LIQUIDATION ANALYSIS

1. General

Pursuant to section 1129(a)(7) of the Bankruptcy Code (often called the "Best Interests Test"), each holder of an impaired Claim or Equity Interest must either (a) accept the Plan or (b) receive or retain under the Plan property of a value, as of the Plan's Effective Date, that is not less than the value such non-accepting holder would receive or retain if the Debtors were to be liquidated under chapter 7 of the Bankruptcy Code on the Effective Date. The Debtors are selling substantially all of their assets in a going concern sale pursuant to their chapter 11 Plan, rather than liquidating in a chapter 7 proceeding. Therefore, the only question under the Best Interests Test is whether the holders of Claims or Equity Interests will recover at least as much in the going concern chapter 11 sale as they would recover in a forced liquidation sale by a chapter 7 trustee.

In determining whether the Best Interests Test has been met, the first step is to determine the dollar amount that would be generated from a hypothetical liquidation of the Debtors' assets in chapter 7 as of the effective date. Under the Bankruptcy Code, chapter 7 administrative expenses are higher priority than chapter 11 expenses. Thus, a chapter 7 proceeding would impose a layer of expenses above the highest priority of currently existing chapter 11 administrative claims. After the return of collateral to secured creditors, or the liquidation of such collateral with the proceeds paid to such secured creditors, the proceeds of the liquidation would be distributed first to priority claims and then general unsecured creditors and shareholders in accordance with the distribution hierarchy established by section 726 of the Bankruptcy Code.

The Debtors' going concern sale under their chapter 11 Plan will provide at least as much of a recovery to holders of Claims or Equity Interests as such holders would receive in a chapter 7. The chapter 11 sale will be of substantially all of the Debtors' assets. The Debtors have engaged an investment banker to conduct a sale process. Through that process the Debtors have invested a substantial amount of time, effort and resources in extensively marketing substantially all of the Debtors' assets for a sale. A sale is expected to close by June 30, 2008. This sale will preserve the goodwill imbedded in the Debtors as a going concern.

In contrast, a chapter 7 liquidation would be a forced sale, after the Debtors' operations have ceased. Goodwill would not be preserved in a chapter 7 liquidation. Moreover, as described herein, it is unlikely that the assets being sold in the Debtors' current chapter 11 sale process would be available to be liquidated by a chapter 7 trustee. As explained in more detail below, because the Debtors have no equity in their assets in a forced liquidation (based upon recent appraisals), in a chapter 7 liquidation, the Debtors' secured creditors would be entitled to lift the automatic stay to foreclose on their collateral. Therefore, in a chapter 7, the only assets likely to be subject to administration by the Trustee for the benefit of holders of Claims and Equity Interests would be the Causes of Action, which will otherwise become Creditors Trust assets under the Plan. However, in a chapter 7 proceeding, the trustee is entitled to a percentage of the distributions made by the trustee. This distribution is in addition to the costs and expenses associated with pursuing the Causes of Action. Further, the chapter 7 trustee's professionals, including legal counsel and financial professionals, are entitled to be paid ahead of the Allowed Claims and Equity Interests against the Debtors, including ahead of Administrative Expense Claims.

Pursuit of the Causes of Action by the Creditors Trust under the Plan will not subject the recoveries to a distribution similar to that to which a trustee in a chapter 7 proceeding is entitled. As such, the Creditors Trust arrangement under the Plan will avoid the increased costs and expenses of a chapter 7 liquidation, including the fees payable to a chapter 7 trustee and his or her professionals. As such, the distributions from the same assets under the Plan are likely greater than would be received in a chapter 7 liquidation. Furthermore, if the Plan is confirmed, Administrative Expense Claims, including 503(b)(9) claims, will be paid. They will not likely have to share in the proceeds of the Causes of Action that are available for the Allowed Claims under the Plan. To the contrary, in a chapter 7 proceeding, these Administrative Expense Claims will need to be paid from the proceeds of the Causes of Action, reducing the distributions to other Allowed Claims. Therefore, creditors will not receive less under the Plan than they would receive in a chapter 7 proceeding.

ASSUMPTIONS

The Best Interests Test analysis (the "Liquidation Analysis") is based upon a number of significant assumptions which are described herein. Although developed and considered reasonable by Debtors' management and Debtors' professionals, assumptions are inherently subject to significant business, economic and competitive uncertainties and contingencies beyond the control of the Debtors and their management. The Liquidation Analysis does not purport to be a valuation of the Debtors' assets and does not necessarily indicate the values that may be realized in an actual liquidation. There can be no assurance that the values shown here could not materially vary from the actual realized liquidation value.

For purposes of this Liquidation Analysis, assumptions are based on the forced liquidation value of the fixed assets as determined by recent appraisals of such assets. As to current assets, the Liquidation Analysis assumes estimated and unaudited book values of the Debtors' assets on April 30, 2008 or another date as specified by footnotes within the analysis. This analysis is subject to any changes due to the Debtors' continued operation. The book values used were obtained from the Debtors' draft financial statements and accounting records. Theses values have not been subject to review or audit by an independent accounting firm.

2. Cash and cash equivalents

Consists of all cash in banks and operating accounts and is assumed to be 100% recoverable.

3. Accounts receivable

Accounts receivable consist of various customer and trade receivables related to the sale of BWASI products and tools. Estimated proceeds realized from accounts receivable under a liquidation scenario are based upon management's assessment of BWASI's ability to collect those receivables taking into consideration the composition of accounts receivable and the impacts that any supply interruption to customers as a result of a chapter 7 would likely have on recovery of those receivables. Accounts receivable balances are separated into three different categories, Participating Customer trade receivables, non-Participating Customer trade receivables, and tooling receivables. In the probable event that a chapter 7 liquidation has an impact on production, it would be expected that customers would attempt to offset their accounts receivable due to damages related to production stoppage. Based these damages and management's assessment and industry benchmarks, the recovery rate for Participating Customer accounts receivable is projected to be 0% to 35% of the total Participating Customer accounts receivable balances. The recovery rate for non-Participating Customer accounts receivable is projected to be 10% to 45% of the total non-Participating Customer accounts receivable balances. The recovery rate for tooling accounts receivable is projected to be 0% to 15% of the total tooling accounts receivable balances. These anticipated recoveries assume that offsets or recoupments will be taken against receivables for damages occurred from the inability of the Debtors to complete performance under these customer contracts. The Participating Customers have limitation of setoff on post-petition accounts receivable balances not to exceed 7% pursuant to the Credit Enhancement Agreement. There is no setoff limitation on prepetition accounts receivable and the recovery percentage has been adjusted for potential offsets of these accounts.

4. Inventories

Inventories consist primarily of raw materials, work-in-process, and finished goods of BWASI products. Inventories do not include tooling inventory. Current inventory is estimated to be approximately $6.5 million. Inventory aged greater than ninety days is estimated to be one-third of total inventory and is estimated to total approximately $2.9 million. Based on management's assessment and industry benchmarks recovery of current inventory is projected to be 62% to 76% of the estimated inventory value. The recovery of inventory aged greater than ninety days is projected to be 5% to 10% of the estimated greater than ninety days inventory balance. Recovery percentages reflect terms pursuant to the Credit Enhancement Agreement that the Participating Customers would be obligated to purchase all raw materials, work in process, and finished goods related to its component parts, which are usable and merchantable.

5. Prepaid Items

Prepaid items consist of prepaid maintenance contracts and prepaid finance charges related to prior financings. These prepaid expenses are estimated to be approximately $1.8 million. No hypothetical recovery is based on management's assessment and industry benchmarks.

6. *Other Assets*

Other assets consist primarily of deposits to various parties. These prepaid expenses are estimated to be approximately $3.9 million. The hypothetical recovery based on management's assessment and industry benchmarks is approximately 0% to 17% of the other assets balances.

7. Other Items

Other items consist of chapter 5 Causes of Action, claims resulting from the Sarnautomotive litigation, and owned tooling. Chapter 5 Causes of Action are estimated to be approximately $2.3 million. The hypothetical recovery based on management's assessment is approximately 10% to 50%. Claims resulting from litigation are estimated to be approximately $1.25 million. The hypothetical recovery based on management's assessment is approximately 20% to 100%. No estimated value is provided for Supplier Owned tools, as the Debtors do not believe the amount is significant, therefore based on management's assessment hypothetical recovery is approximately 0%.

8. Debtor in Possession Credit Facility

Total Debtor-in-Possession Credit Facility as of May 9, 2008 totaled $28.7 million. Based on the book value of the accounts receivable and inventory (i.e. the primary assets on which such first lien exists), in a chapter 7 liquidation, there will be insufficient assets to pay the DIP Facility in full. As a result, it is likely that the Ford Guaranty will be drawn to satisfy the amounts due the DIP Lender. Ford will then be subrogated to the claims of the DIP Lender.

9. Mortgaged buildings and property

The holders of mortgage claims on the Debtors' real estate have claims in the amount of approximately $15.0 million, with respect to CIT Capital USA Inc. Real estate taxes, which are owed by the Debtors and constitute a first lien on these parcels equal approximately $.1 million in the aggregate. Based upon the appraisals referred to above, in the event of a forced chapter 7 liquidation, there would be no equity in the property. Section 362(d)(2) mandates relief from stay for a secured creditor where there is no equity in the property and the property is not necessary to an effective reorganization. Therefore, it is assumed, based on the forced liquidation values in recent appraisals, that secured creditors with liens on the real estate will obtain relief from stay and foreclose on their own collateral, leaving no asset for a trustee to liquidate and no value for unsecured creditors.

10. Other buildings and real property

Other buildings and properties are secured by a first lien claim of $5.9 million, comprised of the principal balance of a note payable. The properties' value is based on appraisal. The hypothetical recovery is less than the first lien claim of the other buildings and properties is based on a real estate appraisal.

11. Secured Equipment Lease Collateral

The first lien claims on the secured equipment leases is $27.6 million, comprised of principal and interest. There is an escrow amount of $2.5 million that is reserved for CIT Group/Equipment Financing and reduces its claim. Certain liens on equipment are secured by CIT Group/Equipment Financing and any proceeds from the sale of Mexico, the non-debtor, would flow to CIT Group/Equipment Finance. Other liens on equipment are secured by various parties such as KPS, GE Capital, and several others. The value of the equipment is based on a machinery and equipment appraisal. However, the aggregate liens of secured creditors with liens on the machinery and equipment, including the lien of the DIP Lender, which is not anticipated to be satisfied in full from the current assets, exceed the appraised value of the relevant machinery and equipment. Therefore, no proceeds are anticipated to be available for distribution by a chapter 7 trustee.

12. Chapter 7 Trustee Fees

Compensation for the chapter 7 trustee will be limited to fee guideline in section 326 of the Bankruptcy Code. Typically, the trustee is entitled to a percentage recovery on the funds distributed by the trustee. This fee is in addition to the trustee's costs and expenses. For purposes of the analysis, management has assumed trustee fees of 3.0% of the proceeds recovered from non-cash assets in the liquidation. These accrued chapter 7 administrative expenses would further decrease potential recoveries to holders of Allowed Claims and Equity Interests.

13. Administrative Expenses

Chapter 7 administrative expenses include the cost of liquidators, attorneys, accountants, brokers, and other professionals retained by the trustee during the liquidation period. The estimated professional fees are based on the historical professional fee run rate discounted to reflect the estimated impact of the chapter 7 process.

14. 503(b) (9) Claims

Based on management's assessment and analysis, 503(b) (9) claims are estimated to be $3.1 million. Based upon the Liquidation Analysis and its related assumptions, no proceeds would be available for distribution to holders of 503(b) (9) claims in a chapter 7 liquidation.

15. Unsecured Claims

Unsecured claims consist of all general, unsecured pre-petition claims, including pre-petition contract rejection damages Claims, pre-petition trade payables, and estimates for incremental rejection claims that would result from the liquidation of the Debtors businesses. Based on the Liquidation Analysis and its related assumptions, no proceeds would be available for distribution to holders of general unsecured claims in a chapter 7, except to the extent proceeds of Causes of Action reach such holders under the bankruptcy priority scheme.

Blue Water Automotive Systems Inc. - Liquidation Analysis Summary
Debtors (Excludes Mexico)
(In USD)

Assets	Balance Sheet as of 4/30/08	Estimated Recovery Rate Low	Estimated Recovery Rate High	Estimated Liquidation Value Low	Estimated Liquidation Value High	Midpoint Estimated Liquidation Value	Note Reference
Working Capital and other assets							
Cash and Cash Equivalents	$ 1,876,913	100%	100%	$ 1,876,913	$ 1,876,913	$ 1,876,913	2
Accounts Receivable							3
Accounts receivable - trade	22,715,018						
Participating customers	9,066,573	0%	35%	-	3,173,300	1,586,650	
Non-participating customers	13,648,445	10%	45%	1,364,845	6,141,800	3,753,322	
Accounts receivable - tooling	15,178,243	0%	15%	-	2,276,736	1,138,368	
Accounts Receivable (net AR available to creditors)	37,893,261			1,364,845	11,591,837	6,478,341	
Inventory	6,476,052	62%	76%	4,036,199	4,907,228	4,471,714	4
Inventory - Aged	2,911,202	5%	10%	145,560	291,120	218,340	4
Prepaid Items	1,801,760	0%	0%	-	-	-	5
Other Assets							6
Other current and long term assets	3,919,743	0%	17%	-	665,050	332,525	
Other assets	-	0%	0%	-	-	-	
Total Other Assets	3,919,743			-	665,050	332,525	
Total Working Capital Assets	54,878,931			7,423,517	19,332,149	13,377,833	
Equipment Surplus				5,876,787	5,876,787	5,876,787	11
Available to Satisfy the Debtor-in-Posession Credit Facility Balance				13,300,304	25,208,935	19,254,620	
Less, Debtor-in-Possession Credit Facility Balance				(28,690,568)	(28,690,568)	(28,690,568)	8
Working Capital Assets Available for Liquidation by the Chapter 7 Trustee				-	-	-	8
Equipment and Real Estate Assets Available for Liquidation by the Chapter 7 Trustee				-	-	-	9, 10, & 11
Other Items							
Chapter 5 Causes of Action	2,337,987	10%	50%	233,799	1,168,994	701,396	
Claims Against Sarnautomotive	1,250,000	20%	100%	250,000	1,250,000	750,000	
Owned tooling	-	0%	0%	-	-	-	
Estimated Proceeds Available for Liquidation by the Chapter 7 Trustee				483,799	2,418,994	1,451,396	
Less costs associated with liquidation							
Chapter 7 Trustee fees				(14,514)	(72,570)	(43,542)	12
Administrative expenses				(4,277,000)	(3,207,750)	(3,742,375)	13
Total costs associated with liquidation				(4,291,514)	(3,280,320)	(3,785,917)	
Net Estimated Proceeds Available for Liquidation by the Chapter 7 Trustee				**$ -**	**$ -**	**$ -**	
			% of BV:	**0%**	**0%**	**0%**	