



Reid B. Roberts  
President

January 8, 2007

Mr. Jay Dominelli  
Chief Executive Officer  
Millstone Automotive Holdings, Inc.  
304 W Evergreen  
Flint, MI 48501

Re: Millstone Automotive Holdings, Inc. - Interiors Division

Dear Mr. Dominelli:

This letter of intent ("Letter") describes the terms, conditions and timetable under which a newly formed company ("NewCo") owned by Falcon-Catcher, Inc. ("Falcon-Catcher" and together with NewCo, the "Purchasers") is prepared to purchase all of the assets and assume the current liabilities of the Interiors Group ("Interiors Group") of Millstone Automotive Holdings, Inc. ("Millstone" or the "Company"), (the "Transaction").

Under the timetable contemplated by this Letter, the Company and the Purchasers will use their best efforts to negotiate mutually-acceptable definitive agreements incorporating the terms and conditions of this Letter (the "Definitive Agreements") by no later than February 9, 2007, and the parties will seek to close the Transaction shortly thereafter.

On the basis of the information presented in the Confidential Information Memorandum, the online data room, the facility visits and other information we have received (collectively, the "Information"), NewCo will acquire the assets of the Interiors Group under the following terms and conditions:

1. **Acquisition of Assets.** Upon the closing of the transaction (the "Closing"), NewCo will acquire all of the tangible and intangible assets of Interiors Group, other than the cash on hand, free and clear of all liens, claims and encumbrances, including without limitation all of the Interior Group's accounts receivable, inventory, equipment, prepaid expenses, prepaid taxes, deposits, refund or reimbursement claims, legal claims, fixed assets, real property rights, intellectual property, ownership interest in other entities, joint venture interests, tax refunds, and goodwill related to the business.

2. **Assumption of Liabilities.** NewCo will assume only the following liabilities of the Company (each as related to the Interiors Group only): (i) all of the trade payables to the vendors and suppliers incurred in the ordinary course of business in an amount and with respect to specific vendors to be determined by the Purchasers, (ii) accrued payroll and benefits (including vacation, withholdings and payroll taxes), workers' compensation and medical liabilities for active Millstone employees employed by NewCo, and (iii) contracts to be identified by the Purchasers (with any arrearages to be paid by NewCo) (collectively, the "Assumed Liabilities"). Any and all liabilities of the Company not explicitly assumed under this paragraph 2, and all fees and expenses of the Company's professional advisors, will remain liabilities of the Company.

3. **Purchase Price.** At the Closing, NewCo will provide the Company with \$65 million in cash adjusted for a normalized amount of working capital (which shall be equal to the size adjusted, average working capital as of the year end of FY2003, FY2004 and FY2005 and adjusted for the elimination of the OEM's accelerated payment programs).

4. **Capital Investment; Financing.** Purchaser expects to capitalize NewCo with a total cash equity investment of \$20 million to \$25 million and a new, asset-based senior lending facility. Falcon-Catcher will receive 100% of the equity of NewCo, subject only to the management equity program described below. Falcon-Catcher's bid will not be contingent on securing third party financing and any bridge capital necessary to fund Closing will be provided from Falcon-Catcher's existing and available cash accounts.

5. **Management.** NewCo will implement a customary management incentive program for the managers of the business that will include a cash bonus program and a performance-based option pool of approximately 5% of the common equity of the business. Millstone understands that the Purchasers intend to talk to the senior management of the Interiors Group, regarding an employment arrangement with NewCo.

6. **Employees.** NewCo expects to offer employment to all or substantially all employees of the Interiors Group in connection with the Transaction. In any event, we do not anticipate that the Transaction will trigger any obligations under the WARN Act, and NewCo will take affirmative steps to ensure that neither NewCo nor the Company incurs any WARN liabilities in connection with the Transaction. Upon acceptance of this Letter, Purchasers intend to commence discussions with the leadership of the American Autoworkers regarding the terms of a new collective bargaining agreement. Further, upon closing, an amount of the proceeds equal to the then remaining severance payments owed to furloughed employees who were terminated on September 22, 2006 pursuant to the transition of business to Mexico, will be escrowed and utilized to pay all such future severance obligations.

7. **Transition Services Agreement.** In connection with the Definitive Agreements, NewCo and the Company will enter into a transition services agreement that will provide NewCo with the option of transitioning select corporate functions after Closing. The transition services agreement will last up to 180 days at the option of the Purchaser and will provide the payment of all of the Company's actual costs of such services based on an assumed hourly cost for the Company's employees of \$110 per hour.

8. **Access; Public Statements.** Upon the execution and delivery of this Letter, the Company will provide Purchaser and its authorized representatives (including its accountants, advisors, potential lenders, consultants and legal counsel) access to all of the books, records, officers, employees, advisors, counsel, facilities and properties of the Company at reasonable times and upon reasonable notice. All information received by Purchaser and its representatives will be held in confidence in accordance with our existing confidentiality agreement. No press release will be issued and no public statement will be made by Purchaser, the Company or any of their respective representatives or affiliates regarding this Letter or a possible Transaction, except as may be required by law. If either party hereto is required by law to make such a press release or statement, such party will provide the other with an opportunity to review and comment on any press release or statement, including any securities filing concerning the Transaction.

9. **Interim Operations; Exclusivity.** During the period between the date hereof and the termination of this Letter, (a) subject to its fiduciary and contractual duties and normal business practice and judgment, the Company will operate the business in the ordinary course of business and consistent with the Information, and (b) the Company will not, and will cause its affiliates, officers, directors, stockholders, employees, partners, representatives and agents not to, enter into any agreement, discuss or negotiate with or provide information to, any other corporation, firm or person, or solicit, encourage, entertain or consider any inquiries or proposals, relating to any possible merger, consolidation or business combination or any possible purchase, sale, transfer, encumbrance or disposition of all or substantially all of the Company, its securities, claims, assets or operations to the extent related to the business (other than inventory disposed of in the ordinary course of business).

10. **Business Conditions to Executing the Definitive Agreements.** Purchaser will execute the Definitive Agreements upon the satisfaction or waiver of the completion of business, accounting, legal and environmental confirmatory due diligence. The Definitive Agreements will include terms such that in the event

that the Interiors Group becomes a party to a Chapter 11 proceeding, the Definitive Agreements will be terminable at the sole discretion of the Purchaser.

11. **Break-Up Expenses; Topping Fee.** The Definitive Agreements will provide that in the event the Transaction is not consummated (as a result of either (x), (y) or (z) below and other than as a result of a material breach by NewCo) following the execution of the Definitive Agreements, the Company will (i) reimburse NewCo for up to \$600,000 of its reasonable, out-of-pocket expenses, including professional fees and work fees of its advisors and potential lending institutions, incurred in connection with the Transaction and (ii) pay NewCo a topping fee of \$1,000,000 if (x) the Company accepts an alternative bid or enters into an agreement (including, without limitation, a non-binding letter of intent or term sheet) in respect of an Alternative Proposal (as defined below); (y) the Interiors Group becomes a party to a voluntary Chapter 11 proceeding; or (z) the Company materially breaches the Definitive Agreements (with any dispute concerning a material breach to be determined by a court of competent jurisdiction). An "Alternative Proposal" means any offer or other proposal, including by the Company's shareholders or creditors, regarding (i) a merger, consolidation, stock sale, share exchange, plan of reorganization, plan of liquidation, recapitalization, business combination or other similar transaction involving the Target Business or (ii) any sale, transfer or other disposition of a material portion of the business, in a single transaction or series of related transactions.

12. **Transaction Expenses.** Except as provided in paragraph 11, each party will pay all of its own costs and expenses (including attorneys', accountants' and investment bankers' fees, broker's fees and other out-of-pocket expenses) in connection with the Transaction.

13. **Definitive Documentation.** The Definitive Agreements will be consistent with this Letter and will contain such representations, warranties, covenants, legal closing conditions and indemnities as are customary in transactions of this type.

14. **Termination.** Unless extended by the parties in writing, this Letter will terminate on the earliest to occur of (a) the date Definitive Agreements are executed by all parties, (b) 5:00 p.m. (Eastern Time) on February 19, 2007 if Definitive Agreements are not entered into on or prior to that date or (c) the date that NewCo provides written notice of its intent not to proceed with the Transaction.

15. **Counterparts; Facsimiles.** This Letter may be signed in any number of counterparts, each of which will constitute an original and all of which will together constitute one and the same instrument. This Letter, to the extent signed and delivered by means of a facsimile machine or scanned pages, shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person.

16. **Governing Law; Amendments.** This Letter will be governed by the laws of the State of Michigan applicable to contracts to be performed wholly within the state and without regard to its conflict of law principles. No provision of this Letter may be amended, modified or waived except in a writing signed by each party.

17. **Waiver of Jury Trial.** Each party agrees that any right to trial by jury with respect to any claim, action or proceeding arising out of or in connection with this Letter or the transactions contemplated hereby is waived.

18. **Binding and Non-Binding Provisions.** Paragraph 9 of this Letter constitutes the only legal, valid and binding obligation of the parties. All other terms of this Letter constitute statements of intention adopted to facilitate the negotiation and execution of the Definitive Agreements.

# EXHIBIT F

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If this Letter correctly sets forth your understanding, please so acknowledge by signing below and returning a signed copy of this Letter to us.

Very truly yours,



**FALCON-CATCHER, INC.**  
Reid B. Roberts, President

Accepted and Agreed to this \_\_ day of January, 2007.

**MILLSTONE AUTOMOTIVE HOLDINGS, INC.**

**BY:**

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Jay Dominelli  
Chief Executive Officer