Company's assets.

The Company's revenues are generated primarily by its existing lease base, sales of equipment from inventory, off-lease sales, its participation interest in certain Agere lease payments, sale of equity securities and from recoveries on seriously written-off accounts. Because of the Company's declining assets, revenue has declined significantly in the current year period compared to the year earlier period and, because of the Company's limited business purpose, this

trend is expected to continue. The Company's expenses are primarily depreciation of leased equipment, cost of equipment sold, CDRs, and selling, general and administrative expense (including legal costs associated with the administration and/or litigation of Disputed Claims). As a result of the wind-down of operations, the Company expects continued declines in total costs and expenses, subject to volatility in the amount of the expense associated with the liability for CDRs.

All funds generated from the Company's remaining assets are required by the Plan to be used to satisfy liabilities of the Company and, to the extent funds are available, to pay dividends on the Company's Common Stock and to make distributions with respect to the CDRs in the manner and priorities set forth in the Plan. Dividends paid on Common Stock and payments to CDR holders were \$99 million and \$23 million, respectively, in the nine months ended June 30, 2004. Because of the composition and nature of its asset portfolios, the Company expects to generate funds from the sale or run-off of its asset portfolios at a decreasing rate over time.

The Company is required to maintain sufficient cash reserves for the potential CDR liability associated with the eventual allowance or disallowance of the remaining Disputed Claims. The outcome and the timing of the resolution of the remaining Disputed Claims will impact both the timing and the amount of future dividends and CDR payments. See "Critical Accounting Policies" and "Risk Factors Relating to the Company" for a discussion of the impact of Disputed Claims on the distributions.

The Company has material restrictions on its ability, and does not expect, to make significant investments in new or additional assets. The Company continually evaluates opportunities for the orderly sale and run-off of its remaining assets. Accordingly, within the next few years, it is anticipated that the Company will have reduced all of its assets to cash and made distributions of all available cash to holders of its Common Stock and CDRs in the manner and priorities set forth in the Plan. At that point, the Company will cease operations and no further distributions will be made.

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The Company's assets at June 30, 2004 consist primarily of cash, receivables, leased assets and equity securities. The Company believes that its collections on leases in default, recoveries on accounts previously written off, and proceeds from the disposition of equity securities will provide future cash flows in excess of the current carrying value of these assets.

**Collections and recoveries:** The Company has potential collections on accounts that are in default and recoveries on accounts that had been previously written off. A substantial number of such recoveries involve prior lessees or debtors who are now in bankruptcy and in whose respective case the Company has filed and is pursuing a claim to maximize its recovery. It is management's expectation that actual collections and recoveries will exceed the approximately \$1.1 million receivable amount reflected in the Company's financial statements as of June 30, 2004 (see Note 6 of Notes to Consolidated Financial Statements). The amount and timing of such collections and recoveries, if any, are subject to the risk factors discussed in this "Management's Discussion and Analysis of Financial Condition and Results of Operations, Risk Factors Relating to the Company", entitled "Uncertainties in Collections and Recoveries."

**Equity Securities:** The Company carries its common stock and preferred stock investments in public companies at fair market value and in private companies at the lower of cost or estimated fair market value in its financial statements. Any warrants held by the Company in private companies are carried at zero value (collectively "Equity Investments"). Any write-downs in the carrying value of such Equity Investments in

private companies are considered permanent for financial reporting purposes. See Note 7 of Notes to Consolidated Financial Statements and "Critical Accounting Policies". It is management's expectation that the amount ultimately realized on Equity Investments will, in the aggregate, exceed the amount reflected in the financial statements as of June 30, 2004. The Company estimates that the realizable value, net of fees and sharing with Windspeed (see discussion below), at June 30, 2004 for its common stock, preferred stock and warrants in private companies was approximately \$25 million. The Company's estimate was made in consultation with Windspeed Acquisition Fund GP, LLC ("Windspeed"), a professional management group which the Company engaged to manage the Company's Equity Investments on an ongoing basis in February 2004. However, there is no assurance as to the timing or the amount the Company will ultimately realize on the Equity Investments. Management's expectations are subject to the risk factors discussed in this "Management's Discussion and Analysis of Financial Condition and Results of Operations, Risk Factors Relating to the Company", entitled "Current Market Conditions Have Made It Difficult and May Continue to Make It Difficult for the Company to Timely Realize on the Value of Its Warrant and Equity Securities."

#### Critical Accounting Policies

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires Comdisco to use estimates and assumptions that affect reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent assets and liabilities. These estimates are subject to known and unknown risks, uncertainties and other factors that could materially impact the amounts reported and disclosed in the consolidated financial statements.

The SEC issued Financial Reporting Release No. 60, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies" which recommends that companies provide additional disclosure and analysis of those accounting policies considered most critical.

The Company believes the following to be among the most critical judgment areas in the application of its accounting policies:

- o CDRs and CDR Liability: The Plan entitles holders of Comdisco Holding's CDRs to share at increasing percentages in the proceeds realized from the Company's assets based upon the present value of distributions made to the general unsecured creditors in the bankruptcy estate of Comdisco, Inc.

Management has adopted a methodology for estimating the amount due to CDR holders following the provisions of Statement of Financial and Accounting Standards No. 5, Accounting For Contingencies ("SFAS No. 5"). Under SFAS No. 5, a liability must be booked that is probable and reasonably estimable as of the balance sheet date.

The amount due to CDR holders is based on the amount and timing of distributions made to former creditors of the Company's predecessor, Comdisco, Inc., and is impacted by both the value received from the orderly sale or run-off of Comdisco Holding's assets and the resolution of Disputed Claims still pending in the bankruptcy estate of Comdisco, Inc.

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The Company is not able to definitively estimate either the ultimate value to be received for the remaining assets or the final resolution of the remaining Disputed Claims. Accordingly, the Company does not forecast these outcomes in calculating the liability. Instead, the liability calculation uses the Company's book equity value as the basis for remaining asset

value, reduced for estimated operating expenses and increased for two items which did not impact book equity for financial reporting purposes at June 30, 2004: the estimated fair market value of the remaining property held for sale, and the participation interest in certain lease rental payments due from Agere. See Notes 4 and 6 of Notes to Consolidated Financial Statements for further discussion of these items. In addition, the liability for CDRs is calculated as if all remaining Disputed Claims are allowed. The amounts due to CDR holders will be greater to the extent that Disputed Claims are disallowed. The disallowance of a Disputed Claim results in a distribution from the Disputed Claims Reserve to previously allowed creditors that is entirely in excess of the minimum percentage recovery threshold, above which recoveries to general unsecured creditors are shared with CDR holders. In contrast, the allowance of a Disputed Claim results in a distribution to a newly allowed creditor that is only partially in excess of the minimum percentage recovery threshold.

The remaining estimated Disputed Claims in the bankruptcy estate of Comdisco, Inc. were \$289 million at June 30, 2004. The Company does not expect the Disputed Claims Reserve to change with the next scheduled quarterly distribution on August 16, 2004. Two groups of Disputed Claims (related to the Shared Investment Plan and a Ventures' compensation plan dispute) represent approximately 78 percent of the remaining aggregate estimated amount. The portion of the CDR liability that is based on the resolution of Disputed Claims assumes the entire \$289 million of estimated Disputed Claims are allowed. Utilizing the June 30, 2004 assumptions, if the liability had been calculated as if the entire \$289 million of estimated Disputed Claims are disallowed, the incremental expense for the nine months ended June 30, 2004 would have been approximately \$110 million.

- o Equity Investments In Private Companies: Equity investments in private companies consist primarily of small investments in over two hundred private companies that are non-quoted securities. The Company carries its common stock and preferred stock investments in private companies at the lower of cost or estimated fair market value in the financial statements. Warrants in non-public companies are carried at zero value. The Company, in consultation with Windspeed, regularly estimates the value of investments in private companies and adjusts carrying value when market and customer specific events and circumstances indicate that such assets might be impaired. All write-downs are considered permanent impairments for financial reporting purposes. On February 23, 2004, the Company announced that its subsidiary, Comdisco, Inc., entered into agreements (collectively, the "Agreements") with Windspeed for the ongoing management and liquidation of Comdisco Ventures, Inc.'s warrant and equity investment portfolio. The management agreement includes substantially all of the Company's warrant and equity investment portfolio. As a result of the Agreements, the ongoing management of the Company's equity investments in private companies will be provided by Windspeed. The carrying value of the Company's Equity Investments in Private Companies was approximately \$6 million at June 30, 2004.
- o Taxes: The Company uses the asset and liability method to account for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits of which future realization is not more likely than not.

The Company operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions. In management's opinion, adequate provisions

for income taxes have been made for taxes estimated to be payable in all jurisdictions. The accrued tax liabilities resulting from tax expense recorded in previous periods have been evaluated by management in accordance with FASB No. 5, "Accounting for Contingencies." Accordingly, the ultimate amount paid may be more or less than the accrued tax liabilities recorded within the financial statements.

- o Residual Value of Rental Equipment: Direct financing and sales-type leased assets consist of the present value of the future minimum lease payments plus the present value of the residual (collectively referred to as the "Net Investment"). Residual is the estimated fair market value of the equipment on lease at lease termination. Revenue on operating leases consists of the contractual lease payments which is recognized on a straight-line basis over the lease term. Costs and expenses are principally depreciation of the equipment. Depreciation is recognized on a straight-line basis over the lease term to the Company's estimate of the equipment's fair market value at lease termination, commonly referred to as "residual value." In estimating the equipment's fair value at lease termination, the Company relies on historical experience by equipment type and manufacturer and, where available, valuations by independent appraisers, adjusted for known trends. The Company's estimates are reviewed continuously to ensure reasonableness; however, the amounts the Company will ultimately realize could differ from the amounts assumed in determining the fair market value of the equipment at lease termination.

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- o Fresh-Start Reporting: Upon emergence from bankruptcy proceedings, the Company adopted fresh-start reporting which resulted in material adjustments to the historical carrying amounts of the Company's assets and liabilities. Fresh-start reporting was applied in accordance with SOP 90-7, which required the Company to allocate the reorganization value to its assets and liabilities based upon their estimated fair value in accordance with the procedures specified by Statement of Financial and Accounting Standards No. 141, Business Combinations ("SFAS No. 141"). The fair values of the assets as determined for fresh-start reporting were based on estimates of anticipated future cash flows of assets discounted at rates consistent with the discount rates used in the Plan. Liabilities existing at the Plan confirmation date were stated at the present values of amounts to be paid discounted at appropriate rates. Deferred taxes were reported in conformance with existing generally accepted accounting principles. Debt issued in connection with the Plan was recorded at the stated value. The difference between the net fair value of the assets and the liabilities existing at the confirmation date (excluding restructured debt in accordance with the Plan) and the reorganization value is "Excess of the Net Fair Value Over Reorganization Value." "Excess of the Net Fair Value Over Reorganization Value" was subject to the provisions of SFAS No. 141. Under SFAS No. 141, the excess of the net fair value was used to reduce certain assets, as defined by SFAS No. 141 (generally long-lived non-financial assets), to zero. Any excess net fair value remaining after the reduction was recognized as an extraordinary gain. The determination of the net fair values of the assets and liabilities was subject to significant estimation and assumptions. Actual results could differ from the estimates made.
- o Allowance for Doubtful Accounts: The Company maintains an allowance for doubtful accounts. This allowance reflects management's estimate of the amount of the Company's receivables that it will be unable to collect and is based on current trends and historical collection experience. The estimate could require adjustments based on changing circumstances, including changes in the economy or in the particular circumstances of individual customers. Accordingly, the Company may be required to increase or decrease the allowance.

The above listing is not intended to be a comprehensive list of all the Company's accounting policies. Please refer to the Company's consolidated financial statements and notes thereto which contain the Company's significant accounting policies and other disclosures required by accounting principles generally accepted in the United States of America.

#### Basis of Presentation

Comdisco, Inc. and fifty of its domestic subsidiaries filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the Bankruptcy Court on July 16, 2001. Prior to emerging from Chapter 11 on August 12, 2002, Comdisco, Inc. operated its business as a debtor-in-possession subject to the jurisdiction of the Bankruptcy Court. The reorganized Company adopted fresh-start reporting and gave effect to its emergence as of July 31, 2002 for financial reporting purposes.

Under fresh-start reporting, the final consolidated balance sheet as of July 31, 2002 became the basis for the opening consolidated balance sheet of the reorganized Company. Since fresh-start reporting has been reflected in the accompanying consolidated balance sheets as of March 31, 2004 and September 30, 2003, the consolidated balances as of those dates are not comparable in certain material respects to any such balance sheet for any period prior to July 31, 2002. In addition, Comdisco, Inc.'s results of operations prior to July 31, 2002 are not comparable to the Company's results of operations after its emergence from bankruptcy due to the adoption of fresh-start reporting.

#### Recent Developments

See Item 2 "General" for a discussion of the wind-down of operations.

#### Results of Operations

Certain reclassifications have been made to the prior period financial statements to conform to the presentation used in the June 30, 2004 consolidated financial statements.

Three Months Ended June 30, 2004 Compared to the Three Months Ended June 30, 2003

#### Total Revenue

Total revenue decreased 73 percent to \$21 million for the three months ended June 30, 2004 from \$77 million for the three months ended June 30, 2003. The decrease is due to lower revenues from all of the Company's operations. Since September 30, 2002, the Company has monetized a substantial amount of assets (portfolio sales, sales of stock in subsidiaries (see Note 4 of Notes to Consolidated Financial Statements) and mid-term off-lease sales to existing customers). Furthermore, the Company's business purpose is limited to selling, collecting, or otherwise reducing to money in an orderly manner the remaining assets of the Company. Since emerging from bankruptcy, the Company has not engaged in any new leasing or financing activities, except for previously existing customer commitments and to restructure existing equipment leases and loans to maximize the value of the Company's assets. Accordingly, the Company expects continued declines in total revenue as its asset base continues to decline.

#### Total Leasing Revenue

Total leasing revenue is comprised of three revenue components: (i) operating lease revenue; (ii) direct financing lease revenue; and (iii) sales-type lease revenue. Total leasing revenue from operations decreased 96

percent to \$1 million for the three months ended June 30, 2004 from \$27 million for the three months ended June 30, 2003. The decrease is primarily due to the continued orderly run-off of the lease base, the absence of any significant new business volume and the sale of leased assets rather than the extension of existing leases or the re-leasing of the Company's inventory of equipment.

#### Sales Revenue

The Company generates sales revenue from two sources: (a) the sale of equipment from its inventory; and (b) the sale of equipment to the lessee either at original lease termination or during the original lease. Given the Company's limited business purpose, it generally conducts these types of sales transactions rather than extending existing leases or re-leasing its inventory of equipment. Revenue from sales decreased 55 percent to \$17 million for the three months ended June 30, 2004 from \$38 million for the three months ended June 30, 2003. Sales revenue in the three months ended June 30, 2004 is primarily due to a mid-term off-lease sale with Cable & Wireless Plc for all equipment on lease as of March 31, 2004 for 6.925 million GBP, which was approximately its net book value. The amount was converted into \$12.1 million and repatriated to the U.S. The sale was completed April 29, 2004.

#### Technology Services Revenue

Revenues from technology services were nominal and \$2 million for the three months ended June 30, 2004 and 2003, respectively.

#### Agere lease participation payment

During the three months ended June 30, 2004, the Company recorded \$1 million of revenue from its interest in certain lease rental payments from Agere.

#### Other Revenue

Other revenue decreased 25 percent to \$3 million for the three months ended June 30, 2004 from \$4 million for the three months ended June 30, 2003. The components of other revenue were as follows (in millions):

	Three months ended June 30,	
	2004	2003
	----	----
Sale of equity holdings	\$ 1	\$ 1
Interest income on notes	-	1
Investment income	-	-
Other	2	2
	----	----
Total other revenue	\$ 3	\$ 4
	====	====

Interest income on notes was nominal in the current quarter compared to \$1 million for the three months ended June 30, 2003. The decrease is due to the declining number and amount of notes receivable. Other includes interest earned on cash balances, a refund from the State of Illinois from an overpayment of sales taxes and other miscellaneous receipts.

#### Total Costs and Expenses

Total operating costs and expenses decreased 68 percent to \$25 million for the three months ended June 30, 2004 from \$77 million for the three months ended June 30, 2003. The Company expects total costs and expenses to continue to decline in the near term, subject to volatility in the amount of the expense

associated with the liability for CDRs, as compared to fiscal 2003, as a result of continued declines in assets, the consolidation of its management structure into a single business unit and the appointment of a disbursing agent to fulfill the roles of the Board of Directors and executive officers of the Company.

#### Total Leasing Costs and Expenses

Total leasing costs and expenses decreased 96 percent to \$1 million for the three months ended June 30, 2004 from \$23 million for the three months ended June 30, 2003. Total leasing costs and expenses are comprised of two components: (i) operating lease costs and expenses and (ii) sales-type lease costs and expenses. The decreases are primarily due to the continued orderly run-off of the lease base, the absence of significant new business volume and the sale of leasing assets rather than the extension of existing leases or the re-leasing of the Company's inventory of equipment.

#### Sales Costs and Expenses

Sales costs and expenses decreased 50 percent to \$16 million for the three months ended June 30, 2004 from \$32 million for the three months ended June 30, 2003. The decrease in the current year period compared to the prior year period reflects the decline in equipment available for sale.

#### Technology Services Costs and Expenses

Services costs were nominal for the three months ended June 30, 2004 compared to \$1 million for the three months ended June 30, 2003.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased 67 percent to \$6 million for the three months ended June 30, 2004 from \$18 million for the three months ended June 30, 2003. The following table summarizes selling, general and administrative expenses (in millions):

	Three months ended June 30,	
	2004	2003
Compensation and benefits	\$ 3	\$ 9
Outside professional services	3	6
Other expenses	-	3
	----	----
	\$ 6	\$ 18
	====	====

The decrease in compensation and benefits in the current year compared to the year earlier period reflects the continued reduction in personnel. Outside professional fees for the three months ended June 30, 2004 include general corporate professional fees as well as legal fees incurred primarily for claims still pending in the bankruptcy estate. The decrease in outside professional services is consistent with the reduction of assets of the Company, and the reduction of disputed claims.

#### Contingent Distribution Rights

The Company recorded \$3 million of expense associated with the liability for CDRs in the three months ended June 30, 2004 compared to \$22 million for the three months ended June 30, 2003. See "Critical Accounting Policies" and "Liquidity and Capital Resources--Contingent Distribution Rights" for a discussion of the CDR liability.

## Write-down of Equity Securities

The charge for write-down of equity securities for the three months ended June 30, 2004 was \$1 million compared to \$7 million for the three months ended June 30, 2003. The decrease reflects the overall reduction in the carrying value of the Company's privately-held equity securities, market conditions and management's assessment of the ability of the portfolio companies to meet their business plans (see "Critical Accounting Policies" for a discussion of equity investments in private companies).

## Bad Debt Expense

Bad debt expense was \$(2) million for the three months ended June 30, 2004 and \$(27) million for the three months ended June 30, 2003. The negative provisions are primarily due to better than anticipated collection results during the three months ended June 30, 2004 and 2003 on the Company's assets, improving market and economic conditions (including continued low interest rates) and management's estimate of the reserves necessary for the Company's remaining assets as of June 30, 2004. See Note 6 of Notes to Consolidated Financial Statements.

## Interest Expense

Interest expense was nominal during the three months ended June 30, 2004 compared to \$1 million for the three months ended June 30, 2003. The decrease in the current year period compared to the year earlier period is due to lower average daily borrowings during the current year period.

## Income Taxes

During the quarter ended June 30, 2004, the Company made significant progress in the settlement of certain income tax liabilities with certain global tax authorities, including authorities in Canada and Europe. In addition, the Company and the Internal Revenue Service have settled certain income tax matters for years through 2001. Accordingly, an income tax benefit of \$2 million was recorded for the three months ended June 30, 2004.

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## Earnings from Continuing Operations

Loss from continuing operations was \$2 million for the three months ended June 30, 2004, or \$0.41 per share-diluted, compared to earnings from continuing operations of \$1 million for the three months ended June 30, 2003, or \$0.24 per share-diluted.

## Discontinued Operations

Earnings from discontinued operations were \$10 million, or \$2.29 per share-diluted, for the three months ended June 30, 2004 compared to earnings from discontinued operations of \$39 million, or \$9.25 per share-diluted, for the three months ended June 30, 2003. The results of operations for US Leasing operations, the German Leasing Subsidiary and International Leasing have been classified as discontinued operations and prior year periods have been restated.

- o US Leasing operations: On September 9, 2003, the Company completed the sale of its U.S. information technology leasing business to Bay4. On September 30, 2003, the Company completed the sale of its Canadian information technology leasing business to Bay4 Capital Partners, Inc. Revenue was \$21 million during the three months ended June 30, 2004 compared to \$55 million during the three months ended June 30, 2003. Costs and expenses for US Leasing were \$11 million during the three months ended June 30, 2004 compared to \$58 million during the three months ended June

30, 2003. The net earnings for US Leasing were \$10 million for the three months ended June 30, 2004 compared to net earnings of \$7 million for the three months ended June 30, 2003. On May 13, 2004, the remaining residual note balance and the Company's right to share were settled with Bay4 for \$16.5 million. The Company realized a gain of approximately \$6 million as a result of this transaction in the third quarter of fiscal 2004. See Note 4 of Notes to Consolidated Financial Statements for a description of the Company's US Leasing assets as of June 30, 2004.

- o German Leasing Subsidiary: On April 30, 2003, the Company announced that it had completed the sale of the stock of its German Leasing Subsidiary to Munich-based Comprendium Investment (Deutschland) GmbH, which is owned by Comprendium Investment SA, a Swiss corporation. On March 31, 2004, the Company accepted a discounted prepayment by Comprendium of the four remaining payments due from the sale. The Company received 30.5 million euros in lieu of four payments of 9.5 million euros each, scheduled for payment in April 2004, April 2005, May 2006 and December 2006. The four additional payments would have been subject to reduction if certain customers exercised contractual termination provisions. The Company recorded a charge of approximately \$2 million (\$0.47 per share) in the three months ended March 31, 2004 to reflect the difference between the prepaid amount and the carrying value of the four scheduled payments. (see Note 4 of Notes to Consolidated Financial Statements). Revenue was nominal for the three months ended June 30, 2004, compared to \$1 million for the three months ended June 30, 2003. Costs and expenses for these operations were nominal in the three months ended June 30, 2004 and 2003. Net earnings were nominal for the three months ended June 30, 2004 compared to net earnings of \$25 million for the three months ended June 30, 2003.
- o International Leasing: On October 18, 2002, the Company announced that it had sold Comprendium Finance S.A. (formerly known as Comdisco (Switzerland) S.A.), Computer Discount GmbH and the Company's French leasing subsidiaries, Comdisco France SA and Promodata SNC. The Company sold substantially all of its information technology assets in Australia and New Zealand to Allco pursuant to a sale approved by the Bankruptcy court on April 18, 2002. During the three months ended June 30, 2004 revenues and net earnings were nominal compared to net earnings of \$7 million for the three months ended June 30, 2003.

#### Net Earnings

Net earnings were \$8 million, or \$1.88 per share-diluted, for the three months ended June 30, 2004 compared to net earnings of \$40 million, or \$9.49 per share-diluted, for the three months ended June 30, 2003.

Nine Months Ended June 30, 2004 Compared to the Nine Months Ended June 30, 2003

#### Total Revenue

Total revenue decreased 58 percent to \$101 million for the nine months ended June 30, 2004 from \$239 million for the nine months ended June 30, 2003. Since September 30, 2002, the Company has monetized a substantial amount of assets through portfolio sales, sales of stock in subsidiaries (see Note 4 of Notes to Consolidated Financial Statements) and mid-term off-lease sales to existing customers. Furthermore, the Company's business purpose is limited to selling, collecting, or otherwise reducing to money in an orderly manner the remaining assets of the Company. Since emerging from bankruptcy, the Company has not engaged in any new leasing or financing activities, except for previously existing customer commitments and to restructure existing equipment leases and loans to maximize the value of the Company's assets. Accordingly, the Company expects continued declines in total revenue throughout the wind-down of its operations as its asset base continues to decline.

#### Total Leasing Revenue

Total leasing revenue is comprised of three revenue components: (i) operating lease revenue; (ii) direct financing lease revenue; and (iii) sales-type lease revenue. Total leasing revenue from operations decreased 88 percent to \$15 million for the nine months ended June 30, 2004 from \$122 million for the nine months ended June 30, 2003. The decrease is primarily due to the continued orderly run-off of the lease base, the absence of any significant new business volume and the sale of leased assets rather than the extension of existing leases or the re-leasing of the Company's inventory of equipment.

#### Sales Revenue

The Company generates sales revenue from two sources: (a) the sale of equipment from its inventory; and (b) the sale of equipment to the lessee either at original lease termination or during the original lease. Given the Company's limited business purpose, it generally conducts these types of sales transactions rather than extending existing leases or re-leasing its inventory of equipment. Revenue from sales decreased 40 percent to \$42 million for the nine months ended June 30, 2004 from \$70 million for the nine months ended June 30, 2003.

#### Technology Services Revenue

Revenues from technology services were \$1 million and \$12 million for the nine months ended June 30, 2004 and 2003, respectively.

#### Agere lease participation payment

During the nine months ended June 30, 2004, the Company recorded \$9 million of revenue from its interest in certain lease rental payments from Agere and an additional \$16 million from the cash portion of the sale of its remaining participation interest.

The aggregate purchase price for its remaining participation interests was approximately \$18 million. Approximately \$15 million was received in cash and the remaining \$3 million was placed in escrow pending the resolution of post-closing adjustments, if any, to be made over the next year. Approximately \$1.2 million of the remaining \$3 million placed in escrow in January 2004 was received by the Company on May 12, 2004. See Notes 4 and 6 of Notes to Consolidated Financial Statements for information on the Agere lease participation payments.

#### Sale of properties

The Company completed the sale of its Carlstadt property in November 2003 for approximately \$2.2 million of which approximately \$1.5 million was placed in escrow pending resolution of an unrelated New Jersey state tax issue. The Company recorded a \$2.2 million gain during the three months ended December 31, 2003 as a result of the sale. On April 28, 2004, the Company and the State of New Jersey settled the unrelated state tax issue and the \$1.5 million in escrow has been received by the Company.

The Company completed the sale of its former Availability Solutions facility in Eching, Germany in March 2004 for approximately \$2.5 million. The Company recorded a \$2.5 million gain during the three months ended March 31, 2004 as a result of the sale. See Note 4 of Notes to Consolidated Financial Statements for additional information about the property sales.

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#### Other Revenue

The components of other revenue were as follows (in millions):

	Nine months ended June 30,	
	2004	2003
	----	----
Sale of equity holdings	\$ 9	\$ 2
Interest income on notes	-	7
Investment income	-	-
Other	4	4
	----	----
Total other revenue	\$ 13	\$ 13
	====	====

The revenue from the sale of equity holdings for the nine months ended June 30, 2004 is primarily from the sale of the Company's holdings in iPass, Inc. during the three months ended March 31, 2004.

Interest income on notes was nominal in the nine months ended June 30, 2004 compared to \$7 million for the nine months ended June 30, 2003. The decrease is due to the declining number and amount of notes receivable.

#### Total Costs and Expenses

Total operating costs and expenses decreased 74 percent to \$62 million for the nine months ended June 30, 2004 from \$234 million for the nine months ended June 30, 2003. The Company expects total costs and expenses to continue to decline, subject to volatility in the amount of the expense associated with the liability for CDRs, as compared to fiscal 2003, as a result of continued declines in assets, the consolidation of its management structure into a single business unit and the appointment of a disbursing agent to fulfill the roles of the Board of Directors and executive officers of the Company.

#### Total Leasing Costs and Expenses

Total leasing costs and expenses decreased 92 percent to \$8 million for the nine months ended June 30, 2004 from \$102 million for the nine months ended June 30, 2003. Total leasing costs and expenses are comprised of two components: (i) operating lease costs and expenses and (ii) sales-type lease costs and expenses. Operating and sales-type lease costs declined in all business segments in the current year period compared to the prior year period. The decreases are primarily due to the continued orderly run-off of the lease base, the absence of significant new business volume and the sale of leasing assets rather than the extension of existing leases or the re-leasing of the Company's inventory of equipment.

#### Sales Costs and Expenses

Sales costs and expenses decreased 51 percent to \$33 million for the nine months ended June 30, 2004 from \$68 million for the nine months ended June 30, 2003.

#### Technology Services Costs and Expenses

Services costs were \$1 million for the nine months ended June 30, 2004 compared to \$7 million for the nine months ended June 30, 2003.

### Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased 53 percent to \$25 million for the nine months ended June 30, 2004 from \$53 million for the nine months ended June 30, 2003. The following table summarizes selling, general and administrative expenses (in millions):

	Nine months ended June 30,	
	2004	2003
	----	----
Compensation and benefits	\$ 14	\$ 27
Outside professional services	9	24
Other expenses	2	2
	----	----
	\$ 25	\$ 53
	====	====

Compensation and benefits for the nine months ended June 30, 2004 includes estimated amounts payable under the Bankruptcy court approved Upside Sharing Plans. The decrease in compensation and benefits in the current year compared to the year earlier period reflected the continued reduction in personnel, offset by costs associated with the Upside Sharing Plans. Outside professional fees for the nine months ended June 30, 2004 include general corporate professional fees as well as legal fees incurred primarily for claims still pending in the bankruptcy estate. The decrease in outside professional services is consistent with the reduction of assets of the Company, and the reduction of disputed claims.

### Contingent Distribution Rights

The Company recorded \$4 million of expense associated with the liability for CDRs in the nine months ended June 30, 2004 compared to \$38 million for the nine months ended June 30, 2003. See "Critical Accounting Policies" and "Liquidity and Capital Resources--Contingent Distribution Rights" for a discussion of the CDR liability.

### Write-down of Equity Securities

The charge for write-down of equity securities decreased 93 percent to \$1 million for the nine months ended June 30, 2004 from \$15 million for the nine months ended June 30, 2003. The decrease reflects the overall reduction in the carrying value of the Company's privately-held equity securities, market conditions and management's assessment of the ability of the portfolio companies to meet their business plans (see "Critical Accounting Policies" for a discussion of equity investments in private companies).

### Bad Debt Expense

Bad debt expense was \$(10) million for the nine months ended June 30, 2004 and \$(74) million for the nine months ended June 30, 2003. The negative provisions are primarily due to better than anticipated collection results during the nine months ended June 30, 2004 and 2003 on the Company's assets, improving market and economic conditions (including continued low interest rates) and management's estimate of the reserves necessary for the Company's remaining assets as of June 30, 2004 (See Note 6 of Notes to Consolidated Financial Statements).

### Interest Expense

Interest expense was nominal during the nine months ended June 30, 2004

compared to \$25 million for the nine months ended June 30, 2003. The decrease in the current year period compared to the year earlier period is due to lower average daily borrowings during the current year period.

#### Income Taxes

During the nine months ended June 30, 2004, the Company made significant progress in the settlement of certain income tax liabilities with certain global tax authorities, including authorities in Canada and Europe. In addition, the Company and the Internal Revenue Service have settled certain income tax matters for years through 2001. Accordingly, an income tax benefit of \$10 million was recorded for the nine months ended June 30, 2004.

In October 2003, the Company's United Kingdom subsidiary received a tax refund of approximately GBP 15 million relating to the 2002 tax year. The UK Inland Revenue has one year to challenge and propose any adjustments to this refund. The Company expects to recognize any benefit of this refund when Inland Revenue completes its review.

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#### Earnings from Continuing Operations

Earnings from continuing operations were \$49 million for the nine months ended June 30, 2004, or \$11.75 per share-diluted, compared to earnings of \$5 million for the nine months ended June 30, 2003, or \$1.12 per share-diluted.

#### Discontinued Operations

Loss from discontinued operations was \$9 million, or \$2.38 per share-diluted, for the nine months ended June 30, 2004 compared to earnings of \$80 million, or \$19.13 per share-diluted, for the nine months ended June 30, 2003. The results of operations for US Leasing operations, the German Leasing Subsidiary and International Leasing have been classified as discontinued operations and prior year periods have been restated.

- o US Leasing operations: On September 9, 2003, the Company completed the sale of its U.S. information technology leasing business to Bay4. On September 30, 2003, the Company completed the sale of its Canadian information technology leasing business to Bay4 Capital Partners, Inc. Revenue was \$30 million during the nine months ended June 30, 2004 compared to \$170 million during the nine months ended June 30, 2003. Costs and expenses for US Leasing were \$34 million during the nine months ended June 30, 2004 compared to \$143 million during the nine months ended June 30, 2003. The net loss for US Leasing was \$4 million for the nine months ended June 30, 2004 compared to net earnings of \$37 million for the nine months ended June 30, 2003. See Notes 4 and 10 of Notes to Consolidated Financial Statements for a description of the Company's US Leasing assets as of June 30, 2004.
- o German Leasing Subsidiary: On April 30, 2003, the Company announced that it had completed the sale of the stock of its German Leasing Subsidiary to Munich-based Comprendium Investment (Deutschland) GmbH, which is owned by Comprendium Investment SA, a Swiss corporation. On March 31, 2004, the Company accepted a discounted prepayment by Comprendium of the four remaining payments due from the sale. The Company received 30.5 million euros in lieu of four payments of 9.5 million euros each, scheduled for payment in April 2004, April 2005, May 2006 and December 2006. The four additional payments would have been subject to reduction if certain customers exercised contractual termination provisions. The Company recorded a charge of approximately \$2 million (\$0.47 per share) in the three months ended March 31, 2004 to reflect the difference between the prepaid amount and the carrying value of the four scheduled payments. During the three months ended December 31, 2003, the Company recorded a \$6

million charge against the note receivable balance due from the sale (see Note 4 of Notes to Consolidated Financial Statements). Revenue was \$2 million for the nine months ended June 30, 2004 compared to \$104 million for the nine months ended June 30, 2003. Costs and expenses for these operations were \$8 million for the nine months ended June 30, 2004 compared to \$67 million for the nine months ended June 30, 2003. Net loss was \$6 million for the nine months ended June 30, 2004 compared to net earnings of \$34 million for the nine months ended June 30, 2003.

- o International Leasing: On October 18, 2002, the Company announced that it had sold Comprendium Finance S.A. (formerly known as Comdisco (Switzerland) S.A.), Computer Discount GmbH and the Company's French leasing subsidiaries, Comdisco France SA and Promodata SNC. The Company sold substantially all of its information technology assets in Australia and New Zealand to Allco pursuant to a sale approved by the Bankruptcy Court on April 18, 2002. During the nine months ended June 30, 2004 revenues and net earnings were \$1 million. The revenues relate primarily to foreign exchange gains and are noncash. Revenues and net earnings were \$9 million during the nine months ended June 30, 2003.

#### Net Earnings

Net earnings were \$40 million, or \$9.37 per share-diluted, for the nine months ended June 30, 2004 compared to net earnings of \$85 million, or \$20.25 per share-diluted, for the nine months ended June 30, 2003.

#### Off-Balance Sheet Arrangements

The Company does not maintain any off-balance sheet arrangements, transactions, obligations or other relationships with unconsolidated entities that would be expected to have a material current or future effect upon the Company's financial condition or results of operations.

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#### Liquidity and Capital Resources

The Company must rely on cash generated from the orderly sale and run-off of its assets to meet its liquidity needs. All funds generated from the Company's remaining asset portfolios are required by the Plan to be used to satisfy liabilities of the Company and, to the extent funds are available, to pay dividends on the Company's Common Stock and to make distributions with respect to the CDRs in the manner and priorities set forth in the Plan. Because of the composition and nature of its asset portfolios, the Company expects to generate funds from the sale or run-off of its asset portfolios at a decreasing rate over time.

At June 30, 2004, the Company had unrestricted cash and cash equivalents of approximately \$169 million, an increase of approximately \$72 million compared to September 30, 2003. Net cash provided by operating activities for the nine months ended June 30, 2004 was \$154 million. Net cash used in investing activities of \$2 million for the nine months ended June 30, 2004 was primarily related to tax payments.

The Company's operating activities during the nine months ended June 30, 2004, including minimal capital expenditures, were funded by cash flows from operations (primarily lease and sale receipts). During the nine months ended June 30, 2004, the Company received proceeds from a number of non-recurring events including: approximately \$46 million from Bay4 in settlement of the Company's sale of US Leasing, approximately \$38 million from Comprendium as final settlement of the note from the sale of the Company's German subsidiary, \$25 million in payments with respect to the participation interest in certain

Agere lease payments including the proceeds from the sale of its interest (see Note 4 of Notes to Consolidated Financial Statements), \$9 million from the sale of equity securities and approximately \$3 million from the sale of properties. The Company's cash expenditures are primarily operating expenses (principally compensation and professional services), dividends and payments to CDR holders.

The Company's current and future liquidity depends on cash on hand, cash provided by operating activities and asset sales. As of August 5, 2004, the Company's unrestricted cash balances exceeded \$163 million. The decrease in unrestricted cash balances from June 30, 2004 reflects the decreasing cash flow from the run-off of the Company's asset portfolios and operating cash payments, principally Canadian tax payments, in July 2004.

The Company expects its cash on hand and cash flow from operations to be sufficient to fund operations and to meet its obligations (including its obligation to make payments to CDR holders) under the Plan for the foreseeable future. The Company is required to maintain sufficient cash reserves for the potential CDR liability associated with the eventual allowance or disallowance of the remaining Disputed Claims. The outcome and the timing of the resolution of the remaining Disputed Claims will impact both the timing and the amount of future dividends and CDR payments. See "Critical Accounting Policies" and "Risk Factors Related to the Company" for a discussion of the impact of Disputed Claims on the distributions.

The Company's cash flow from operating activities is dependent on a number of variables, including, but not limited to, timely payment by its customers, global economic conditions and controlling operating costs and expenses.

#### Dividends

In December 2003 and May 2004, the Company distributed approximately \$50 million and \$49 million, respectively, in the form of a dividend to stockholders paid on the Company's Common Stock. Comdisco intends to treat the dividend distributions for federal income tax purposes as a series of liquidating distributions in complete liquidation of the Company.

#### Contingent Distribution Rights

For financial reporting purposes, the Company accrues an operating expense for CDRs although the CDRs trade over-the-counter.

In December 2003, the Company distributed a cash payment of \$.0514 per CDR (an aggregate distribution of approximately \$8 million) to CDR holders of record on December 1, 2003.

In March 2004, the Company distributed a cash payment of \$.0187 per CDR (an aggregate distribution of approximately \$2.8 million). The aggregate payment of approximately \$2.8 million was primarily an incremental payment related to the amended present value of the distributions to the initially allowed general unsecured creditors in the bankruptcy estate of Comdisco, Inc. disclosed in a Form 8-K/A filed with the SEC on December 16, 2003.

In May 2004, the Company distributed a cash payment of \$.0781 per CDR (an aggregate payment of approximately \$12 million) to CDR holders of record on April 26, 2004.

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Gross cash distributions related to general unsecured claims totaled \$3.983 billion through August 12, 2004. The distributions funded claims allowed on the initial distribution date and the Disputed Claims Reserve where cash and Common Stock are being held pending the outcome of the remaining Disputed Claims. A portion of the original Disputed Claims have been allowed subsequent to the

initial distribution date.

Pursuant to the Rights Agent Agreement that established the terms of the CDRs distributed in accordance with the Plan, the Company agreed to provide information in its annual and quarterly reports regarding the Present Value of Distributions (as defined in the Rights Agent Agreement) made to certain former creditors of Comdisco, Inc. The Present Value of Distributions calculation requires the Company to discount the cash distributions to the initially allowed claimholders from the date the distribution is made to the date of the Company's emergence from bankruptcy on August 12, 2002. The gross distributions through August 12, 2004 of approximately \$3.632 billion made to initially allowed claimholders equates to a present value of \$3.498 billion. The associated percentage recovery was approximately 96.4 percent as of August 12, 2004.

See Critical Accounting Policies and Note 9 of Notes to Consolidated Financial Statements for a further discussion of CDRs and the methodology for estimating the CDR liability and the potential impact of the resolution of Disputed Claims on liquidity. See Risk Factors--Impact of Disallowance of Disputed Claims on the Company's Obligation To Make Payments in Respect of Contingent Distribution Rights and Impact of Reconsideration and Potential Allowance of Newly Filed Claims or Late Filed Claims or Previously Disallowed Claims.

#### Risk Factors Relating to the Company

The following risk factors and other information included in this Quarterly Report on Form 10-Q should be carefully considered. The risks and uncertainties described below are not the only ones the Company confronts. Additional risks and uncertainties not presently known or currently deemed immaterial also may impair the Company's business operations and the implementation of the Plan. If any of the following risks actually occurs, the Company's business, financial condition, operating results and the implementation of the Plan could be materially adversely affected.

#### Uncertainties Relating to the Bankruptcy Plan

The results of the Company's operations may be affected by (i) the reluctance of customers and third parties to do business with a company recently emerged from bankruptcy proceedings; (ii) the ability of the Company to retain employees; (iii) limitations imposed by the Plan's focus on the orderly run-off or sale of assets; and (iv) third party competitive pressures.

In addition, the Company has incurred and will continue to incur significant costs associated with its reorganization and implementation of the Plan. The amount of these costs, which are being expensed as incurred, are expected to have a significant adverse affect on the results of operations.

#### Inherent Uncertainty of Limited Business Plan

The Company's post-bankruptcy business plan is limited to an orderly run-off or sale of its remaining assets. Pursuant to the Plan and restrictions contained in its certificate of incorporation, the Company is specifically prohibited from engaging in any business activities inconsistent with its limited business plan. This business plan is based on numerous assumptions including the anticipated future performance of the Company in running off its operations, the time frame for the run-off, general business and economic conditions, and other matters, many of which are beyond the control of the Company and some of which may not materialize. As a result, the Company's ability to effectively implement this business plan is inherently uncertain. In addition, unanticipated events and circumstances occurring subsequent to the date of this Quarterly Report may affect the actual financial results of the Company's operations.

## Uncertainties Relating to the Wind-down of Operations

The Company has reduced the size and complexity of its organizational and systems infrastructure concurrently with the monetization of its assets. The success of the Company's continuing wind-down of operations and implementation of the Order entered by the Bankruptcy court on April 15, 2004 is dependent on numerous factors, including the timing and amount of cash received from the monetization of its assets, the resolution of the remaining Disputed Claims, the ability of the Disbursing Agent to fulfill the positions of the current Board of Directors and executive officers and the ability of the Company to effectively consolidate its management structure and maintain its operations with limited personnel.

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## Uncertainties in Collections and Recoveries

The Company believes that its collections on leases in default and recoveries on accounts previously written off will provide future cash flows. The amount and timing of such collections and recoveries are dependent upon many factors including: the ability of the Company to recover and liquidate any of its collateral, any offsets or counterclaims that may be asserted against the Company and the ability of a lessee or debtor or its respective estate to pay the claim or any portion thereof. Some of these factors are beyond the control of the Company.

## The Company's Liquidity is Dependent on a Number of Factors

The Company's liquidity generally depends on cash provided by operating activities. The Company's cash flow from operating activities is dependent on a number of variables, including, but not limited to, timely payment by its customers, global economic and political conditions, control of operating costs and expenses and the ability of the Company to dispose of its assets. The Company's remaining lease funding obligations are immaterial.

## The Payment of Dividends and Distributions

All funds generated from the Company's remaining asset portfolios are required by the Plan to be used to satisfy liabilities of the Company and, to the extent funds are available, to pay dividends on the Company's Common Stock and to make distributions with respect to the Contingent Distribution Rights in the manner and priorities set forth in the Plan. Because of the composition and nature of its asset portfolios, the Company expects to generate funds from the sale or run-off of its asset portfolios at a decreasing rate over time. The Company has material restrictions on its ability, and does not expect or intend, to make any significant investments in new or additional assets. Accordingly, the amount of funds potentially available to pay dividends on the Company's Common Stock and to make distributions with respect to the Contingent Distribution Rights is limited to the funds (in excess of the Company's liabilities) that may be generated from the remaining asset portfolios.

## Impact of Disallowance of Disputed Claims on the Company's Obligation To Make Payments in Respect of Contingent Distribution Rights

Because the present value of distributions to certain former creditors of Comdisco, Inc. reached a threshold level of percentage recovery established pursuant to the Plan, holders of CDRs are entitled to receive specified payments from the Company. All payments by the Company in respect of CDRs are made from the Company's available cash-on-hand and not from funds released from the Disputed Claims Reserve. The Company expects to maintain cash reserves sufficient to make any required payments on the CDRs. The Company's success in

reducing the Disputed Claims Reserve through disallowance of Disputed Claims could have a significant negative impact on the cash available to be distributed to common shareholders.

#### Impact of Reconsideration and/or Allowance of Newly Filed Claims, Late Filed Claims or Previously Disallowed Claims

The reconsideration and/or allowance by the Bankruptcy court of newly filed claims, late filed claims, or previously disallowed claims, in full or in part, may negatively impact future distributions.

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Current Market Conditions Have Made It Difficult and May Continue to Make it Difficult for the Company To Timely Realize on the Value of its Warrant and Equity Securities (collectively, "Equity Securities")

Current market conditions have adversely affected, and may continue to adversely affect, the opportunities for the acquisition/merger of the Internet-related, communications and other high technology and emerging growth companies that make up the substantial majority of the Company's Equity Securities. Additionally, the public market for high technology and other emerging growth companies is extremely volatile. Such volatility has adversely affected, and may continue to adversely affect, the ability of the Company to realize value from its Equity Securities. Exacerbating these conditions is the fact that the Equity Securities held by the Company are subject to lockup agreements restricting its ability to sell until several months after an initial public offering. Without an available liquidity event, the Company is unable to sell its Equity Securities. As a result, the Company, or Windspeed on behalf of the Company, may not be able to generate gains or receive proceeds from the sale of Equity Securities and the Company's business and financial results may suffer. Additionally, liquidation preferences may continue to be offered by companies in the Company's portfolio to parties willing to lend to such companies. The liquidation preferences have had, and may continue to have, an adverse impact on the value of the Company's Equity Securities. For those Equity Securities without a public trading market, the realizable value of the Company's Equity Securities may prove to be lower than the carrying value currently reflected in the financial statements.

The estimated fair market value of the Company's equity securities was determined in consultation with Windspeed based on a variety of factors, including, but not limited to, quoted trading levels for publicly-traded securities, industry and company multiples, industry acceptance in the market place, liquidity discounts due to lock ups, estimated revenue, and customer, product and market share growth by the respective companies in the portfolio. Substantially all of these factors are outside the control of the Company and are subject to significant volatility. There can be no assurance that the Company will be able to realize the estimated fair market value at or even remotely close to the estimated amount. Furthermore, the current estimated fair market value is subject to significant concentration risk, as 94 percent of the estimated fair market value of the entire portfolio is concentrated in less than twenty individual companies and approximately one-third of the estimated amount is in one company.

#### Company Exposed to Asset Concentration Risk

The Company's asset concentrations expose the Company to additional risk in that the inability of the obligor to meet its obligations to the Company could significantly negatively impact the Company's future cash flow.

## Impact of Interest Rates and Foreign Exchanges Rates

Increases in interest rates would negatively impact the value of certain of the Company's assets and a strengthening of the US dollar would negatively impact the value of the Company's net foreign assets.

## Limited Public Market for Common Stock

There is currently a limited public market for the Company's Common Stock. Holders of the Company's Common Stock may, therefore, have difficulty selling their Common Stock, should they decide to do so. In addition, there can be no assurances that such markets will continue or that any shares of Common Stock which may be purchased may be sold without incurring a loss. Any such market price of the Common Stock may not necessarily bear any relationship to the Company's book value, assets, past operating results, financial condition or any other established criteria of value, and may not be indicative of the market price for the Common Stock in the future. Further, the market price of the Common Stock may be volatile depending on a number of factors, including the status of the Company's business performance, its limited business purpose, industry dynamics, news announcements or changes in general economic conditions.

## Limited Public Market for Contingent Distribution Rights

There is currently a limited public market for the Company's Contingent Distribution Rights. Holders of the Company's Contingent Distribution Rights may, therefore, have difficulty selling their Contingent Distribution Rights, should they decide to do so. In addition, there can be no assurances that such markets will continue or that any Contingent Distribution Rights which may be purchased may be sold without incurring a loss. Any such market price of the Contingent Distribution Rights may not necessarily bear any relationship to the Company's book value, assets, past operating results, financial condition or any other established criteria of value, and may not be indicative of the market price for the Contingent Distribution Rights in the future. Further, the market price of the Contingent Distribution Rights may be volatile depending on a number of factors, including the status of the Company's business performance, industry dynamics, news announcements or changes in general economic conditions.

## Remarketing Results Are Uncertain

Quarterly operating results and cash from the sale of assets depend substantially upon remarketing transactions, which are difficult to forecast accurately. The sustained decrease in corporate technology equipment spending may have a negative impact on equipment values and remarketing results. There can be no assurance that the Company will be able to remarket its assets at expected or historical levels.

## The Company is Affected By Product and Market Development

The markets for the Company's principal products are characterized by rapidly changing technology, frequent new product announcements and enhancements, evolving industry standards and customer demands and declining prices. These rapidly changing market conditions could adversely affect the Company's business.

The Company's Investments in Certain Industries May Cause Business and Broader Financial Results to Suffer

The Company has significant exposures to companies engaged in the telecommunications, electronics and other high-technology industries that have been severely negatively impacted by the recent economic downturn. To the extent that these companies are unable to meet their business plans, or are unable to obtain funding at reasonable rates to execute their business plans, there could

be an increase in the Company's credit losses. There can be no assurance that the economic and operating environment for these industries will rebound to levels seen prior to the economic downturn, nor that the environment for these industries will not continue to deteriorate.

#### Other

Other uncertainties include general business conditions, ability to sell assets, reductions in technology budgets and related spending plans and the impact of workforce reductions on the Company's operations.

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#### Item 3. Quantitative and Qualitative Disclosures about Market Risk

There has been no material change during the nine months ended June 30, 2004 from the disclosures about interest rate and market risk provided in the Company's Annual Report on Form 10-K for the year ended September 30, 2003. See Note 7 of Notes to Consolidated Financial Statements for a discussion of the changes in and the realization of gains on the Company's holding of iPass common stock.

The Company's exposure to the risk of future currency exchange rate fluctuations, which is accounted for as an adjustment to stockholders' equity until realized, has been significantly reduced since September 30, 2003 as a result of the acceptance by the Company of a discounted prepayment by Compendium Investments S.A. on March 31, 2004 of the four remaining payments due from the sale of the German Leasing Subsidiary and the subsequent repatriation in April 2004 of the funds received. See Note 4 of Notes to Consolidated Financial Statements. On April 29, 2004, the Company's exposure to the risk of future currency exchange rate fluctuations was further reduced by the completion of a mid-term off-lease sale with Cable & Wireless Plc for all equipment on lease as of March 31, 2004.

#### Item 4. Controls and Procedures

##### Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Principal Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Principal Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

##### Internal Controls Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

{a} Exhibits

Exhibit No.	Description of Exhibit
3.1	Certificate of Incorporation of Registrant dated August 8, 2002 (Incorporated by reference to Exhibit 3.1 filed with the Company's Annual Report of Form 10-K dated September 30, 2002, as filed with the Commission on January 14, 2003, File No. 0-49968).
3.2	By-Laws of Registrant, adopted as of August 9, 2002 (Incorporated by reference to Exhibit 3.2 filed with the Company's Annual Report of Form 10-K dated September 30, 2002, as filed with the Commission on January 14, 2003, File No. 0-49968).
11.1	Statement re computation of per share earnings (filed herewith).
31.1	Certificate of Chief Executive Officer Pursuant to Rule 13a-14 and Rule 15d-14 of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certificate of Principal Financial Officer Pursuant to Rule 13a-14 and Rule 15d-14 of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Chief Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

{b} Reports on Form 8-K

Since the beginning of the third quarter of fiscal 2004, the Company filed the following current reports:

On April 13, 2004, the Company filed a Current Report on Form 8-K dated April 13, 2004. Pursuant to Item 5 of its Report, the Company reported that it

had issued a press release announcing the discounted prepayment by Comprendium Investments S.A. of the remaining payments due from the sale of the company's German leasing subsidiary. The Report added the press release as an exhibit pursuant to Item 7.

On April 16, 2004, the Company filed a Current Report on Form 8-K dated April 16, 2004. Pursuant to Item 5 of its Report, the Company reported that the Bankruptcy court entered an order (the "Order") granting the Motion. Also pursuant to Item 5 of its Report, the Company reported that on April 16, 2004, the company had issued a press release announcing that its Board of Directors had declared a cash dividend of \$11.50 per share on the outstanding shares of its Common Stock, payable on May 6, 2004 to common stockholders of record on April 26, 2004. The Company also announced that it would make a cash payment of \$.0781 per right on its CDRs, payable on May 6, 2004 to CDR holders of record on April 26, 2004. The Report added the press release as an exhibit pursuant to Item 7.

On May 18, 2004, the Company filed a Current Report on Form 8-K, dated May 18, 2004. Pursuant to Item 12 of its Report, the Company reported that it had issued a press release on May 14, 2004 announcing its financial results for its second fiscal quarter ended March 31, 2004. The Report furnished the press release as an exhibit pursuant to Item 12.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMDISCO HOLDING COMPANY, INC.

Dated: August 12, 2004

By: /s/ David S. Reynolds

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Name: David S. Reynolds  
Title: Senior Vice President  
and Controller  
(Principal Financial Officer)