

## IN RE OLD CARCO, *ET AL.*

### CHAPTER 7 LIQUIDATION ANALYSIS

#### A. INTRODUCTION

The following is a Liquidation Analysis for the Debtors. This Liquidation Analysis illustrates the projected outcome of the hypothetical, orderly liquidation of the Debtors under chapter 7 of the Bankruptcy Code. In particular, the Liquidation Analysis illustrates the anticipated differences in the amounts that may be available to the various creditors in a chapter 7 liquidation as compared to a liquidation under the Plan.

If the Debtors' chapter 11 cases were converted to cases under chapter 7 of the Bankruptcy Code, a chapter 7 trustee would be elected or appointed to liquidate the Debtors' remaining assets for distribution to holders of Allowed Claims in accordance with statutory priorities.

The cash amount available for distribution to holders of General Unsecured Claims in a chapter 7 case consists of the proceeds resulting from the disposition of unencumbered assets of the Debtors reduced by the costs of liquidation and the value of Allowed Secured Claims, Allowed Administrative Priority Claims (including the costs of administering the chapter 7 case), Allowed Priority Claims and Allowed Priority Tax Claims. The Debtors have reviewed and analyzed liquidation through conversion to cases under chapter 7, and this Liquidation Analysis reflects the Debtors' view of recoveries in the Debtors' post-conversion chapter 7 cases.

The Liquidation Analysis assumes that, in a chapter 7 liquidation, the trustee will seek to liquidate any remaining assets, object to and resolve Claims and otherwise winddown the Estates within 18 months following conversion.

Because the Plan is a liquidating plan under chapter 11, the principal differences in estimated proceeds available for the distributions and recoveries estimated in the Plan include (1) the funds that are being made available under the Winddown Orders and the Plan to fund winddown costs and the payment of Administrative Priority Claims, Priority Tax Claims and Priority Claims will not be available in chapter 7 except for the funds in the Sales and Use Escrow to the extent necessary to pay the Claims subject to paragraph 21 of the Sale Order and (2) the estimated chapter 7 trustee fees and potentially higher professional fees due to the unfamiliarity that new professionals may have with the Debtors, their bankruptcy cases and their assets. Generally, the chapter 7 trustee and his/her professionals will incur costs in the transition to learn about the case, the available assets and the potential recoveries. Such transition costs would be incremental to the costs of the Plan and, as such, would be expected to further diminish recoveries as compared to the recoveries in the Plan. More fundamentally, however, without access to the Liquidation Funds and other funding and settlements contemplated by the Winddown Orders and the Plan, the assets available to creditors will be substantially diminished.

It is assumed that the collateral of the First Lien Lenders and Government DIP Lenders will be surcharged in chapter 7 to fund the sale of the remaining assets and the winddown of the chapter 7 cases and that none of the collateral of the First Lien Lenders or DIP Lenders is available to satisfy any claims except if the claim creates a Lien on the collateral being sold or disposed of. It is unclear if the chapter 7 trustee will be able to surcharge the collateral to cover all of the costs of the chapter 7 process, providing a further risk to creditor recoveries.

Under the facts and circumstances of these cases, as of the date hereof, the Debtors submit that the foregoing approach and the additional assumptions below are reasonable.

## B. ASSUMPTIONS

The Liquidation Analysis considers many factors and makes certain assumptions. The primary assumptions are described below.

### 1. General Assumptions

The Liquidation Analysis assumes that the Chapter 11 Cases are converted to cases under chapter 7 on February 1, 2010.

It is assumed that prior to the conversion of the cases to chapter 7 the Debtors have continued to winddown their Estates and sell assets.

The Liquidation Analysis assumes that the Government DIP Lenders will retain their Liens on any proceeds of the Daimler Litigation and will not pursue such litigation or fund the chapter 7 trustee to pursue such litigation.

The Liquidation Analysis assumes that, consistent with the Sale Order, the Sales and Use Escrow can be used to satisfy certain Secured Tax Claims and Priority Tax Claims consistent with paragraph 21 of the Sale Order (the "Escrow Tax Claims"). Any excess amounts in the Sales and Use Escrow are subject to the Liens of the Government DIP Lenders and will be paid to them after all relevant Escrow Tax Claims are resolved and satisfied.

### 2. Balance Sheet Assets

The following are assumptions with respect to specific categories of the balance sheet assets:

- a. **Cash and Short-Term Investments:** This category includes the Government DIP Lenders' and the First Lien Lenders' cash collateral, the Government DIP Lenders' cash subject to Sales and Use Escrow and certain unencumbered funds comprised of the Committee Car Proceeds. The Committee Car Proceeds are unencumbered as a result of the settlements in the Winddown Orders under which the Government DIP Lenders released their Liens and Claims on these proceeds.

- b. **The Government DIP Lenders' and the First Lien Lenders' Other Collateral:** Consistent with the Winddown Orders and the collateral schedules attached thereto, the Liquidation Analysis assumes that the Government DIP Lenders and the First Lien Lenders each have valid and enforceable first priority Liens on certain assets. The Liquidation Analysis assumes that the Government DIP Lenders and the First Lien Lenders generally will continue to allow the chapter 7 trustee to liquidate their collateral as in a chapter 11 liquidation (i.e., rather than immediately foreclose on all collateral) notwithstanding that recoveries may be diminished in chapter 7 proceeding as a result of, among other things, the inefficiencies in establishing a new trustee and professionals, the addition of chapter 7 trustee fees and the likelihood of a less robust sales process due to funding limitations and the anticipated desire to complete the process as promptly as possible.

3. Amounts Available for Distribution

- a. **Secured Claims – Government DIP Lenders:** The Liquidation Analysis assumes that the Government DIP Lenders will receive their cash collateral (i.e., the Liquidation Funds, except for cash in the Sales and Use Escrow used to pay Escrow Tax Claims and any carve-out amounts) (the "Available Liquidation Funds") and any proceeds as a result of sales or collections of other DIP Collateral. Amounts available for distribution to holders of DIP Financing Claims also will be reduced by the assumed surcharge of the DIP Collateral to cover the costs of administering and liquidating such collateral, including trustee fees. The liquidation of non-cash assets is projected to produce less net proceeds than would be achieved under the Plan due to, among other things, (a) the chapter 7 trustee fees, additional professional costs and other items surcharged against the collateral and (b) a less robust sales process, as described above. The projected reduction in recoveries on non-cash assets is referred to herein as the "Chapter 7 Discount."
- b. **Secured Claims – First Lien Lenders:** The Liquidation Analysis assumes that the First Lien Lenders will receive their cash collateral (i.e., the cash in the First Lien Reserve and the First Lien Daimler Balance) and any proceeds as a result of sale or collection of First Lien Collateral. Amounts available for distribution to holders of First Lien Secured Claims are projected to be less than would be achieved under the Plan due to the Chapter 7 Discount.
- c. **Secured Claims – Taxes/Other:** The Liquidation Analysis assumes that Other Secured Claims on property still held by the Debtors' Estates, including secured property Taxes, will be paid from the proceeds of the sale of the underlying collateral. In addition, Secured Tax Claims that constitute Escrow Tax Claims will be satisfied to the extent amounts are available in the Sales and Use Escrow. The Liquidation Analysis assumes

that no funds will be available to pay any Other Secured Claims that are not satisfied by either the remaining collateral or the Sales and Use Escrow.

- d. **Administrative Costs of Chapter 7:** The Liquidation Analysis assumes that (i) chapter 7 trustee fees; (ii) professional fees and expenses for the chapter 7 trustee's retained legal counsel, financial advisors and claims agent in assisting the liquidation of the Debtors; and (iii) costs incurred to maintain and secure properties prior to sale would largely be surcharged against the DIP Collateral and the First Lien Collateral. To the extent that general administrative costs are not subject to a surcharge under section 506(c) of the Bankruptcy Code, the Liquidation Analysis assumes that the Committee Car Proceeds (the only available unencumbered funds) would be used to fund such costs.

The Liquidation Analysis also assumes that professional fees would be higher in chapter 7 due to the unfamiliarity that new professionals may have with the Debtors, their bankruptcy cases and their assets. Also, the chapter 7 trustee and his/her professionals will incur costs in the transition to learn about the case, the available assets and the potential recoveries. Such transition costs would be incremental to the costs of the Plan and, as such, would be expected to further diminish recoveries as compared to the recoveries in the Plan.

- e. **Administrative Costs from Pre-Conversion Activities:** The Liquidation Analysis assumes that any administrative costs incurred prior to conversion to chapter 7, such as Administrative Claims relating to professional fees unpaid as of cases conversion or Twenty Day Claims arising from the inventory received by the Debtors in the 20 days immediately preceding the Petition Date, would not be funded except to the extent that either (i) any excess Committee Car Proceeds are available after paying the costs of administering the chapter 7 cases or (ii) any carve-out is available under the DIP Financing Order.
- f. **Priority Tax Claims:** The Liquidation Analysis assumes Priority Tax Claims subject to paragraph 21 of the Sale Order will be satisfied to the extent amounts are available under the Sales and Use Escrow. The Liquidation Analysis assumes that no funds would be available to pay Priority Tax Claims not covered by the Sales and Use Escrow.

#### 4. General Unsecured Claims

General Unsecured Claims may include, among other things, (a) the First Lien Deficiency Claims, the TARP Financing Deficiency Claims and Daimler's deficiency Claims under the Owners' Credit Agreement; (b) rejection damage Claims related to unexpired real estate leases and executory contracts rejected by the Debtors; (c) prepetition personal injury and other tort claims; (d) various employee obligations; (e) trade claims; and (f) numerous other

types of prepetition liabilities. The Liquidation Analysis concludes that no recovery is available to any holder of General Unsecured Claims in a chapter 7 liquidation.

C. Disclaimers and Variances

The process of estimating recoveries in a chapter 7 case is uncertain due to economic, business, litigation and other contingencies. The attached illustration shows the major differences in the potential recoveries in a chapter 7 as compared to a chapter 11 liquidation under the Plan.

**Liquidation Analysis  
Old Carco and Its Debtor Subsidiaries**

<b>I. ASSETS</b>		
Cash and Short Term Investments	<ul style="list-style-type: none"> <li>Available Liquidation Funds (subject to Lien of Government DIP Lenders).</li> <li>First Lien Reserve and First Lien Daimler Fund Balance (subject to Lien of First Lien Lenders).</li> <li>Sales and Use Tax Escrow (subject to the rights of the beneficiaries and the Lien of the Government DIP Lenders).</li> <li>Committee Car Proceeds.</li> </ul>	
Other Assets	<ul style="list-style-type: none"> <li>Other DIP Collateral (fully encumbered).</li> <li>Other First Lien Collateral (fully encumbered).</li> </ul>	
<b>II. DISTRIBUTIONS</b>		
<u>Category</u>	<u>Distribution in Chapter 7</u>	<u>Notes on Recoveries</u>
<b>A. SECURED CLAIMS</b>		
(1) Government DIP Lenders	<ul style="list-style-type: none"> <li>Available Liquidation Funds otherwise used to fund the Plan are returned.</li> <li>Net proceeds of other DIP Collateral, reduced by the Chapter 7 Discount as compared to liquidation under the Plan.</li> </ul>	<ul style="list-style-type: none"> <li>Potentially enhanced recoveries in chapter 7 because Available Liquidation Funds are returned rather than used to fund the Plan.</li> </ul>
(2) First Lien Lenders	<ul style="list-style-type: none"> <li>Net Proceeds of First Lien Collateral, reduced by Chapter 7 Discount as compared to liquidation under the Plan.</li> </ul>	<ul style="list-style-type: none"> <li>Diminished recoveries in chapter 7.</li> </ul>
(3) Other Secured Claims	<ul style="list-style-type: none"> <li>With respect to owned property, Secured Claims will be paid from any sale proceeds.</li> <li>Secured Claims subject to Sales and Use Escrow will be paid from that fund.</li> <li>All other Secured Claims will be unpaid.</li> </ul>	<ul style="list-style-type: none"> <li>Recoveries range from 0% to 100%, as compared to 100% recovery under the Plan.</li> </ul>
<b>B. ADMINISTRATIVE CLAIMS</b>		
(1) Administrative Costs of Chapter 7 Case	<ul style="list-style-type: none"> <li>Costs associated with liquidation of collateral will be paid from surcharge (i.e., funded by Government DIP Lenders and First Lien Lenders, as applicable).</li> <li>Unencumbered Committee Car Proceeds to be used to fund other costs of administration.</li> </ul>	<ul style="list-style-type: none"> <li>100% recovery.</li> </ul>
(2) Pre-Conversion Chapter 11 Administrative Claims	<ul style="list-style-type: none"> <li>Paid to the extent of any excess Committee Car Proceeds and available carve-outs.</li> <li>Administrative Claims in excess of limited funding are unpaid.</li> </ul>	<ul style="list-style-type: none"> <li>Less than 100% recovery, as compared to 100% recovery under the Plan.</li> </ul>
<b>C. PRIORITY CLAIMS</b>		
(1) Priority Tax Claims	<ul style="list-style-type: none"> <li>Claims subject to Sales and Use Escrow will be paid from that fund.</li> <li>Other Priority Tax Claims will be unpaid.</li> </ul>	<ul style="list-style-type: none"> <li>Recoveries range from 0% to 100%, as compared to 100% recovery under the Plan.</li> </ul>
(2) Other Priority Claims	<ul style="list-style-type: none"> <li>No funds available for distributions.</li> </ul>	<ul style="list-style-type: none"> <li>0% recovery, as compared to 100% recovery under the Plan.</li> </ul>
<b>D. GENERAL UNSECURED CLAIMS</b>	<ul style="list-style-type: none"> <li>No funds available for distributions.</li> </ul>	<ul style="list-style-type: none"> <li>0% recovery, as compared to a potential recovery under the Plan.</li> </ul>