

**Third Annual Houlihan Lokey
Corporate Restructuring Competition
Answers to Student Questions**

- 1. In calculating the collateral value for both the first and second lien holders, is the collateral value based on the liquidation value (i.e., value in liquidation) of the collateralized assets or the current value (i.e., appraisal value plus book value of current assets) of the collateralized assets?*

Answer: It generally depends on the contemplated utilization of the assets. In a liquidation scenario, the collateral value is equal to the net proceeds from the liquidation. In a going concern plan for the assets, the collateral value is equal to the “going concern value” created by and attributable to the collateralized assets.

- 2. Can you please provide a description of the debt holders and acquisition costs (i.e., amount the lien holders bought into their respective positions) of the 1st and 2nd lien holders? i.e., are the “significant holders” hedge funds, distressed debt funds, banks or insurance companies?*

Answer: A complete listing of the debt holders is not available, but the two largest holders for both the 1st and 2nd lien debt are listed on Exhibit B. The acquisition costs for holders in general are unknown (some may be original par holders and some have purchased the debt on the secondary market – the composition is likely to keep changing too). The holdings of each institution on Exhibit B as of January 12, 2007 are below (face amounts provided):

1st Lien

Viking Quest Capital – \$75 million

Bank of Glenview – \$55 million

2nd Lien

Vulcan Management Group – \$60 million

Banker’s Insurance & Annuity – \$40 million

3. *Is there a specific format that will be used for the case competition presentations?*

Answer: For your written "Deliverables Presentation" (what is handed in by 8:30am CT on Saturday morning), you need to include all the required information and analysis from Schedule A of the Introduction Letter.

For your two (or three) presentations (Saturday morning, Saturday afternoon and maybe Sunday morning), format your analysis in a professional and concise manner that will lead to a productive meeting – guidelines for each meeting's agenda are provided in CCA's Engagement section of the Case on page 4.

4. *As we prepare for the case, it would be very helpful to know if we will present the entire 60 minutes, present a portion of the 60 minutes with time for questions at the end, or present while entertaining questions.*

Answer: It will vary depending on our particular Judges, but expect at least 15 minutes of questions (but don't be surprised if your entire presentation turns into a Q&A session). In other words, be flexible, but prepared. Also, don't feel compelled to consume the entire hour with a scheduled presentation. Concision may be appropriate depending on your presentation and the panel of Judges presiding.

5. *Can we get a detailed break-out of projected capital expenditures?*

Answer: No.

6. *Restructuring charges total \$50mm (p.23) however there is only \$43mm shown in the Corporate Overhead spreadsheet. Should we assume the remaining \$7mm will occur in 2008?*

Answer: Projected "restructuring charges" total approximately \$50 million. The income statement includes \$40 million in corporate overhead in 2007 and \$12.5 million is included as financial advisor success fees in the Pro-Forma Balance Sheet.

7. *NOLs may represent a large portion of the valuation. Should they be included or excluded?*

Answer: Excluded. This issue is outside the scope of the Case.

8. *What is the beta for Millstone and the comps?*

Answer: That information is not available.

9. *Are teams allowed to recommend a different strategy to each stakeholder, depending on what their bias is? For example, telling the board that we do not recommend the Company file for bankruptcy and subsequently telling the 1st and 2nd lien holders that bankruptcy is the Company's best option?*

Answer: Treat this as a real-world situation. Comport yourself accordingly consistent with your role.

10. *Do management's projections incorporate likely (vs. aggressive) assumptions and to what extent should we question those not specifically talked to in the case, including operational improvements, revenue enhancements, and cost reductions? For example, material costs as a percentage of sales decrease through the projection period. If we feel this assumption is too aggressive are we expected to make adjustments?*

Answer: Following GM's production cut announcement, management's projections were updated on the morning of January 12, 2007 by Betty Graham and were reviewed and approved by Jay Dominelli and Amy Carnegie. This is the only projection they prepared. If you feel adjustments to the projections are appropriate, you can utilize the "adjustment" tabs in the model. If you make changes you should be prepared to explain your changes and justify your rationale.

11. *The Exteriors Group and the Lighting Group both have inter-company payables due to MAHI. What is the nature of these payables (i.e., what caused them to arise)?*

Answer: MAHI provided administrative, financial and legal support to the operating subsidiaries and accrued the charges therefore on an annual basis.

12. *What expenses comprise the "overhead" line-item within the cost of goods sold?*

Answer: Overhead consists of the indirect expenses associated with manufacturing and servicing a product and includes such items as indirect labor, indirect material, energy use, maintenance, depreciation, property taxes and insurance related to assets.

13. *In the Exhibit F, Term 6 (Employees), there is reference to remaining severance payments owed to furloughed employees who were terminated from the Interiors Group. Are these payments material to the case and/or are they referenced elsewhere in the documentation.*

Answer: Part of CCA's job is determining what is material and what is not and assessing the information given.

14. *Are there any restrictions (e.g. number of pages, format, etc.) on the materials to be provided in the presentations to Management, the BOD and Creditors?*

Answer: There are no restrictions for the presentations to Management, BOD and First / Second Lien Creditors, however, there is a 20 page limit on the written Deliverables Presentation (see Question #3).

15. *Can we get a detailed break-out of the Company's capacity utilization by plant?*

Answer: No greater detail than what is already included in the materials is available.

16. *What should we assume as the current LIBOR rate(s)?*

Answer: The historical, current and projected 30-day LIBOR rates applicable to your analyses are in the financial model. They are referenced in row 140 on the "Capital Worksheet" tab.

17. *Can we please get electronic versions of all financial exhibits in the case?*

Answer: All available electronic exhibits are posted on the ABI's website: <http://www.abiworld.org/crc/documents07.html>. The financial model includes Exhibits G, H, I, J and K in Excel and Exhibits A, B, C, D, E, F, L, M and N are available in PDF format only.