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**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**AMENDMENT NO. 1**

TO  
**FORM 10**

**GENERAL FORM FOR REGISTRATION OF SECURITIES**

**PURSUANT TO SECTION 12(b) OR 12(g) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

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**VISTEON CORPORATION**

(Exact Name of Registrant as Specified in Its Charter)

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**DELAWARE**

(State or Other Jurisdiction of  
Incorporation or Organization)

**Fairlane Plaza North  
10th Floor**

**290 Town Center Drive  
Dearborn, Michigan**

(Address of Principal Executive Offices)

**38-3519512**

(I.R.S. Employer  
Identification No.)

**48126**

(Zip Code)

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**(800) VISTEON**

(Registrant's telephone number, including area code)

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Securities to be registered

pursuant to Section 12(b) of the Act:

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**Title of each class  
to be so registered**

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**Name of each exchange on which  
each class is to be registered**

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**Common Stock, par value \$1.00 per share**

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**The New York Stock Exchange**

Securities to be registered

pursuant to Section 12(g) of the Act:

**None**

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**INFORMATION REQUIRED IN REGISTRATION STATEMENT**

**CROSS-REFERENCE SHEET BETWEEN INFORMATION STATEMENT AND ITEMS OF FORM 10**

**Item 1. Business**

The information required by this item is contained under the sections "Summary," "Risk Factors," "Business" and "Relationship with

Ford” of the Information Statement attached hereto. Those sections are incorporated herein by reference.

## **Item 2. Financial Information**

The information required by this item is contained under the sections “Summary,” “Capitalization,” “Unaudited Pro Forma Condensed Consolidated Financial Statements,” “Selected Consolidated Financial Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of the Information Statement. Those sections are incorporated herein by reference.

## **Item 3. Properties**

The information required by this item is contained under the section “Business — Properties” of the Information Statement. That section is incorporated herein by reference.

## **Item 4. Security Ownership of Certain Beneficial Owners and Management**

The information required by this item is contained under the sections “Management — Stock Ownership of Directors and Executive Officers” and “Security Ownership of Ford and Visteon” of the Information Statement. Those sections are incorporated herein by reference.

## **Item 5. Directors and Executive Officers**

The information required by this item is contained under the section “Management” of the Information Statement. That section is incorporated herein by reference.

## **Item 6. Executive Compensation**

The information required by this item is contained under the section “Management” of the Information Statement. That section is incorporated herein by reference.

## **Item 7. Certain Relationships and Related Transactions**

The information required by this item is contained under the sections “Management” and “Relationship with Ford” of the Information Statement. Those sections are incorporated herein by reference.

## **Item 8. Legal Proceedings**

The information required by this item is contained under the sections “Business — Environmental Matters” and “Business — Legal Proceedings” of the Information Statement. Those sections are incorporated herein by reference.

## **Item 9. Market Price of and Dividends on the Registrant’s Common Equity and Related Stockholder Matters**

The information required by this item is contained under the sections “Risk Factors,” “Description of Capital Stock,” “Management,” “The Spin-Off” and “Dividend Policy” of the Information Statement. Those sections are incorporated herein by reference.

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## **Item 10. Recent Sales of Unregistered Securities**

Not applicable.

## **Item 11. Description of Registrant’s Securities to be Registered**

The information required by this Item is contained under the section “Description of Capital Stock” of the Information Statement. That section is incorporated herein by reference.

## **Item 12. Indemnification of Directors and Officers**

The information required by this Item is contained under the section "Indemnification of Directors and Officers" of the Information Statement. That section is incorporated herein by reference.

### Item 13. Financial Statements and Supplementary Data

The information required by this Item is contained under the sections "Capitalization," "Unaudited Pro Forma Condensed Consolidated Financial Statements," "Selected Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Consolidated Financial Statements" of the Information Statement. Those sections are incorporated herein by reference.

### Item 14. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

### Item 15. Financial Statements and Exhibits

(a) Financial Statements

The information required by this Item is contained under the section "Consolidated Financial Statements" beginning on page F-1 of the Information Statement. That section is incorporated herein by reference.

(b) Exhibits

The following documents are filed as exhibits hereto:

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation.*
3.2	Amended and Restated By-laws.*
4.1	Form of Visteon Common Stock certificate.
10.1	[Reserved].
10.2	Master Transfer Agreement.*
10.3	Purchase and Supply Agreement.*
10.3.1	Letter Relating to Price Reductions.*
10.4	Master Separation Agreement.*
10.5	Aftermarket Relationship Agreement.
10.6	Hourly Employee Assignment Agreement.
10.7	Employee Transition Agreement.
10.8	Tax Sharing Agreement.*

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Exhibit Number	Description
10.9	Long-Term Incentive Plan.*
10.10	Form of Change in Control Agreement.*
21.1	Subsidiaries of Visteon.
27.1	Financial Data Schedule (1997).
27.2	Financial Data Schedule (1998).
27.3	Financial Data Schedule (1999).
27.4	Financial Data Schedule (First Quarter 1999).
27.5	Financial Data Schedule (First Quarter 2000).

\* To be filed by amendment.

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## SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

VISTEON CORPORATION

By: /s/ PETER J. PESTILLO

\_\_\_\_\_  
Peter J. Pestillo, Chairman of the Board,  
Chief Executive Officer and President

Dated: May 19, 2000

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## FORD MOTOR COMPANY

\_\_\_\_\_, 2000

Dear Fellow Ford Stockholder:

In January of this year, we announced as one of our milestones the goal for Visteon to achieve independence. Towards achieving this goal, we established Visteon Corporation as a wholly-owned subsidiary and transferred to it the assets and liabilities comprising our automotive components and systems business. To complete the goal of independence, on \_\_\_\_\_, 2000, a special committee of our Board of Directors, pursuant to full Board authorization, approved a pro rata distribution (or spin-off) to Ford common and Class B stockholders of all shares of Visteon common stock owned by Ford.

In the spin-off, you will receive \_\_\_\_\_ shares of Visteon common stock for each share of Ford common or Class B stock that you held of record at the close of business on \_\_\_\_\_, 2000. Your current shares of Ford common or Class B stock will continue to represent your ownership position in Ford.

We have concluded that the spin-off is in the best interests of Ford, the Visteon business and Ford stockholders, because:

- as an independent company, Visteon will be better able to pursue business with non-Ford customers;
- it will reduce Ford's automotive assets and capital requirements;
- it will provide Visteon's management increased strategic flexibility and decision-making power, including the ability to manage Visteon's product portfolio over the long-term based on Visteon's own strategic objectives;
- having two separate public companies will enable the financial markets to evaluate each company more effectively, thereby maximizing stockholder value over the long term for both Ford and Visteon;
- separate management and ownership structures for Visteon will provide incentives to Visteon's management and direct accountability to public investors; and
- a spin-off allows Visteon to achieve independence in the shortest possible time.

Shares of Visteon's common stock trade on the New York Stock Exchange under the ticker symbol "VC."

The enclosed information statement explains the spin-off in detail and provides important information regarding Visteon. We urge you to read it carefully. Please note that general stockholder approval is not required for the spin-off, and holders of Ford common and Class B stock are not required to take any action to participate in the spin-off. Thus, we are not asking you for a proxy.

Very truly yours,

William Clay Ford, Jr.  
*Chairman of the Board*  
*Ford Motor Company*

**VISTEON CORPORATION**

\_\_\_\_\_, 2000

Dear Visteon Stockholder:

We welcome you as a “founding” stockholder of Visteon, which began trading publicly on a “when-issued” basis for the first time on \_\_\_\_\_, 2000.

We are the world’s third largest supplier of automotive systems, modules and components. We have become a leader in the global automotive parts industry by capitalizing on the extensive experience we have gained as the largest supplier to Ford, the world’s largest producer of trucks and the second largest producer of cars and trucks combined. We have been the largest supplier of automotive parts to Ford for most of Ford’s history, and even as we continue to broaden our base of customers and products, we expect to continue to be the primary supplier to Ford for many years to come. We have established a broad global presence, with a workforce of over 81,000 and a network of manufacturing sites, technical centers, sales offices and joint ventures located in every major region of the world.

This is a very exciting time, and we are enthusiastic about what the future holds. We believe that Visteon has a great opportunity to grow, and as a new Visteon stockholder, like our customers, you have an opportunity to grow with us. We are committed to building value for you, our new stockholders, and we look forward to many years of growth.

Congratulations on becoming one of the “founding” stockholders of Visteon!

Very truly yours,

Peter J. Pestillo,  
*Chairman of the Board, Chief Executive Officer  
and President  
Visteon Corporation*

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**Preliminary Information Statement**  
**(Subject to Completion, Dated May 19, 2000)**

## **VISTEON CORPORATION**

### **COMMON STOCK**

**(par value \$1.00 per share)**

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At this time, Visteon Corporation is wholly-owned by Ford Motor Company. In this spin-off, Ford will distribute all of its shares of our common stock on a pro rata basis to the holders of Ford common and Class B stock. Each of you, as a holder of Ford common or Class B stock, will receive \_\_\_\_\_ shares of our common stock for each share of Ford common or Class B stock that you held at the close of business on \_\_\_\_\_, 2000, the record date for the spin-off. Immediately after the spin-off is completed, Ford will not own any shares of our common stock, and we will be an independent public company.

We are sending you this information statement to describe the spin-off. We expect the spin-off to occur on \_\_\_\_\_, 2000. On or shortly after the \_\_\_\_\_, 2000 distribution date:

- holders of record of Ford common and Class B stock on the record date will have credited to a book-entry account established for them by, and maintained at, EquiServe Trust Company, N.A. (the registrar and transfer agent for Visteon common stock) their proportionate number of shares of Visteon common stock;
- holders of record of fewer than \_\_\_\_\_ shares of Ford common and Class B stock on the record date, which would entitle them to receive less than one whole share of Visteon common stock, will receive a check for the cash value of any such fractional shares; and
- beneficial owners of Ford common and Class B stock on the record date should have credited to their brokerage, custodian or similar account through which they own their Ford stock, their proportionate number of shares of Visteon common stock or cash in lieu of a fractional share of Visteon common stock.

No general stockholder vote is required for the spin-off to occur. No stockholder action is necessary for you to receive the shares of our common stock to which you are entitled in the spin-off. This means that:

- you do not need to pay any consideration to Ford or to Visteon; and
- you do not need to surrender any shares of Ford common or Class B stock to receive your shares of our common stock.

Before \_\_\_\_\_, 2000, there was no trading market for our common stock. On that date, trading of shares of our common stock on a "when issued" basis began. Our common stock trades on the New York Stock Exchange under the ticker symbol "VC."

**As you review this information statement, you should carefully consider the matters described in "Risk Factors" beginning on page 11.**

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**We Are Not Asking You for a Proxy and You Are Requested Not to Send Us a Proxy.**

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**The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities, or determined if this information statement is truthful or complete. Any representation to the contrary is a criminal offense.**

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The date of this information statement is \_\_\_\_\_, 2000.

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## SUMMARY

*This summary highlights information relating to our company and the common stock being distributed in the spin-off. More detailed discussions of this information are contained in this information statement. In some places in this information statement, we have presented pro forma information, adjusted to reflect the terms of our spin-off from Ford and certain changes in our operations as a result of the spin-off. You should read the entire information statement, including the risk factors and our consolidated historical and pro forma financial statements and notes to those statements appearing elsewhere in this information statement.*

## VISTEON

### Our Company

We are the world's third largest supplier of automotive systems, modules and components, based on our 1999 sales of \$19.4 billion or our pro forma 1999 sales of \$18.7 billion, according to the latest available industry data. We have become a leader in the global automotive parts industry by capitalizing on the extensive experience we have gained as the largest supplier to Ford, the world's largest producer of trucks and the second largest producer of cars and trucks combined.

We have been the largest supplier of automotive parts to Ford for most of Ford's history. Ford produces cars and trucks that are marketed and sold under the Ford, Lincoln, Mercury, Volvo, Jaguar and Aston Martin brands. We began using the Visteon name in 1997. Before the spin-off, we have been a division of Ford and, more recently, a wholly-owned subsidiary of Ford. After our spin-off from Ford, we will be an independent supplier. We believe that our independence will enhance our ability to increase sales to non-Ford vehicle manufacturers over time.

We have developed a sophisticated understanding of the design, engineering, manufacture and operation of the automotive vehicle. We are currently able to supply over 40% of a vehicle's total material cost. We have both extensive technical expertise in a broad range of products and strong systems integration skills, which enable us to provide comprehensive, consumer-oriented solutions for our customers. In recent years, we have placed increasing emphasis on the development of systems and modules with electronic content, in response to consumer demand. We have over 8,900 technical personnel around the world with well-established credentials in technical research and development. In 1999, we began using the Internet both for our supply needs and for the sale of our aftermarket products. We expect that use of the Internet in our business will grow significantly over the next several years.

In recent years, our goal has been to pursue new business growth opportunities with Ford and non-Ford vehicle manufacturers, or VMs, as well as with non-automotive customers. Although Ford still accounts for a substantial majority of our sales, we have business with 18 of the 20 largest VMs. Our sales to customers other than Ford grew at a compound annual growth rate of 36% between 1997 and 1999, from about \$1.2 billion to about \$2.3 billion. Non-Ford business as a percentage of our total sales has grown from about 7% to about 12% in that time. In 1999, 38% of the new business we were awarded for delivery in future years was non-Ford business. We have a goal of expanding

our non-Ford business to 20% of our sales by 2002. We believe that our spin-off from Ford will facilitate our achievement of this goal.

We have a broad global presence, with a workforce of over 81,000 and a network of manufacturing sites, technical centers, sales offices and joint ventures located in every major region of the world. About 23.5% of our total 1999 sales were derived from products manufactured outside of the United States. In addition, 39% of the new business we won in 1999 was with customers outside of North America.

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We operate in three business segments and are a leading Tier 1 supplier in two of these segments: Comfort, Communication & Safety and Dynamics & Energy Conversion:

- *Comfort, Communication & Safety*, composed of our climate control systems and interior/ exterior systems product groups. Our climate control systems product group produces systems, modules and components in the areas of fluid transport, air handling, heat exchange and compressors. Our interior/exterior systems product group produces systems, modules and components in the areas of cockpits, instrument panels, interior trim and seats, lighting and bumpers, as well as safety and convenience systems such as air bag electronics and voice activated control.
- *Dynamics & Energy Conversion*, composed of our energy transformation systems and chassis systems product groups. Our energy transformation systems product group produces systems, modules and components in the areas of energy management, distributed power generation, electrical conversion, and fuel storage and delivery products. Our chassis systems product group produces systems, modules and components in the areas of axle and driveline, steering and chassis products.
- *Glass*, composed of our vehicle glazing product group, which produces glass products for Ford and aftermarket customers, and our commercial glass product group, which produces float glass for commercial architecture.

In addition to our VM sales, we also sell our products to the worldwide aftermarket for replacement and vehicle appearance enhancement parts.

### **Our Industry**

The automotive parts industry provides systems, modules and components to VMs for the manufacture of new vehicles, as well as to the aftermarket for use as replacement and enhancement parts. Today, suppliers offer their individual component products to VMs and also offer those products in a variety of more fully engineered forms, such as modules, which are groups of component parts arranged in close physical proximity to each other within a vehicle, and systems, which are groups of component parts located throughout the vehicle that operate together to provide a specific vehicle function. We believe global automotive parts industry sales to VMs will be about \$500 billion in 2000. In addition to these sales, U.S. automotive aftermarket retail sales are estimated to be over \$160 billion in 2000.

Several key trends have been reshaping the automotive parts industry over the past several years:

- Shift of Engineering to Suppliers; Increased Emphasis on Systems and Modules Sourcing;
- Increasing Electronics Integration and Technological Content;
- Growth in E-Commerce;
- Increased Emphasis on Speed-to-Market;
- Globalization of Suppliers;
- Ongoing Industry Consolidation; and
- Demand for Safe and Environmentally Friendly Products.



## Our Strategy

Our objective is to be the world's leading consumer-focused, technology-driven automotive systems company. Whether we are selling to VMs or directly to consumers, we regard the consumer as our ultimate customer. We systematically gather and analyze consumer information that helps us to anticipate new trends and consumer preferences. We then can anticipate our VM customers' needs with regard to new products and help introduce these products to

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consumers, gaining acceptance for our products. We believe that our extensive global presence and systems capabilities provide us with a substantial competitive advantage as we pursue new business around the world. This is especially true as VMs move to global vehicle platforms, or world cars. We believe that our extensive experience and expertise with Ford also gives us many benefits as we pursue non-Ford business. We believe that our consumer focus, global reach and the following strategies will allow us to capitalize on the industry trends described above and to achieve our objective.

- **Capitalize on Our Core Ford Business.** We have been the largest supplier to Ford, the world's largest producer of trucks and the second largest producer of cars and trucks combined, for most of Ford's history. In 1999, Ford purchased an average of about \$2,300 of materials from Visteon for each vehicle Ford sold worldwide. Ford's continued success in the market has earned it four of the top ten vehicles sold in the United States in 1999; Ford purchased an average of about \$2,900 of materials per vehicle from Visteon on those four models. We have a substantial base of awarded business with Ford and we have also entered into a supply agreement with Ford that allows us to secure additional business. In addition, because we have been integrally involved in the design and development of many of Ford's vehicles and we understand Ford's needs, we believe that we are uniquely positioned to work with Ford on future models. We expect that Ford will remain our largest customer for a significant period of time. We have been awarded Ford business of \$16.3 billion for 2000, \$16.0 billion for 2001, \$16.5 billion for 2002, \$15.3 billion for 2003 and \$13.9 billion for 2004, with additional Ford business for the later years still expected to be awarded. However, our sales to Ford may decline over time.
- **Improve Our Operating Performance.** We have implemented a number of initiatives to improve our operating performance on a continuous basis. Reducing costs and streamlining product development and production improves profitability, increases cash flow and frees up capital for investment. We have put in place a disciplined product development process and state-of-the-art computer tools, some of which are proprietary to Visteon, for the design, development and testing of products and systems. These advances have improved our speed-to-market, reduced our development costs and improved our overall quality. In addition to ongoing production improvement actions, we are implementing "lean" cell-based manufacturing, which relies on smaller manufacturing units rather than dedicated large assembly lines and leads to a number of operational improvements, for new programs and converting existing production facilities to "lean" where feasible. This approach allows greater flexibility and lower floor space, inventory and investment. We use global procurement to obtain competitive prices for our direct and indirect materials, machinery, equipment and services, as well as for parts we purchase from other suppliers for use in our product offerings. As an independent company, we will bring increased focus to the material purchases important to Visteon's business. Accordingly, we believe that we will be able to derive significant cost savings through re-sourcing supply contracts from our least competitive suppliers, increased use of Internet procurement and leveraging our scale. While we expect continued pricing pressure from Ford and our other customers, Ford has agreed that the one-time price realignment, effective January 1, 2000, has resulted in market-competitive prices and that future reductions will be the same as those required of all third-party suppliers. Our pro forma financial statements reflect the impact of this one-time realignment.
- **Expand Our Non-Ford Business.** We have demonstrated our ability to grow our non-Ford business over the past two years. In 1999, about 12% of our sales were to non-Ford customers, up from 7% in 1997. We have a goal of expanding our non-Ford business to 20% of our sales by 2002. We believe that our spin-off from Ford, combined with our technological leadership, systems engineering capability and high quality products, will facilitate achievement of our goal. We have built a new sales and marketing organization,

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currently at about 100 people and expected to grow to about 125 people by the end of 2000, dedicated to non-

Ford accounts. We have recruited account managers from outside of Visteon with extensive automotive industry experience and have established customer-supplier relationships with all of the major VMs. In addition, we have made, and expect to continue making, strategic acquisitions, alliances and joint ventures that give us increased access to non-Ford VMs.

- **Use E-Commerce to Lower Costs and Enhance Sales.** The automotive manufacturing business model is in a transition from “push” to “pull,” with the goal being a seamless supply chain building cars and trucks to precise consumer specification on demand. The profit opportunity from being on the forefront of this change is substantial, and we have identified what we believe are the major components of this transition and have developed strategies to allow us to capitalize on this transition. Technology-based supply chain management techniques allow us to substantially lower procurement costs, manage inventory and supply chain logistics more efficiently, sell more effectively, and increase the value of our products to consumers.
- **Exploit Our Technology and Systems Engineering Leadership.** Consumers are increasingly demanding technology and electronics to make their cars safer, more convenient and more comfortable. We believe that the use of electronics integration and systems engineering to increase the functionality and personalization of products is key to our future success. As VMs increasingly demand systems instead of individual components, we expect to capitalize on that trend. We are one of the few global suppliers able to deliver systems to VMs across a wide array of product areas, with particular expertise in climate control, audio and instrumentation. Together, sales of these three types of systems accounted for \$4.7 billion of our sales in 1999. We have extensive experience in engineering complex and interactive vehicle systems, and have a strong technical knowledge of vehicle and user requirements that form the basis for integrating new technologies. Our systems engineering process allows us to quickly interpret and translate customer (VM and consumer) needs to develop innovative systems-based solutions depending on the needs of individual VMs and the aftermarket.
- **Grow Our Aftermarket Business.** The aftermarket represents a major opportunity for revenue and earnings growth. The time between design and launch is only a matter of months, as compared to years in the case of new vehicle production, allowing us to increase revenues more quickly. The aftermarket also offers an opportunity to sell higher margin products and improve Visteon’s overall returns by leveraging our existing investments in engineering and production. Importantly, the aftermarket serves as a forum for proving consumer acceptance and commercial viability of new high technology product concepts, leading to introduction in the new vehicle market. For example, the success of our rear seat entertainment system in the aftermarket was a key factor in influencing VMs to include it in their new vehicle programs. In addition, as we develop our brands and introduce products in conjunction with leading brands, we expect consumers to increasingly demand our products from VMs and “pull” these products through the supply chain. The aftermarket also serves as a partial diversification of our VM business.
- **Streamline and Focus Our Product Portfolio.** While having a broad portfolio remains important to our success, we believe that our spin-off from Ford will give us the flexibility and opportunity to focus our investment and technical resources in high growth, strategic and high margin areas. We intend to invest in those businesses that fit our strategic vision and focus on electronics and systems integration, while exploring every opportunity to address low return operations. In addition, we intend to pursue strategic acquisitions and alliances that complement or fill gaps in our product portfolio, enhance our design, engineering and manufacturing capabilities and increase our access to new markets and customers.

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We were incorporated in Delaware as of January 1, 2000. References in this information statement to “Visteon,” “we,” “our” and “us” collectively refer to Visteon Corporation and its consolidated subsidiaries. Our principal executive offices are located at Fairlane Plaza North, 10th Floor, 290 Town Center Drive, Dearborn, Michigan 48126, and our telephone number is (800) VISTEON. We maintain an Internet site at <http://www.visteon.com>. Our website and the information contained on that site, or connected to that site, is not incorporated into this information statement. Visteon® is a registered trademark, and Carlite®, ClimatePro™, RoadFx™, NavMate® and the Visteon logo are trademarks of Visteon. Ford®, Lincoln®, Mercury®, Volvo®, Jaguar® and Aston Martin® are all registered trademarks owned by or licensed to Ford or its subsidiaries. Each trademark, trade name or service mark of any other company appearing in this information statement belongs to its holder.

## THE SPIN-OFF

The following is a brief summary of the terms of the spin-off.

<b>Distributing Company</b>	Ford Motor Company. After the spin-off, Ford will not own any shares of our stock.
<b>Spun-Off Company</b>	Visteon Corporation, currently a wholly-owned subsidiary of Ford. After the spin-off, Visteon will be an independent public company.
<b>Securities to Be Distributed</b>	130,000,000 shares of Visteon common stock, which is all of the shares of Visteon common stock owned by Ford. Immediately after the spin-off, we estimate that about 190,000 stockholders of record will hold shares of our common stock, although some of the shares may be registered in the name of a single stockholder who represents a number of stockholders.
<b>Distribution Ratio</b>	____ shares of our common stock for each share of Ford common or Class B stock that you hold at the close of business on _____, 2000, the record date for the spin-off.
<b>Record Date</b>	_____, 2000 (close of business).
<b>Spin-Off Date</b>	_____, 2000
<b>Distribution Agent</b>	First Chicago Trust Company of New York, which is the registrar and transfer agent for Ford common stock and an affiliate of EquiServe Trust Company, N.A. (the registrar and transfer agent for Visteon common stock)
<b>New York Stock Exchange Symbol</b>	VC
<b>Trading Market</b>	Before _____, 2000, there was no trading market for our common stock. On that date, trading of shares of our common stock on a “when issued” basis began.
<b>Tax Consequences</b>	It is the opinion of Davis Polk & Wardwell that the spin-off should qualify as a tax-free distribution for U.S. federal income tax purposes. See “The Spin-Off — Material Federal Income Tax Consequences of the Spin-Off” for a more detailed description of the federal income tax consequences of the spin-off.
<b>Book-Entry Shareholding</b>	<p>Ford common and Class B stockholders will receive _____ shares of Visteon common stock for each share of Ford common or Class B stock they held at the close of business on _____, 2000 (the record date for the spin-off). On or shortly after the _____, 2000 distribution date:</p> <ul style="list-style-type: none"><li>• holders of record of ____ or more shares of Ford common and Class B stock on the record date will have credited to a book-entry account established for them by, and maintained at, EquiServe Trust Company, N.A. (the registrar and transfer agent for Visteon common stock) their proportionate number of shares of Visteon common stock;</li><li>• holders of record of fewer than ____ shares of Ford common and Class B stock on the record date, which would</li></ul>

- beneficial owners of Ford common and Class B stock on the record date should have credited to their brokerage, custodian or similar account through which they own their Ford stock, their proportionate number of shares of Visteon common stock or cash in lieu of a fractional share of Visteon common stock.

**Relationship Between Visteon and Ford After the Spin-Off**

Ford will remain our largest customer for the foreseeable future. We and Ford have entered into a supply agreement and other agreements described in the section entitled "Relationship with Ford." We and Ford may enter into additional or modified agreements, arrangements and transactions after the spin-off, which will be negotiated at arm's length.

**Our Management and Management Compensation After the Spin-Off**

The compensation, awards and other benefits payable to selected members of management after the spin-off are described in "Management."

***You should carefully read the "Risk Factors" beginning on page 11.***

If you have any questions relating to the spin-off, you should contact EquiServe Trust Company, N.A. at:

Visteon Shareholder Services  
 EquiServe Trust Company, N.A.  
 P.O. Box 2747  
 Jersey City, NJ 07303-2747  
 Tel: (877) 881-5962 (within U.S. and Canada)  
 Tel: (201) 536-8058 (outside U.S. and Canada)  
 Fax: (201) 222-4177  
 E-mail: [visteonteam@equiserve.com](mailto:visteonteam@equiserve.com)

After the spin-off, if you are a stockholder of Visteon and have questions relating to the spin-off, you can contact us directly. Our contact information is:

Visteon Corporation  
 Fairlane Plaza North  
 10th Floor  
 290 Town Center Drive  
 Dearborn, MI 48126  
 Tel: (800) 311-8608  
 Fax: (313) 390-1877  
 Attention: Investor Relations

No action is necessary for you to receive the shares of our common stock to which you are entitled in the spin-off. You do not need to pay any consideration to Ford or to us, and you do not need to surrender any shares of Ford common or Class B stock to receive your shares of our common stock.

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**SUMMARY CONSOLIDATED FINANCIAL DATA**

The following summary consolidated financial data reflect the historical results of operations and cash flows of the businesses that were part of the Visteon business during each respective period. Our results for 1999 and for the three months ended March 31, 2000 also are presented on a pro forma basis to give effect to the spin-off and the terms of our separation from Ford. See "Unaudited Pro Forma Condensed Consolidated Financial Statements" for additional discussion of these pro forma adjustments.

Three Months Ended March 31,			Year Ended December 31,					
Pro Forma 2000	2000	1999	Pro Forma 1999	1999	1998	1997	1996	1995

(in millions, except per share amounts, percentages and as noted)

**Statement of Income**

**Data:**

Sales:

Ford and affiliates	\$ 4,476	\$4,476	\$ 4,355	\$ 16,415	\$ 17,105	\$ 16,350	\$ 16,003	\$ 15,129	\$13,634
Other customers	749	749	417	2,261	2,261	1,412	1,217	1,368	1,481

Total sales	5,225	5,225	4,772	18,676	19,366	17,762	17,220	16,497	15,115
Operating income	228	253	298	539	1,189	1,134	851	620	273
Net income	124	147	205	281	735	703	511	384	164

Basic and diluted earnings per share based on

130,000,000 shares outstanding	\$ .95	\$ 1.13	\$ 1.58	\$ 2.16	\$ 5.65	\$ 5.41	\$ 3.93	\$ 2.95	\$ 1.26
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**Statement of Cash**

**Flows Data:**

Cash provided by (used in) operating activities		\$ (846)	\$ 432		\$ 2,482	\$ 1,376	\$ 1,411	\$ 1,178	n/a
Cash (used in) investing activities		(125)	(307)		(1,453)	(940)	(943)	(996)	n/a
Cash provided by (used in) financing activities		58	(100)		290	(234)	(251)	(189)	n/a

**Other Financial Data:**

Depreciation and amortization		\$ 166	\$ 149		\$ 651	\$ 565	\$ 590	\$ 510	\$ 459
EBITDA		419	447		1,840	1,699	1,441	1,130	732
Capital spending		115	196		876	861	917	969	n/a
Capital spending as a percentage of revenue		2.2%	4.1%		4.5%	4.8%	5.3%	5.9%	n/a
After tax return on:									
Sales		2.9%	4.2%		3.9%	3.9%	3.0%	2.3%	1.1%
Average assets		5.0%	8.3%		6.9%	7.8%	6.3%	4.9%	n/a
Sales per employee (in thousands)					\$ 244	\$ 235	\$ 237	n/a	n/a

**At March 31,**

**At December 31,**

<b>Pro Forma</b>	<b>2000</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>1995</b>
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(in millions)

**Balance Sheet Data:**

Total assets	\$ 10,886	\$11,790	\$12,449	\$9,373	\$8,471	\$7,967	\$7,510
Total debt	2,200	2,452	2,319	1,125	1,136	1,136	1,140
Total equity	2,915	1,540	1,499	1,655	1,204	977	802

"Sales per employee" includes Ford UAW employees working in Visteon facilities.

"EBITDA" is defined as income before provision for interest expense and interest income, income taxes, depreciation and amortization, equity in net income of affiliated companies and minority interests. EBITDA is not presented as an alternative measure of operating results or cash flow from operations, as determined in accordance with generally accepted accounting principles, but is presented because we believe it is a widely accepted indicator of our ability to incur and service debt. EBITDA does not give effect to cash used for debt service requirements and thus does not reflect funds available for dividends, reinvestment or other discretionary uses. In addition, EBITDA as presented in this information statement may not be comparable to similarly titled measures reported by other companies.

**RISK FACTORS**

You should carefully consider each of the following risks and all of the other information set forth in this information statement. Some of the following risks relate principally to establishing our company as independent from Ford. Other risks relate principally to our business. Finally, we describe risks relating principally to the securities markets and ownership of our stock. The risks and uncertainties described below are not the only ones facing our company. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business.

*If any of the following risks and uncertainties develop into actual events, this could have a material adverse effect on our business, financial condition or results of operations. In that case, the trading price of our common stock could decline.*

## **Risk Factors Relating to Establishing Our Company as Independent from Ford**

### **We may not be able to increase our non-Ford sales as expected**

We cannot assure you that we will increase our non-Ford sales as we expect after our spin-off from Ford. We believe that some of Ford's competitors have been concerned that awarding contracts to us would benefit Ford and that Ford might obtain access, through us, to confidential information regarding their vehicle design and manufacturing processes. Although Ford will be divesting its ownership of Visteon in the spin-off, Ford will remain our largest customer for a significant period of time and we will continue to have a variety of contractual relationships with Ford, including the supply agreement. We also have limited experience at winning business with non-Ford customers. Accordingly, we cannot assure you as to the amount or timing of our sales to non-Ford customers.

Even if we successfully increase our sales to non-Ford customers, these sales, if any, will likely not be realized for several years because the vast majority of VM parts purchases are sourced at least several years in advance of production.

In addition, because we have historically operated as a division of Ford, substantially all of our existing contracts with our non-Ford customers were signed by Ford, not Visteon, and require the consent of the customer in order to assign or transfer the contract, including from Ford to Visteon. Although we have had discussions with all of our major non-Ford customers regarding our spin-off from Ford, we do not currently intend to seek consent from these customers to the assignment from Ford to us of their existing contracts or to enter into replacement contracts; we intend to continue to perform under these contracts as if they were made with us.

### **Our ability to streamline and focus our product portfolio is limited by contractual restrictions**

We have entered into agreements with our largest unions that, as a practical matter, restrict our ability to eliminate product lines, close plants and divest businesses. These agreements also can limit our ability to change local work rules and practices at a number of our facilities. In addition, in connection with our spin-off from Ford, we have entered into a tax sharing agreement with Ford that contains restrictive covenants, including limits on our ability to make acquisitions or divestitures. These covenants generally expire two years after the spin-off. All of these restrictions could, individually or in the aggregate, have a material adverse effect on the conduct of our business and our ability to pursue our business objectives.

### **We may be unable to increase our competitiveness because of our labor arrangements**

As part of the Ford UAW master collective bargaining agreement, Ford and the UAW have agreed that (i) all UAW-represented employees working at Visteon facilities covered by that

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agreement as of a date that will be no later than the date of the spin-off, will remain Ford employees indefinitely and will continue to be covered under the Ford UAW agreement, (ii) Visteon will continue to use the services of these employees and, in some circumstances, other Ford UAW employees who transfer to our facilities, and (iii) Visteon will adopt a collective bargaining agreement for hourly employees hired into these UAW-represented facilities after a date that will be no later than the date of the spin-off, that closely reflects the Ford UAW agreement and the next two master agreements between Ford and the UAW. In addition to guaranteeing Ford wage and benefit levels, the terms of the Ford UAW agreement provide for significant employment security. Under an agreement between Ford and us, we have agreed to reimburse Ford for the costs of the Ford employees working in our facilities, including amounts (limited to \$50 million per year in each of 2000-2004) for profit sharing based on Ford's profits. Our reimbursement obligations apply to all these employees even if we do not need or utilize all of them for any reason, including if we lose business from Ford or another VM. See "Relationship with Ford — Hourly Employee Assignment Agreement."

We also have agreed with the UAW that all new hourly employees hired into our UAW-represented facilities covered by the Ford UAW agreement after a date that will be no later than the date of the spin-off and during the term of the current four-year Ford UAW agreement and the terms of the next two master agreements between Ford and the UAW will, for the duration of their employment with and retirement from Visteon, receive wages, benefits and other terms and conditions of employment that closely reflect those required to be provided from time to time by Ford to its UAW-represented employees.

In Europe, all Ford employees working in Visteon facilities have become our employees. We have agreed that for the duration of their employment with and retirement from us, we will provide these employees with wages, benefits and other terms and conditions of employment that closely reflect what Ford provides to its employees in the respective countries.

In the United States, as employees covered under the Ford collective bargaining agreement, the Visteon assigned employees earned essentially the same wages and benefits as other hourly workers under the UAW contract, including DaimlerChrysler Corporation, General Motors Corporation and Delphi Automotive Systems Corporation. Wages vary significantly among comparable Tier 1 and Tier 2 suppliers, depending on union representation, geographical location, vertical integration, and other factors. Visteon, like Delphi, may incur wage differentials of 20-40% higher than the average competitor whose employees are not covered by a master UAW contract. Visteon's strategy includes blending such labor costs among our existing facilities worldwide to meet labor cost budgets. Despite our management of our hourly employee compensation costs resulting from these arrangements, these costs could have a material impact on our results of operations or

financial condition.

**Neither our historical financial information nor our pro forma financial information may be representative of our results as a separate company**

The historical financial information included in this information statement may not be representative of our results of operations, financial position and cash flows had we operated as a separate, stand-alone entity during the periods presented or of our results of operations, financial position and cash flows in the future. This is because:

- in preparing this information, we have made adjustments and allocations because Ford did not account for us as, and we were not operated as, a stand-alone business for all periods presented;
- the information does not reflect many changes that will occur in our funding and operations as a result of our spin-off from Ford;
- a pricing letter we have entered into with Ford requires a one-time 5% price reduction on products that we were supplying to Ford as of January 1, 2000 based on a market pricing

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review conducted by Ford and us; the pricing letter also requires productivity price adjustments in each of 2000, 2001, 2002 and 2003; we and Ford have agreed on a 3.5% productivity price reduction for 2000 on such products, which is consistent with (i) price reductions between Visteon and Ford in prior years and (ii) the amount of annual productivity improvement that Ford generally expects from its other Tier 1 suppliers; although the pricing letter contains a methodology for calculating price adjustments in 2001, 2002 and 2003 (see "Relationship with Ford — Supply Agreement and Related Pricing Letter"), we cannot predict what future annual price reductions we will be required to provide to Ford; and

- we are unable to predict the level of future price reductions that may be imposed upon us by non-Ford vehicle manufacturers.

We cannot assure you that the adjustments and allocations we have made in preparing our historical consolidated financial statements appropriately reflect our operations during those periods as if we had in fact operated as a stand-alone entity or what the actual effect of our spin-off from Ford will be.

**Most of our management may have conflicts of interest because of their ownership of Ford stock**

Most of our management own Ford stock and/or options to purchase Ford stock because of their current or prior relationships with Ford. This ownership could create, or appear to create, potential conflicts of interest when our executive officers are faced with decisions that could have different implications for our company and Ford. Our board will consist of a majority of directors who are independent from both Ford and Visteon. See "Management."

**Provisions in our supply agreement with Ford could delay or prevent a change in control of our company, including an acquisition of our company, which could adversely affect the price of our common stock**

Our supply agreement with Ford may be terminated by Ford if 35% or more of our company becomes owned or controlled by a competitor of Ford in the business of manufacturing automotive vehicles. Termination of the supply agreement, upon which we rely for a substantial portion of our future sales, would likely have a material adverse effect on our company. We have also entered into an agreement providing for us to indemnify Ford for tax liabilities arising out of a change in control of Visteon that occurs within two years of the spin-off. A change in control could subject Ford to material tax liabilities in connection with the spin-off; our indemnification of Ford for these amounts would likely be material to our financial condition and results of operations.

**Risk Factors Relating to Our Business**

**We are dependent on Ford's continued success and on maintaining our current business and winning future business with Ford**

We are highly dependent on Ford as our largest customer. Ford accounted for about 88%, 92% and 93% of our total sales in 1999, 1998 and 1997, respectively. We expect that Ford will continue to be our largest customer for the foreseeable future, and, therefore, for the foreseeable future any changes in Ford's sales volume will have a significant impact on our sales volumes. In addition, our ability to realize future sales to Ford is subject to a number of risks. These risks include uncertainties relating to our business under the supply agreement that we have entered into with Ford. In addition, the uncertainties that we identify in this information statement as being generally applicable to supplier-customer relationships in our industry will be heightened in the

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case of our relationship with Ford because it is our largest customer. Accordingly, we cannot assure you as to the amount of our future business with Ford.

Under our supply agreement with Ford, all of our existing purchase orders with Ford as of January 1, 2000 will remain in effect at least through the end of 2003, subject to Ford's right to terminate any particular purchase order if we fail to maintain certain performance standards. The supply agreement also requires Ford to offer us the opportunity to supply on competitive terms the first replacement cycle of existing product programs. When bidding on this replacement business, other suppliers' bids may include offers of substantial price reductions to Ford on these products or new technologies that Visteon does not offer. To the extent we cannot match these terms or product offerings, we may not win the replacement business.

**We are required to provide price reductions to Ford and other customers, but we have significant restrictions on our ability to achieve corresponding cost reductions; if we are unsuccessful, our gross margins will be adversely affected**

VMs are applying substantial and continuing pressure on suppliers like Visteon to reduce the price of suppliers' products. As a result, we are forced to reduce prices both in the initial bidding process and during the term of the contractual arrangements. Our pricing letter with Ford requires price reductions. In addition to these price reductions, we have agreed to use our best efforts to achieve design and engineering improvements in our products sold to Ford so as to further reduce their cost to Ford by 1.5% to 2.5% each year. We do not believe that we can fully offset the 2000 price reductions with cost reductions. As a result, we expect our profitability in 2000 and beyond to be significantly lower than that achieved in our 1999 actual results. During the terms of the current UAW contract and the next two renewals, we will be restricted in our ability to significantly reduce our UAW labor costs from period-to-period. We cannot assure you that we will be able to generate cost savings and operational improvements in the future sufficient to offset required price reductions and price reductions necessary to win additional business. As a result, our gross margins could be adversely affected. Alternatively, if we are unwilling to reduce our margins to win business, our products may not be priced competitively, and this may reduce our sales and have an adverse effect on our results of operations.

VMs often seek further price reductions on existing contracts with a supplier in the context of awarding new business to that supplier. In addition, our ability to pass increased raw material costs on to our customers is limited, with cost recovery generally less than 100% and often on a delayed basis.

**Our business may be adversely impacted by work stoppages at our facilities or those of our principal customers**

We may experience work stoppages at our facilities. As of December 31, 1999, about 75% of our hourly workforce was represented by about 29 unions, including the UAW, which is our largest union. It is likely that our hourly workforce will remain highly unionized for the foreseeable future. A work stoppage at one or more of our plants may have a material adverse effect on our business.

If one or more of our customers, particularly Ford, experiences a material work stoppage, that customer may halt or limit purchases of our products. This could cause us to shutdown production facilities relating to those products, which could have a material adverse effect on our business.

**We may be unable to realize our business strategy of improving our operating performance**

We continue to implement several important strategic initiatives designed to improve our operating performance. We cannot assure you that we will be able to successfully implement or realize the expected benefits of any of these initiatives or that we will be able to sustain any

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improvements we have made. In addition, the Ford UAW agreement may limit our ability to improve our operating performance. If we are not successful at these initiatives, this would have a material adverse effect on our business, particularly because we rely on these initiatives to offset pricing pressures from our customers. These initiatives are subject in many cases to participation by labor unions and other third parties, including Ford.

**We may incur unrecovered costs relating to engineering expenses and may incur additional substantial costs for new tooling expenses**

As VMs have looked to suppliers to bear increasing responsibility for the design, engineering and manufacture of automotive systems, they have systematically shifted both financial risk and potential liability associated with those systems to the suppliers as well. This trend is likely to continue, and is most evident in the areas of engineering cost reimbursement, sharing of product warranty and recall costs and product liability. More recently, VMs have discussed the possibility of also shifting to suppliers costs and risks related to program tooling.

New vehicle programs require significant up-front investments in engineering, design and tooling. Historically, these investments were fully reimbursed by the VM. Over the past few years, VMs have moved away from lump sum reimbursement of engineering expenses toward reimbursement of such expenses on a per component, or piece price, basis. Because this form of reimbursement requires the



supplier to recoup its investment in engineering and tooling through anticipated component sales, piece price reimbursement has the effect of delaying reimbursement and shifting volume risk associated with the vehicle program from the VM to the supplier.

Recently, VMs have begun discussions with their suppliers to similarly shift costs of program tooling. Traditionally, VMs have fully reimbursed suppliers for, and retained ownership of, all tooling relating to their vehicle programs. The VMs' strategy to transfer ownership and costs of tooling of suppliers represents a material change in the way suppliers have historically conducted business with the VMs. Specifically, Ford has informed us that it desires to cease reimbursing us (as well as other Tier 1 suppliers) for tooling in connection with products produced for Ford. With respect to other Ford-owned tooling, Ford has agreed that we will be treated in accordance with Ford's global terms and conditions, to be treated by Ford as any other third party supplier, and in accordance with customary practice. To the extent that we are required to accept revised tooling terms, we will, as in the case of engineering expenses, assume volume and cancellation risks associated with that investment. Furthermore, while we would hope to recover our tooling investment through component piece pricing over the life of the program, we have no guarantee that this piece price reimbursement formula will properly reflect our cost of capital over the life of the program. The need to finance this additional tooling could have a material impact on our liquidity. In addition, we would be required to amortize the cost of this tooling over a relatively short time, generally three to five years.

### **Our business is highly cyclical and would be adversely impacted by a downturn in economic conditions**

Almost all of our business is directly related to automotive sales and production by our customers, which are highly cyclical and depend on general economic conditions and other factors, including consumer spending and preferences. Because a large portion of our costs are fixed, as opposed to variable, we are particularly susceptible to cyclical declines in demand for our products. The global economy, in particular the United States economy, where the majority of our sales are concentrated, has been expanding at a rapid rate in recent years. This expansion has created increased consumer income and wealth, which generally leads to increased automobile purchases. If the economy in any of our major markets were to experience a slowdown or a downturn, this would likely result in reduced demand for automobiles and cause

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our customers to reduce their automotive production, which would have a material adverse effect on our business.

### **We may be unable to compete favorably in the highly competitive automotive parts industry**

We compete with a number of automotive parts suppliers that produce systems, modules and components for sale to VMs and in the aftermarket as replacement parts. Most of our competitors have lower cost structures, particularly with respect to wages and benefits, than our company. They may also be more able to close underperforming facilities or otherwise rationalize their operations. In addition, there is no contractual prohibition preventing Ford from competing with us in the future.

### **Vehicle manufacturers are implementing Internet-based purchasing initiatives; this may increase pressure on the prices we charge VMs**

Recently, Ford, General Motors, DaimlerChrysler, Renault and Nissan announced an initiative to establish an Internet-based marketplace for most, if not all, of their purchases. It is likely that other major VMs will join this marketplace or announce competing initiatives. Although relatively little automotive parts purchasing is currently conducted via the Internet, it is likely that it will increase in the future. The VMs believe that these initiatives will lead to increased competition among automotive parts suppliers. If these or other initiatives do increase competition and lower the prices VMs are willing to pay for automotive parts, this could have a significant material adverse effect on our business and results of operations. We cannot assure you that we will be able to compete favorably or that increased competition in our markets will not have a material adverse effect on our business.

### **We may be unable to realize all of the sales represented by our awarded business**

The realization of future sales from awarded business with any VM is subject to a number of important risks and uncertainties, including the following:

- the volume of vehicle models and specific vehicle options actually produced by the VM which, in turn, are subject to a number of significant risks outlined below;
- the determination by the VM to delay or cancel a particular vehicle program for which it has sourced business with the supplier or to change the option mix within the program;
- the VM's contractual right to replace the supplier throughout the duration of the contract for a variety of reasons, including if the supplier does not remain competitive in terms of quality, service, design, technology and, in some circumstances, price;
- the VM's contractual right to terminate the contract altogether; although this right varies by contract, some contracts, generally shorter-term purchase orders, are terminable by the VM at any time for any reason;

- the VM's decision to redesign a vehicle model and not to select the initial supplier to supply any or all of the same parts it was providing on the previous vehicle model; and
- product pricing, including price reductions on existing contracts negotiated in connection with the VM's sourcing of new business with the supplier.

The actual production volumes and option mix of vehicles produced by VM customers depend on a number of factors that are beyond a supplier's control. These include:

- general economic conditions;
- consumer preferences for particular vehicles or vehicle features;

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- labor difficulties or work stoppages and any related recoveries of production; and
- capital planning and other factors specific to a particular VM.

**Economic and other conditions in international markets may affect demand for our products and our results of operations**

We have substantial manufacturing operations in different regions of the world. In addition, we sell our products to vehicle manufacturers and other customers around the world, and the automobiles in which our products are assembled are sold in different regions of the world. In 1999, we derived about 23.5% of our sales from international operations. Economic and other conditions may vary from region to region. Operations in international markets also present increased risks, such as:

- currency exchange fluctuations, which may directly affect our operations or result in currency translation impacts on our financial results;
- inflationary economies;
- in some countries where we operate, economic and monetary conditions or legal restrictions could affect our ability to convert our earnings to United States dollars or to remove funds from those countries;
- tax consequences resulting from repatriating funds to the United States from other countries;
- the need to comply with a variety of foreign laws and regulations; and
- potential difficulties in enforcing intellectual property rights in certain foreign countries.

We cannot assure you that we will be successful in managing these risks. An important part of our strategy is to be able to supply products worldwide for vehicle manufacturers' global platforms; this may increase our risks. If we are not successful in managing these risks, this could have a material adverse effect on our international operations or our business as a whole.

**We may incur material losses and costs as a result of product liability claims that may be brought against us, or as a result of product recalls**

We face an inherent business risk of exposure to product liability claims in the event that the failure of our products results, or is alleged to result, in property damage, bodily injury and/or death. We cannot assure you that we will not experience any material product liability losses in the future or that we will not incur significant costs to defend these claims. We are currently covered by Ford's insurance against product liability claims; this coverage will continue until the spin-off. We expect to purchase product liability insurance coverage, to be effective at the time the Ford coverage ceases. However, we cannot assure you that this coverage will be adequate for liabilities ultimately incurred or that it will continue to be available on terms acceptable to us. In addition, if any of our products are, or are alleged to be, defective, we may be required to participate in a recall involving those products. Each VM has its own policy regarding product recalls and other product liability

actions relating to its suppliers. However, as suppliers become more integrally involved in the vehicle design process and assume more vehicle assembly functions, VMs are increasingly looking to their suppliers for contribution when faced with product recalls or product liability claims. A successful claim brought against us in excess of our available insurance coverage or a requirement to participate in a product recall may have a material adverse effect on our business.

In connection with our spin-off from Ford, we will have responsibility for product liability claims and product recalls involving our products used in 1997 and later model year Ford

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vehicles as described in "Relationship with Ford — Master Transfer Agreement — Division of Liabilities."

**We may incur material product warranty costs**

Currently, VMs customarily absorb the cost of warranty claims arising under and during the specific base warranty offered to consumers. For vehicles sold in the United States, this base warranty period, depending on the vehicle model, generally ranges from 3 years or 36,000 miles to 5 years or 60,000 miles, in each case, whichever comes first. Under its agreements with VMs, Visteon is responsible for claims arising from abnormal base warranty experience traceable to specific components or systems manufactured, supplied or assembled by Visteon. Abnormal base warranty claims are those that are in excess of those projected by VMs. These projections are customarily based on experience with earlier product models or contemporaneous experience with a similar product type supplied by another supplier. In some cases, we and the VM may agree on a sharing arrangement with respect to abnormal warranty claims. We do not have increased exposure for extended warranty coverage purchased by consumers.

VMs are increasingly requiring their outside suppliers to guarantee or warrant their products and to bear the costs of repair and replacement of those products under new vehicle base warranties. Because this is a new trend in our industry and we have only limited experience in this regard, we cannot assure you that our costs associated with providing product warranties will not be material.

In connection with our spin-off from Ford, we will have responsibility for warranty claims involving our products used in 1997 and later model year Ford vehicles as described in "Relationship with Ford — Master Transfer Agreement — Division of Liabilities."

**We may be adversely affected by environmental liabilities or environmental and safety regulations**

We are subject to the requirements of federal, state and local environmental and occupational safety and health laws and regulations in the United States and other countries. In addition to the sites that have been transferred to us and our operation of those sites, we are responsible or may be responsible for remediation at several third party disposal or treatment facilities to which we are alleged to have contributed wastes or which we have agreed to remediate pursuant to the superfund regulations. We cannot assure you that we have been or will be at all times in complete compliance with all of these requirements or that we will not incur material costs or liabilities in connection with these requirements or in connection with remediation at Visteon-owned sites or third party sites where it has been alleged that Visteon has liability, in excess of amounts we have reserved. In addition, these requirements are complex, change frequently and have tended to become more stringent over time, and we cannot assure you that these requirements will not change in the future in a manner that could have a material adverse effect on our business. We have made and will continue to make capital and other expenditures to comply with environmental requirements.

**Risk Factor Relating to Securities Markets**

**Our stock price may fluctuate significantly following the spin-off**

Before \_\_\_\_\_, 2000, there was no public market for our common stock. On that date, trading of shares of our common stock on a "when issued" basis began. Our common stock trades on the New York Stock Exchange under the symbol "VC."

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After the spin-off, trading prices for our common stock will be established by the public markets — we have not established a price for the common stock. An active trading market may not develop or be sustained in the future.

We cannot predict the prices at which our common stock may trade after the spin-off. The market price of our common stock may fluctuate significantly due to a number of factors, some of which may be beyond our control, including:

- our business profile may not fit the investment objectives of Ford stockholders, causing them to sell our shares after the spin-off; this is particularly true of Ford stockholders who hold Ford stock based on its inclusion in the S&P 500 Index — we have been advised that it is unlikely that our common stock will be included in the S&P 500 Index;

- actual or anticipated fluctuations in our operating results;
- changes in earnings estimated by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of other comparable companies;
- overall market fluctuations;
- developments in and publicity regarding the automotive industry, the automotive parts industry or any of our significant customers, particularly Ford; and
- economic conditions.

In particular, the realization of any of the risks described in these “Risk Factors” could have a significant and adverse impact on the market price of our common stock. In addition, the stock market in general has experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock, regardless of our actual performance.

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### **SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS**

We have made forward-looking statements in this information statement, including the sections entitled “Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business,” that are based on our management’s beliefs and assumptions and on information currently available to our management. Forward-looking statements include the information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, benefits resulting from our spin-off from Ford, the effects of competition and the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words “believe,” “expect,” “plan,” “intend,” “anticipate,” “estimate,” “predict,” “potential,” “continue,” “may,” “will,” “should” or the negative of these terms or similar expressions.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. You should not put undue reliance on any forward-looking statements. We do not have any intention or obligation to update forward-looking statements after we distribute this information statement.

The risk factors discussed in “Risk Factors” could cause our results to differ materially from those expressed in forward-looking statements. There may also be other risks that we are unable to predict at this time.

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### **THE SPIN-OFF**

#### **Reasons for the Spin-Off**

In January of this year, Ford announced as one of its milestones the goal for Visteon to achieve independence. Ford has concluded that the spin-off is in the best interests of Ford, the Visteon business and Ford stockholders, because:

- as an independent company, Visteon will be better able to pursue business with non-Ford customers;
- it will reduce Ford’s automotive assets and capital requirements;
- it will provide Visteon’s management increased strategic flexibility and decision-making power, including the ability to manage Visteon’s product portfolio over the long-term based on Visteon’s own strategic objectives;

- having two separate public companies will enable the financial markets to evaluate each company more effectively, thereby maximizing stockholder value over the long term for both Ford and Visteon;
- separate management and ownership structures for Visteon will provide incentives to Visteon's management and direct accountability to public investors; and
- a spin-off allows Visteon to achieve independence in the shortest possible time.

## The Separation of Visteon from Ford

We are currently a wholly-owned subsidiary of Ford. We were incorporated in Delaware as of January 1, 2000 in preparation for our spin-off from Ford. Ford has contributed or otherwise transferred to us generally all of the assets, and we have assumed generally all of the liabilities, comprising the Visteon business. We call this transfer of assets and assumption of liabilities the "separation." We and Ford have agreed to transfer legal title to any remaining assets and any remaining liabilities of the Visteon business not transferred prior to the spin-off, most of which are foreign assets and liabilities subject to regulatory and other delays, as soon as practicable. In the interim, we will operate and receive the economic benefits of (and bear the economic burdens of) these assets. These assets are not, individually or in the aggregate, material to our company. The information included in this information statement, including our consolidated financial statements, assumes the completion of all of these transfers.

## Description of the Spin-Off

Ford will effect the spin-off on or about \_\_\_\_\_, 2000 by distributing on a pro rata basis all the shares of Visteon common stock that it owns (130,000,000 shares) to holders of record of Ford common or Class B stock at the close of business on \_\_\_\_\_, 2000, the record date for the spin-off. Holders of shares of our common stock will not be entitled to preemptive rights. See "Description of Capital Stock."

Based on the total number of shares of Ford common and Class B stock outstanding at the close of business on the record date for the spin-off (\_\_\_\_ shares), each record holder of Ford common or Class B stock will receive \_\_\_\_ shares of our common stock for each share of Ford common or Class B stock held at the close of business on the record date.

As part of the spin-off, we will be adopting a book-entry share transfer and registration system for our common stock. Instead of receiving physical share certificates, registered holders of \_\_\_\_\_ or more shares of Ford common or Class B stock on the record date, will have their shares of Visteon common stock distributed on the date of the spin-off credited to book-entry accounts established for them by EquiServe. EquiServe will mail an account statement to

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each such registered holder stating the number of shares of Visteon common stock credited to the holder's account. After the spin-off, any holder may request:

- a transfer of all or a portion of their Visteon shares to a brokerage or other account; and
- receipt of one or more physical share certificates representing their Visteon shares.

Registered holders of fewer than \_\_\_\_ shares of Ford common and Class B stock on the record date, which would entitle them to receive less than one whole share of Visteon common stock, will receive cash in lieu of fractional shares. EquiServe will aggregate all of these fractional shares and sell them in the open market at then prevailing prices on behalf of these holders. These holders will receive cash payments in the amount of their proportionate share of the total sale proceeds from the sale of the aggregated fractional shares, based upon the average gross selling price per share of Visteon common stock. See "— Material Federal Income Tax Consequences of the Spin-Off." Ford will bear the cost of commissions incurred in connection with these sales. We anticipate that these sales will occur as soon after the date of the spin-off as practicable. None of Ford, Visteon or EquiServe will guarantee any minimum sale price for the fractional shares of Visteon common stock. Neither we nor Ford will pay any interest on the proceeds from the sale of fractional shares.

If you become a registered holder of our common stock in connection with the spin-off and you prefer to receive one or more physical share certificates representing your shareholding of our common stock, you will receive one or more certificates for all whole shares of Visteon common stock and, if applicable, cash for any fractional interest. EquiServe will mail you certificates representing your proportionate number of whole shares of our common stock as soon after the date of request as practicable.

For those holders of Ford common or Class B stock who hold their shares through a broker, bank or other nominee, EquiServe will credit the shares of our common stock to the accounts of those nominees who are registered holders, who, in turn, will credit their customers' accounts with our common stock. We and Ford anticipate that brokers, banks and other nominees will generally credit their customers' accounts with Visteon common stock on or shortly after \_\_\_\_\_, 2000.

## Material Federal Income Tax Consequences of the Spin-Off

The following is a summary of the material U.S. federal income tax consequences relating to Visteon's spin-off from Ford. This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), the Treasury regulations promulgated thereunder, and interpretations of the Code and the Treasury regulations by the courts and the IRS, in effect as of the date of this information statement. This summary does not discuss all the tax considerations that may be relevant to Ford stockholders in light of their particular circumstances, nor does it address the consequences to Ford stockholders subject to special treatment under the U.S. federal income tax laws (such as tax-exempt entities, non-resident alien individuals and foreign corporations, foreign trusts and estates and beneficiaries thereof). In addition, this summary does not address the U.S. federal income tax consequences to those Ford stockholders who do not hold their Ford common or Class B stock as a capital asset. Finally, this summary does not address any state, local or foreign tax consequences. Ford stockholders are urged to consult their own tax advisors as to the particular tax consequences to them of the spin-off and of the ownership and disposition of Visteon common stock, including the application of state, local and foreign tax laws and any changes in U.S. federal tax laws that occur after the date of this information statement.

It is the opinion of Davis Polk & Wardwell that, for U.S. federal income tax purposes, the spin-off should qualify under Section 355 of the Code as a tax-free distribution. The consequences of a tax-free distribution are as follows: (i) no gain or loss will be recognized by

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(and no amount will be included in the income of) Ford stockholders upon their receipt of shares of Visteon common stock in the spin-off; (ii) any cash received in lieu of fractional share interests in Visteon will give rise to gain or loss equal to the difference between the amount of cash received and the tax basis allocable to the fractional share interests (determined as described below), and such gain or loss will be capital gain or loss if the Ford stock on which the distribution is made is held as a capital asset on the date of the spin-off; (iii) the aggregate basis of the Ford stock and the Visteon common stock in the hands of each Ford stockholder after the spin-off (including any fractional interests to which the stockholder would be entitled) will equal the aggregate basis of Ford stock held by the stockholder immediately before the spin-off, allocated between the Ford stock and the Visteon common stock in proportion to the relative fair market value of each on the date of the spin-off; and (iv) the holding period of the Visteon common stock received by each Ford stockholder will include the period during which the stockholder has held the Ford stock on which the distribution is made, provided that the Ford stock is held as a capital asset on the date of the spin-off.

Opinions of counsel are not binding on the IRS or the courts. Whether a spin-off qualifies as tax-free depends in part upon the reasons for the spin-off and satisfaction of numerous other fact-based requirements. In rendering the above opinion regarding the tax-free status of the spin-off, Davis Polk & Wardwell has relied in part upon Ford's representations as to these matters. If the spin-off does not qualify as tax-free, the fair market value of the shares of our common stock received by Ford's stockholders would be taxable as a dividend to the extent of current-year and accumulated earnings and profits.

U.S. Treasury regulations require each stockholder that receives stock in a spin-off to attach to the stockholder's U.S. federal income tax return for the year in which the spin-off occurs a detailed statement setting forth certain information relating to the tax-free nature of the spin-off. Shortly after the spin-off, Ford will provide stockholders who will receive Visteon shares in the spin-off with the information necessary to comply with that requirement.

**You should consult your tax adviser regarding the particular federal, foreign, state and local tax consequences of the spin-off to you.**

For a description of the agreements under which we and Ford have provided for tax sharing and other tax matters, see "Relationship with Ford — Tax Sharing Agreement."

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## CAPITALIZATION

Set forth below is the pro forma capitalization of Visteon as of March 31, 2000, adjusted to give effect to the spin-off and the terms of our separation from Ford, as more fully described in "Unaudited Pro Forma Condensed Consolidated Financial Statements" beginning on page 26.

	<b>Pro Forma At March 31, 2000</b>
	<b>(in millions)</b>
Cash and cash equivalents	\$ 700

Debt payable within one year	\$ 800
Long-term debt	1,400
<hr/>	
Total debt	2,200
Common stock and additional paid in capital	3,019
Accumulated other comprehensive income	(104)
<hr/>	
Total equity	2,915
<hr/>	
Total capitalization	\$ 5,115

#### DIVIDEND POLICY

Our board of directors currently intends to declare quarterly dividends on our common stock, with the first quarterly dividend expected to be \$0.06 per share, or a rate of \$0.24 per share annually, declared and paid in the third quarter of 2000. Our board is free to change our dividend practices at any time, including to increase, decrease or eliminate our dividend. The board will base its decisions on, among other things, general business conditions, our financial results, contractual, legal and regulatory restrictions regarding dividend payments by our subsidiaries and any other factors the board may consider to be relevant.

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#### SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data reflect the historical results of operations and cash flows that were part of the Visteon business during each respective period. The historical consolidated statement of income data set forth below do not reflect many significant changes that will occur in the operations and funding of our company as a result of our spin-off from Ford. The historical consolidated balance sheet data set forth below reflect the assets and liabilities that were or are expected to be transferred to our company in accordance with the master transfer agreement.

The selected consolidated financial data should be read in conjunction with, and are qualified by reference to, "Unaudited Pro Forma Condensed Consolidated Financial Statements," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and accompanying notes included elsewhere in this information statement. The consolidated statement of income and cash flow data set forth below for each of the three years in the period ended December 31, 1999, and the consolidated balance sheet data as of December 31, 1998 and 1999, are derived from the audited consolidated financial statements included elsewhere in this information statement, and should be read in conjunction with those consolidated financial statements and the accompanying notes. The consolidated statement of income and cash flow data for the year ended December 31, 1996 and the consolidated balance sheet data as of December 31, 1997 are derived from, and qualified by reference to, audited consolidated financial statements which are not included in this information statement. The consolidated statement of income and cash flow data for the year ended December 31, 1995 and the consolidated balance sheet data as of December 31, 1995 and 1996 are derived from unaudited consolidated financial statements not included in this information statement, which in our opinion include all adjustments necessary for a fair presentation of the results for those periods. The consolidated statement of income and cash flows data for the three months ended March 31, 1999 and 2000, and the consolidated balance sheet data as of March 31, 2000, are derived from unaudited consolidated financial statements included in this information statement, which in our opinion include all adjustments necessary for a fair presentation of the results for those periods. Results for the three months ended March 31, 2000 are not necessarily indicative of results that may be expected for the full year.

The following financial information may not reflect what our results of operations, financial position and cash flows would have been had we operated as a separate, stand-alone entity during the periods presented or what our results of operations, financial position and cash flows will be in the future.

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Three Months Ended March 31,		Year Ended December 31,				
2000	1999	1999	1998	1997	1996	1995

(in millions, except per share amounts, percentages and as noted)

**Statement of Income Data:**

Sales:

Ford and affiliates	\$ 4,476	\$ 4,355	\$ 17,105	\$ 16,350	\$ 16,003	\$ 15,129	\$13,634
Other customers	749	417	2,261	1,412	1,217	1,368	1,481
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total sales	5,225	4,772	19,366	17,762	17,220	16,497	15,115
Costs and expenses:							
Costs of sales	4,795	4,341	17,503	15,969	15,794	15,392	14,359
Selling, administrative and other expenses	177	133	674	659	575	485	483
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total costs and expenses	4,972	4,474	18,177	16,628	16,369	15,877	14,842
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Operating income	253	298	1,189	1,134	851	620	273
Interest income	25	22	79	38	17	16	11
Interest expense	48	23	143	82	82	79	69
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net interest expense	(23)	(1)	(64)	(44)	(65)	(63)	(58)
Equity in net income of affiliated companies	7	16	47	26	29	47	30
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Income before income taxes	237	313	1,172	1,116	815	604	245
Provision for income taxes	86	112	422	416	305	223	86
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Income before minority interests	151	201	750	700	510	381	159
Minority interests in net income (loss) of subsidiaries	4	(4)	15	(3)	(1)	(3)	(5)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net income	\$ 147	\$ 205	\$ 735	\$ 703	\$ 511	\$ 384	\$ 164
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Basic and diluted earnings per share based on  
130,000,000 shares outstanding

	\$ 1.13	\$ 1.58	\$ 5.65	\$ 5.41	\$ 3.93	\$ 2.95	\$ 1.26
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#### Statement of Cash Flows

##### Data:

Cash provided by (used in) operating activities	\$ (846)	\$ 432	\$ 2,482	\$ 1,376	\$ 1,411	\$ 1,178	n/a
Cash (used in) investing activities	(125)	(307)	(1,453)	(940)	(943)	(996)	n/a
Cash provided by (used in) financing activities	58	(100)	290	(234)	(251)	(189)	n/a
<b>Other Financial Data:</b>							
Depreciation and amortization	\$ 166	\$ 149	\$ 651	\$ 565	\$ 590	\$ 510	\$ 459
EBITDA	419	447	1,840	1,699	1,441	1,130	732
Capital spending	115	196	876	861	917	969	n/a
Capital spending as a percentage of revenue	2.2%	4.1%	4.5%	4.8%	5.3%	5.9%	n/a
After tax return on:							
Sales	2.9%	4.2%	3.9%	3.9%	3.0%	2.3%	1.1%
Average assets	5.0%	8.3%	6.9%	7.8%	6.3%	4.9%	n/a
Sales per employee (in thousands)			\$ 244	\$ 235	\$ 237	n/a	n/a

At March 31,

At December 31,

	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	2000		1999	1998	1997	1996	1995
	<hr/>		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

(in millions)

#### Balance Sheet Data:

Total assets	\$ 11,790	\$12,449	\$9,373	\$8,471	\$7,967	\$7,510
Total debt	2,452	2,319	1,125	1,136	1,136	1,140
Total equity	1,540	1,499	1,655	1,204	977	802

"Sales per employee" includes Ford UAW employees working in Visteon facilities.

"EBITDA" is defined as income before provision for interest expense and interest income, income taxes, depreciation and amortization, equity in net income of affiliated companies and minority interests. EBITDA is not presented as an alternative measure of operating results or cash flow from operations, as determined in accordance with generally accepted accounting principles, but is presented because we believe it is a widely accepted indicator of our ability to incur and service debt. EBITDA does not give effect to cash used for debt service requirements.



and thus does not reflect funds available for dividends, reinvestment or other discretionary uses. In addition, EBITDA as presented in this information statement may not be comparable to similarly titled measures reported by other companies.

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**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

These unaudited pro forma condensed consolidated financial statements of Visteon were derived from the application of pro forma adjustments to our consolidated financial statements and give effect to the terms related to our separation and spin-off from Ford. The unaudited pro forma condensed consolidated statement of income for the three months ended March 31, 2000 and the year ended December 31, 1999 have been prepared as if the spin-off and our separation from Ford had occurred as of January 1, 1999. The unaudited pro forma condensed consolidated balance sheet as of March 31, 2000 has been prepared as if the spin-off and our separation from Ford had occurred as of March 31, 2000.

The following unaudited pro forma condensed consolidated income statements do not purport to be indicative of what our operations would have been had the spin-off and our separation from Ford taken place on the dates indicated. In addition, the results for the three months ended March 31, 2000 are not necessarily indicative of results that may be expected for the full year. The following unaudited pro forma condensed consolidated balance sheet does not purport to be representative of what our financial position would have been had the spin-off and our separation from Ford taken place on the date indicated.

These unaudited pro forma condensed consolidated financial statements should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited historical financial statements and the related notes included elsewhere in this information statement. Additional unaudited pro forma information on a quarterly basis and by segment is presented in Annex A.

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**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME**

**For the Three Months Ended March 31, 2000**

(in millions, except per share amounts)

	Historical	Adjustments	Notes	Pro Forma
<b>Sales</b>				
Ford and affiliates	\$ 4,476	—		\$ 4,476
Other customers	749	—		749
Total sales	5,225	—		5,225
<b>Costs and expenses</b>				
Costs of sales	4,795	(2)	(1)	4,793
Selling, administrative and other expenses	177	3	(1)	
		24	(2)	204
Total costs and expenses	4,972	25		4,997
<b>Operating income</b>	253	(25)		228
Interest income	25	(15)	(3)	10
Interest expense	48	(3)	(4)	45
Net interest expense	(23)	(12)		(35)
Equity in net income of affiliated companies	7	—		7
<b>Income before income taxes</b>	237	(37)		200
Provision for income taxes	86	(14)	(5)	72
<b>Income before minority interests</b>	151	(23)		128
Minority interests in net income of subsidiaries	4	—		4
<b>Net income</b>	\$ 147	\$ (23)		\$ 124

**Basic and diluted earnings per share based on  
130,000,000 shares outstanding**

\$ 1.13

\$ .95

**For the Year Ended December 31, 1999**

**(in millions, except per share amounts)**

	Historical	Adjustments	Notes	Pro Forma
<b>Sales</b>				
Ford and affiliates	\$ 17,105	(690)	(6)	\$ 16,415
Other customers	2,261	—		2,261
Total sales	19,366	(690)		18,676
<b>Costs and expenses</b>				
Costs of sales	17,503	(146)	(7)	
		4	(1)	17,361
Selling, administrative and other expenses	674	8	(1)	
		94	(2)	776
Total costs and expenses	18,177	(40)		18,137
<b>Operating income</b>	1,189	(650)		539
Interest income	79	(44)	(3)	35
Interest expense	143	33	(4)	176
Net interest expense	(64)	(77)		(141)
Equity in net income of affiliated companies	47	—		47
<b>Income before income taxes</b>	1,172	(727)		445
Provision for income taxes	422	(273)	(5)	149
<b>Income before minority interests</b>	750	(454)		296
Minority interests in net income of subsidiaries	15	—		15
<b>Net income</b>	\$ 735	\$ (454)		\$ 281
<b>Basic and diluted earnings per share based on 130,000,000 shares outstanding</b>				
	\$ 5.65			\$ 2.16

See Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements.

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**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET DATA**

**As of March 31, 2000**

**(in millions)**

	Historical	Adjustments	Notes	Pro Forma
<b>Assets</b>				
Cash and cash equivalents	\$ 943	\$ (967)	(8)	
		(791)	(9)	
		1,659	(10)	
		(144)	(11)	\$ 700
Accounts and notes receivable — Ford and affiliates	1,798	252	(8)	2,050
Accounts receivable — other customers	806	—		806
Total receivables	2,604	252		2,856
Inventories	743	—		743
Deferred income taxes	106	(29)	(15)	77

Prepaid expenses and other current assets	276	(174)	(12)	
		(4)	(14)	98
Total current assets	4,672	(198)		4,474
Equity in net assets of affiliated companies	209	—		209
Net property	5,730	—		5,730
Deferred income taxes	189	(189)	(15)	—
Other assets	990	(399)	(12)	
		(118)	(14)	473
Total assets	\$ 11,790	\$ (904)		\$ 10,886
<b>Liabilities and Equity</b>				
Trade payables — Ford and affiliates	\$ 983	\$ (715)	(8)	\$ 268
Trade payables — other suppliers	1,747	—		1,747
Total trade payables	2,730	(715)		2,015
Accrued liabilities	1,021	(88)	(14)	933
Income taxes payable	1	—		1
Debt payable within one year — Ford and affiliates	682	(682)	(9)	—
Debt payable within one year — other	344	456	(10)	800
Total debt payable within one year	1,026	(226)		800
Total current liabilities	4,778	(1,029)		3,749
Long-term debt — Ford and affiliates	1,229	(109)	(9)	
		(1,120)	(13)	—
Long-term debt — other	197	1,203	(10)	1,400
Total long-term debt	1,426	(26)		1,400
Other liabilities	4,034	(1,511)	(14)	2,523
Deferred income taxes	12	287	(15)	299
Total liabilities	10,250	(2,279)		7,971
<b>Equity</b>				
Common stock and additional paid in capital	—	3,019	(16)	3,019
Ford's net investment	1,644	(144)	(11)	
		(573)	(12)	
		1,120	(13)	
		1,477	(14)	
		(505)	(15)	
		(3,019)	(16)	—
Accumulated other comprehensive income	(104)	—		(104)
Total equity	1,540	1,375		2,915
<b>Total liabilities and equity</b>	\$ 11,790	\$ (904)		\$ 10,886

See Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

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### NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following pro forma adjustments were made to reflect the terms related to our separation and spin-off from Ford:

- (1) Reflects the estimated net incremental expense associated with the agreements between Visteon and Ford regarding employee benefit obligations, as described in "Relationship with Ford" and note 14 below:

<b>Three Months</b>	<b>Year Ended</b>
<b>Ended</b>	<b>December 31,</b>
<b>March 31,</b>	

	2000	1999
	(in millions)	
Pension-related costs	\$ 39	\$ 110
Postretirement benefit other than pensions	(38)	(98)
	<u>\$ 1</u>	<u>\$ 12</u>
Portion attributable to:		
Costs of sales	\$ (2)	\$ 4
Selling, administrative and other expenses	3	8
	<u>\$ 1</u>	<u>\$ 12</u>

- (2) Reflects an estimate of the net incremental selling, administrative and other expenses associated with operating Visteon as a stand-alone company. This estimate mainly represents additional costs for personnel and purchased services such as information technology, human resource administration, legal and corporate communications as well as incremental insurance and risk management costs.

Although this adjustment is based upon available information and assumptions that management believes are reasonable, Visteon may incur greater than expected selling, administrative and other expenses in connection with operating as a stand-alone company.

One-time expenses related to Visteon's spin-off from Ford are expected to total \$60 million in 2000. Since these expenses are non-recurring, they have not been included in this pro forma adjustment.

- (3) Reflects lower interest income due to reductions in Visteon's pro forma cash balance, assuming a 5% and 5.5% annual rate of return for the year ended December 31, 1999 and the three months ended March 31, 2000, respectively, after the spin-off from Ford.
- (4) Reflects adjustments to interest expense associated with expected average debt levels after the spin-off from Ford. Interest expense has been calculated using an 8% and 8.1% annual interest rate for the year ended December 31, 1999 and the three months ended March 31, 2000, respectively. A 1/8% change to the annual interest rate would change interest expense by about \$2.75 million and \$700,000 for the year ended December 31, 1999 and the three months ended March 31, 2000, respectively.
- (5) Reflects the tax effect of the pro forma adjustments using our historical effective tax rate of 37.5%, which is our estimate of Visteon's stand-alone effective tax rate.
- (6) Reflects a one-time 5% price reduction, effective as of January 1, 2000, on products that Visteon was supplying to Ford on that date, based on a market pricing review conducted by Ford and Visteon, as described in "Relationship with Ford."
- (7) Reflects an adjustment to profit sharing expense incurred in 1999. As described in "Relationship with Ford," Visteon will reimburse Ford for wage, benefit and other costs incurred by Ford related to Visteon-designated employees of Ford covered by the Ford

**NOTES TO UNAUDITED PRO FORMA CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

UAW agreement. However, Visteon's liability for profit sharing based on Ford's profits is limited to \$50 million per year in each of 2000-2004.

- (8) Reflects a \$252 million increase in accounts receivable from Ford, and a \$715 million decrease in payables to Ford, resulting from a change in payment terms for transactions between Visteon and Ford primarily in the United States.

- (9) Reflects the repayment of \$791 million of debt owed by Visteon subsidiaries to Ford subsidiaries through cash payments from those Visteon subsidiaries to the Ford subsidiaries.
- (10) Reflects the short-term and long-term debt Visteon expects to incur in order to finance operations separately from Ford. Visteon initially will finance its operations with short-term financial instruments that Visteon expects to replace with short-term and long-term debt. Visteon expects to have about \$2.2 billion of debt outstanding after the spin-off.
- (11) Reflects a dividend from Visteon to Ford equal to an amount necessary to bring pro forma cash and cash equivalents to \$700 million. The actual adjustment — either a dividend or a capital contribution — will be determined based on cash and cash equivalent levels on a date in the second quarter of 2000 which has not yet been determined.
- (12) Reflects retention by Ford of certain prepaid health care amounts.
- (13) Reflects conversion to equity of \$1,120 million of debt owed to Ford under an intracompany revolving loan arrangement.
- (14) Reflects the pro forma effect of:

	<b>March 31, 2000</b>
	<b>(in millions)</b>
<ul style="list-style-type: none"> <li>• Ford's retention of postretirement health care and retiree life insurance obligations for certain Visteon-designated employees of Ford who retired by April 1, 2000 and Ford's retention of related Voluntary Employees' Beneficiary Association ("VEBA") SFAS 106 assets as of March 31, 2000</li> <li>• Ford's retention of pension obligations for certain Visteon-designated employees of Ford who retired by April 1, 2000 and the pro forma effect of planned asset/liability transfers between Ford and Visteon pension plans as of March 31, 2000</li> </ul>	\$ 1,755   (278)  <hr/> \$ 1,477

- (15) Reflects a \$505 million adjustment to reduce deferred income tax assets primarily resulting from the adjustments described in note 14 above.
- (16) Reflects the transfer to Visteon by Ford of the net assets comprising the Visteon business after giving effect to the terms related to our separation and spin-off from Ford.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Overview

We are the world's third largest supplier of automotive systems, modules and components, based on our 1999 sales of \$19.4 billion or our pro forma 1999 sales of \$18.7 billion, according to the latest available industry data. We have a broad global presence, with a workforce of over 81,000 and a network of manufacturing sites, technical centers, sales offices and joint ventures located in every major region of the world. We have been the largest supplier of automotive parts to Ford for most of Ford's history. Ford produces cars and trucks that are marketed and sold under the Ford, Lincoln, Mercury, Volvo, Jaguar and Aston Martin brands. Before the spin-off, we have been a division of Ford and, more recently, a wholly-owned subsidiary of Ford. After our spin-off from Ford, we will become an independent supplier. We believe that our independence will enhance our ability to increase sales to non-Ford VMs over time.

Our worldwide sales were \$19.4 billion in 1999, compared with \$17.8 billion in 1998 and \$17.2 billion in 1997. Our 1999 sales include

six months of sales resulting from the June 1999 acquisition of the automotive interiors division of Compagnie Plastic Omnium.

Our worldwide net income was \$735 million in 1999, compared with \$703 million in 1998 and \$511 million in 1997. The improvement in net income in each of the years between 1997 and 1999 reflects primarily higher volume and cost efficiencies, offset partially by price reductions to customers. Our overall price reductions to Ford as a percentage of net sales were 4.9% in 1999, 3.2% in 1998 and 2.7% in 1997.

Unaudited pro forma condensed consolidated financial statements have been derived from the application of pro forma adjustments to our consolidated financial statements and give effect to our spin-off from Ford. The pro forma condensed consolidated statement of income does not purport to be indicative of what our operations actually would have been had these events occurred as of that date. The pro forma adjustment to our 1999 worldwide sales reflects a decrease of \$690 million to \$18.7 billion. The pro forma adjustment to our 1999 worldwide net income reflects a decrease of \$454 million to \$281 million. The pro forma adjustment to our first quarter 2000 worldwide net income reflects a decrease of \$23 million to \$124 million. For further discussion of these adjustments, please refer to “— Pro Forma Results” below.

## Sources of Revenue

We derive our revenue from the sale of automotive vehicle systems, modules and components. The majority of our sales are directly to VMs — 18 of the largest 20 VMs are Visteon customers. Sales directly to Ford accounted for 88% of our total sales in 1999. This percentage has declined since 1997, reflecting an increase in non-Ford business. We expect this trend to continue. Aftermarket sales accounted for 4.6% of our total sales in 1999. We have increased our focus on this area and expect these sales to increase in the future. Our largest market is in North America, which accounted for 80.8% of our 1999 total sales. Generally, we enter into contracts with our customers that tend to average three to five years in length and provide for annual price reviews.

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The following table delineates our total sales for the periods indicated:

	Three Months Ended March 31,		Year Ended December 31,		
	2000	1999	1999	1998	1997
<b>By customer:</b>					
Ford VM	83.7%	89.2%	86.4%	90.2%	91.1%
Non-Ford VM	11.8	5.9	9.0	5.8	5.0
Ford Aftermarket	1.9	2.1	1.9	1.9	1.8
Non-Ford Aftermarket	2.6	2.8	2.7	2.1	2.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
<b>By geographic region:</b>					
North America	82.9%	84.4%	80.8%	83.2%	82.4%
Europe	13.7	14.5	15.8	15.1	15.4
Other (rest of world)	3.4	1.1	3.4	1.7	2.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%

“Ford Aftermarket” refers to sales to Ford’s Automotive Consumer Services Group and “non-Ford Aftermarket” refers to sales to other aftermarket customers. Our sales by geographic region are reported by the location of delivery of product to the customer.

We operate in three business segments — Comfort, Communication & Safety, Dynamics & Energy Conversion and Glass. The following table shows the sales attributable to each of our segments for the periods indicated:

	Three Months Ended March 31,		Year Ended December 31,		
	2000	1999	1999	1998	1997
Comfort, Communication & Safety	\$2,603	\$2,203	(in millions) \$ 9,377	\$ 8,337	\$ 8,545

Dynamics & Energy Conversion	2,425	2,369	9,216	8,673	7,918
Glass	197	200	773	752	757
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total sales	\$5,225	\$4,772	\$19,366	\$17,762	\$17,220
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### Components of Costs and Expenses

The largest components of our costs and expenses are purchases of raw materials and component parts along with manufacturing labor and overhead. These two items account for about 80% of our total costs. The other major components of our costs and expenses are engineering, depreciation and amortization, administrative costs and freight. The typically long lead time between the development of automotive systems, modules and components and their ultimate sale, means that we incur significant expenditures (including design, engineering and tooling expenses) often years before sales, if any, are realized, or these expenses are otherwise reimbursed. Finally, selling, administrative and other expenses are becoming a larger component of our cost and expense structure as we establish a sales force for non-Ford VMs and the aftermarket, more broadly promote the Visteon brand and establish ourselves as an independent company.

### Pro Forma Results

**General.** We have prepared unaudited pro forma condensed consolidated financial statements of Visteon, which give effect to the spin-off and the terms of our separation from Ford. We have prepared the pro forma condensed consolidated statement of income for the first

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quarter of 2000 and for the full year 1999 to provide additional information on our operations as if the spin-off and our separation from Ford had occurred as of January 1, 1999. The pro forma condensed consolidated statements of income does not purport to be indicative of what our operations actually would have been had these events occurred as of that date.

**First Quarter 2000.** In connection with the preparation of the unaudited pro forma statement of income, we made the following significant adjustments:

- Our selling, administrative and other expenses in the first quarter of 2000 would have increased by about \$27 million, to about \$204 million, principally as a result of operating Visteon as a stand-alone company. These added costs are comprised of incremental corporate costs and, to a lesser extent, incremental insurance and risk management costs.
- Our interest income in the first quarter of 2000 would have decreased by about \$15 million, to \$10 million, as a result of reductions in Visteon's pro forma cash balances. Because of a decrease in our average outstanding debt levels, our interest expense would have decreased by about \$3 million to \$45 million.
- As a result of these and other adjustments, our net income would have decreased from \$147 million to \$124 million.

**1999.** In connection with the preparation of the unaudited pro forma statement of income for 1999, we made the following significant adjustments:

- Our sales in 1999 would have decreased by about \$690 million, to \$18.7 billion, had the one-time 5% price reduction effective as of January 1, 2000 been in effect for 1999. The one-time 5% reduction, which is based on a market pricing review conducted by Ford and us, is designed to make Visteon's prices more competitive with third party competitors.
- Our costs of sales in 1999 would have decreased by about \$142 million, to about \$17.4 billion, primarily as a result of a \$146 million adjustment to profit sharing expense incurred in 1999. This adjustment is due to our agreement with Ford that our liability, for profit sharing payments based on Ford's profits made to Ford workers that are assigned to us, will be limited to \$50 million per year in each of 2000-2004.
- Our selling, administrative and other expenses in 1999 would have increased by about \$102 million, to about \$776 million, principally as a result of operating Visteon as a stand-alone company. These added costs are comprised of incremental corporate costs and, to a lesser extent, incremental insurance and risk management costs.
- Our interest income in 1999 would have decreased by about \$44 million, to \$35 million, as a result of reductions in Visteon's pro forma cash balances. Because of an increase in our average outstanding debt levels, our

interest expense would have increased by about \$33 million to \$176 million.

- As a result of these and other adjustments, our net income would have decreased from \$735 million to \$281 million.

See "Unaudited Pro Forma Condensed Consolidated Financial Statements."

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**Results of Operations**

The following table shows statement of income data as a percentage of sales for the periods indicated:

	Three Months Ended March 31,			Year Ended December 31,			
	Pro Forma 2000	2000	1999	Pro Forma 1999	1999	1998	1997
Sales:							
Ford and affiliates	85.7%	85.7%	91.3%	87.9%	88.3%	92.1%	92.9%
Other customers	14.3	14.3	8.7	12.1	11.7	7.9	7.1
Total sales	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Costs and expenses:							
Costs of sales	91.7	91.8	90.9	93.0	90.4	89.9	91.7
Selling, administrative and other expenses	3.9	3.4	2.8	4.1	3.5	3.7	3.3
Total costs and expenses	95.6	95.2	93.7	97.1	93.9	93.6	95.0
Operating income	4.4	4.8	6.3	2.9	6.1	6.4	5.0
Interest income	0.2	0.5	0.5	0.2	0.4	0.2	0.1
Interest expense	0.8	0.9	0.5	0.9	0.7	0.5	0.5
Net interest expense	(0.6)	(0.4)	(0.0)	(0.7)	(0.3)	(0.3)	(0.4)
Equity in income of affiliated companies	0.1	0.1	0.3	0.3	0.3	0.1	0.2
Income before income taxes	3.9	4.5	6.6	2.5	6.1	6.2	4.8
Provision for income taxes	1.4	1.6	2.4	0.8	2.2	2.3	1.8
Income before minority interests	2.5	2.9	4.2	1.7	3.9	3.9	3.0
Minority interests in net income (loss) of subsidiaries	0.1	0.1	(0.1)	0.1	0.1	(0.0)	(0.0)
Net income	2.4%	2.8%	4.3%	1.6%	3.8%	3.9%	3.0%

**First Quarter 2000 Compared with First Quarter 1999**

The following table shows the increase in sales for each of our segments, both in dollars and in percentage terms:

	Quarter Ended March 31,		First Quarter 2000 over/(under) First Quarter 1999	
	2000	1999	Amount	Percent
	(in millions, except percentages)			
Comfort, Communication & Safety	\$2,603	\$2,203	\$ 400	18.2%
Dynamics & Energy Conversion	2,425	2,369	56	2.4
Glass	197	200	(3)	(1.5)



Total sales	\$5,225	\$4,772	\$ 453	9.5%
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Sales in the first quarter of 2000 totaled \$5.2 billion compared with \$4.8 billion in the first quarter of 1999, an increase of \$453 million or 9.5%. Sales for our Comfort, Communication & Safety segment were \$2.6 billion, compared with \$2.2 billion in the first quarter of 1999, an increase of \$400 million or 18.2%. Sales for our Dynamics & Energy Conversion segment were \$2.4 billion, up \$56 million or 2.4% from the first quarter of 1999. Glass sales were \$197 million in the first quarter of 2000, compared with \$200 million in the first quarter of 1999, a decrease of \$3 million or 1.5%. Sales for our Comfort, Communication & Safety segment increased primarily

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as a result of higher sales volumes to Ford and our other customers. Sales for our Comfort, Communication & Safety segment also increased due to the consolidation of Halla Climate Control (in which we increased our ownership interest from 35% to 70% during 1999) and, to a lesser extent, our acquisition of the automotive interiors division of Compagnie Plastic Omnium. The increase in sales for our Dynamics & Energy Conversion segment reflects primarily higher sales volume to Ford and our other customers. The increases for both segments were offset partially by price reductions granted to Ford and our other customers. The decrease in sales for our Glass segment reflects price reductions granted to Ford and our other customers.

Our pricing letter with Ford requires a one-time 5% price reduction on products that we were supplying to Ford as of January 1, 2000 based on a market pricing review conducted by Ford and us. The pricing letter also requires productivity price adjustments in each of 2000, 2001, 2002 and 2003 to reflect competitive price reductions obtained each year by Ford from its other Tier 1 suppliers. We and Ford have agreed on a 3.5% productivity price reduction for 2000 on such products, which is consistent with (i) price reductions between Visteon and Ford in prior years and (ii) the amount of annual productivity improvement that Ford generally expects from its other Tier 1 suppliers. Price adjustments for 2001, 2002 and 2003 will be calculated using a basket of products composed of identical or substantially similar products that Ford purchases from other suppliers. In addition to these price reductions, we have agreed to use our best efforts to achieve design and engineering improvements in our products sold to Ford so as to further reduce their cost to Ford by 1.5% to 2.5% each year. We do not believe that we can fully offset the 2000 price reductions with cost reductions. As a result, we expect our profitability in 2000 and beyond to be significantly lower than that achieved in our 1999 actual results.

The following table shows the change in net income (loss) for each of our segments, both in dollars and in percentage terms:

	Quarter Ended March 31,		First Quarter 2000 (under) First Quarter 1999	
	2000	1999	Amount	Percent
	(in millions, except percentages)			
Comfort, Communication & Safety	\$ 114	\$ 121	\$ (7)	(5.8)%
Dynamics & Energy Conversion	50	79	(29)	(36.7)
Glass	(4)	5	(9)	n/a
	\$ 147	\$ 205	\$ (58)	(28.3)%

Net income for our Comfort, Communication & Safety segment was \$114 million in the first quarter of 2000, down \$7 million from the first quarter of 1999. The reduction was more than accounted for by price reductions, offset partially by higher sales volume, primarily in North America, and, to a lesser extent, decreased support costs as well as the consolidation of Halla Climate Control and our acquisition of the automotive interiors division of Compagnie Plastic Omnium. Net income for our Dynamics & Energy Conversion segment was \$50 million in the first quarter of 2000, a decrease of \$29 million. This decrease was more than accounted for by price reductions, partially offset by higher sales volume, primarily in North America and, to a lesser extent, lower costs. Net loss for Glass was \$4 million as compared with net income of \$5 million in the first quarter of 1999, a decline of \$9 million. The decrease was more than accounted for by price reductions.

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**1999 Compared with 1998**

The following table shows the increase in sales for each of our segments, both in dollars and in percentage terms:

**Year Ended**

	December 31,		1999 over 1998	
	1999	1998	Amount	Percent
	(in millions, except percentages)			
Comfort, Communication & Safety	\$ 9,377	\$ 8,337	\$ 1,040	12.5%
Dynamics & Energy Conversion	9,216	8,673	543	6.3
Glass	773	752	21	2.8
Total sales	\$19,366	\$17,762	\$ 1,604	9.0%

Sales in 1999 totaled \$19.4 billion compared with \$17.8 billion in 1998, an increase of \$1.6 billion or 9%. Sales for our Comfort, Communication & Safety segment were \$9.4 billion compared with \$8.3 billion in 1998, an increase of 12.5%. Sales for our Dynamics & Energy Conversion segment were \$9.2 billion, up \$543 million or 6.3% from 1998. Glass sales were \$773 million in 1999 compared with \$752 million in 1998, an increase of 2.8%. The increase in sales for each segment reflects primarily higher sales to Ford and our other customers. In addition, sales for our Comfort Communication & Safety segment increased due to the consolidation of Halla Climate Control and, to a lesser extent, our June 1999 acquisition of the automotive interiors division of Compagnie Plastic Omnium. These increases were offset partially by price reductions granted to Ford and our other customers.

The following table shows the change in net income (loss) for each of our segments, both in dollars and in percentage terms:

	Year Ended December 31,		1999 over/(under) 1998	
	1999	1998	Amount	Percent
	(in millions, except percentages)			
Comfort, Communication & Safety	\$ 422	\$ 452	\$ (30)	(6.6)%
Dynamics & Energy Conversion	344	294	50	17.0
Glass	3	(15)	18	n/a
Total net income (including unallocated interest)	\$ 735	\$ 703	\$ 32	4.6%

Net income for our Comfort, Communication & Safety segment was \$422 million in 1999, down \$30 million from 1998. The reduction was more than accounted for by price reductions and increased costs associated with engineering future products and support costs, offset partially by material and manufacturing cost reductions and, to a lesser extent, by higher sales volume. Net income for our Dynamics & Energy Conversion segment was \$344 million in 1999, an increase of \$50 million, reflecting primarily lower costs and, to a lesser extent, higher sales volume, partially offset by price reductions. Net income for our Glass segment was \$3 million, an improvement of \$18 million from 1998. The improvement was more than accounted for by lower costs and, to a lesser extent, higher sales volume, offset partially by reduced prices.

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**1998 Compared with 1997**

The following table shows the change in sales for each of our segments, both in dollars and in percentage terms:

	Year Ended December 31,		1998 over/(under) 1997	
	1998	1997	Amount	Percent
	(in millions, except percentages)			
Comfort, Communication & Safety	\$ 8,337	\$ 8,545	\$ (208)	(2.4)%
Dynamics & Energy Conversion	8,673	7,918	755	9.5
Glass	752	757	(5)	(0.7)
Total sales	\$17,762	\$17,220	\$ 542	3.1%

Sales in 1998 totaled \$17.8 billion compared with \$17.2 billion in 1997, an increase of \$542 million or 3.1%. Sales for our Comfort, Communication & Safety segment were \$8.3 billion compared with \$8.5 billion in 1997, a decrease of 2.4%. Sales for our Dynamics & Energy Conversion segment were \$8.7 billion compared with \$7.9 billion in 1997, an increase of 9.5%. Glass sales were \$752 million compared with \$757 million in 1997, a decrease of \$5 million. The decrease in sales for our Comfort, Communication & Safety segment is more than accounted for by price reductions, partially offset by higher sales volume. Sales for our Dynamics & Energy Conversion segment increased primarily as a result of customer product content changes and, to a lesser extent, higher sales volumes to non-Ford customers. The Glass sales decrease is more than accounted for by price reductions.

The following table shows the change in net income (loss) for each of our segments, both in dollars and in percentage terms:

	Year Ended December 31,		1998 over 1997	
	1998	1997	Amount	Percent
	(in millions, except percentages)			
Comfort, Communication & Safety	\$ 452	\$ 439	\$ 13	3.0%
Dynamics & Energy Conversion	294	136	158	116.2
Glass	(15)	(25)	10	n/a
Total net income (including unallocated interest)	\$ 703	\$ 511	\$ 192	37.6%

Net income for our Comfort, Communication & Safety segment increased to \$452 million in 1998 from \$439 million in 1997, an increase of 3.0%, is more than accounted for by reductions in material and manufacturing costs, partially offset by price reductions to our customers and, to a lesser extent, higher costs associated with engineering future products and support costs. Net income for our Dynamics & Energy Conversion segment increased to \$294 million in 1998 from \$136 million in 1997. This increase was more than accounted for by material and manufacturing cost reductions, partially offset by increased costs associated with engineering future products and support costs. Net losses at Glass were \$15 million in 1998, an improvement of \$10 million from 1997. The improvement is more than accounted for by the non-recurrence of a one-time Glass restructuring charge in 1997, as well as higher aftermarket and commercial glass sales volumes, partially offset by price reductions to our customers.

#### Quarterly Data

Our business is moderately seasonal because our largest North American customers typically halt operations for about two weeks in July and about one week in December. In addition, third quarter automotive production traditionally is lower as new models enter production. Accordingly, our third and fourth quarter results may reflect these trends. The

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following table shows unaudited condensed financial data for each of the nine quarters through the period ended March 31, 2000. The operating results for any quarter shown are not necessarily indicative of results for any future period.

	2000		1999			1998			
	First Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Sales	\$5,225	\$4,772	\$5,063	\$4,600	\$4,931	\$4,378	\$4,725	\$4,097	\$4,562
Operating income	253	298	461	280	150	303	377	243	211
Income before income taxes	237	313	449	260	150	286	384	240	206
Net income	147	205	280	155	95	187	239	148	129

First quarter 2000 net income was \$147 million, compared with \$205 million in the first quarter of 1999. The decline reflected the impact of negotiated price reductions, offset partially by improved volume in North America, the consolidation of Halla Climate Control and our acquisition of the automotive interiors division of Compagnie Plastic Omnium. Fourth quarter net income in 1999 was \$95 million, compared with \$129 million in the fourth quarter of 1998. The decline reflected the impact of negotiated price reductions, the labor agreement in North America and currency-related costs, offset partially by cost efficiencies and improved volume.

Additional quarterly information (broken down on an actual and pro forma basis, as well as by segment), is presented in Annex A.

#### Liquidity and Capital Resources

Our historical balance sheet reflects cash and cash equivalents of \$943 million and short-term and long-term debt of \$2.5 billion at March 31, 2000, cash and cash equivalents of \$1.8 billion and short-term and long-term debt of \$2.3 billion at December 31, 1999, and cash and cash equivalents of \$542 million and debt of \$1.1 billion at December 31, 1998. The short-term and long-term debt at each of March 31, 2000 and December 31, 1999 consisted of \$1.1 billion of debt owed to Ford under an intracompany revolving loan arrangement, about \$800 million of debt owed by Visteon subsidiaries to subsidiaries of Ford, and the remainder was debt owed to third parties.

Short-term debt at March 31, 2000 had a weighted-average interest rate of 5.1% from Ford and affiliates and 7.7% from third parties. Long-term debt at March 31, 2000 had a weighted-average interest rate ranging from 7.2% for Ford and affiliates to 8.4% for third parties and maturities ranging from 2001 to 2007.

Our debt exceeded our cash and cash equivalents by \$1.5 billion at March 31, 2000, by \$470 million at December 31, 1999 and by \$583 million at December 31, 1998. Our ratio of total debt to total capital, which consists of total debt plus equity, was 61% at March 31, 2000 and at December 31, 1999 compared with 40% at December 31, 1998. The increase during 1999 reflected primarily increased debt relating to our acquisition of the automotive interiors division of Compagnie Plastic Omnium.

As discussed under "Unaudited Pro Forma Condensed Consolidated Financial Statements," we will have lower cash and cash investment balances and slightly lower debt levels after the spin-off. These reductions reflect primarily higher working capital as a result of a change in payment terms from Ford, repayment and capitalization of debt owed to Ford and replacement with outside debt financing, and a cash adjustment prior to the spin-off. These and other actions in connection with the separation and spin-off would result, on a pro forma basis at March 31, 2000, in cash and cash equivalent levels of about \$700 million, total debt of about \$2.2 billion, and a pro forma total debt to total capital ratio of about 43%. The actual cash adjustment — either a dividend to Ford or a capital contribution from Ford — will be determined based on cash and cash equivalent levels on a date in the second quarter of 2000 prior to the spin-off.

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We also plan to enter into financing agreements with lenders providing for an aggregate of about \$2 billion in revolving credit facilities. The facilities will be split approximately evenly between 364-day and 5-year commitments. Our intent is to use these credit facilities as backup facilities, although we may borrow under them for general corporate or other purposes.

VMs are increasingly pushing responsibility for engineering and tooling onto suppliers. The need to finance these costs increases our working capital needs and could have a material impact on our liquidity. In addition, although we have no specific acquisition plans, our ability to make acquisitions could be constrained by limited borrowing capacity, as well as by various contractual restrictions.

Visteon's intra-year cash fluctuations are impacted by the volume and timing of worldwide vehicle production. Examples of seasonal effects in the industry include the shut-down of operations for about two weeks in July, the subsequent ramp-up of new model production and the additional one-week shut-down in December by our primary North American customers. We believe that we have sufficient financial flexibility to fund these fluctuations and to access the global capital markets on satisfactory terms and in adequate amounts, although there can be no assurance that this will be the case. We expect cash flows from operations and borrowings to satisfy future working capital, capital expenditure, research and development, pension funding and debt service requirements for at least the next year.

## **Cash Flows**

### ***Operating Activities***

Cash flows used in operating activities during the first three months of 2000 totaled \$846 million compared to cash flows provided by operating activities of \$432 million for the same period in 1999. The decrease in 2000 was impacted by payments totaling approximately \$570 million to Ford to prepay certain healthcare costs, of which approximately \$500 million was accrued for at December 31, 1999. The remainder of the decrease was caused primarily by changes in receivables, payables and other working capital items. Cash flows from operating activities were \$2.48 billion, \$1.38 billion and \$1.41 billion in 1999, 1998 and 1997, respectively. The primary components of our operating cash flows are net income, depreciation and amortization, and changes in various payables and receivables balances with Ford. Cash flow from 1999 was positively affected because of an increase in our payable balance to Ford. The historical operating cash flows may not be representative of our results had we operated as a separate stand-alone entity.

### ***Investing Activities***

Cash used in investing activities was \$125 million during the first quarter of 2000 compared to \$307 for the same period in 1999. During the first quarter of 1999, we increased our ownership in Halla Climate Control to 70%, as described below. Cash used in investing activities was \$1.45 billion, \$940 million and \$943 million in 1999, 1998 and 1997, respectively. The primary use of cash for investing activities in each year was for capital expenditures. In addition, in 1999, we acquired the automotive interiors division of Compagnie Plastic Omnium, headquartered in France, for about \$479 million, and increased our ownership in Halla Climate Control to 70% by purchasing an additional 35% interest for \$84 million. In 1998 we made several acquisitions totaling about \$103 million, including acquiring PABA, Inc. (now Visteon Climate Control Systems), two manufacturing facilities in Poland and Zexel Innovations.

Our capital expenditures were \$115 million during the first three months of 2000 compared to \$196 million for the same period in 1999. The decrease in capital spending in 2000 reflects timing of equipment receipts. Our capital expenditures were \$876 million in 1999, \$861 million in 1998 and \$917 million in 1997, with about 48% in each year spent on Comfort, Communication & Safety, about 45% in each year spent on Dynamics & Energy Conversion and about 7% in each

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year spent on Glass. We currently expect about \$950 million in capital expenditures in 2000, split among our segments in about the same proportions as in prior years. Our capital expenditures are used primarily for equipment, tooling and other spending associated with new product programs. Our capital expenditure program promotes our growth-oriented business strategy by investing in core areas, where efficiencies and profitability can be enhanced, and by targeting funds for new innovative technologies, where long-term growth opportunities can be realized. Capital expenditures also will be used for expansion into new markets outside of the United States and the continued implementation of lean manufacturing strategies.

### **Financing Activities**

Cash provided by financing activities totaled \$58 million during the first three months of 2000 compared to cash used in financing activities of \$100 for the same period in 1999. Cash provided by financing activities totaled \$290 million in 1999. This compared with cash used in financing activities of \$234 million and \$251 million in 1998 and 1997, respectively. We historically have funded our investing activities through cash from operating activities, funding from Ford, and some third party debt. In 1999, cash provided by financing activities reflected additional debt associated with acquisition activities, offset partially by net cash distributions to Ford. Historically, we have paid about 38% of our net income to Ford as a cash distribution. We plan to pay dividends to shareholders with the first quarterly dividend expected to be \$0.06 per share, or a rate of \$0.24 per share annually, declared and paid in the third quarter of 2000.

### **Pension and Postretirement Benefits**

Employees and retirees participate in various pension, health-care and life insurance benefit plans sponsored by Ford and existing Visteon subsidiaries. Benefit plan liability and related asset transfers between Visteon and Ford in connection with our separation from Ford are covered by various employee benefits agreements.

Ford will retain pension and postretirement health care and life insurance obligations for certain Visteon-designated employees of Ford who retire prior to the spin-off. In addition, Ford will retain the pension obligation related to benefits earned through the spin-off date for certain active U.S. salaried Visteon-designated employees that meet specific age and years of service requirements. With respect to individuals covered by the Ford UAW agreement who are employed in our facilities, we will be responsible for the related cost upon their retirement for pension, health care and life insurance benefits. The liability for these individuals for these programs was \$1.1 billion at March 31, 2000 and December 31, 1999.

It is expected that after the benefit plan liability and related asset transfers, Visteon's U.S. pension plan assets will at least equal the actuarially determined projected benefit obligation on an aggregate basis. The actuarially determined total worldwide projected benefit obligation and the total worldwide fair market value of plan assets related to pension obligations to be assumed by Visteon were about \$1.2 billion at March 31, 2000 and December 31, 1999. The total unfunded liability recorded by Visteon related to retiree health care and life insurance obligations to be assumed by Visteon was about \$1.8 billion at March 31, 2000 and December 31, 1999.

### **Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to a variety of market risks, including foreign currency exchange rates, interest rates and commodity prices, which could impact its financial results. The effect of changes in exchange rates, interest rates and commodity prices on our earnings generally have been small relative to other factors that also affect earnings, such as unit sales and operating margins.

We use derivative financial instruments as part of an overall risk management program in order to reduce the potentially adverse impact from these financial risks. Derivative instruments

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are not used for speculative purposes, as per clearly defined risk management policies. Until now, our market risk has been managed as an integrated part of Ford's overall risk management program.

### **Foreign Currency Risk**

Our net cash inflows and outflows exposed to the risk of changes in exchange rates arise from the sale of products in countries other than the manufacturing source, foreign currency denominated supplier payments, debt and other payables, subsidiary dividends and investments in subsidiaries. We use primarily foreign exchange forward contracts to manage our exposures.

Our primary foreign exchange exposure includes the euro, Brazilian Real, Mexican Peso and Canadian Dollar. Because of the mix between our costs and revenues in various regions, we are generally exposed to weakening of the euro and to strengthening of the Brazilian Real, Mexican Peso and Canadian Dollar. For transactions in these currencies, we utilize a strategy of partial coverage. As of March 31, 2000, our coverage for projected transactions in these currencies for the remainder of 2000 ranged from 0% to about 60%. As of March 31, 2000, a 10% adverse change in exchange rates from prevailing rates for all of these currencies would result in an adverse impact on net

income of about \$15 million on an annual basis.

### **Interest Rate Risk**

Historically, about half of our borrowings from third party credit sources, and most of our funding from Ford, have been on a variable rate basis. After our spin-off from Ford, derivative instruments and an increased proportion of fixed rate borrowings may be used to manage some of our exposure to interest rate risk.

### **Commodity Risk**

We have entered into fixed price contracts with some of our key suppliers to protect us from changes in market prices for the non-ferrous metals used in the manufacturing of automotive components. As a result, we have no need presently to enter into financial derivatives to hedge these potential exposures. The risk to these exposures may be managed with the use of financial derivatives if in the future we enter into floating price contracts with our key suppliers.

### **New Accounting Standards and Changes**

#### **New Standards**

In the first quarter of 1999, we adopted Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This SOP requires entities to capitalize certain internal-use software costs once certain criteria are met. Our practice had been to expense the costs of obtaining or developing internal-use software as incurred.

Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities," was issued by the Financial Accounting Standards Board in June 1998. SFAS 133 provides a comprehensive and consistent standard for the recognition and measurement of derivatives and hedging activities. We have not adopted SFAS 133 based on the May 1999 announcement by the Financial Accounting Standards Board to delay by one year the implementation date of SFAS 133 until January 1, 2001. We have not yet determined the effect of adopting SFAS 133.

The Emerging Issues Task Force (EITF) recently reached a final consensus with respect to EITF Issue 99-5, "Accounting for Pre-Production Costs Related to Long-Term Supply Arrangements." This consensus provides guidance on whether design and development costs related to long-term supply arrangements should be expensed or capitalized, and is effective for design and development costs incurred after December 31, 1999. Adoption of this guidance did not have a material effect on the financial statements.

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### **Accounting Changes**

Beginning in 1999, we changed from an accelerated method to the straight-line method for amortization of special tooling. This change is being made to recognize that special tooling retains its value more uniformly over time.

Also beginning in 1999, we modified our plant and equipment retirement policy to reflect gains and losses in income in the year of retirement. Previously, the cost of retired assets, net of salvage proceeds, was charged to accumulated depreciation. The change in accounting principle for plant and equipment retirement is being made to better reflect the results of asset disposal/ sale decisions.

Adoption of new accounting standards and accounting changes did not have a material effect on our financial statements.

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## **BUSINESS**

### **Overview**

We are the world's third largest supplier of automotive systems, modules and components, based on our 1999 sales which were \$19.4 billion, or our pro forma 1999 sales of \$18.7 billion, according to the latest available industry data. We have become a leader in the global automotive parts industry by capitalizing on the extensive experience we have gained as the largest supplier to Ford, the world's largest producer of trucks and the second largest producer of cars and trucks combined. We have a broad global presence, with a workforce of over 81,000 and a network of manufacturing sites, technical centers, sales offices and joint ventures located in every major region of the world.

We have been the largest supplier of automotive parts to Ford for most of Ford's history. Ford produces cars and trucks that are marketed and sold under the Ford, Lincoln, Mercury, Volvo, Jaguar and Aston Martin brands. We began using the Visteon name in 1997. Visteon has been responsible for the introduction of a number of innovations in the automotive industry such as integrated voice activated control of the cellular phone, audio system and climate control system, currently available in the Jaguar S-Type. We have developed extensive experience

and expertise in all areas of automotive integrated system, module and component design. Before the spin-off, we have been a division of Ford and, more recently, a wholly-owned subsidiary of Ford. After our spin-off from Ford, we will be an independent supplier. We believe that our independence will enhance our ability to increase sales to non-Ford VMs over time.

We have developed a sophisticated understanding of the design, engineering, manufacture and operation of the automotive vehicle. We are currently able to supply over 40% of a vehicle's total material cost. We have both extensive technical expertise in a broad range of products and strong systems integration skills, which enable us to provide comprehensive, consumer-oriented solutions for our customers. In recent years, we have placed increasing emphasis on the development of systems and modules with electronic content, in response to consumer demand. The dollar value of electronic content of vehicles has been increasing in recent years and is expected to continue to increase, although at a slower rate, despite significant reductions in unit prices due to technological innovation. We have over 8,900 engineers, scientists, technical specialists and technicians, or technical personnel, around the world with well-established credentials in technical research and development. We believe that our comprehensive vehicle knowledge, consumer focus and expansive global presence provide a solid foundation for our continued growth. In 1999, we began using the Internet both for our supply needs and for the sale of our aftermarket products. We expect this aspect of our business to grow significantly over the next several years.

Over the past decade, the industry mix of vehicles sold in North America has shifted from about 40% trucks/ 60% cars to about 50% trucks/ 50% cars. In general, trucks generate higher margins for VMs. In particular, Ford's product mix is more heavily weighted towards trucks, with trucks making up about 60% of Ford's vehicle production in 1999. We believe that our expertise and experience as the largest supplier to Ford gives us an advantage in this important market.

In recent years, our goal has been to pursue new business growth opportunities with Ford and non-Ford VMs, as well as with non-automotive customers. Although Ford still accounts for a substantial majority of our sales, we have business with 18 of the 20 largest VMs. Our sales to customers other than Ford grew at a compound annual growth rate of 36% between 1997 and 1999, from about \$1.2 billion to about \$2.3 billion. Non-Ford business as a percentage of our total sales has grown from about 7% to about 12% in that time. In 1999, 38% of the new business we were awarded for delivery in future years, which does not include renewals of existing contracts, was non-Ford business. We have a goal of expanding our non-Ford business

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to 20% of our sales by 2002. We believe that our spin-off from Ford will facilitate our achievement of this goal.

Additionally, we have had a goal of expanding our global presence. From 1997 to 1999, we opened four manufacturing facilities outside North America. About 23.5% of our total 1999 sales were derived from products manufactured outside of the United States. In addition, 39% of the new business we won in 1999 was with customers outside of North America.

We operate in three business segments and are a leading Tier 1 supplier in two of these segments: Comfort, Communication & Safety and Dynamics & Energy Conversion:

- *Comfort, Communication & Safety*, composed of our climate control systems and interior/ exterior systems product groups. Our climate control systems product group produces systems, modules and components in the areas of fluid transport, air handling, heat exchange and compressors. Our interior/ exterior systems product group produces systems, modules and components in the areas of cockpits, instrument panels, interior trim and seats, lighting and bumpers.

We believe that the integration of our climate control systems and interior/ exterior systems product groups into a single organization enables us to deliver complete interiors to our customers, with features that consumers demand, such as integrated seats with heating and cooling capabilities; advanced safety features like voice activated control, advanced air bag electronics and passive antitheft devices; and cockpits with fully integrated multimedia products, Internet wireless communication and climate control.

- *Dynamics & Energy Conversion*, composed of our energy transformation systems and chassis systems product groups. Our energy transformation systems product group produces systems, modules and components in the areas of energy management, distributed power generation, electrical conversion, and fuel storage and delivery products. Our chassis systems product group produces systems, modules and components in the areas of axle and driveline, steering and chassis products.

We believe that the integration of our energy transformation systems and chassis systems product groups provides synergies as a result of a global focus on all of the dynamics of a vehicle — ride, handling and performance. Combining this focus with our electronics expertise allows us to deliver a complete vehicle dynamics system to our customers that combines steering control, torque conversion, engine management controls and drivelines.

- *Glass*, composed of our vehicle glazing product group, which produces glass products for Ford and aftermarket

customers, and our commercial glass product group, which produces float glass for commercial architecture.

In addition to our VM sales, we also sell our products to the worldwide aftermarket for replacement and vehicle appearance enhancement parts.

### Automotive Parts Industry

The automotive parts industry provides systems, modules and components to VMs for the manufacture of new vehicles, as well as to the aftermarket for use as replacement and enhancement parts. Today, suppliers offer their component products to VMs and also offer those products in a variety of more fully engineered forms, such as modules and systems:

- “Modules” are groups of component parts arranged in close physical proximity to each other within a vehicle that are often assembled by the supplier and shipped to the VM for installation in a vehicle as a unit. Modular instrument panels, cockpit modules and door modules are examples.

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- “Systems” are groups of component parts located throughout the vehicle that operate together to provide a specific vehicle function. Air conditioning and heating systems, electrical systems and steering systems are examples.

Historically, large VMs operated internal divisions to provide a wide range of component parts for their vehicles. In recent years, VMs have moved towards a competitive sourcing process for automotive parts, including increased purchases from independent suppliers, as they seek lower-priced and/or higher-technology products. These independent parts suppliers, which often have lower cost structures than in-house component operations, have become an important part of the automotive parts industry.

We believe global automotive parts industry sales to VMs will be about \$500 billion in 2000. In addition to these sales, U.S. automotive aftermarket retail sales are estimated to be over \$160 billion in 2000. The aftermarket includes replacement parts as well as parts designed to enhance or personalize vehicles. Demand for aftermarket products tends to increase when new vehicle sales decline because vehicle owners retain their vehicles longer; these vehicles generally have a greater need for repairs.

Our industry is generally divided into two tiers:

- “Tier 1” suppliers like Visteon sell their products principally to VMs directly and often offer a broad range of product capabilities, including design, engineering and assembly services. Tier 1 suppliers supply systems and modules and are increasingly influencing vehicle content, including the sourcing of Tier 2 components.
- “Tier 2” suppliers sell their products principally to Tier 1 suppliers, who then combine these parts into their own product offerings.

Within Tier 1, there are only a few companies with a combination of global operations and a product portfolio breadth that allows them to compete for a substantial portion of VMs’ automotive parts needs. The top four automotive suppliers, including Visteon, accounted for \$74.2 billion in sales in 1998. Based on 1998 data, there were 67 other Tier 1 suppliers with annual sales over \$1 billion each, accounting for a total of about \$197.3 billion in sales. Most of these suppliers are focused on a limited number of product areas. The remaining suppliers in the industry are generally Tier 2 suppliers, focusing on a limited number of products.

**Industry Trends.** Several key trends have been reshaping the automotive parts industry over the past several years:

- *Shift of Engineering to Suppliers; Increased Emphasis on Systems and Modules Sourcing.* Increasingly, VMs are focusing their efforts on consumer brand development and overall vehicle design, as opposed to the design of vehicle systems. For example, Ford is spinning off Visteon, and General Motors spun off Delphi in 1999. In order to simplify the vehicle design and assembly processes and reduce their costs, VMs increasingly look to their suppliers to provide fully engineered, pre-assembled combinations of components rather than individual components. This is especially true outside of the United States. By offering sophisticated systems and modules rather than individual components, Tier 1 suppliers have assumed many of the design, engineering, research and development and assembly functions traditionally performed by VMs. As a result, they are gaining increased access to confidential planning information regarding VMs’ future vehicle designs and manufacturing processes. Systems and modules increase the importance of Tier 1 suppliers because they increase their percentage of vehicle content and the ability to reduce costs. As suppliers produce complete systems, they are increasingly attempting to increase brand awareness of their own products. This has generally been most successful in the audio systems and aftermarket areas. Suppliers with broad product portfolios are well positioned to provide the systems and modules VMs demand.



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- *Increasing Electronics Integration and Technological Content.* Electronics integration, which generally refers to replacing mechanical components with electronic components and integration of mechanical and electrical functions within the vehicle, allows VMs to achieve substantial reductions in the weight and number of parts required in vehicles. This results in easier assembly, enhanced fuel economy and emissions control, and better vehicle performance. This is increasingly important as heavier vehicles — sport utility vehicles, or SUVs, pickup trucks and minivans — make up more and more of the automotive market. Stringent regulatory standards and consumer demand for low automotive emissions and safety features including evolving air bag technologies, as well as increasing consumer demand for electronics-based, leading edge consumer products such as navigation systems, Internet-linked in-car computer systems and rear seat entertainment systems, have all increased the electronic content of vehicles. As shown in the following table, the dollar value of electronic content of vehicles has increased in recent years. Electronic content is expected to continue to increase in the future, although at a slower rate. Suppliers with the necessary technological expertise will be able to gain from this trend:

**Automotive Electronics**  
(dollars per vehicle, by model year)

Region	1998	2000	1998-2000 compound annual growth rate
North America	\$1,057	\$1,176	5.5%
Europe	862	962	5.6
Asia-Pacific	1,000	1,061	3.0
Rest of world	285	340	9.2
World average	843	921	4.5

Source: Prismark Partners. Figures are not adjusted for inflation.

- *Growth in E-Commerce.* The Internet is revolutionizing the way businesses and consumers purchase products and services. Recently, Ford, General Motors, DaimlerChrysler, Renault and Nissan announced an initiative to establish Covisint. Covisint is an Internet-based business-to-business marketplace for a large portion of these VMs' purchases and procurement-related activities. It is likely that other major VMs will join this marketplace or announce competing initiatives. Suppliers that are able to provide more value-added systems should be able to differentiate themselves from their competitors on variables other than price. Visteon and other automotive suppliers, in turn, are seeking to source more and more of their needs over the Internet. Finally, consumers are increasingly purchasing goods over the Internet and an increase of direct online sales of automotive parts can be expected. Suppliers with the technological resources and expertise to be able to use these Internet tools will be well equipped to take advantage of this trend.
- *Increased Emphasis on Speed-to-Market.* As VMs are under increasing pressure to adjust to changing consumer preferences and to incorporate technological advances, they are shortening product development times. These shorter development times allow VMs to more effectively come to market with vehicles and features that match prevailing consumer preferences. Suppliers that are able to deliver new products to VMs to accommodate the VMs' needs will be well-positioned to succeed in this evolving marketplace. Shorter product development times also reduce product development costs. Consumers are increasingly well-informed and sophisticated and, both in the aftermarket and the new vehicle market, are demanding personalized features not typically found in the automotive environment. Additionally, the Internet has increasingly made consumers accustomed to

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rapid delivery of their desired items. Suppliers that are able to deliver what consumers demand on a timely basis, whether in the new vehicle market or in the aftermarket, will benefit from this trend.

- *Globalization of Suppliers.* In order to serve multiple markets in a more cost effective manner, many VMs are turning to global vehicle platforms, or “world cars,” which typically are designed in one location but produced and sold in many different geographic markets around the world. With these vehicles, VMs can better serve multiple markets and address local consumer preferences while controlling design costs and taking advantage of low-cost manufacturing locations. Suppliers for a specific world car are often required by the VM to provide their products and services in all global locations where that vehicle is manufactured. Few suppliers are able to provide this global coverage and it is a source of significant competitive advantage for these suppliers with global capabilities.
- *Ongoing Industry Consolidation.* The worldwide automotive parts industry is consolidating as suppliers seek to achieve operating synergies through business combinations, shift production to locations with more flexible local work rules and practices, acquire complementary technologies, build stronger customer relationships and follow their customers as they expand globally. According to U.S. Industry and Trade Outlook 1999: Automotive Parts, the overall number of Tier 1 suppliers worldwide decreased from 3,000 to 1,500 between 1990 and 1996, primarily due to industry consolidation. The trend for suppliers to provide VMs with single-point sourcing of integrated systems and modules on a global basis has helped drive industry consolidation.
- *Demand for Safe and Environmentally Friendly Products.* Some VMs are increasingly focused on, and governments are increasingly requiring, safe and environmentally friendly or “green” products. Advances in technology have led to a number of new innovations and have reduced costs for existing products, such as passive and active restraints. In addition, there has been increased consumer focus on safety. Environmental trends cut across a wide range of innovations, from emissions controls to fuel and fuel consumption improvements to recyclable materials. In addition, there are some technologies, such as fuel cells, which may revolutionize the automotive industry. The ability of suppliers to cost-effectively produce safe and environmentally friendly products will increasingly be a distinguishing factor among suppliers.

### Strategy

Our objective is to be the world’s leading consumer-focused, technology-driven automotive systems company. Whether we are selling to VMs or directly to consumers, we regard the consumer as our ultimate customer. We systematically gather and analyze consumer information that helps us anticipate new trends and consumer preferences. We then can anticipate our VM customers’ needs with regard to new products and help introduce these products to consumers, gaining acceptance for our products. We believe that our extensive global presence and broad system capabilities provide us with a substantial competitive advantage as we pursue new business around the world. This is especially true as VMs move to global vehicle platforms, or world cars. We believe that our extensive experience and expertise with Ford also gives us many benefits as we pursue non-Ford business. We believe that our consumer focus, global reach and the following strategies will allow us to capitalize on the industry trends described above and to achieve our objective:

***Capitalize on Our Core Ford Business.*** We have been the largest supplier to Ford, the world’s largest producer of trucks and the second largest producer of cars and trucks combined, for most of Ford’s history. In 1999, Ford purchased an average of about \$2,300 of materials from Visteon for each vehicle Ford sold worldwide. Ford’s continued success in the market has earned it four of the top ten vehicle models sold in the United States in 1999; Ford purchased an average of about \$2,900 of materials per vehicle from Visteon on those four models. We also

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have a significant amount of content on a number of all-new, potentially segment-leading products such as the Excursion, Escape, F-150 SuperCrew, Focus, Explorer Sport Trac and Lincoln LS. The Focus was named “North American Car of the Year 2000” by the North American automotive press and “European Car of the Year 1999” by the European automotive press, the first car to win both awards. The Lincoln LS was named “2000 Motor Trend Car of the Year.” Some of these products represent entries into segments in which Ford did not compete in the past. We expect continued success with Ford, and our goal is to be a leader in these new vehicle segments, both with Ford and with other VMs.

We have a substantial base of awarded business with Ford and we have also entered into a supply agreement with Ford that allows us to secure additional business. In addition, because we have been integrally involved in the design and development of many of Ford's vehicles and we understand Ford's needs, we believe that we are uniquely positioned to work with Ford on future models. Many of our engineers work closely with Ford engineers at Ford facilities, ensuring maximum cooperation and attentiveness to customer needs. We believe that this combination will provide us with substantial future business. We expect that Ford will remain our largest customer for a significant period of time. We have been awarded Ford business of \$16.3 billion for 2000, \$16.0 billion for 2001, \$16.5 billion for 2002, \$15.3 billion for 2003 and \$13.9 billion for 2004, with additional Ford business for the later years still expected to be awarded. Although this business provides an important base, our sales to Ford may decline over time.

**Improve Our Operating Performance.** We have implemented a number of initiatives to improve our operating performance on a continuous basis. Reducing costs and streamlining product development and production improves profitability, increases cash flow and frees up capital for investment. Additionally, these operating performance improvements are particularly crucial because of VMs' continued focus on price reductions.

Increased attention to our product and technology development and production techniques has allowed us to achieve cost performance reductions of more than \$600 million annually over the last two years, primarily through a combination of negotiations with our suppliers, material efficiencies and manufacturing cost reductions. We have focused our performance strategies on the following key functions:

- **Product technology and development.** We have put in place a disciplined product development process and state-of-the-art computer tools, some of which are proprietary to Visteon, for the design, development and testing of products and systems. These advances have improved our speed-to-market, reduced our development costs and improved our overall quality. The use of computer tools has enhanced the design process by incorporating engineering and manufacturing design rules and/or process capabilities up front in the component or system design phase. These tools also incorporate manufacturing and product knowledge gained from past experiences and use it to make decisions that significantly increase the probability of first pass success.

The effective use of computer-based product development tools is demonstrated in the results we have achieved. For example, computer tools have reduced design time on a fuel rail, instrument cluster and air induction system by over 50% in key design phases. Warranty costs for Visteon-supplied products have dropped an estimated 38% between the 1994 model year and the 1999 model year.

- **Procurement.** We use global procurement to obtain competitive prices for our direct and indirect materials, machinery, equipment and services, as well as for parts we purchase from other suppliers for use in our product offerings. In 1999, our total purchases were about \$9.8 billion. The procurement group achieved reductions in material costs due to negotiations with our suppliers of about \$540 million combined in 1998 and 1999. Our independent procurement strategy will be focused on identifying and obtaining the best price, terms and quality for all materials and supplies. As an independent company, we will

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control our \$10 billion material buy through increased focus on purchases key to Visteon. Accordingly, we believe that we will be able to derive significant cost savings through this increased focus on reducing our supply costs. We plan to achieve this through the following:

- **Re-sourcing supply contracts from our least competitive suppliers:** We believe that this re-sourcing will help us cut procurement costs by moving contracts from high cost suppliers to lower cost suppliers. In 1999, we enhanced our prior efforts with the implementation of a formal commodity strategy, which analyzes particular commodities and highlights opportunities to improve our terms with current sources or identifies new alternative sources. We believe that our updated re-sourcing program will create a competitive environment among our suppliers and lead to lower costs throughout the entire system.
- **Increased use of Internet procurement:** We plan on leveraging the Internet to minimize procurement costs. We believe that these savings will come primarily through the use of online auctions. These auctions allow

suppliers to bid on Visteon contracts online and in real time. Our 1999 controlled experiment in Internet sourcing and auctioning resulted in significant savings — on the \$189 million worth of products we sourced on the Internet, we experienced double-digit percent reductions. We will substantially increase our use of Internet sourcing and auctioning. Additionally, we save time and effort with the new online process.

- *Leveraging scale:* As the third largest auto parts supplier, we are a major source of revenue to many of our suppliers. We have experienced no detrimental effects from disaggregating our volumes from Ford volumes and do not expect any adverse effects in the future (in fact, we believe the shift in purchasing focus from Ford to Visteon priorities will provide positive effects). We believe we have purchasing leverage that can provide us with significant strength in negotiating and, as a separate company, we plan to fully utilize this leverage in order to obtain lower supply costs from our suppliers.
- *Production.* In 1995, we developed and began the process of implementing the Visteon Production System (VPS) throughout our global operations. VPS is designed to optimize material flow and inventory while creating a flexible and predictable common production system. A key part of our production strategy is “lean” cell-based manufacturing for new programs and converting existing production facilities to “lean” where feasible. The “lean” methodology relies on smaller manufacturing units rather than dedicated large assembly lines and leads to a number of operational improvements. This approach allows greater flexibility and lower floor space, inventory and investment. As of March 31, 2000, Visteon had completed 129 lean cells, had 128 more lean cells under way, expected to be completed by December 2000, and had 329 additional lean cells planned, expected to be completed in the next few years. Impressive results have been achieved from our first round of implementation and have partially offset increased labor costs: while results vary from project to project, an example is the Sheldon Road climate control lean cell, in Plymouth, Michigan, which resulted in a 58% reduction in floor space required, a 76% reduction in inventory and capital expenditure avoidance equal to 66% of the project’s initial estimated cost. In deciding on which projects to apply lean processes, we consider a number of variables, including labor intensity, prior investments of capital and required new investments of capital.

While we expect similar pressure from our customers, Ford has agreed that the one-time price realignment, which reduced net income as reflected in our unaudited pro forma financial statements, has resulted in market-competitive prices and that future reductions will be the same as those required of all suppliers.

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**Expand Our Non-Ford Business.** We have demonstrated our ability to grow our non-Ford business over the past two years. In 1999, about 12% of our sales were to non-Ford customers, up from 7% in 1997. We have a goal of expanding our non-Ford business to 20% of our sales by 2002. We have been awarded non-Ford business of \$4.4 billion for 2004. Future new business wins should drive this number higher. Our total non-Ford business was \$2.3 billion in 1999. During 1999, we won new non-Ford business of \$762 million. When we refer to new business wins, we count the expected annual business once the program is running at full volume. Some of our important new business wins in 1999 from non-Ford VMs are: rear seat entertainment systems for General Motors, steering pumps and gears for DaimlerChrysler, cockpits for Hyundai Motor Company and audio systems for Fiat S.P.A. We believe that our spin-off from Ford, combined with our technological leadership, systems engineering capability and high quality products, will facilitate achievement of our goal.

Our strategy to win new non-Ford business, particularly on global vehicles, is to take our technology, systems engineering skills and global scale gained during our relationship with Ford and apply them to other VMs. To access these VMs, our intent is to establish appropriate organizational staffing to support these VMs, and to establish facilities near their headquarters and manufacturing facilities. We have built a new sales and marketing organization, currently at about 100 people and expected to grow to about 125 people by the end of 2000, dedicated to non-Ford accounts. We have recruited account managers from outside of Visteon with extensive automotive industry experience and located them adjacent to the headquarters of VMs like General Motors, DaimlerChrysler, Renault Group, Peugeot SA Citroën and Toyota Motor Corporation. Visteon also stages technical reviews at customer sites with applications engineers from regional technical centers to demonstrate our superior systems capabilities and broad portfolio of products. In 1999, we conducted 19 customer-specific onsite technical exhibitions, which generally run for two days.

We have made, and expect to continue making, strategic acquisitions, alliances and joint ventures that give us increased access to non-Ford VMs. Our June 1999 acquisition of the automotive interiors division of Compagnie Plastic Omnium makes us the largest supplier of instrument panels in the world and adds about \$400 million of annual sales, including significant programs with three major European VMs. We intend to leverage this business to provide cockpit modules, including climate control, audio and multimedia systems to these European VMs. We also made an acquisition in December 1999 that has made us the leading provider of instrument panels in South Korea, giving us a key relationship with Hyundai and Kia Motors. Because of the long lead time for delivery under our contracts with VMs and our continued efforts to retain attractive Ford business, any changes in the mix of our VM business will be gradual.

We also believe that our automotive expertise lends itself to non-automotive applications. We intend to leverage this expertise to grow our non-VM business. While not yet material to our operations as a whole, we currently provide electronic engine control systems for Polaris Industries, Inc. motorcycles and fuel tanks for Honda Motor Co. motorcycles. Voice recognition, theater seating and power generation are some of the other products and technologies that have application outside of the automotive sector.

**Use E-Commerce to Lower Costs and Enhance Sales.** The automotive manufacturing business model is in a transition from “push” to “pull,” with the goal being a seamless supply chain building cars and trucks to precise consumer specification on demand. The profit opportunity from being on the forefront of this change is substantial, and we have identified what we believe are the major components of this transition and have developed strategies to allow us to capitalize on this transition.

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Technology-based supply chain management techniques allow us to substantially lower procurement costs, manage inventory and supply chain logistics more efficiently, sell more effectively, and increase the value of our products to consumers:

- *Lower procurement costs:* As discussed above, we are focusing efforts on bringing more of our procurement online in an effort to remove barriers to bidding and increase our global reach. We expect this to lead to substantial savings over the next several years.
- *Supply chain management:* Tier 1 suppliers have traditionally built up inventory to support the needs of VM customers. We have implemented just-in-time deliveries and shipments and we plan to use technology to improve our logistics. We are evaluating various e-commerce solutions that will enable us to manage our freight operations on a real time basis — linking the key freight operations via the Internet. Billing would be managed electronically and the system would provide us with instantaneous logistics data that allow us to understand the underlying issues and optimize our material flow. Visteon is also planning to change the way we handle procurement of carriers by going to an e-commerce bidding process that would allow opportunities for further freight savings.
- *Increased selling effectiveness:* Visteon has an e-commerce web site, [www.evisteon.com](http://www.evisteon.com), that currently facilitates the sale and service of our aftermarket products both for our business partners and for consumers. Feedback and experience from this web site over the last few months has resulted in an aggressive plan to update this web site and enhance our transactional processing capability. We expect that by the middle of 2000, [www.evisteon.com](http://www.evisteon.com) will transition from being a site that only facilitates our selling to a site where our business partners will also conduct business. Our North American and European business partners will be able to access an electronic catalog that will permit them to view inventory availability and submit orders. This is especially useful for small and/or remote customers, who would traditionally have less access to this information. They will also be able to select shipping methods, track order status and obtain account information online.

Additionally, we plan to use e-commerce to increase the value of our products to consumers. As the importance of wireless technology increases, consumers will want to retrofit cars to include updated communication capabilities. As drivers spend increasing time connected to the outside world, we are well positioned to provide the necessary technology and interface.

Finally, we believe that by manufacturing innovative products, especially those that are technologically

advanced or that have regulatory or safety impacts, we provide products that are not purchased solely on the basis of price and which distinguish us in the Tier 1 arena.

**Exploit Our Technology and Systems Engineering Leadership.** Consumers are increasingly demanding technology and electronics to make their cars safer, more convenient and more comfortable. We believe that the use of electronics integration and systems engineering to increase the functionality and personalization of products is key to our future success. As VMs increasingly demand systems instead of individual components, we expect to capitalize on that trend. We are one of the few global suppliers able to deliver systems to VMs across a wide array of product areas, with particular expertise in climate control, audio and instrumentation. Together, sales of these three types of systems accounted for \$4.7 billion of our sales in 1999. We have extensive experience in engineering complex and interactive vehicle systems, and have a strong technical knowledge of vehicle and user requirements that form the basis for integrating new technologies. Our systems engineering process allows us to quickly interpret and translate customer (VM and consumer) needs to develop innovative systems-based solutions depending on the needs of individual VMs and the aftermarket. Our advanced technology organization works across business and functional lines to identify, develop and incubate new products and businesses.

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Examples of our application of technology and systems engineering for competitive advantage are:

- We have developed innovative electronics-based, consumer products such as dual staged air bag crash sensors, navigation systems, voice-activated control systems, Internet-linked in-car computer systems and rear seat entertainment systems, demonstrating our ability to utilize the latest technology and provide consumers added convenience, pleasure and safety. Examples of sales to VMs in these high growth areas include voice activation, included in the 2000 Jaguar S-Type, and an adaptive restraint module with crash severity algorithm and crash sensors, included in the 2000 Taurus. Our rear seat entertainment systems were first introduced in the aftermarket in mid-1999 and quickly resulted in awarded VM business that will reach \$40 million annually. We have product development relationships with leaders in the consumer electronics arena, such as Nintendo Co., Ltd., Bang & Olufsen Holding A/S and Boston Acoustics, Inc.
- We are developing Superintegration, a technology that integrates electronics into the surrounding environment in a highly flexible, cost and space-efficient manner and provides the VM with significant advantages in assembly, service and function. For example, our superintegrated cockpit, which we have begun to market to VMs, incorporates all the standard cockpit functions at a substantial cost reduction and improves service, quality and reliability while increasing the ease of upgrade. The superintegrated cockpit program has showcased our technical abilities with key new customers and allowed us to win more conventional systems and module business. The superintegrated cockpit revolutionizes the design and manufacturing process for what used to be a number of separately designed systems. For example, instead of having separate power supplies for the instrument cluster, the radio and the electronic climate control system, the superintegrated cockpit would have one power supply, and instead of having separate tone generators to signal that the car doors are open or that the keys have been left in the ignition, the audio system's speakers would be used. The superintegrated cockpit is designed to reduce weight by 20% and delivery cost reductions in the range of 14% to 20%. We also believe it will deliver a 27% improvement in service time and a 30% increase in quality versus traditional designs. We believe that Superintegration will be a key competitive advantage for us.
- We use advanced engineering tools to create a virtual design and testing environment. The use of these tools enables fast product development cycles, minimizes cost and optimizes product performance. For example, Visteon utilizes a proprietary technology to efficiently explore alternative vehicle interiors to satisfy ergonomic and other functions important to consumers. This three dimensional computer-based tool creates occupant parameters inside a virtual vehicle to investigate the ideal relationship between passengers and the vehicle interior at the concept design stage. Once modeled, this analysis can be done in minutes instead of weeks, without the need for prototypes.

**Grow Our Aftermarket Business.** The aftermarket represents a major opportunity for revenue and earnings growth. The time between design and launch is only a matter of months, as compared to years in the case of new vehicle production, allowing us to increase revenues more quickly. The aftermarket also offers an

opportunity to sell higher margin products and improve Visteon's overall returns by leveraging our existing investments in engineering and production. Importantly, the aftermarket serves as a forum for proving consumer acceptance and commercial viability of new high technology product concepts, leading to introduction in the new vehicle market. For example, the success of our rear seat entertainment system in the aftermarket was a key factor in influencing VMs to include it in their new vehicle programs. As we develop our brands and introduce products in conjunction with leading brands, we expect consumers to increasingly demand our products from VMs and "pull" these products through the supply chain. The aftermarket also serves as a partial diversification of our VM business.

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As a major original equipment supplier to VMs, Visteon is well positioned to capitalize on this market. We understand the complex characteristics of automotive vehicles and our aftermarket replacement products are appealing to consumers who wish to maintain the original performance and appearance of their vehicles. Our sales to the aftermarket grew at a compound annual growth rate of 16% between 1997 and 1999, from about \$660 million to about \$885 million. Most of this growth was in sales to non-Ford customers.

Our aftermarket strategy includes expanding our existing product lines to "all makes," establishing a strong presence in new markets, building worldwide distribution channels (including a business-to-business strategy online at [www.evisteon.com](http://www.evisteon.com)) and continuing our aggressive launch of new products. Particular attention will be paid to utilizing new technologies whenever possible. We believe that direct sales to consumers will increase over time. As part of our strategy formulation, we have identified two major areas of opportunity:

- *Vehicle Personalization.* Many consumers are looking to enhance or personalize the performance and appearance of their vehicles. Fit, finish and durability are essential elements for success in this area. Our position as a leading VM supplier allows us to provide high quality products that incorporate these elements. To take full advantage of this opportunity, Visteon has launched an aftermarket brand initiative under the RoadFx™ name.
- *Replacements/repairs.* This area allows us to capitalize on our existing designs, tooling and manufacturing facilities. Remanufacturing, in particular, is one of the fastest growing and most profitable segments in the aftermarket, driven by strong economic pressure on the cost of vehicle ownership (remanufactured parts retail for about half the price of new parts) and the perception that it is environmentally friendly.

We continue to use technology to strengthen our current brands while developing equity in new brand names:

- Visteon multimedia products like the CD6 Music System, NavMate® Navigation System and Rear Seat Entertainment System, will be marketed and sold under the Visteon name, as these products fall under the high technology umbrella of Visteon and support the company's overall positioning strategy. A key branding strategy of the aftermarket is to partner with well-respected companies and brand names to help differentiate Visteon multimedia products and to create greater consumer awareness. We have product development relationships with consumer electronics leaders like Nintendo, Bang & Olufsen, Texas Instruments, Microsoft Corporation, Intel Corporation and Boston Acoustics. We are already selling several products directly to consumers over the Internet, such as the NavMate® Navigation System and the Visteon/ Nintendo Rear Seat Entertainment System.
- The aftermarket climate control business of Visteon utilizes the most complex branding strategy due to its diverse distribution channel. The ClimatePro™ by Visteon brand is distributed through the traditional distribution network (to service providers via distributors); Midas Gold® by Visteon is distributed to more than 2,100 Midas, Inc. franchises; and our co-manufacturing customers re-label Visteon's products under their private brands. *Counterman*, a leading aftermarket parts and service publication, ranked our contract with Midas as one of the major aftermarket announcements of 1999. Visteon is currently developing another brand name for the retail network.

**Streamline and Focus Our Product Portfolio.** Our long history as the largest supplier of systems, modules and components to Ford has given us one of the broadest portfolios in the automotive parts industry.

This comprehensive array of products is a strategic advantage for us — it allows us to compete across many component areas and plays a key role in supporting our systems capabilities.

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While having a broad portfolio remains important to our success, we believe that our spin-off from Ford will give us the flexibility and opportunity to focus our investment and technical resources in high growth, strategic and high margin areas. We have implemented, and continue to refine, a portfolio management process. Through this process we regularly evaluate all of our product lines to assess how each supports our overall vision and strategic objectives, with a focus on electronics and systems integration. We intend to invest in those businesses that fit our strategic vision and focus on electronics and systems integration, while exploring every opportunity to address low return operations. For example, we sold our steel wheels business in 1999, as we believed this to be a non-strategic, low margin business. In addition, we intend to pursue strategic acquisitions and alliances that complement or fill gaps in our product portfolio, enhance our design, engineering and manufacturing capabilities and increase our access to new markets and customers. For example, Autoneural Systems, our partnership with Sumitomo Electric Wiring Systems, Inc. combines our extensive automotive systems capabilities and Sumitomo's advanced electrical distribution expertise and provides added capability in delivering complete vehicle systems.

We believe that our spin-off from Ford will increase our ability to manage our product portfolio over the long term based on our own strategic objectives. Our labor arrangements, however, place some limits on our ability to divest or restructure businesses in the near term.

#### **Description of Business**

##### **Sales and Awarded Business**

We sell to four principal types of customers:

- Ford VM;
  
- non-Ford VM;
  
- Ford aftermarket; and
  
- non-Ford aftermarket.

We expect that Ford will remain our largest customer for the foreseeable future due to the long-term nature of sales contracts in our industry, our strong customer-supplier relationship with Ford and our supply agreement with Ford. Our sales to non-Ford customers have grown from about 7% of our total sales in 1997 to about 12% of our total sales in 1999, and we expect our non-Ford sales to increase in the future. Recent non-Ford business wins include rear seat entertainment systems for General Motors, steering pumps and gears for DaimlerChrysler, cockpits for Hyundai and audio systems for Fiat.

We sell our products to the worldwide aftermarket for replacement parts. Currently, about 42% of our aftermarket sales are to Ford's Automotive Consumer Services Group for distribution principally to the North American aftermarket.

We sell our products globally. Of our 1999 total sales, about 80.8% were in North America, 15.8% were in Europe and 3.4% were in the rest of the world, primarily Latin America and Asia-Pacific.



The following table delineates our total sales for the periods indicated:

	Three Months Ended March 31,		Year Ended December 31,		
	2000	1999	1999	1998	1997
<b>By customer:</b>					
Ford VM	83.7%	89.2%	86.4%	90.2%	91.1%
Non-Ford VM	11.8	5.9	9.0	5.8	5.0
Ford Aftermarket	1.9	2.1	1.9	1.9	1.8
Non-Ford Aftermarket	2.6	2.8	2.7	2.1	2.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
<b>By geographic region:</b>					
North America	82.9%	84.4%	80.8%	83.2%	82.4%
Europe	13.7	14.5	15.8	15.1	15.4
Other (rest of world)	3.4	1.1	3.4	1.7	2.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%

"Ford Aftermarket" refers to sales to Ford's Automotive Consumers Services Group and "non-Ford Aftermarket" refers to sales to other aftermarket customers. Our sales by geographic region are reported by the location of delivery of product to the customer.

**Contracts for VM Business.** Automotive parts are generally sourced for the length of production of a vehicle program, generally from three to seven years. Tier 1 suppliers generally compete for new VM business at the beginning of the development of new vehicle models and upon the redesign of existing vehicle models, at which time a supplier would bid for the "replacement cycle" of an existing product program. New vehicle model development generally begins two to five years before the marketing of models to consumers. As a result, a significant portion of a supplier's annual sales are generated pursuant to arrangements entered into about two to five years before the sales related to those arrangements begin to be realized.

The Tier 1 sourcing process for vehicle programs typically begins when a VM seeks requests for quotations or initiates a development program with several suppliers three to six years before anticipated vehicle production. Based on these quotations, VMs in many cases then select and work with a supplier on specific component design and development projects related to the new vehicle program. The VM will then develop a proposed production timetable, including current vehicle volume and option mix estimates based on its own assumptions, and then source business with the supplier pursuant to written contracts, purchase orders or other firm commitments, provided that the supplier can meet the VM's designated conditions.

**Awarded Business.** We believe that we currently have a solid foundation of awarded business upon which to grow our company once we are separated from Ford. We track as "awarded business" the future sales that we have a strong expectation of realizing. In calculating our awarded business, we have made various assumptions and estimates regarding, among other things, the timing and volume of vehicle production, option mix and product pricing. We have not assumed that we will win any new business beyond that we have already been awarded, but we have assumed that we will retain business upon minor and major "refreshenings," except for (i) some business that we believe Ford will seek to resource because we supply an overwhelming portion of that business and (ii) some less attractive business on which we may choose not to bid. In estimating our awarded business, we use assumptions about the volume and timing of vehicle production and option mix and product pricing, adjusted based on other information we may have.

While we believe our assumptions to be reasonable and the methodology by which we track our awarded business to be appropriate, we continuously evaluate and from time to time make

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modifications to our assumptions and methodology. As a result, awarded business is not the same as contractual backlog, and we cannot assure you that we will in fact realize any specific amount of awarded business because it remains in all cases subject to a number of important risks and uncertainties. VMs may delay, cancel or redesign vehicle programs, or may resource business away from us upon a refreshing. In addition, our VM customers generally have a contractual right to replace us with another supplier throughout the duration of a contract for a variety of reasons, although the impact of this contractual right is mitigated to some extent by the substantial re-engineering costs that a VM typically would need to incur in order to introduce a new supplier to an established vehicle platform.

Subject to these and other risks and uncertainties, we currently estimate sales from our existing awarded business as follows:

	2004	2003	2002	2001	2000
	(in billions)				
Awarded business (Ford)	\$13.9	\$15.3	\$16.5	\$16.0	\$16.3
Awarded business (non-Ford)	4.4	4.2	3.8	3.1	2.5
Total	\$18.3	\$19.5	\$20.3	\$19.1	\$18.8

The amount of our awarded business declines over time as the vehicle programs in which we are currently participating mature and eventually terminate. However, we expect over time, particularly in the later years, that we will be awarded additional business from Ford and, increasingly, other customers.

## Products

We operate in three business segments — Comfort, Communication & Safety, Dynamics & Energy Conversion and Glass. The following table shows our total sales and net income (loss) by segment and in total for the last three years:

	Total Sales			Net Income (Loss)		
	December 31,			December 31,		
	1999	1998	1997	1999	1998	1997
	(in millions)					
Comfort, Communication & Safety	\$ 9,377	\$ 8,337	\$ 8,545	\$422	\$452	\$439
Dynamics & Energy Conversion	9,216	8,673	7,918	344	294	136
Glass	773	752	757	3	(15)	(25)
Total (including unallocated interest)	\$19,366	\$17,762	\$17,220	\$735	\$703	\$ 511

The following discussion describes each of our segments, as well as the major product groups within each segment.

### Comfort, Communication & Safety

Our Comfort, Communication & Safety segment is composed of our climate control systems product group, which produces systems, modules and components in the areas of fluid transport, air handling, heat exchange and compressors, and our interior/ exterior systems product group, which produces systems, modules and components in the areas of cockpits, instrument panels, interior trim and seats, lighting and bumpers, as well as safety and convenience systems such as air bag electronics and voice activated control. Comfort, Communication & Safety accounted for about \$9.4 billion, or 48.4%, of our 1999 total sales.

*Climate Control Systems.* Our climate control systems product group is one of the leading global suppliers of components and systems that provide automotive heating, ventilation and air conditioning and powertrain cooling. The climate control systems product group is divided into four business units: heat exchanger, air handling, compressors and fluid transport. Climate

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control systems operates in 24 manufacturing facilities throughout the world, of which 14 are outside of North America and 12 are non-unionized and one is shared with another Visteon product group.

Our climate control systems product group is well positioned to capitalize as air conditioning becomes standard equipment on European models due to increasing consumer demand. Only 42% of vehicles manufactured in Europe in 1996 contained air conditioning systems. It is estimated that about 70% of vehicles manufactured in Europe in 2002 will contain air conditioning systems.

In 1998, we acquired an 80% stake in PABA, Inc., a manufacturer and distributor of aftermarket climate control products in North America. This positioned us to supply replacement climate control parts for virtually every make and model of automobile driven in North America. Based on the strength of our product portfolio, we recently entered into an agreement with Midas under which we will be the sole climate control component and system provider to Midas.

Our climate control systems product group has demonstrated strong full-service design capabilities and significant technological developments, leading to major new business wins with VMs like General Motors, Jaguar and Honda.

*Interior/ Exterior Systems.* Our interior/ exterior systems product group is one of the leading global suppliers of cockpit modules, in-

vehicle entertainment, driver information, navigation, wireless communication, safety and security electronics, exterior lighting, bumpers and fascias. The interior/ exterior systems product group is divided into five business units: cockpit systems — North America and Asia-Pacific, interior systems — Europe and South America, lighting, interior trim and seats, and bumpers. Interior/exterior systems operates in 37 manufacturing facilities throughout the world, of which 26 are outside of North America and four are non-unionized and two are shared with another Visteon product group.

To secure its position as a global cockpit provider, Visteon acquired the automotive interiors division of Compagnie Plastic Omnium and a majority interest in Duck Yang Ind. Co., Ltd., substantially increasing Visteon’s penetration into Europe and Asia, giving us increased access to five VMs out of the world’s 20 largest. Our acquisition of the automotive interiors division of Compagnie Plastic Omnium adds about \$400 million of annual sales.

Because of its critical role in the sensitive design phase for a new vehicle platform, interior/exterior systems has been limited in its ability to bid on non-Ford business. Despite this difficulty, interior/exterior systems has recently won several significant new contracts with General Motors, DaimlerChrysler, Honda, Renault, Fiat and Peugeot. By being spun-off from Ford, we expect to be able to substantially increase our non-Ford sales.

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The following table shows the various products in our Comfort, Communication & Safety segment:

Product Line	Description
<b>Climate Control Systems</b>	
Heat Exchanger	Some of the products produced by this unit include radiators, condensers, evaporator and heater cores, cooling modules and intercoolers. The unit also produces exhaust gas recirculated coolers which aid in the improvement of diesel emissions with the new generation of diesel engines.
Air Handling	Some of the products produced by this unit include heating, ventilating and cooling modules, manual controls and electronic automatic temperature controls.
Compressors	This unit produces piston compressors that raise refrigerant pressures to provide interior cooling as part of the air conditioning system and scroll compressors that utilize scroll technology (which utilizes rolling rather than sliding components, reducing friction and extending component durability up to 10 years/150,000 miles) for air conditioning systems.
Fluid Transport	This unit produces pressurized a/c hoses (that route refrigerant in the air conditioning system), accumulators (which are pressurized reservoirs for the refrigerant in the air conditioning system), and hydraulic hoses for power steering.
<b>Interior/ Exterior Systems Interior Systems/Safety</b>	
Multimedia Systems	This unit produces a wide range of audio systems and components, including integrated cassette/ CD/ DVD radios, amplifiers, and audiophile systems such as Mach™, as well as other systems made in conjunction with Bang & Olufsen and Boston Acoustics.
Entertainment Systems	This unit produces integrated in-vehicle systems which transform home electronic products into automotive vehicle entertainment systems, including DVD and VHS players. We have worked with companies like Nintendo and Sharp Electronics Corporation to bring their systems into the automobile.

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Product Line	Description
Advance Communication Systems	This unit produces products such as wireless portable cellular phone docking units, satellite digital audio radio, ICES™ (which is electronic hardware and software architecture that supports information, communication, entertainment, safety and security features) vehicle emergency messaging and NavMate® (which is an in-vehicle, turn-by-turn navigation system with route guidance provided through a color display screen, turn icons and voice directions). These systems are able to move information into, out of, and around the vehicle utilizing technologies like the Global Positioning System, the Internet, cellular, voice activated control, the Microsoft Windows CE™ operating system and the Palm™ interface.
Vehicle Body Electronics	This unit produces electronic products that can control or sense various functions within the vehicle, including safety, switching, security and control. Examples include remote keyless entry, anti-theft and multiplexing modules, which reduce electrical wires and connectors.
Cockpit Modules and Instrument Panels	These units produce fully integrated instrument panels which incorporate the latest safety, driver information, electrical distribution, multimedia, advance communication and climate control systems. These functional instrument panels are styled to correspond to vehicle brand image. They can be hard, soft or 100% recyclable panels. Soft panels can utilize a cast skin process or an environmentally friendly vacuum formed process.
Safety/Security Systems	This unit produces products for occupant protection through crash deployment electronics, crash detection electronics, emergency messaging systems, remote keyless vehicle entry, engine immobilizers, airbag cutoff sub-systems, occupant position/weight sensing systems, energy absorbing materials and energy management electronics.
Driver Information Systems	This unit produces information displays using projected imaging systems to analog/digital instrumentation. Information systems and components provide vehicle information and include analog, electronic and high impact instrument clusters, message centers, fuel computers, clocks and warning modules. Future technologies such as virtual and re-configurable projected image displays/message systems are under development.

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Product Line	Description
Seat Systems	This unit produces luxury seating systems which incorporate enhanced safety, comfort and styling concepts. Our safety seats enhance occupant protection through better energy management, crash severity adaptivity, integrated airbags and anti-whiplash features. We also produce theater seats which deliver styling and comfort in the movie world. Our interior systems group also produces advanced door modules and systems as well as a variety of interior trim products enhancing the look and feel of the vehicle's interior.
<b>Exterior Systems</b>	
Lighting Systems	This unit produces front lamps, signal lamps and rear lamps which utilize special optic-design software.
Bumpers	This unit produces painted fascias and bumpers for front and rear that support the vehicle energy management system using blow molding and injection molded technologies.

**Dynamics & Energy Conversion**

Our Dynamics & Energy Conversion segment is composed of our energy transformation systems product group, which produces

systems, modules and components in the areas of energy management, distributed power generation, electrical conversion, and fuel storage and delivery, and our chassis systems product group, which produces systems, modules and components in the areas of axle and driveline, steering and chassis products. Dynamics & Energy Conversion accounted for about \$9.2 billion, or 47.6%, of our 1999 total sales.

*Energy Transformation Systems.* Our energy transformation systems product group is one of the leading global suppliers of systems, modules and components for enhancing powertrain performance, fuel economy and emissions control. The energy transformation systems product group is divided into five business units: energy management — North and South America, energy management — Europe and Asia-Pacific, electrical conversion, fuel storage and delivery, and distributed power generation. Energy transformation systems operates in 22 manufacturing facilities throughout the world, of which 12 are outside of North America and seven are non-unionized and 11 are shared with another Visteon product group.

Energy transformation systems has developed a product portfolio that will benefit from several trends in the energy market. Over time, it is expected that direct injection, hybrid vehicles, and, in the longer term, fuel cells will replace port fuel injection. As a result, over the last few years, energy transformation systems has increased its engineering spending on new systems, restructuring its capabilities to offer products that address these trends, such as the 42-volt electrical system, which will power increased electronics and electrical devices in the automotive vehicle.

Energy transformation systems has also developed important technology for distributed power products and has begun commercialization of these products outside of the non-automotive area. Distributed power, which is the use of electrical generators (micro-turbine, battery or fuel cell powered) to supply locally to households, commercial sites and ultimately to the main power grid, is a fast growing market. We intend to participate in the growth of this market by supplying electronic controls as well as hardware and software.

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Energy Transformation Systems has recently won several significant new contracts with VMs like GM, Honda, Toyota and Volkswagen in the automotive area, and Honeywell International in the non-automotive area.

*Chassis Systems.* Our chassis systems product group is one of the leading global suppliers of complete chassis systems, modules and components. The chassis systems product group is divided into three business units: chassis components, axle/ driveline and steering systems. Chassis systems operates in ten factories throughout the world, of which five are outside of North America, one is non-unionized and one is shared with another Visteon product group.

Chassis systems is one of the few suppliers that can design and manage a fully integrated chassis composed of driveline and axle systems, steering systems and suspension systems. Chassis systems' product portfolio is currently aligned with its "manage torque to the wheels" strategy. This facilitates true driveline and chassis system optimization and added customer value by eliminating significant design and test lead time.

Chassis systems is developing new products which combine fuel savings, driving and steering enhancement, and ease of assembly, such as electric power assist steering, which provides 4% to 4.5% fuel economy savings on a vehicle the size of a Ford Focus. Additionally, chassis systems leads the market in technology for four wheel drive and all wheel drive vehicles.

Our chassis systems product group has recently won significant new contracts with General Motors and DaimlerChrysler.

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The following table shows the various products in our Dynamics & Energy Conversion segment:

Product Line	Description
<b>Energy Transformation Systems</b>	
Energy Management	Some of the products produced by this division include: electronic engine controls, throttle body valves, fuel pressure regulators/ dampers, speed control systems, sensors, injectors/ fuel rails and plastic intake manifolds.
Electrical Conversion	This unit produces alternators, starters, ignition coils, poly-gel mitigators, which aid the production of efficient bumper energy absorbers lowering collision damage at low speeds, and custom designed front and rear wiper/ washer systems. For future needs, we are developing a 42-volt electrical system.
Fuel Storage and Delivery	This unit produces fuel tanks, delivery modules, oil and water pumps and

carbon canisters, which control evaporative emissions.

Distributed Power

This unit produces power conditioning systems that provide stand-alone electricity generation capacity to non-automotive customers.

## Chassis Systems

Suspension and Fully Integrated Chassis Systems

This unit produces front and rear modules, corner modules, suspension electronic modules, springs, stabilizer bars, knuckles and spindles. In addition, this unit is developing superintegrated chassis systems for optimal performance.

Axle/driveline

This unit produces all wheel drive systems, hypoid rear axles, independent suspension axles, driveshafts, halfshafts, power take-off units (which send power to both the front and rear wheels in 4 wheel drive and all wheel drive vehicles), brake discs and brake drums.

Steering Systems

This unit produces hydraulic power assisted steering systems, rack and pinion steering gears, recirculating ball nut steering gears, power steering pumps, steering columns, electric and electro-hydraulic systems and manual steering gears.

Exhaust Systems

This unit produces a full range of catalytic converters which treats the vehicle's tailpipe exhaust in order for it to comply with the clean air requirements.

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### Glass

Our Glass segment is composed of our vehicle glazing product group, which produces glass products for Ford and aftermarket customers, and our commercial glass product group, which produces float glass for commercial architecture. The Glass segment is divided into two product groups: vehicle glazing and commercial glass. Glass accounted for about \$773 million, or 4.0%, of our 1999 total sales. Glass operates in five manufacturing facilities, of which one is outside of North America and two are non-unionized.

Additionally, Visteon plans to increase the profitability of its existing operations by shifting high labor content production from unprofitable operations to lower cost facilities. In the past year, the Glass segment was able to increase its profitability through significant head count rationalizations and plant closure, rationalization of its bidding for new VM business, controls on capital expenditures, and focus on reducing material costs.

The following table provides a description of the Glass segment product lines:

Product Line	Description
Vehicle Glazing	Products include windshields, backlites, moon roofs, and side windows. Capabilities include glass design, development and manufacturing. Aftermarket replacement glass products are distributed under the Carlite® brand name.
Commercial Glass	This unit produces float glass for commercial architectural and automotive markets.

### Product Technology and Development

We have substantial technical and vehicle systems integration expertise. We have worked directly with Ford's vehicle design engineers to develop innovative products and complete automotive systems for Ford's vehicles. As a result, we have developed a comprehensive knowledge of the design, engineering, manufacture and operation of all aspects of the automotive vehicle. We have been responsible for the introduction of a number of innovations in the automotive industry such as integrated voice activated control of the cellular phone, audio system and climate control system, currently available in the Jaguar S-Type.

We believe our engineering and technical expertise, together with our emphasis on continuing research and development, allows us to use the latest technologies, materials and processes to solve problems for our customers and to bring new, innovative products to the market. Visteon has strategically located design and manufacturing activities in 20 countries, and more than 125 manufacturing, engineering, sales and technical centers to provide our worldwide VM customers with local design, application and manufacturing capabilities. We have over 8,900 technical personnel around the world.

The Visteon Technology Office serves as the nerve center of our engineering operation. This organization, with representatives from each of Visteon's systems areas, works to maximize Visteon's systems integration capabilities in technology development worldwide. The group works primarily to identify and prioritize new technology development. Additionally, it acts as the "incubator" of new and cross-divisional technologies. The level of systems integration that Visteon is presently developing goes far beyond that found on any vehicle or system today.

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The following table shows information on our technology, research and development:

	Year Ended December 31,		
	1999	1998	1997
Research and development expenditures (in millions)	\$ 1,115	\$1,004	\$ 855
Research and development as a percentage of sales	5.7%	5.7%	5.0%
Patents awarded			
Primary	146	134	113
Global	267*	302	221
Patent applications			
Primary	249	206	192
Global	683*	560	548
Engineers, scientists, technical specialists and technicians	8,900	8,100	7,800

\* There is a time lag in reporting of non-United States patents and patent applications. Therefore, these numbers are not complete.

Our total expenditures for research and development activities are expected to be about \$1.2 billion in 2000.

Our separation arrangements with Ford generally provide that we will own intellectual property rights associated with technologies that support development or integration of vehicle components and that Ford will retain intellectual property rights associated with technologies that support vehicle systems integration or brand identities. Accordingly, Ford has transferred to us full ownership of over 3,700 patents and patent applications worldwide, including over 1,500 primary patents and pending patent applications. In addition, we and Ford have agreed to cross-license most of these intellectual property rights to each other to the extent they are associated with technologies developed prior to August 1, 1999. These cross-licenses will be non-exclusive, royalty-free, and will include rights to make, have made, use and sell the licensee's products. As a result, Ford will be permitted to have our competitors produce components for Ford utilizing our technology licensed to Ford. We believe that the aggregate values of the cross-licenses are about equal. We believe that we are receiving the intellectual property necessary for us to conduct our business.

We have been actively working with technology development partners as well as our customers to develop several important technological capabilities. We believe that our electronics integration expertise and our systems capabilities will enable us to continue to provide innovative, systems-based solutions for our customers in the future. Many of these advanced products are being developed through partnerships between our product system groups. Advanced products such as these will allow Visteon to participate in the substantial growth we expect to see in vehicle-integrated electronics and systems. Some of these products include:

- **Adaptive Cruise Control.** This system uses a forward-looking sensor to detect other vehicles or objects in front of the vehicle. The system reduces speed when approaching slower-moving vehicles by adjusting the throttle or the brake. The system maintains a "safe" distance based on highway speed and gap between vehicles. The adaptive cruise control system should improve safety by reducing the risk of collision, while at the same time improving driver comfort and convenience. We currently expect this product to be available in 2003.
- **Adaptive Restraint System.** This system provides a VM with the next generation of safety performance. These adaptive restraints provide tailored deployment of the front and side air bags to match the severity of the crash, taking into account whether an occupant is belted or unbelted and the location of the seat relative to the air bag. To complement adaptive air bag deployment, Visteon also has multiple solutions to provide weight sensing

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for passenger air bag suppression and occupant detection. This system is ahead of any federal requirements. This product is currently available on the 2000 Ford Taurus.

- **ICES (Information, Communication, Entertainment, Safety & Security System).** ICES is a vehicle computing platform capable of supporting an on-board multimedia system that we are developing with Intel and Microsoft. It consists of an open hardware and software electronics architecture that makes possible a wide range of features, from emergency calls and navigation to on-board entertainment. A core feature is Visteon's voice recognition technology, which allows drivers to use a wide range of features safely, with verbal commands. We currently expect this product to be available in 2000.
- **RPID (Reconfigurable Projected Image Display).** A reconfigurable, integrated instrument cluster employing a high-definition video display, allowing a user to personalize an instrument cluster and its gauges. This highly advanced product is currently under development and uses technology licensed from Texas Instruments. We currently expect this product to be available in 2003.

Visteon's research and development focus is directed toward the following areas:

- **Environmental.** New legislation for environment-friendly products provides growth opportunity for those companies that can use technology to introduce environment-friendly products with few value trade-offs. One example is Visteon's next generation air-conditioning system that uses high pressure CO<sub>2</sub> as its refrigerant. This solution makes economic sense and does not represent the leakage or disposal hazard of current refrigerants.
- **Safety.** As highway speeds, vehicle size and traffic congestion increase, the risk associated with a vehicle fatality increases. To address this concern, Visteon is developing passive as well as active safety systems — the latter capable of supporting intelligent transportation systems. Collision avoidance systems, occupant protection systems and adaptive cruise control are a few examples of the products that Visteon has in its product pipeline to support its vision of tomorrow's transportation network.
- **Human-Machine Interface.** Our researchers believe that the next major area of electronics growth in the vehicle is the human-machine interface. Visteon has introduced leading-edge voice technology that controls audio, climate, and communication systems. The opportunity for the proliferation of voice technology throughout the vehicle and beyond is significant and Visteon expects to participate in that growth through its leadership position in this technology. We recently announced our intention to create a joint venture with Lernout & Hauspie, which is a global leader in advanced speech and language solutions across several applications. The objective of the venture is to advance and accelerate the speech interface in automotive applications.
- **Passenger Comfort and Convenience.** As consumers spend more time in their automobiles, systems that provide heightened levels of comfort and convenience become a prerequisite for their vehicle purchase decision. Visteon's anticipation of consumer needs, combined with our considerable electronics integration capability, have resulted in a stream of products that enhance vehicle comfort and convenience from navigation to wireless communication systems.
- **Process Enablers.** Visteon believes its proprietary computer modeling capabilities are key to achieving world-class speed-to-market with new products and systems, and gaining access to new customers. For example, a new modeling tool that allows us to assess occupant ergonomic, comfort, and convenience factors in a virtual environment significantly shortens development times and reduces prototype tooling costs.

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We believe that continued research and development activities are critical to maintaining our leadership position in the industry and will provide us with a competitive edge as we seek additional business with new and existing customers.

**Production**

*Global Presence.* We seek to maximize our operating performance in order to enhance our financial performance in the current highly competitive environment. Visteon's global footprint, operational productivity and customer focus are essential elements that provide the basis for achieving our business objectives. As of December 31, 1999, Visteon operated 84 owned and leased manufacturing sites in 20 countries, representing every major region of the world. We also maintain a network of engineering and technical centers in every major region of the world. We believe that our manufacturing presence is one of the most expansive in the global automotive parts industry.

*Visteon Production System (VPS).* In 1995, we developed and began the process of implementing the Visteon Production System (VPS) throughout our global operations. VPS is designed to optimize material flow and inventory while creating a flexible and predictable



common production system. It integrates processes for human resources, industrial materials, material flow, in-station process control, total productive maintenance, engineering and our quality operating system. We are able to leverage our skill base, a key element of the process by engaging the people on the shop floor who have direct involvement in how operations are set up and run on a day-to-day basis. Through the implementation of VPS we expect to continue to reduce our manufacturing investments, costs and floor space utilization, while increasing our productivity and improving our inventory management. VPS has allowed us to:

- achieve better inventory turns (currently 22 inventory turns/year);
- improve gross manufacturing efficiency, resulting in gross savings of \$537 million (cumulatively) in 1998 and 1999;
- improve product quality (from 1994 to 1999, warranty costs for Visteon-supplied products dropped by an estimated 38%); and
- be more responsive to the changing needs of our customers.

A key part of VPS is "lean" cell-based manufacturing for new programs and converting existing production facilities to "lean" where feasible. The "lean" methodology relies on smaller manufacturing units rather than dedicated large assembly lines and leads to a number of operational improvements. This approach allows greater flexibility and lower floor space, inventory and investment. As of March 31, 2000, Visteon had completed 129 lean cells, had 128 more lean cells under way, expected to be completed by December 2000, and had 329 additional lean cells planned, expected to be completed in the next few years. Impressive results have been achieved from our first round of implementation and have partially offset increased labor costs; while results vary from project to project, an example is the Sheldon Road climate control lean cell, in Plymouth, Michigan, which resulted in a 58% reduction in floor space required, a 76% reduction in inventory and an investment avoidance equal to 66% of the project's initial estimated cost.

*In-Line Vehicle Sequencing.* Principally as a result of manufacturing initiatives designed to reduce assembly costs, VMs often require their suppliers to provide just-in-time delivery of pre-assembled systems or modules directly to their production lines. Just-in-time delivery provides multiple, small-batch deliveries on an as-needed basis compared to traditional large-batch deliveries which increase inventory levels and reduce the VM's assembly efficiency. Just-in-time delivery generally requires that the supplier have a local presence where some sub-assembly functions are performed in close proximity to the VM's manufacturing facility. As a result, the supplier's facility becomes, in effect, an extension of the VM's manufacturing process.

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Our in-line vehicle sequencing process takes just-in-time delivery one step further by providing our products not only when the VM needs them, but also in the correct assembly sequence. For example, we supply to in-line sequenced Ford vehicle assembly plants in both North America and Europe. Currently, we assemble and deliver instrument panels for the Expedition vehicle that are sequentially unloaded from the container, with the correct color and options, for attachment directly onto the vehicle as it moves down the VM's assembly line. Our in-line vehicle sequencing process enables us to better service our VM customers' needs through the coordination of our own manufacturing processes with those of our customers. We currently supply in-sequence cockpits for the Ford Expedition and the Lincoln Navigator, as well as for the Ford Focus in Europe, and bumpers for the Navigator, the Focus and other Lincoln vehicles.

## **Procurement**

We use global procurement to obtain competitive prices for our direct and indirect materials, machinery, equipment and services, as well as for parts we purchase from other suppliers for use in our product offerings. Currently, Ford handles purchases for some of our raw material and subcomponent and component needs. We believe that our size enables us to have sufficient scale and purchasing leverage to avoid incurring incremental purchasing costs following our spin-off from Ford. In 1999, our total purchases were about \$9.8 billion. This amount covered our purchases of parts from other suppliers for use in our product offerings, as well as raw materials and associated freight and production-related services.

Our independent procurement strategy will be focused on identifying and obtaining the best price, terms and quality for all materials and supplies. As an independent company, we expect continued pressure from Ford and our other customers to improve productivity on an annual basis. But we expect to be able to offset these productivity price reductions with increased efficiency and actions of our own. We plan to achieve this in three ways:

- *Re-sourcing:* We will re-source supply contracts from our least competitive suppliers. We believe that this re-sourcing will help us cut procurement costs by moving contracts from high cost suppliers to lower cost suppliers. In 1999, we enhanced our prior efforts with the implementation of a formal commodity strategy. This strategy analyzes particular commodities and highlights opportunities to improve our terms with current sources or identifies new alternative sources. We believe that our updated re-sourcing program will create a competitive environment among our suppliers and lead to lower costs throughout the entire system. Historically, we have

been able to achieve annual material reductions of 3% to 3.5%. However, a recent analysis indicates that out of about 1,600 suppliers, 142 accounted for 80% of our negotiated material cost reductions in 1999. These suppliers accounted for 47% of our 1999 material purchases. We expect that through our commodity strategy, e-commerce initiatives and Internet bidding, a significant portion of our purchased materials can be re-sourced over several years, with significant annual percentage reductions realized.

- *Increased use of Internet procurement:* We plan on leveraging the Internet to minimize procurement costs. We believe that these savings will come primarily through the use of online auctions. These auctions allow suppliers to bid on Visteon contracts online and in real time. By leveraging the Internet, Visteon can improve its global reach and drive more quickly to market pricing and away from the current practice of target pricing. For example, in 1999 we initiated Internet sourcing and auctioning by conducting a controlled experiment with auctions for certain commodity groups (e.g., printed wiring boards, plastics, semiconductors, exhaust, stampings and hoses). The use of on-line auctioning provides a global forum and includes more suppliers in the bidding process (in our experiment we had up to 12 pre-qualified participants per auction, versus three to four participants in a typical manual sourcing process). These efforts have resulted in significant savings — on the \$189 million worth of products we sourced on the Internet, we

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experienced double-digit percent reductions. Although results will vary, this experiment confirms the tremendous opportunity available through the use of this technology. We will substantially increase our use of Internet sourcing and auctioning. The auction process enables purchasing managers to view and evaluate competitive bids online, supplying them with more complete information by eliminating procedures that divided bids among separate managers. Additionally, we save time and effort with the new online process, which has proven to reduce the average number of days to identify savings by 70%, as measured against Visteon's 1999 commodity strategy process that is, itself, a significant improvement over the prior process. These auctions take place on several platforms. While we expect some increased pricing pressure from our customers' Internet auctions, most of Visteon's products are highly engineered and subject to safety and environmental certification and therefore not suitable to commodity-type auctions.

- *Leverage scale:* As the third largest auto parts supplier, we are a major source of revenue to many of our suppliers. We have experienced no detrimental effects from disaggregating our volumes from Ford volumes and do not expect any adverse effects in the future. We believe we have purchasing leverage that can provide us with significant strength in negotiating and, as a separate company, we plan to fully utilize this leverage in order to obtain lower supply costs from our suppliers.

We believe that, as a consequence of our re-sourcing strategy, our use of Internet technology and our scale, the efficient purchasing of materials, goods and services offers a major cost reduction opportunity.

**Workforce**

*General.* As of December 31, 1999, we had a workforce of 81,449 persons, including 17,260 salaried workers and 64,189 hourly workers. 2,787 of our salaried workers were unionized, mostly in Europe. Our weighted average hourly compensation cost per employee has dropped from \$25.32 in 1996 to \$23.05 in 1999.

The following table shows information about our workforce by major region as of December 31, 1999:

Region	Hourly Workforce		Salaried Workforce		Facilities		Number of Unions
	Union	Non-Union	Union	Non-Union	Union	Non-Union	
United States	29,641	97	50	9,592	21	1	4
Canada	1,392	345	129	171	1	2	2
Mexico	2,600	9,400	0	1,200	4	7	2
Total North America	33,633	9,842	179	10,963	26	10	8
Europe	10,532	5,948	2,230	2,300	25	2	26
South America	2,430	0	378	0	6	0	2
Asia-Pacific	1,288	516	0	1,210	6	9	3

Total	47,883	16,306	2,787	14,473	63	21	39
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Union Breakdown	Facilities*	Workforce
United States (hourly & salaried)		
Ford UAW agreement	16	24,513
UAW non-master agreement	3	1,540
IUE	2	3,588
Other unions	2	50
Total		29,691

\* Some facilities have multiple unions.

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Ford and the UAW have agreed that (i) all UAW-represented employees covered by the Ford UAW agreement who are working at Visteon facilities as of a date that will be no later than the date of the spin-off will remain Ford employees indefinitely and will continue to be covered under the Ford UAW agreement, (ii) Visteon will continue to use the services of these employees and, in some circumstances, other Ford UAW employees who transfer to our facilities, and (iii) Visteon will adopt a collective bargaining agreement for hourly employees hired into UAW-represented facilities after a date that will be no later than the date of the spin-off, that closely reflects the Ford UAW agreement and the next two master agreements between Ford and the UAW. In addition to guaranteeing Ford wage and benefit levels, the terms of the Ford UAW agreement provide for significant employment security. Under an agreement between Ford and us, we have agreed to fully reimburse Ford for the costs of the Ford employees working in our facilities, including amounts (limited to \$50 million per year in each of 2000-2004) for profit sharing based on Ford's profits. Our reimbursement obligations apply to all these employees even if we do not need or utilize all of them for any reason, including if we lose business from Ford or another VM. See "Relationship with Ford — Hourly Employee Assignment Agreement."

We also have agreed with the UAW that all new hourly employees hired into our UAW-represented facilities after a date that will be no later than the date of the spin-off and during the term of the current four-year Ford UAW agreement and the terms of the next two master agreements between Ford and the UAW will, for the duration of their employment with and retirement from Visteon, receive wages, benefits and other terms and conditions of employment that closely reflect those required to be provided from time to time by Ford to its UAW-represented employees.

In Europe, all Ford employees (both hourly and salaried) working in Visteon facilities have, or will prior to the spin-off, become our employees. We have agreed that for the duration of their employment with and retirement from us, we will provide these employees with wages, benefits and other terms and conditions of employment that closely reflect those required to be provided by Ford to its employees in the respective countries.

The current Ford UAW agreement expires in September 2003, Ford's national agreement with the British trade unions expires in November 2002. Ford Germany's present agreement expired on February 29, 2000. Regional bargaining is under way, to be followed by local Works Council discussions.

We constantly work to establish and maintain positive, cooperative relations with our unions around the world. Our success is evidenced by the fact that it has been nearly 25 years since we experienced any national-level work stoppage in the U.S. We believe these cooperative relations, which aided in our creation of joint agreements to improve productivity and labor efficiency, are a competitive advantage as we work with our unions to make our workforce one of the most productive in the automotive supplier business.

We and most of our unions have reached a mutual recognition that Visteon's future success is dependent on us continuing to create productivity gains to enhance our competitiveness. Through flexible bargaining arrangements, we expect to accelerate our already improving productivity and manufacturing trends to assist us in meeting and adapting to changing market conditions. For example, in our facilities covered by the Ford UAW agreement, we and the local unions have established joint operational effectiveness committees that are charged with evaluating, developing and implementing workplace changes to enhance competitive position; by mutual agreement, they can implement workplace changes up to and including altering contractual arrangements in mid-bargaining cycle. In Europe, agreements have been reached that have broadened the skilled trades' involvement in production, by incorporating them as direct members of Integrated Manufacturing Teams, or IMTs, including running production equipment. In all areas of the world, we have established alternative work patterns to match our production needs, thus maximizing our manufacturing capacity and increasing the efficiency of our skilled trades by combining classifications.

Although not subject to bargaining, we also have broad employee and union support for the introduction of the Visteon Production System (VPS) as our manufacturing operating system. We believe VPS allows us to achieve increased ongoing productivity and cost efficiencies.

## Customers

**Ford.** Ford is our largest customer and we are its largest automotive parts supplier. Ford is the world's largest producer of trucks and the second largest producer of cars and trucks combined. Most of our sales to Ford are to its North American operations. In 1999, our sales to Ford accounted for about 88% of our total sales, as shown below.

Customer	Percentage of 1999 Total Sales
Ford-North America	72.2%
Ford-Europe	13.5
Ford-South America	0.5
Ford-Asia-Pacific	0.2
Ford's Automotive Consumer Services Group	1.9
Total Ford	88.3%

The supply agreement and related pricing letter we have entered into with Ford in connection with our spin-off provide that all of our existing purchase orders with Ford as of January 1, 2000 will remain in effect at least through the end of 2003, subject to Ford's right to terminate any particular purchase order if we fail to maintain certain performance standards (see "Relationship with Ford — Supply Agreement and Related Pricing Letter"). In addition, the pricing letter requires a one-time 5% price reduction on products that we were supplying to Ford as of January 1, 2000 based on a market pricing review conducted by Ford and us. The pricing letter also requires productivity price adjustments in each of 2000, 2001, 2002 and 2003 to reflect competitive price reductions obtained each year by Ford from its other Tier 1 suppliers. We and Ford have agreed on a 3.5% productivity price reduction for 2000 on such products, which is consistent with (i) price reductions between Visteon and Ford in prior years and (ii) the amount of annual productivity improvement that Ford generally expects from its other Tier 1 suppliers. Price adjustments for 2001, 2002 and 2003 will be calculated using a basket of products composed of identical or substantially similar products that Ford purchases from other suppliers. Our overall price reductions to Ford as a percentage of net sales were 4.9% in 1999, 3.2% in 1998 and 2.7% in 1997.

Under the supply agreement, until May 31, 2003, we have a right of last refusal to meet competitive terms, including price, technology, service and design, on replacement products that (i) we produce in North America, Europe and Mexico (for Mexican production intended for export to the U.S. only) and (ii) we supplied to Ford on January 1, 2000. Although the right of last refusal does not apply to Ford's Volvo or Jaguar brand vehicles or to Mazda Motor Corporation's vehicles, Ford has agreed to use reasonable efforts to provide us with similar opportunities to bid for business with respect to these vehicles.

We expect that the opportunity under the supply agreement to provide these replacement products to Ford, together with our existing purchase orders and other commitments, will provide us with the foundation to maintain substantial business with Ford for the foreseeable future. We will also have the opportunity to bid on the same basis as other suppliers for other new Ford business. Our ability to realize sales on all Ford business, including business awarded pursuant to existing purchase orders, is in all cases subject to a variety of factors, including the volume and option mix of vehicles actually produced by Ford, the timing of that production and our continuing competitiveness.

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Recently, Ford, General Motors, DaimlerChrysler, Renault and Nissan announced an initiative to establish Covisint. Covisint is an Internet-based business-to-business marketplace for a large portion of these VMs' purchases and procurement-related activities. It is likely that other major VMs will join this marketplace or announce competing initiatives. This may put additional price pressure on us as we compete against other Tier 1 suppliers.

**Non-Ford VMs.** Although Ford is by far our largest customer, we do business with 18 of the 20 largest VMs worldwide. These relationships have enabled us to develop an understanding of global customer needs and business opportunities. Based on 1998 worldwide market shares, the five largest VMs, other than Ford, are General Motors Corporation, Toyota Motor Corporation, Volkswagen AG, DaimlerChrysler AG and Fiat S.p.A., which collectively had an aggregate market share of about 59.1% of all light vehicles produced throughout the world in 1998 according to The Automobile News 1999 Market Data Book. We currently do business with each of these VMs. Our top five VM customers other than Ford accounted for about 3.4% of our total 1999 sales. Mazda Motor Corporation, of which Ford owns a 33.4% equity interest, is one of our top five non-Ford customers, accounting for about 1.1% of our 1999 sales. We expect the portion of our sales and profits coming from non-Ford VMs to grow following the spin-off, as the VMs' concerns about confidentiality of product design and technology information are eased. In 1999, 38% of the new business we were awarded for delivery in future years was non-Ford business.

Most of our products are sold under long-term agreements that require us to provide percentage cost reductions each year. These annual cost reductions are made directly through price reductions and/or indirectly through suggestions regarding manufacturing efficiencies or other

cost savings.

Because we have historically operated as a division of Ford, substantially all of our existing contracts with these non-Ford customers were signed by Ford, not Visteon, and require the consent of the customer in order to assign or transfer the contract, including from Ford to Visteon. We have had discussions with all of our non-Ford customers regarding our spin-off from Ford and our intent to continue to perform under these existing contracts. Given the extremely large number of existing contracts with our non-Ford customers and the positive feedback received during discussions with our non-Ford customers, we do not currently intend either to seek consents from or to enter into new contracts with these customers in connection with our spin-off from Ford. Based on these discussions, we do not believe that our spin-off from Ford will adversely affect our business with these customers. However, we cannot assure you in this regard.

**Aftermarket.** We sell products to the worldwide aftermarket as replacement parts or as customized products, such as body appearance packages and in-car entertainment systems, for current production and older vehicles. In 1999, our aftermarket sales were about \$885 million, representing 4.6% of our total sales. We currently sell 58% of this product to the independent aftermarket and 42% to Ford's Automotive Consumer Service Group, the principal aftermarket sales organization of Ford. In 1999, 89% of our aftermarket sales were in North America, with 9% in Europe and 2% in South America. Visteon's independent aftermarket sales are focused in five key areas — climate control, remanufactured components, glass, personalized multimedia and vehicle appearance products.

**Non-VM Customers.** We are also leveraging our experience and expertise in the automotive industry to create products with applications in other industries. Many of the products and technologies that we have created in the automotive industry have applications in other industries with minimal additional development cost or time delay. Some of these products include high power electronics, instrument clusters and theater seats, which we are selling to the power generation, motorcycle and movie cinema industries. Our non-VM customers include Honeywell, Honda for motorcycles and Polaris. These non-VM sales accounted for only a nominal amount of

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our 1999 total sales. We believe that opportunities exist to increase our sales in this area and we intend to continue to work to expand our sales to non-VM customers.

## Sales and Marketing

Visteon has established a sales and marketing organization of dedicated customer teams that provide a consistent interface between key customers and the company. These teams are located in North America, South America, Europe and Asia-Pacific and include program engineers located at customer sites, customer service representatives and plant-resident engineers. Our total sales and marketing staff is currently 664 people. The breakout of our sales and marketing organization as of December 31, 1999 was as follows:

	North America	South America	Europe	Pacific	Total
Ford sales	257	6	83	12	358
Non-Ford VM sales	52	6	27	12	97
Aftermarket sales	167	14	28	—	209
Total	476	26	138	24	664

We expect our overall sales and marketing staff to expand as we expand our efforts to gain non-Ford business. We expect that by the end of 2000, we will have about 125 people dedicated to non-Ford sales and about 216 people dedicated to aftermarket sales. These increases will be somewhat offset by a decline in our Ford sales staff to about 319 at the end of 2000. We maintain this extensive worldwide customer network in order to better represent individual customers' interests within our organization, promote customer programs and coordinate global customer strategies with the goal of enhancing overall customer service and satisfaction. Our ability to support our customers around the world is further enhanced by our global presence in terms of manufacturing sites, customer service centers and sales activity offices and technical and engineering support.

Our sales and marketing activities are designed to create overall awareness, consideration and purchase of our components, integrated systems and modules. To further this objective, we participate in international trade shows in Paris, Frankfurt, Tokyo and Detroit. We also provide on-site technology demonstrations at each of our major VM customers on a regular basis. We advertise in a variety of trade publications and offer an Internet site at [www.visteon.com](http://www.visteon.com). We have recently set up a website, [www.evisteon.com](http://www.evisteon.com), to sell our aftermarket products. Ford has transferred to us ownership of more than 1,600 global trademark registrations and applications, reflecting multi-country registrations. Our trademarks include Visteon®, Carlite®, ClimatePro™, RoadFx™, NavMate® and the Visteon logo.

## Competition

We conduct our business in a highly competitive industry. The global automotive parts industry principally involves the supply of components, systems and modules to VMs for the manufacture of new vehicles, to other suppliers for use in their product offerings and to the aftermarket for use as replacement parts for older vehicles.

Although the overall number of our competitors has decreased due to ongoing industry consolidation, the automotive parts industry remains extremely competitive. VMs rigorously evaluate suppliers on the basis of product quality, price competitiveness, technical expertise and development capability, new product innovation, reliability and timeliness of delivery, product design capability, leanness of facilities, operational flexibility, customer service and overall management. Many of our competitors have lower cost structures, particularly with respect to wages and benefits, than our company.

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Our overall product portfolio is extremely broad by industry standards. Very few other Tier 1 suppliers compete across the full range of our product areas. However, we do have significant competition in each of our segments. Our most significant competitors within each segment are listed below.

*Comfort, Communication & Safety.* Our principal competitors in the Comfort, Communication & Safety segment include the following: Delphi, Denso Corporation, Johnson Controls, Inc., Lear Corporation, Magna International Inc., Valéo S.A., Mannesman VDO AG and Nippon Seiki Co., Ltd.

*Dynamics & Energy Conversion.* Our principal competitors in the Dynamics & Energy Conversion segment include the following: American Axle & Manufacturing Holdings, Inc., Robert Bosch GmbH, Dana Corporation, Delphi, Denso, Siemens and TRW, Inc.

*Glass.* Our principal competitors in the Glass segment include the following: Asahi Glass Company Limited, AFG Industries, Inc., Pilkington Plc and PPG Industries, Inc.

**Properties**

Our principal executive offices are located in Dearborn, Michigan. We occupy this facility, as well as a number of other facilities, under arrangements with Ford.

We also maintain regional headquarters for our Asia-Pacific region in Tokyo, Japan, for our Europe/ Africa/ Middle East region in Dunton, England and for our South America region in Sao Paulo, Brazil. We maintain 49 technical facilities/sales offices and 84 owned and leased plants in 23 countries throughout the world. The following table shows the total square footage of our principal owned and leased facilities by region as of December 31, 1999:

Region	Number of Manufacturing Sites	Total Manufacturing Sites Square Footage
		(in millions)
North America	36	29.5
Europe	27	8.7
South America	6	1.3
Asia-Pacific	15	2.6
Total	84	42.1

In some cases, several of our manufacturing sites, technical centers and/or customer service centers and sales activity offices are located at a single multiple-purpose site. We also maintain a limited number of miscellaneous facilities. The following table shows the number of various types of facilities by region as of December 31, 1999:

Region	Manufacturing Sites	Technical Centers	Customer Centers and Sales Offices
North America	36	17	4
Europe	27	6	12
South America	6	—	1
Asia-Pacific	15	1	8
Total	84	24	25

We are currently evaluating long-term plans to consolidate our worldwide engineering and technical resources, including our technical centers, into a more efficient, customer-focused global engineering support network. While we believe that this consolidation will enhance

our ability to provide engineering and technical support to our customers around the world, we also expect that it will have the effect of reducing the overall number of our technical centers.

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We believe that our facilities are suitable and adequate, and have sufficient productive capacity, to meet our current and currently anticipated needs.

### **Environmental Matters**

Visteon is subject to the requirements of federal, state, local and foreign environmental and occupational safety and health laws and regulations. These include laws regulating air emissions, water discharge and waste management. We have an environmental management structure designed to facilitate and support our compliance with these requirements. We cannot assure you, however, that we are at all times in complete compliance with all of these requirements. Although we have made and will continue to make capital and other expenditures to comply with environmental requirements, we do not expect capital or other expenditures for environmental compliance to be material in 2000 or 2001. Environmental requirements are complex, change frequently and have tended to become more stringent over time. Accordingly, we cannot assure you that these requirements will not change or become more stringent in the future in a manner that could have a material adverse effect on our business.

Visteon is also subject to environmental laws requiring the investigation and cleanup of environmental contamination at properties it currently owns or operates and at third party disposal or treatment facilities to which these sites sent or arranged to send hazardous wastes. We are aware of contamination at certain of our properties and have agreed to an allocation of liability at various third party superfund sites at which Ford has been named as a potentially responsible party. We are in various stages of investigation and cleanup at these sites. At December 31, 1999, Visteon had recorded a reserve of about \$13.9 million for this environmental investigation and cleanup. We cannot assure you that our environmental cleanup costs and liabilities will not exceed the current amount of our reserve and that any excess amount will not be material.

In general, we will bear liability for environmental claims relating to the sites being transferred to us as if we had historically operated as an independent company. In connection with our spin-off from Ford, we and Ford have generally agreed that we are liable for all future claims relating to the sites that have been transferred to us and our operation of those sites, including off-site disposal. Generally, Ford will retain liability for environmental claims relating to sites not transferred to us or currently operated by us. In addition, we and Ford have agreed on a division of liability for, and responsibility for management and remediation of, some existing environmental claims. See "Relationship with Ford—Master Transfer Agreement—Division of Liabilities."

### **Legal Proceedings**

We are involved in routine litigation incidental to the conduct of our business. We do not believe that any litigation to which we are currently a party will have a material adverse effect on our financial condition.

We face an inherent business risk of exposure to product liability claims in the event that the failure of our products results, or is alleged to result, in property damage, bodily injury and/or death. We cannot assure you that we will not experience any material product liability losses in the future or that we will not incur significant costs to defend these claims. In addition, if any Visteon-designed products are, or are alleged to be, defective, we may be required to participate in a recall involving those products. Each VM has its own policy regarding product recalls and other product liability actions relating to its suppliers. However, as suppliers become more integrally involved in the vehicle design process and assume more vehicle assembly functions, VMs are increasingly looking to their suppliers for contribution when faced with product recalls or product liability claims. Because this is a new trend in our industry and we have only limited

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experience in this regard, we cannot assure you that our costs associated with providing product warranties will not be material.

From time to time, in the ordinary course of business, Visteon receives notices from customers that products may not be properly functioning. Our warranty responsibility for our products is generally governed by the terms and conditions of the applicable contract. These terms and conditions vary from contract to contract. Most of our contracts require that we make certain warranties to our customers regarding, among other things, conformity to specifications and freedom from defect.

Currently, VMs customarily absorb the cost of warranty claims arising under and during the specific base warranty offered to consumers. For vehicles sold in the United States, this base warranty period, depending on the vehicle model, generally ranges from 3 years or 36,000 miles to 5 years or 60,000 miles, in each case, whichever comes first. Under its agreements with VMs, Visteon is responsible for claims arising from abnormal base warranty experience traceable to specific components or systems manufactured, supplied or assembled by Visteon. Abnormal base warranty claims are those that are in excess of those projected by VMs. These projections are customarily based on experience with earlier product models or contemporaneous experience with a similar product type supplied by another supplier. In some cases, we and the VM may agree on a sharing arrangement with respect to abnormal warranty claims. We do not have increased exposure

for extended warranty coverage purchased by consumers.

VMS are increasingly requiring their outside suppliers to guarantee or warrant their products and to bear the costs of repair and replacement of those products under new vehicle base warranties. Because this is a new trend in our industry and we have only limited experience in this regard, we cannot assure you that our costs associated with providing product warranties will not be material.

In connection with our spin-off from Ford, Ford will retain liability for all product liability, warranty or recall claims that involve parts made or sold by us for 1996 or earlier model year Ford vehicles. Our liability for these types of claims relating to 1997 or later model year Ford vehicles will be governed by Ford's global terms and conditions, with the understanding that we will be treated by Ford as any other third party supplier, and in accordance with Ford's customary treatment of other suppliers. We have assumed liability for all product liability, warranty or recall claims relating to parts made by us and delivered to third parties at any time.

We believe that we are adequately insured, including with respect to product liability coverage, at levels sufficient to cover the claims described above, subject to commercially reasonable deductible amounts. Visteon has been an "insured" under all of Ford's property and liability insurance programs worldwide. We will remain insured under those programs, subject to the same limitations and conditions of coverage applicable to all Ford operations, until the spin-off. We expect to purchase liability insurance, to be effective at the time of the spin-off, in amounts determined at that time to be adequate, with reasonable deductibles or self-insured retentions that will allow for the most effective financing of predictable losses. We have also established reserves in amounts we believe are reasonably adequate to cover any adverse judgments. However, any adverse judgment in excess of our insurance coverage and those reserves could have a material adverse effect on our business and financial condition.

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## RELATIONSHIP WITH FORD

We and Ford have entered into a number of agreements in connection with our separation and spin-off from Ford. The agreements described below effect the separation and also provide a framework for our ongoing relationship with Ford, including some transitional arrangements. Ford has contributed or otherwise transferred to us generally all of the assets, and we have assumed generally all of the liabilities, comprising the Visteon business. We call this transfer of assets and assumption of liabilities the "separation." We and Ford have agreed to transfer legal title to any remaining assets and any remaining liabilities of the Visteon business not transferred prior to the spin-off, most of which are foreign assets and liabilities subject to regulatory and other delays, as soon as practicable. In the interim, we will operate and receive the economic benefits of (and bear the economic burdens of) these assets. These assets are not, individually or in the aggregate, material to our company. The information included in this information statement, including our consolidated financial statements, assumes the completion of all of these transfers.

**The following is a summary of the terms of the material agreements we have entered into with Ford. This summary is qualified by reference to the full text of the agreements filed as exhibits to the Form 10 registration statement of which this information statement is a part.** References to the "Visteon business" are to the activities conducted under the name Visteon Automotive Systems, an enterprise of Ford Motor Company, including (i) those activities conducted by subsidiaries and affiliates aligned with that enterprise and (ii) all historical operations.

### Master Transfer Agreement

**Asset Transfers.** The master transfer agreement, dated March 30, 2000, provides for Ford to transfer to Visteon and/or its subsidiaries, or for Ford to cause certain of its subsidiaries to transfer to Visteon and/or its subsidiaries, prior to the spin-off, generally, all assets used exclusively in the Visteon business, including but not limited to real property interests, personal property, ownership interests in subsidiaries and joint ventures, the name "Visteon" and the associated logo. Separate arrangements have been made for rights to certain intellectual property, as described below.

**Division of Liabilities.** We and Ford have agreed on a division of certain liabilities, as of April 1, 2000, as described below:

- **General.** Except for any liabilities that Ford may specifically agree in writing to retain, we will assume all debts, liabilities, guarantees, contingencies and obligations of the Visteon business, whether asserted or unasserted, fixed or contingent, accrued or unaccrued, known or unknown.
- **Product Liability, Warranty and Recall Claims.** Ford will retain liability for all product liability, warranty or recall claims that involve parts made or sold by the Visteon business for 1996 or earlier model year Ford vehicles. Our liability for these types of claims relating to 1997 or later model year Ford vehicles will be governed by Ford's global terms and conditions, with the understanding that we will be treated by Ford as any other third party supplier, and in accordance with Ford's customary treatment of other suppliers. We have assumed liability for all product liability, warranty or recall claims relating to parts made by the Visteon business and delivered to third parties at any time.
- **Environmental Claims.** We and Ford have agreed on a division of liability for, and responsibility for management



and remediation of, existing environmental claims. Future environmental claims arising out of the sites that have been transferred to us and our operation of those sites will be our liability. Ford will retain liability for environmental claims relating to sites not transferred to us or currently operated by us.

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- **Intellectual Property Claims.** Subject to certain exceptions, Ford will retain liability for all intellectual property claims that involve parts sold or supplied to Ford on or prior to July 31, 1999. Subject to certain exceptions, our liability for these types of claims relating to later-supplied parts will be governed by Ford's global terms and conditions, with the understanding that we will be treated by Ford as any other third party supplier, and in accordance with Ford's customary treatment of other suppliers. We have assumed liability for intellectual property claims relating to parts sold or supplied by the Visteon business to third parties at any time.
- **Employment and General Litigation Claims.** We and Ford have agreed on a division of liability for certain employment and general litigation claims.

**General.** We have agreed to indemnify Ford for:

- all liabilities assumed by us or our affiliates under the master transfer agreement or other agreements entered into in connection with the separation; and
- any failure by Visteon or any of its subsidiaries to perform any agreement or covenant in the master transfer agreement or any other agreement relating to the separation.

We and Ford have agreed to execute all instruments to carry out the purposes of the master transfer agreement. If any aspect of the transfer or attempted transfer of assets or liabilities would violate a contract or would violate any law, statute, decree, rule, regulation or other governmental edict, and no consent, waiver or authorization can be obtained, Ford has agreed to use commercially reasonable efforts to give us the full benefits and burdens of, and cause us to operate, the affected assets or liabilities until the applicable assets or liabilities are legally transferred.

In addition, we have agreed to work diligently to replace or otherwise have released all bonds and other guarantees backed or issued by Ford on behalf of the Visteon business.

We and Ford have agreed that any disputes arising under the master transfer agreement will be submitted to nonbinding mediation, and if that is not successful, to binding arbitration, according to established procedures.

### Supply Agreement and Related Pricing Letter

We have entered into a supply agreement, dated as of January 1, 2000, and a pricing letter agreement, dated March 31, 2000, between Ford and us.

**General; Pricing; Payment Terms.** The supply agreement and related pricing letter we have entered into with Ford in connection with our spin-off provide that all of our existing purchase orders with Ford as of January 1, 2000 will remain in effect at least through the end of 2003, subject to Ford's right to terminate any particular purchase order for the reasons set forth below. In addition, the pricing letter requires a one-time 5% price reduction on products that we were supplying to Ford as of January 1, 2000 based on a market pricing review conducted by Ford and us. The pricing letter also requires productivity price adjustments in each of 2000, 2001, 2002 and 2003 to reflect competitive price reductions obtained each year by Ford from its other Tier 1 suppliers. We and Ford have agreed on a 3.5% productivity price reduction for 2000 on such products, which is consistent with (i) price reductions between Visteon and Ford in prior years and (ii) the amount of annual productivity improvement that Ford generally expects from its other Tier 1 suppliers. Price adjustments for 2001, 2002 and 2003 will be calculated using a basket of products composed of identical or substantially similar products that Ford purchases from other suppliers. The pricing letter provides that, in each of 2001, 2002 and 2003, the parties will agree upon an initial price reduction to be effective commencing January 1 that will remain in effect until the calculation of the actual adjustment is made during the fourth quarter of the year. The initial reduction will be used by Visteon for invoicing purposes until the actual adjustment is

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determined in the fourth quarter of each year. In addition to these price reductions, we have agreed to use our best efforts to achieve design and engineering improvements in our products sold to Ford so as to further reduce their cost to Ford by 1.5% to 2.5% each year.

Unless they are inconsistent with the terms of any existing purchase order with Ford, the terms and conditions of Ford's standard purchase order are incorporated into each existing purchase order. In the case of any conflict between the existing contracts and the supply

agreement, the supply agreement will control.

Generally, payment terms under existing purchase orders will remain unchanged. However, we have agreed to participate with Ford, consistent with Ford's other Tier 1 suppliers, as and when Ford moves to different supply chain models and payment terms.

**New Business; Right of Last Refusal.** Generally, we will be treated by Ford in the same manner it treats its other Tier 1 suppliers with respect to Ford's general sourcing policies and practices, including new purchasing and sourcing initiatives. All purchase orders for new business will be subject to Ford's standard purchase order terms and conditions.

Until May 31, 2003, we have a right of last refusal to meet competitive terms, including with respect to price, on replacement products that (i) we produce in the United States, Canada, Europe and Mexico (for Mexican production intended for export to the U.S. only) and (ii) we supplied to Ford on January 1, 2000, provided that we are competitive in terms of design, quality, service and technology as these factors relate to all aspects of bid packages that may be submitted by other suppliers. Although the right of last refusal does not apply to products we produce outside the United States for Ford's Volvo or Jaguar brand vehicles or products we produce anywhere for Mazda Motor Corporation's vehicles, Ford has agreed to use reasonable efforts to provide us with similar opportunities to bid for this business with respect to these vehicles.

**Ford's Right to Terminate Contracts if We Are Not Competitive.** The supply agreement allows Ford to terminate its purchase obligations under a purchase order for a given component, if:

- there is a demonstrable decline in the overall quality of our products or services supplied under that purchase order,
- we do not remain competitive in terms of design, quality, service, technology and delivery with other responsible suppliers or potential suppliers for that component, or
- Ford can obtain supplies of that component from other suppliers of significantly advanced design or processing.

Ford must give us three months' notice of any termination under these provisions. We then have until one month before the scheduled termination to demonstrate to Ford that we will correct the cause for termination by the termination date or a subsequent date acceptable to Ford, in which case the purchase obligation with respect to the affected component will not be terminated.

We will participate in Ford's quality, cost, warranty and customer satisfaction improvement programs consistent with Ford's other suppliers.

**Process for Exiting Businesses.** We have agreed not to sell or exit any of our business operations engaged in the production of products for Ford without first advising Ford of our intent to do so, providing sufficient detail with respect to the means by which we expect to assure Ford of a continued supply of affected products on the same terms and conditions, through the remaining terms of the affected purchase orders. We have agreed to reasonably consider Ford's input and concerns and Ford has agreed to cooperate in good faith with us in any restructuring actions.

## Master Separation Agreement

**Transitional Services.** The master separation agreement, to be dated as of June 1, 2000, provides for Ford to provide transitional services, as previously identified by us, until December 31, 2001. These transitional services are services historically provided to us by Ford. In return, we have agreed to pay Ford amounts that reflect its fully accounted cost for these services, including a reasonable allocation for internal overhead costs, as well as any direct costs incurred from outside suppliers. If Ford provides a service to third parties, Ford will charge us the same amount as it charges those third parties.

We may terminate any transitional service upon six months' written notice to Ford and our payments to Ford will be adjusted accordingly. We have agreed to use commercially reasonable efforts to obtain all transitional services from sources other than Ford no later than December 31, 2001. If we are unable to do so, we may continue to obtain the required transitional service through June 30, 2002, provided that we have notified Ford by June 30, 2001.

We have identified the following six most significant transitional services: information technology, human resources, accounting, customs, product development technology and real estate. We and Ford have agreed that Ford will not provide the following services after the spin-off: insurance coverage, insurance administrative services and legal services. Transitional services for information technology are covered by a separate agreement that provides that certain services may be provided until three years from the date of the spin-off date unless otherwise agreed by the parties.

**Indemnification.** We and Ford have generally agreed to indemnify each other and the other's affiliates and controlling persons from specified liabilities under the securities laws relating to the Form 10 registration statement and this information statement or to contribute under specified circumstances to the amount paid or payable by the other in respect of those liabilities.

## Aftermarket Relationship Agreement

We and Ford have entered into an agreement effective as of January 1, 2000 relating to our supplying components for Ford's aftermarket business, which is managed by Ford's Automotive Consumer Services Group ("ACSG"). The agreement provides that any components purchased by ACSG from Visteon for vehicles currently in production will be governed by the supply agreement and related pricing letter discussed above. With respect to components purchased by ACSG from Visteon for vehicles no longer in production, Ford will honor the terms and conditions of all existing agreements, subject to certain modifications described below.

**Pricing.** As to pricing for non-production components, ACSG has agreed to price increases for 2000 not to exceed \$4 million. Further, the parties have agreed to a net average price decrease in 2000 of approximately 1.5% of all components sold by Visteon to ACSG. For each year 2001, 2002, 2003 and 2004, the parties have agreed to a net average price decrease of approximately 2% of the prior year Visteon sales to ACSG, excluding newly sourced components first sold to ACSG after July 1 of the prior year. In addition, we can receive credit for these annual price reductions to the extent of cost savings we pass on to ACSG resulting from changes in design, processing, packing and shipping of components and for the value of all remanufactured parts sold to ACSG.

**Tooling.** We will be permitted to use tooling owned by ACSG to produce components for sale to third parties (i.e., other aftermarket suppliers or wholesale distributors) through 2004. Use of such tooling will be without additional charge in 2000. However, in 2001, we will be required to pay ACSG a tooling use and maintenance fee of 2% and 3.5% on the net sales of components produced from ACSG-owned tooling and sold to aftermarket suppliers and wholesale distributors, respectively. For each of the years 2002, 2003 and 2004, such fee

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payments will be 2.5% and 4%, respectively. The obligation to make fee payments does not apply to the following uses of ACSG-owned tooling:

- production of climate control components sold to Midas,
- production of components sold to Freightliner Corporation for its Sterling HN-80 models,
- production of components sold to Mazda, Nissan Motor Co., Ltd. and Volkswagen for current programs, and
- production of components for sale to Ford dealers in the Middle East.

**Right of Last Refusal.** During the period January 1, 2000 through December 31, 2002, we will have the right to match the best offer presented to ACSG for the supply of replacement products on all current production service parts, all remanufactured parts that ACSG requires and which are manufactured by Visteon, and all new service parts that ACSG requires and that are manufactured by Visteon during the period. To invoke the right of last refusal, we must be competitive in terms of quality, service and delivery.

**Carlite® Glass Business.** Our automotive glass aftermarket business utilizing the Carlite® brand will continue as currently operated by us in accordance with past practice and ACSG will have no right or interest in the business. This will include the continuing right to co-brand replacement glass with the Ford logo for a period of ten years.

**Service Distributor Network.** Visteon will continue to manage the Visteon Service Distributor Network covering audio systems and equipment, instrument clusters and speedometers. ACSG will continue to recognize Visteon as the sole authorized service center and distributor, subject to certain agreed upon exceptions, for the term of the agreement.

## Hourly Employee Assignment Agreement

We and Ford have entered into an Hourly Employee Assignment Agreement effective on April 1, 2000. This agreement sets forth our and Ford's rights and obligations with respect to the about 23,580 United States hourly employees of Ford (the "Ford Hourly Employees") who (i) are represented by the UAW, (ii) are covered by the Ford UAW agreement, (iii) are employed in one of our facilities as of a date that will be no later than the date of the spin-off, and (iv) after Visteon's spin-off, will remain Ford employees indefinitely but will be assigned to work for us.

Under the agreement, we, as Ford's agent, will exercise day-to-day supervision over the Ford Hourly Employees, including assigning work and evaluating, supervising and disciplining such employees in accordance with the terms of the Ford UAW agreement. We will advise Ford of any major issues that arise under the Ford UAW agreement or other major employment matters potentially affecting UAW hourly represented Ford employees or other significant matters. Ford reserves the right to handle the matter if a joint course of action cannot be agreed.

Ford will continue to provide payroll processing services for the Ford Hourly Employees (including paying wages and other compensation and making appropriate tax withholdings and filings) and will continue to provide Ford Hourly Employees with the same employee benefits generally offered to other hourly employees of Ford who are represented by the UAW. We will reimburse Ford for the wage, benefit and other costs incurred by Ford for the Ford Hourly Employees, including:

- Weekly gross wages and any other type of compensation, such as Christmas bonuses, moving allowances, profit sharing payments (including amounts based on Ford's profits) and any other cash compensation. Our liability for profit sharing based on Ford's profits is limited to \$50 million per year in each of 2000-2004. After 2004, we will be liable for the full amount of profit sharing.
- A per employee standard monthly benefit cost calculated from time to time by Ford (excluding costs relating to retiree pension, health care and life insurance benefits).

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- An annual payment for retiree pension, health care and life insurance benefits. We have agreed to prefund a VEBA for postretirement health benefits commencing January 1, 2006 through December 31, 2020, subject to certain limitations.
- Other expenses incurred by Ford with respect to each Ford Hourly Employee that arise from such employee's work for Visteon, such as reserves for any worker's compensation claims arising out of any work accident while such employee was performing work for Visteon.
- Reasonable and necessary travel and business related expenses incurred by Ford Hourly Employees while performing work for Visteon and reimbursed by Ford under Ford's standard travel and business expense reimbursement policy.
- All assessments, premiums or other taxes incurred by Ford with respect to the Ford Hourly Employees.
- Direct out-of-pocket incremental costs incurred by Ford in relation to establishing and maintaining benefit programs applicable to the Ford Hourly Employees, including legal, record-keeping, actuarial and accounting fees not otherwise paid from trusteed plans.

We are obligated under the agreement to maintain our facilities in which the Ford Hourly Employees work in conformance with legal requirements. We also are obligated to comply with all applicable federal, state and local health and safety laws and laws relating to wages and hours, overtime and discrimination in respect of the Ford Hourly Employees.

We have assumed liability for any pending employment claims related to the Ford Hourly Employees with the exception of one class action. If we desire to hire any Ford Hourly Employee, Ford will not interfere with the job offer. Ford has agreed to allow us to participate in future negotiations planning and strategy development concerning the terms of any Ford-UAW collective bargaining agreement for as long as our own labor agreement must closely follow the Ford agreements. Ford has agreed to cooperate with Visteon in seeking changes with the UAW in work rules and practices or other local continuous improvement initiatives to improve operational effectiveness at Visteon locations. Ford also has agreed to work with us to try to minimize business costs as a result of work realignments. We have agreed to form a Joint Advisory Board with Ford in order to address significant labor matters between us.

We have agreed to indemnify Ford for any (i) breach of our agreements, (ii) employment claims made by Ford Hourly Employees unless such claims arise from the conduct of certain other Ford employees, and (iii) claims made by Ford Hourly Employees (or their dependents or beneficiaries) to the Pension Benefit Guaranty Corporation ("PBGC"), the Department of Labor ("DOL"), or the IRS arising out of or in connection with the operation, administration, funding or termination of any of our employee benefit plans or programs. Ford has agreed to indemnify us for (i) breach of their agreements, (ii) any claims by Ford Hourly Employees (or their dependents or beneficiaries) to the PBGC, DOL or IRS arising out of or in connection with the operation, administration, funding or termination of any of the employee benefit plans or programs applicable to Ford Hourly Employees, and (iii) employment claims that arise from the conduct of certain other Ford employees.

Although we will be obligated to utilize the services of the Ford Hourly Employees and comply with the terms of the agreement until the termination of employment of all the Ford Hourly Employees, under the agreement, Ford and Visteon will work together to attempt to minimize the cost of surplus Ford Hourly Employees during the term of the agreement, but Ford is not committed to assume any liability for any such costs.

### **Employee Transition Agreement**

We and Ford have entered into an Employee Transition Agreement dated as of April 1, 2000. This agreement covers the transfer of employment of the employees (other than the Ford Hourly

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Employees covered by the Hourly Employee Assignment Agreement discussed above) engaged in the Visteon business to Visteon and provides for the transition of employee benefit plans and programs. As of separation, Ford will transfer the employees who are presently assigned to the Visteon business to us, other than the Ford Hourly Employees and inactive employees. Inactive employees will be transferred when they return to work. We will recognize each employee's term of service with Ford for purposes of our benefit plans and programs. We have agreed to assume any collective bargaining agreements that apply to the employees. We plan to pay each employee at the same base salary or hourly rate they had at Ford. We also have agreed to adopt substantially comparable benefit plans and programs in the aggregate for the U.S. employees as were in effect at Ford and to continue such programs for at least four years after the spin-off. However, if Ford makes changes in their benefit programs during those four years, we may make comparable changes as well.

With respect to U.S. pensions, we have agreed to provide the pension for future service for all employees. Ford has agreed to retain the pension obligations for Ford Retirees (those who had worked in the Visteon business and had retired prior to the spin-off) and for the past service of two groups of employees. The first group ("Group I") are those employees who as of the first day of the month coincident with or preceding the date of spin-off (the "Benefit Transition Date") are eligible for an immediate normal or regular early retirement under the General Retirement Plan ("GRP"), a defined benefit pension plan sponsored by Ford. The second group ("Group II") are those employees who as of the Benefit Transition Date have combined age and service that is at least sixty points, giving one point for each year of age and service, and who could meet the eligibility requirements under the GRP for a normal or early pension on a time for time basis while employed at Visteon. For Group I and II, Ford will recognize service at Visteon after the Benefit Transition Date for purposes of eligibility to participate and eligibility for benefits, but not for benefit calculation purposes. Ford also will recognize the base salary paid at Visteon after the Benefit Transition Date for purposes of calculating the final average pay-related benefits under the GRP. Ford will calculate the GRP benefit based on the benefit rates in effect on the retirement date. We will reimburse Ford annually for (i) the costs of future benefit increases for Group I and II past service; (ii) the effect of average salary increases we grant Visteon employees that exceed the average Ford merit increase by one-half percent in any given year; and (iii) the incremental cost of early retirement incentive programs.

We will pay pensions based on combined Ford and Visteon service for those employees who are neither in Group I or Group II ("Group III") under a replacement plan that would duplicate the level of benefits for service prior to the Benefit Transition Date and provide substantially comparable benefit provisions for services after the Benefit Transition Date and have the same eligibility requirements for retirement as the GRP. Ford will transfer the liabilities for Group III to our replacement plan together with assets in cash that equal the projected benefit obligation of Group III, but no less than the amount required to be transferred under Section 411(d) and 414(l) of the Code that applies to spin-offs of pension plans.

Ford will retain the liability to provide postretirement health and life benefits for Ford Retirees on the same basis as is available to other employees who retired from Ford at the same time. Ford also will provide these benefits for Group I and II but we will pay for these benefits. We will prefund these benefits through a VEBA beginning January 1, 2011 through December 31, 2020 subject to certain limitations. We will have the responsibility to pay Group III their post retirement health and life benefits to the extent we offer such benefits. Nothing about these arrangements is meant to guarantee or vest any Ford Retiree or transferred employee in any entitlement to receive postretirement health and life benefits and the right to eliminate, change or modify benefit plans or programs is specifically reserved by both Ford and us.

With respect to the non-qualified U.S. retirement plans sponsored by Ford, (the Benefit Equalization Plan ("BEP"), the Supplemental Executive Retirement Plan ("SERP"), the Executive Separation Allowance Plan ("ESAP") and the Select Retirement Plan ("SRP")), Ford

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will retain the responsibility to provide the benefit for otherwise eligible Ford Retirees. For those in Group I and II who were eligible under BEP, SERP and ESAP as of the Benefit Transition Date, Ford will retain the responsibility to provide a benefit for service prior to the Benefit Transition Date. We will reimburse Ford for Group I and II past service obligations in a one time cash payment. We also will reimburse Ford annually for (i) the costs of future benefit increases that relate to Group I and II past service; (ii) the effect of average salary increases we grant Visteon employees that exceed the average Ford merit increase by one-half percent in any given year; and (iii) the incremental cost of early retirement incentive programs. We will establish plans comparable to the BEP, SERP and ESAP for service after the Benefit Transition Date for transferred employees who were otherwise eligible under the Ford plans, and shall recognize service at Ford for purposes of determining minimum years of service to achieve eligibility for a benefit. We will provide a benefit under our non-qualified plans for otherwise eligible Group III based on combined service between Ford and us.

With respect to non-U.S. pensions, generally the non-U.S. Visteon employees will transition to benefit plans and programs sponsored by us as of the Benefits Transition Date, or such other date as may be agreed. After replacement plans are established, we shall assume the past service liabilities for the non-U.S. Visteon employees and Ford shall cause the applicable plans to transfer assets from funded plans. If plans are unfunded or underfunded, we will assume the liability for making benefit payments regardless. Ford will retain liabilities for the non-U.S. Ford Retirees as of the Benefit Transition Date, or such other date as agreed. We will comply with any applicable collective bargaining agreements with respect to non-U.S. employees, in particular, the Agreement Governing the Separation of the Ford Visteon Organization dated January 25, 2000 between Ford and the Ford European Works Council.

We also assume responsibility for any pension plans that are maintained by an affiliate or subsidiary of Ford which will become a subsidiary or affiliate of Visteon under the master transfer agreement.

For calendar year 2000, employees who participate in the Ford U.S. Performance Bonus Plan will continue to participate in the plan to the extent otherwise eligible. For 2000, employees who are otherwise eligible to participate in the Ford Annual Incentive Compensation Plan will continue to be eligible to participate provided the pro forma award amounts, as adjusted for Ford performance, equals 50% of the adjusted target amount, and as further adjusted for individual performance to the extent of 50% of the amount of the Extraordinary Contribution Fund that would normally be allocated to the Visteon employees. We will establish an interim bonus program for the remainder of 2000 following the spin-off date. Payouts under these plans, if any, will occur in March, 2001, and Visteon will be financially responsible for these pay-outs. We will establish comparable incentive compensation plans as more fully described in "Management — Long-Term Incentive Compensation Plan." We also will adopt a Visteon Deferred Compensation Plan ("VDCP") effective as of the date of spin-off. If an employee participates in the Ford Deferred Compensation Plan, their book entry account balance as of the close of business on the date of the spin-off will be transferred to the VDCP. We will assume any liability with respect to such transferred accounts.

We will establish a defined contribution pension plan for the benefit of our U.S. employees effective as of the Benefit Transition Date. It will be substantially comparable to the Ford Savings and Stock Investment Plan ("Ford SSIP") with pre tax and after tax features and will have the same match. Employees who had participated in the Ford SSIP will be given a one time election after the Benefit Transition Date to transfer their entire account balance from the Ford SSIP to our plan.

Except as otherwise discussed above, we have agreed to assume all other employee liabilities arising from the operation of the business, regardless of when they occurred except for one class action matter. We have also agreed to indemnify Ford with respect to any such

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liabilities except liabilities resulting from the conduct of certain employees. We also have agreed to indemnify Ford for any breach of our agreement, or any claims brought by Visteon employees under our benefit plans. Ford will indemnify us for breach of their agreement, claims brought by Visteon employees under their benefit plans or employment decisions that arise from the conduct of certain other Ford employees.

### **Tax Sharing Agreement**

Until the spin-off occurs, we will be included in Ford's U.S. federal consolidated income tax group, and our tax liability thus will be included in the consolidated federal income tax liability of Ford and its subsidiaries. We also will be included with Ford or certain Ford subsidiaries in consolidated or combined income tax groups for state and local tax purposes until the spin-off occurs.

We have entered into a tax sharing agreement with Ford. Pursuant to this agreement, with respect to the period between the date of the transfer of the Visteon business to us and the date of the spin-off, we generally are required to make payments to Ford on account of all U.S. income taxes attributable to the Visteon business.

For this purpose, the tax attributable to the Visteon business will be determined as though Visteon were to file separate federal, state and local income tax returns as the common parent of an affiliated group of corporations filing consolidated or combined federal, state and local returns rather than a consolidated subsidiary of Ford with respect to federal, state and local income taxes. Tax benefits generated by us will reduce the amount we owe Ford, but Ford will not compensate us for tax benefits not used by Visteon on a separate return basis. In determining the amount of tax attributable to the Visteon business, Ford will prepare and provide to Visteon a pro forma consolidated return for Visteon that reflects the same positions and elections used by Ford in preparing the returns for the Ford consolidated group. Ford is responsible for any increase (and will receive the benefit of any decrease) in the income tax of a Ford consolidated or combined group for periods prior to the spin-off that results from an audit by a tax authority (or other tax adjustment) and is related to Visteon.

Ford will prepare and file the federal consolidated return, and any combined returns that include our company, with the appropriate tax authorities. In certain foreign jurisdictions, and possibly in certain state or local jurisdictions, we will file a separate income tax return, not combined or consolidated with Ford, for all tax periods regardless of whether such periods end before or after the spin-off. In those jurisdictions, we would file the income tax return with the appropriate tax authority, and pay the tax directly to the tax authority. After the spin-off date, we will prepare and file all tax returns for our company, and pay all income taxes due with respect to such tax returns.

We have agreed, until two years after the completion of the spin-off, not to take, or permit any of our subsidiaries to take, any actions or enter into any transaction or series of transactions that would cause the spin-off not to qualify under Section 355 of the Code.

For example, we have agreed not to take certain actions for two years following the spin-off, unless we obtain an IRS ruling or an opinion of counsel to the effect that these actions will not affect the tax-free nature of the spin-off. These actions include: certain issuances of our stock; a liquidation or merger of Visteon; and dispositions of assets of an aggregate gross fair market value of \$500 million or more of Visteon and its affiliates outside the ordinary course of business.

If any of these transactions were to occur, the spin-off could be deemed to be a taxable distribution to Ford. This would subject Ford to a substantial tax liability. We have agreed to indemnify Ford and its affiliates to the extent that any action we take or fail to take gives rise to a tax incurred by Ford or any of its affiliates with respect to the spin-off. In addition, we have

agreed to indemnify Ford for any tax resulting from an acquisition by one or more persons of a 50% or greater interest in our company.

### Cross-Licenses

Through subsidiaries, we and Ford have entered into a non-exclusive, royalty-free cross-licenses. These cross-licenses provide for a license from us back to Ford of the intellectual property rights that Ford has contributed or will contribute to us in connection with the separation (i.e., intellectual property rights associated with technologies that support our business), but only to the extent such intellectual property rights are associated with technologies developed prior to August 1, 1999. Ford will be permitted to make and to have others (such as our competitors) produce components and systems for Ford utilizing the technology that we have licensed to Ford. The cross-licenses also provide for a license from Ford to us of certain of the intellectual property rights retained by Ford (i.e., technologies that support Ford's remaining business), but only to the extent such intellectual property rights are associated with technologies developed prior to August 1, 1999.

In addition, in the event that either party is succeeded by a third party through a merger, acquisition or otherwise, the rights and obligations under the cross-licenses will survive in the hands of the third party except in the event that we are merged with or acquired by another VM.

Neither party shall have any obligation to institute any action or suit against third parties for infringement of any intellectual property subject to the cross-licenses or to defend any action or suit brought by a third party that challenges or concerns the validity of any of the intellectual property subject to the cross-licenses.

## MANAGEMENT

### Directors and Executive Officers of Visteon

The following table shows information about the directors and executive officers of our company. All ages are as of May 15, 2000:

Name	Age	Position
Peter J. Pestillo	62	Chairman of the Board of Directors, Chief Executive Officer and President
Robert J. Womac	57	Executive Vice President of Operations
Daniel R. Coulson	57	Executive Vice President and Chief Financial Officer
Stacy L. Fox	46	Senior Vice President, General Counsel and Secretary
Robert H. Marcin	55	Senior Vice President of Human Resources
Susan F. Skerker	55	Senior Vice President of Business Strategy and Corporate Relations
W. Wayne Booker	65	Director
John M. Rintamaki	58	Director
Henry D.G. Wallace	54	Director

*Peter J. Pestillo.* Prior to coming to Visteon in January 2000, Mr. Pestillo was the Vice Chairman and chief of staff for Ford. He was responsible for Governmental Affairs, Human Resources, the Office of the General Counsel and Public Affairs. He assumed this position in January 1999. In July 1999, he undertook the added responsibility of overseeing Visteon, The Hertz Corporation and Ford Land. Mr. Pestillo joined Ford as vice president, Labor Relations in 1980. He was named vice president, Employee Relations in 1985 and vice president, Employee and External Affairs in 1986. In 1990, Mr. Pestillo became vice president, Corporate Relations and Diversified Businesses, where he had responsibility for managing and divesting Ford's steel, aerospace and tractor operations. In January 1993, he was elected Executive Vice President, Corporate Relations. Before coming to Ford, Mr. Pestillo was vice president, Corporate and Employee Relations for The BF Goodrich Company and held industrial relations positions with the General Electric Company. Mr. Pestillo holds a bachelor's degree in economics from Fairfield University and a law degree from Georgetown University in Washington D.C., where he is a member of the Bar association and is a graduate of the Advanced Management Program at Harvard University. Mr. Pestillo is also currently a director of Hertz.

*Robert J. Womac* has been Executive Vice President of Operations since September 1997, responsible for Visteon's technology, product development, manufacturing, supply, information technology and quality. Prior to joining Visteon, Mr. Womac was a vice president of Ford and general manager of the Automotive Components Division beginning in November 1996. Previously, Mr. Womac was named manager, business strategy development and sales, Electrical and Electronics Division at Ford followed by assignments as director of business strategy, Corporate Strategy Staff, and president of Ford Electronics and Refrigeration Corp., a Ford subsidiary and beginning in July 1988, General Manager of the Electrical and Fuel Handling Division through October 1996. Earlier in his career, Mr. Womac was an electrical engineer at the Ford Rawsonville Plant, an electrical and fuel-handling manufacturer. After holding several supervisory roles there, he

became plant engineering manager in 1973 at another electrical and fuel handling plant and became plant manager in 1979. Mr. Womac holds a bachelor's degree in Electrical Engineering from the University of Detroit and a master's degree in business administration from the University of Michigan.

*Daniel R. Coulson* was the director of accounting for Ford prior to becoming Executive Vice President and Chief Financial Officer of Visteon in January 2000. From June 1994 to December 1999 he was responsible for Ford's worldwide accounting organization and its accounting

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policies, procedures, and systems. He was also responsible for Ford's external financial reporting and payroll operations. Mr. Coulson joined Ford as an accountant with the General Parts Division in 1965, and held a number of analytical and supervisory positions with Ford's Finance staff before becoming research-planning manager for Ford's Scientific Research Staff in 1974. In 1976, Mr. Coulson was appointed manager of the Ford Finance Banking Department and manager of the Profit Forecast and Financial Statements department in 1977. Between July 1989 and June 1994, Mr. Coulson was the controller of the Ford and Lincoln-Mercury Divisions. Mr. Coulson holds a bachelor's degree in finance and a master's degree in business administration from Michigan State University.

*Stacy L. Fox* became Senior Vice President, General Counsel and Secretary of Visteon in January 2000. Prior to her arrival at Visteon, Ms. Fox was at Johnson Controls where she had been group vice president and general counsel of the Automotive Systems Group since September 1993. As General Counsel, she led both the Legal Department and the Environmental, Health & Safety Department for the worldwide Automotive Group. From 1989 to 1993, Ms. Fox served as Group Counsel, Automotive Systems Group and Plastics Technology Group at Johnson Controls. Earlier in her career, Ms. Fox worked for Unisys Finance Corporation as general counsel and as an associate attorney for Mintz, Levin, Cohn, Ferris, Glovsky & Popeo, P.C. in Boston, Massachusetts. Ms. Fox holds a bachelor of science degree and a law degree from the University of Michigan.

*Robert H. Marcin* has been Senior Vice President of Human Resources since January 1, 2000. Prior to joining Visteon, he was executive director — Labor Affairs, Ford Motor Company, a position he assumed in August 1998. He was responsible for coordinating Ford's labor relations functions worldwide. Prior to this appointment, Mr. Marcin served as director, U.S. Union Affairs, a position held since November 1996. In October 1995, he was appointed director, International Labor Affairs. He joined Ford's Employee Relations Staff in 1993 as director, Compensation Planning Office. Previously, Mr. Marcin served as executive vice president-director, Employee and External Affairs for First Nationwide Financial Corporation from 1989 until 1993. Mr. Marcin joined Ford in 1973 with Ford Aerospace as employee representative, Western Development Laboratories Division. From 1973 until 1989 he held various positions, including as compensation and personnel planning analyst for Ford Aerospace. Mr. Marcin holds a bachelor's degree from State University of New York and an MBA from California State University at Hayward.

*Susan F. Skerker* held numerous positions at Ford, including senior director, Global Public Policy, prior to becoming Senior Vice President of Business Strategy and Corporate Relations of Visteon in January 2000. She was appointed Senior Director, Global Public Policy in January 1994 and was responsible for managing public policy issues that impacted Ford as well as the automotive industry. This included developing plans, strategies and objectives related to public policy issues on a global scale, including the development of Ford's consumer focused environmental initiatives. Before joining Ford in 1973, Ms. Skerker was special assistant to the assistant secretary for Domestic and International Business at the U.S. Department of Commerce, Washington, D.C. Ms. Skerker holds a bachelor's degree and a master's degree from the University of Florida and is a 1985 graduate of the Advanced Management Program at Harvard University.

*W. Wayne Booker* has been a Vice Chairman of Ford since November 1996. He assumed responsibility for assisting with Ford's transition to Ford's new management team, especially in the new markets and business development in growth markets on January 1, 1999. In addition, he served as Ford's interim Chief Financial Officer during 1999. He was in charge of Ford's International Automotive Operations from October 1989 until they were integrated into Ford Automotive Operations in 1996. At that time, Mr. Booker was appointed Vice Chairman responsible for Ford's presence in growth markets ranging from China and Japan through Southeast Asia and India to Russia and Belarus and for Ford's association with key global business partners including Mazda, Kia and other automotive joint ventures worldwide. Prior to

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that he served as executive vice president for four years. He was named a Ford Vice President in 1989. He joined Ford in 1959. Mr. Booker is also currently a director of Hertz and Kia Holding A.S.

*John M. Rintamaki* has been Group Vice President and Chief of Staff of Ford since January 1, 2000. Prior to that, he was named Ford's Vice President-General Counsel and Secretary in January 1999. Mr. Rintamaki joined Ford in 1973 in Philadelphia as an attorney and later moved on to serve as senior attorney with Ford's Office of the General Counsel in 1978. Mr. Rintamaki was appointed Assistant Secretary and Assistant General Counsel-SEC and Corporate Matters of Ford in October 1991. He served as Ford's Corporate Secretary and Assistant General Counsel from 1993 through December 1998. Mr. Rintamaki is also currently a director of Hertz. Mr. Rintamaki holds degrees in law and business from the University of Michigan.



Henry D.G. Wallace assumed responsibility as Group Vice President and Chief Financial Officer of Ford on January 1, 2000. Prior to that appointment, he was elected Group Vice President, Asia Pacific Operations and Associations of Ford in January 1999. In 1986 Mr. Wallace assumed responsibility as Controller, Ford of Mexico. Mr. Wallace returned to the United Kingdom as Treasurer, Ford of Europe in 1989. He was appointed President, Ford of Venezuela and moved on to Japan as Executive Vice President in June 1994 and later President of Mazda Motor Corporation. Mr. Wallace returned once again to the United Kingdom as Ford's Chief Financial Officer and Vice President, Strategic Planning for Europe in January 1998. Mr. Wallace joined Ford in 1971.

## Board of Directors

Our board will be divided into three classes, each serving staggered three-year terms: Class I, whose term will expire at our 2001 annual meeting of stockholders; Class II, whose term will expire at our 2002 annual meeting of stockholders; and Class III, whose term will expire at our 2003 annual meeting of stockholders. As a result, only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective terms. Our board of directors currently has four members. Three of our directors, Messrs. Booker, Rintamaki and Wallace are currently executive officers of Ford. Prior to the spin-off, Ford will have the ability to change the size and composition of our board of directors and committees of the board of directors. At the time of the spin-off, the three directors who are officers of Ford (Messrs. Booker, Rintamaki and Wallace), will resign from the board of directors. At that time, at least three outside directors, to be determined, will join our board, none of whom will be executive officers or directors of Ford.

Our board will hold eight regularly scheduled meetings each year.

## Committees of the Board of Directors

Our board of directors is expected to appoint directors who are not affiliated with us or Ford to a compensation committee of our board of directors and an audit committee of our board of directors after such directors are elected. The compensation committee will establish remuneration levels for certain officers of Visteon and perform such functions as may be delegated to it under our employee benefit programs and executive compensation programs. The audit committee will select and engage, on our behalf, the independent public accountants to audit our annual financial statements. The audit committee also will review and approve the planned scope of the annual audit.

Our board of directors may, from time to time, establish other committees to facilitate the management of Visteon.

Our audit committee will hold four regularly scheduled meetings each year. Our board will establish meeting schedules for any other committees of the board.

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Officers are elected at the organizational meeting of our board of directors held each year for a term of one year, and they are elected to serve until the next annual meeting.

## Compensation of Directors

We anticipate paying compensation to directors who do not receive compensation as officers or employees of Visteon or any of our affiliates. Each such director will be paid an annual board membership fee of \$40,000 and an annual committee membership fee of \$10,000 per committee. In addition, we plan to make an annual grant to each such director of 3,000 shares of restricted common stock under our Restricted Stock Plan for Non-Employee Directors, to be adopted by us, subject to stockholder approval.

## Stock Ownership of Directors and Executive Officers

All of our stock is currently owned by Ford and thus none of our executive officers or directors own any of our common stock prior to the spin-off. To the extent directors or executive officers of Visteon own shares of Ford common or Class B stock at the time of the spin-off, they will share in the spin-off on the same terms as other holders of Ford common or Class B stock. At the time of the spin-off, the executive officers named in the Summary Compensation Table in the "— Executive Compensation" section below and certain other officers will be awarded restricted Visteon common stock. In addition, at the time of the spin-off, certain key employees will be awarded stock options to acquire Visteon common stock. Further, beginning in 2001, a larger group of employees of Visteon will be awarded options to purchase shares of Visteon common stock and/ or performance stock rights.

The following table shows how much stock of Ford and of its majority-owned subsidiary, Hertz, each director and executive officer of Visteon beneficially owned as of March 1, 2000. No director or executive officer of Visteon beneficially owned any Ford preferred stock or Ford Class B stock. No director or executive officer beneficially owned 1% or more of Ford's total outstanding common stock or of Hertz's total outstanding Class A common stock, nor do the directors and executive officers as a group.

Name	Ford Common Stock(1)(2)	Ford Common Stock Units(3)	Hertz Class A Common Stock
Peter J. Pestillo	152,148	298,951	5,000
Robert J. Womac	75,183	—	—
Daniel R. Coulson	16,097	—	—

Stacy L. Fox	—	—	—
Robert H. Marcin	19,308	—	—
Susan F. Skerker	10,036	—	—
W. Wayne Booker	232,463	—	5,000
John M. Rintamaki	7,124	—	500
Henry D.G. Wallace	24,272	—	—
All directors and executive officers as a group (9 persons)	536,631	298,951	10,500

- (1) For individuals who are or were Ford employees, amounts shown include shares of Ford common stock represented by Ford Stock Fund Units credited under a deferred compensation plan. These shares may be delivered after termination of employment.

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- (2) Also, on March 1, 2000 (or within 60 days after that date), the executive officers and directors have rights to acquire shares of Ford common stock through the exercise of stock options under Ford's stock option plans as follows:

Name	Number of Shares
Peter J. Pestillo	477,543
Robert J. Womac	210,735
Daniel R. Coulson	120,421
Stacy L. Fox	—
Robert H. Marcin	50,421
Susan F. Skerker	57,809
W. Wayne Booker	544,553
John M. Rintamaki	63,196
Henry D.G. Wallace	136,644

- (3) These are Ford common stock units credited under a deferred compensation plan and payable in cash.

**Executive Compensation**

The following table shows some projected compensation information for the executive officers of Visteon.

**Summary Compensation Table**

Name and Principal Position	Year	Annual Compensation	
		Salary (\$)	Target Bonus (\$)(1)
Peter J. Pestillo, Chairman of the Board of Directors, Chief Executive Officer and President	2000	\$1,000,000	\$1,800,000
Robert J. Womac, Executive Vice President of Operations	2000	400,000	380,000
Daniel R. Coulson, Executive Vice President and Chief Financial Officer	2000	450,000	266,000
Stacy L. Fox, Senior Vice President, General Counsel and Secretary	2000	415,000	233,000
Robert H. Marcin, Senior Vice President of Human Resources	2000	365,000	218,000
Susan F. Skerker, Senior Vice President of Business Strategy and Corporate Relations	2000	350,000	213,500

- (1) Executive officer bonuses will be based on a combination of a Ford performance bonus determined under the Ford Annual Incentive Compensation Plan in March 2001, based on performance during 2000, and a Visteon performance bonus to be determined in March 2001 under a bonus program to be developed by Visteon for the remainder of 2000 following the spin-off. The table assumes achievement of 100% of the performance objectives

under both plans.

As an independent company, Visteon will establish executive compensation practices that will link compensation with the performance of Visteon as well as Visteon's common stock. On average, a greater portion of the executive's long-term incentive pay will be linked to the performance of Visteon's common stock through the grant of stock options. Visteon will continually review its executive compensation programs to ensure that they are competitive.

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### Long-Term Incentive Plan

We will sponsor a stock-based long-term incentive plan (the "LTIP") covering the executive officers, other officers and key employees. We plan to adopt the LTIP in 2000 contingent upon successful completion of the spin-off. Awards granted under the LTIP are based on shares of our common stock.

The LTIP is administered by a committee appointed by our board of directors. After the completion of the spin-off, the LTIP will be administered by the compensation committee. The LTIP provides for the grant of incentive and nonqualified stock options, stock appreciation rights, performance stock rights ("Stock Rights"), stock and various other rights based on stock (individually, an "Award" or collectively, "Awards"). Officers and some salaried employees of Visteon with potential to contribute to the future success of Visteon or its subsidiaries will be eligible to receive Awards under the LTIP. The compensation committee has the discretion to select the employees to whom Awards will be granted, to determine the type, size and terms and conditions applicable to each Award and the authority to interpret, construe and implement the provisions of the LTIP. The compensation committee's decisions will be binding. The compensation committee also may delegate to a committee of Visteon officers the determination of the amount of individual grants of options and Stock Rights for employees who are not officers of Visteon, within limitations prescribed by the compensation committee.

The total number of shares of our common stock that may be subject to Awards under the LTIP (the "Overall Limit") is 13,000,000 (including Awards granted subject to completion of the spin-off) and subject to adjustment as provided in the LTIP. No more than 500,000 shares of our common stock may be subject to stock options, with or without any related stock appreciation rights, or stand-alone stock appreciation rights, awarded to any "covered employee" (generally defined as our chief executive officer and the next four most highly paid executive officers) under the LTIP in any one calendar year. Common stock issued under the LTIP may be either authorized but unissued shares (subject to a maximum limit of 1,000,000 shares), treasury shares or any combination thereof. No more than 500,000 shares of common stock may be available as Awards pursuant to Stock Rights granted under the LTIP to any covered employee in any one calendar year. Any shares of common stock in addition to 1,000,000 shares to be issued as Awards under the LTIP or pursuant to Awards granted under the LTIP will be obtained by us either through forfeitures of shares of Restricted Stock (as defined below) (to the extent that such shares are made available again for issuance under the LTIP) or from treasury shares (to the extent that we are permitted by applicable law to acquire our own shares). Any shares of common stock subject to an Award which lapses, expires or is otherwise terminated without the issuance of such shares may become available for new Awards.

At the time of the spin-off, we intend to grant (i) restricted stock to the executive officers as shown below and certain other officers and (ii) stock options to certain key employees. These Awards will be contingent on the successful completion of the spin-off. These Awards are summarized in the following table and are described below:

Name	No. of Shares of Restricted Stock(1)	No. of Nonqualified Options(2)
Peter J. Pestillo	261,000	0
Robert J. Womac	60,000	0
Daniel R. Coulson	60,000	0
Stacy L. Fox	43,000	0
Robert H. Marcin	43,000	0
Susan F. Skerker	43,000	0
All executive officers as a group	510,000	0
Each non-employee director	0	0
All employees as a group	958,000	1,862,000

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- (1) The shares of restricted stock will vest on the fifth anniversary of the date of grant.
- (2) We intend to grant these nonqualified options with an exercise price equal to the closing sale price of Visteon

common stock on the New York Stock Exchange on the date of the spin-off. The options will vest 33% on the anniversary of the date of grant, an additional 33% on the second anniversary of the date of grant and in full on the third anniversary of the date of grant.

Set forth below is a brief description of the Awards that may be granted under the LTIP:

*Stock Options.* Options (each an "Option") to purchase shares of our common stock, which may be incentive or nonqualified stock options, may be granted under our LTIP at an exercise price (the "Option Price") at least equal to the closing sale price of our common stock on the New York Stock Exchange on the date of grant. Each Option represents the right to purchase one share of common stock at the specified Option Price.

Options will expire not later than 10 years after the date on which they are granted and will become exercisable at such times and in such installments as determined by the administrator of the LTIP. Payment of the Option Price must be made in full at the time of exercise by check or wire transfer. Unless the compensation committee determines otherwise, payment in full or in part may also be made by tendering to Visteon shares of our common stock having a fair market value equal to the Option Price (or such portion thereof). In addition, a cashless exercise of such Options is permitted.

*Stock Appreciation Rights.* An Award of a stock appreciation right ("SAR") may be granted under the LTIP. Generally, one SAR is granted with respect to one share of our common stock. The SAR entitles the participant, upon the exercise of the SAR, to receive an amount equal to the appreciation in the underlying share of common stock. The appreciation is equal to the difference between (i) the "base value" of the SAR (i.e., the Option Price on the date the SAR is granted), and (ii) the closing sale price of our common stock on the New York Stock Exchange on the date the SAR is exercised. Upon the exercise of a vested SAR, the exercising participant will be entitled to receive the appreciation in the value of one share of common stock as so determined, payable at the discretion of the participant in cash, shares of common stock, or some combination thereof, subject to the availability of our shares of common stock.

SARs will expire not later than 10 years after the date on which they are granted. SARs become exercisable at such times and in such installments as determined by the administrator of the LTIP.

*Tandem Options/ SARs.* An Option and a SAR may be granted "in tandem" with each other (a "Tandem Option/ SAR"). An Option and a SAR are considered to be in tandem with each other because the exercise of the Option aspect of the tandem unit automatically cancels the right to exercise the SAR aspect of the tandem unit, and vice versa. The Option may be an incentive stock option or a nonqualified stock option, as determined by the Committee. Descriptions of the terms of the Option and the SAR aspects of a Tandem Option/ SAR are provided above.

*Restricted Stock.* An Award of restricted stock ("Restricted Stock") is an Award of common stock that is subject to such restrictions as the compensation committee deems appropriate, including forfeiture conditions and restrictions against transfer for a specified period. Restricted Stock Awards may be granted under the LTIP for services rendered. Restrictions on Restricted Stock may lapse in installments based on factors selected by the administrator of the LTIP. Prior to the expiration of the restriction period, a grantee who has received a Restricted Stock Award generally has the rights of a stockholder of Visteon, including the right to vote and to receive cash dividends on the shares subject to the Award. Stock dividends issued with respect to a Restricted Stock Award may be treated as additional shares under the Award and may be

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subject to the same restrictions and other terms and conditions that apply to the shares under the same Award.

*Termination of Employment.* In general, outstanding Options and Restricted Stock Awards are forfeited in the event the participant terminates employment due to voluntary quit, discharge or release in the best interest of Visteon.

*Certain Federal Income Tax Consequences of Options.* Awards granted under the LTIP may result in federal income tax consequences to LTIP participants and Visteon. Some of those federal income tax consequences are generally set forth in the following summary.

An employee to whom an Option which is an incentive stock option ("ISO") that qualifies under Section 422 of the Code is granted will not recognize income at the time of grant or exercise of such Option. No federal income tax deduction will be allowable to Visteon upon the grant or exercise of such ISO. However, upon the exercise of an ISO, any excess in the fair market price of the common stock over the Option Price constitutes a tax preference item that may have alternative minimum tax consequences for the employee. When the employee sells the shares more than one year after the date of transfer of the shares and more than two years after the date of grant of the ISO, the employee will normally recognize a long-term capital gain or loss equal to the difference, if any, between the sales price of the shares and the aggregate Option Price. In such event, we will not be entitled to a federal income tax deduction with respect to the exercise of the ISO or the sale of the shares. If the employee does not hold the shares for the required period, when the employee sells the shares, the employee will recognize ordinary compensation income and possibly capital gains or losses in such amounts as are prescribed by the Code and we will generally be entitled to a federal income tax deduction in the amount of such ordinary compensation income.

An employee to whom an Option which is a nonqualified stock option ("NSO") is granted will not recognize income at the time of grant of such Option. In general, when the employee exercises such NSO, the employee will recognize ordinary compensation income equal to the difference, if any, between the Option Price paid and the fair market value, as of the date of Option exercise, of the shares of common stock

the employee receives. The tax basis of such shares to such employee will be equal to the Option Price paid plus the amount includible in the employee's gross income, and the employee's holding period for such shares will commence on the date of exercise. Subject to the Code, we will generally be entitled to a federal income tax deduction in respect of an NSO in an amount equal to the ordinary compensation income recognized by the employee upon the exercise of the NSO.

*Performance Stock Rights and Related Stock Awards.* A Stock Right is the right to receive up to the number of shares of common stock described therein, if specific business objectives are met. The Committee may grant Stock Rights to our officers and other key salaried employees. Beginning in 2001, it is anticipated that about 25 employees annually will be eligible to receive Stock Rights under the LTIP, including about 20 officers. This reflects our commitment to tie executive compensation with the interests of the stockholders.

The Committee determines the performance period for a Stock Right. In general, we expect grants of Stock Rights to be made annually and have a three-year performance period.

Within 90 days of the beginning of a performance period, the compensation committee decides the targeted performance level at which a target award may be earned. The compensation committee decides the target award based on the employee's level of responsibility and other factors. The target award, designated as a number of shares, is based on achieving 100% of the performance goals established by the compensation committee for the performance period. The compensation committee also decides any minimum performance level below which no stock award would be paid, and a maximum which cannot exceed 150% of the target award.

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The performance goals for a Stock Right granted to an executive officer may be based on one or more of the Performance Criteria defined in the LTIP. It is anticipated that the goals for Stock Rights to be granted in 2001 will be based on total stockholder returns relative to the companies in the S&P 500 Index.

The compensation committee also decides the formula to apply against the performance goals in deciding the percentage of the target award that is earned. This amount may not exceed 150% of the target award, as adjusted under the LTIP.

If the Committee determines, during the Performance Period relating to a Stock Right, the participant will receive dividend equivalents. (These are equal to cash dividends that the participant would have received if he or she had owned the number of shares equal to 100% of the related target award, as adjusted under the LTIP.)

The maximum number of shares of our common stock that may be available as stock awards to any of the covered employees pursuant to Stock Rights in any year under the LTIP is 500,000. This limit, as adjusted under the LTIP, is called the Stock Right Limit.

The number of shares which ultimately may be paid out to any covered employee pursuant to the Stock Rights to be granted in 2001 cannot be determined at this time. However, it is subject to both the Stock Right Limit and the Overall Limit and cannot exceed 150% of the related target award.

If the compensation committee determines, the shares of common stock awarded after the end of the related performance period will be restricted from sale or other disposition for a period determined by the compensation committee.

Certificates for the shares of common stock representing any Final Award will be distributed to the participant free of all restrictions on the earlier of (1) the expiration of any related restriction period, (2) the acceleration of distribution of the Final Award by the compensation committee or (3) the termination of employment, provided the participant's employment terminates for any reason other than discharge, release in the best interest of Visteon, voluntary quit or retirement without the approval of Visteon. If the participant's employment terminates for any of these reasons, all the participant's undistributed Final Awards and outstanding Rights will be forfeited unless a waiver is granted.

We recognize a contingent liability equal to the market value of our common stock on the date of grant of any Stock Right. The amount of this liability will be amortized and charged to income over the related Performance Period. The total liability will be increased or decreased quarterly to reflect changes in such market value and will be subject to adjustment in certain other events. Dividend equivalents will be charged to income. The maximum number of shares that can be earned under Stock Rights will be treated as outstanding for purposes of calculating fully diluted earnings per share.

*Stockholder Approval Condition.* Subject to completion of the spin-off, we intend to grant, under the LTIP, Restricted Stock to the executive officers and certain other officers and Options to certain key employees. We intend to seek approval of the LTIP at our 2001 annual meeting of stockholders. Subject to that approval, we plan to grant Options and Stock Rights to a larger group of employees beginning in 2001. Awards granted prior to stockholder approval will be subject to approval of the LTIP by our stockholders. If our stockholders approve the terms of the LTIP, including the Overall Limit, the Option Limit and the Stock Right Limit, these terms will become effective for Awards to executive officers for 2000 and future years under the LTIP.

*Additional Information.* Under the LTIP, in the event of a merger, consolidation, reorganization, stock split, stock dividend or other event affecting our common stock, such adjustments as may be necessary (as determined by the compensation committee) to reflect such change will be made to prevent dilution or enlargement of the rights with respect to the

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Overall Limit, the Option Limit, the Stock Right Limit, the number of shares of common stock covered by each outstanding Award, any other references in the LTIP to a number of shares and the price per share in respect thereof. Unless otherwise determined by the compensation committee, an individual's rights under the LTIP may not be assigned or transferred (except in the event of death). An individual's rights under the LTIP are subject to forfeiture for competitive activity or activity that is not in our best interest.

The LTIP will remain in effect until it is terminated by the board of directors or until all Awards are satisfied under their terms, whichever occurs last. Regardless, no Awards may be granted under the LTIP after the fifth anniversary of the effective date of the LTIP. The board of directors may at any time terminate, modify or amend the LTIP, and the compensation committee may modify or amend the LTIP; provided, however, that neither the board nor the compensation committee may take certain actions specified in the LTIP without stockholder approval.

We plan to ask the compensation committee to approve provisions for acceleration of vesting and distribution of certain plan awards under the LTIP in the event of a change of control. See "— Change in Control Agreements."

### **Ownership Goals**

We plan to adopt stock ownership goals for officers at the vice president level and above. The goal will be for these officers to own common stock worth a multiple of salary, ranging from one times salary to up to seven times salary for the chief executive officer, within three years. We plan to adopt similar goals for certain other key employees and our directors who are not officers of Visteon or Ford.

### **Annual Incentive Compensation Plan**

We plan to adopt, for 2001 and beyond, an Annual Incentive Compensation Plan ("AICP"), subject to stockholder approval, for our officers and certain other key employees. The AICP is an annual plan where awards are based on the level of achievement of goals relating to individual, business unit or Visteon performance. If performance goals are achieved, then the target incentive awards, expressed as a percentage of salary, are paid. Smaller or greater amounts are earned if objectives are under- or over-achieved, as applicable. The relationship between performance objectives and award opportunities is determined and communicated early each year.

The AICP will be administered by the compensation committee. The compensation committee may delegate authority to senior management to determine individual final awards for employees who are not officers of Visteon, subject to limits approved by the compensation committee.

Under the AICP, the maximum amount that may be awarded to any covered employee for any calendar year is \$10,000,000. Initially, we anticipate that about 650 employees will participate in the AICP, including about 20 officers.

Under the AICP, early each year and starting in 2001, the compensation committee will select the performance criteria and establish the related goals to be used to measure performance. It also will decide the method for determining the extent to which goals are met and the amount of the target award that is earned. It also may establish a threshold or minimum performance level below which no award will be paid. In determining the performance criteria applicable to Visteon and business unit components, the compensation committee may use one or more of the objective business criteria to be listed in the AICP.

The percentage of each annual target award earned will be determined by the compensation committee and will be based on actual performance results relative to the goals. Discretion to increase award amounts based on individual performance is permitted for employees who are not covered employees. Awards may be decreased, on the other hand, based on individual

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performance. Final awards actually paid to an employee may be less than or greater than 100% of the target award. Final awards may be paid in cash, common stock, restricted stock or a combination, or deferred under a Deferred Compensation Plan to be adopted by Visteon. A Visteon Stock Fund will be one of the investment options for purposes of measuring the value of the deferral.

In general, the compensation committee may amend, modify, suspend or terminate the AICP as long as it does not adversely affect awards previously made.

We plan to establish an interim bonus program for the remainder of 2000, following the spin-off. See note 1 to the Summary Compensation Table above.

### **Change in Control Agreements**

We plan to enter into change in control agreements ("Change in Control Agreements") with each of the executive officers and certain other officers (each, a "Participant"). The Change in Control Agreements, which are expected to have a five year term and would be subject to a rolling annual renewal, generally provide monetary compensation and other benefits to each Participant upon the occurrence of certain triggering events involving a change in control of Visteon.

The Change in Control Agreements specify two triggering events:

- a change in control (as defined below); and
- within three years (executive officers) or two years (other selected officers) after the change in control, one of the following events occur:
  - the Participant's employment is terminated without cause;
  - a negative fundamental, material change is made in the Participant's duties or responsibilities;
  - the Participant's salary, annual or other material compensation or benefits are decreased (and such decrease is unrelated to company or individual performance);
  - the Participant is required to materially relocate his or her residence or principal office location against his or her will; or
  - the Participant is not offered a comparable position with the successor entity.

Each of the executive officers and certain other officers also has 30 days at the end of the first year after a change of control to terminate his or her employment for any reason and still receive the benefits outlined herein.

"Change in Control" means:

- acquisition by any individual, entity or group, other than the company or any subsidiary of the company, of the beneficial ownership of 40% or more of the outstanding common stock; or
- a change in the majority of the board within any twelve month period without approval of the board; or
- major corporate transaction, such as a merger, sale of greater than 50% of Visteon's assets or a liquidation, which results in a change in the majority of the board or a majority of stockholders; or
- discretionary determination by the board.

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Each Participant is entitled to the following benefits upon the occurrence of the triggering events:

- all of the Participant's unvested options will vest and become immediately exercisable in accordance with their terms;
- all of the Participant's Awards under the LTIP will become payable immediately on a pro rated basis, calculated based on current forecasted payouts;
- any compensation previously deferred at the election of the Participant, together with accrued interest or earnings thereon, will be distributed as a lump sum payout;
- the Participant's Supplemental Executive Retirement Program benefits will be funded through a trust or other mechanism which is protected from the persons controlling Visteon after the occurrence of a change in control; and
- the Participant's health, dental and life insurance coverage under Visteon's then existing executive health and welfare benefit plans will remain in force over the cash severance benefit period (see discussion below), subject to mitigation.

Upon the occurrence of the triggering events described above, or for selected officers eligible for payments in the event of a voluntary termination of employment during the 13th month after a Change in Control, in addition to the payments and benefits described above, Participants will receive monetary compensation and certain other benefits. Each Participant is entitled to receive in addition to their base salary, prorated annual bonus and any accrued vacation pay through the date of their termination, the following amount of monetary compensation:

- executive officers: three times base salary plus target bonus;
- certain other officers: one and one-half to two times base salary plus target bonus; and

Change in Control payments, as described above, for executive officers will be grossed up for the payment, if any, of additional federal taxes (Code Section 280(G) "Excess Parachute Payment"). Other officers will not be grossed up; however, any officer whose contractual entitlements would be greater if such entitlements were reduced to the officer's safe harbor level under the golden parachute excise tax provisions of the Code (thereby avoiding the imposition of the excise tax), will have his or her payment so reduced. An officer in this group whose contractual entitlements after payment of applicable excise taxes would be greater than his or her safe harbor amount will not incur such a reduction.

Any lump sum payment shall be reduced by the amount of cash severance or salary continuation benefits paid to the executive under any other plan or policy of Visteon or a written employment agreement between Visteon (or one of its affiliates) and the officer.

In addition, at the time of the second triggering event:

- the Participant may receive reimbursement ranging from 15% to 25% of his or her most recent annualized salary plus target annual bonus for expenses related to outplacement services;
- the Participant's legal fees and expenses will be paid if litigation is required to enforce these change in control rights; and
- the Participant will be able to retain his or her company car and club memberships, if any, for six months thereafter.

*Restrictive Covenants.* The Change in Control Agreements provide that, for the executive officers, for a period of two years (one and one-half years for other officers) immediately following the Participant's termination of employment resulting from a Change in Control with us or any of our subsidiaries, the Participant agrees not to, without the prior written consent of our

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chairman and chief executive officer, engage in or perform any services of a similar nature to those performed at Visteon for any other corporation or business engaged in the design, manufacture, development, promotion, sale or financing of automobile or truck components as well as any other products or services for which Visteon offers, within North America, Latin America, Asia, Australia or Europe in competition with us, any of our subsidiaries or affiliates, or any joint ventures to which we or any of our subsidiaries are a party. The Change in Control Agreements also provide that the Participant, in perpetuity, shall not disclose any knowledge, information or materials, whether tangible or intangible, regarding proprietary matters relating to Visteon.

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## SECURITY OWNERSHIP OF FORD AND VISTEON

Ford beneficially and of record holds, and will hold before the spin-off, all of the outstanding shares of our common stock. Holders of Ford common and Class B stock, including our directors and executive officers (see "Management — Stock Ownership of Directors and Executive Officers"), will receive \_\_\_ shares of Visteon common stock for each share of Ford common or Class B stock they hold as of the close of business on \_\_\_\_\_, 2000. After giving effect to the spin-off, to our knowledge, no person will beneficially own 5% or more of the outstanding shares of our common stock.



## DESCRIPTION OF CAPITAL STOCK

### General

The authorized capital stock of Visteon will consist of 500,000,000 shares of common stock, par value \$1.00 per share, and 50,000,000 shares of preferred stock, par value \$1.00 per share. Following the spin-off, we will have 130,958,000 shares of common stock outstanding, none of which will be owned by Ford, including 958,000 shares of restricted stock issued to officers and other employees of Visteon in connection with the spin-off. In addition, there will be no preferred stock outstanding. A description of the material terms and provisions of Visteon's charter affecting the relative rights of the common stock is set forth below. The following description of the capital stock of Visteon is intended as a summary only and is qualified in its entirety by reference to the forms of Visteon's charter and by-laws filed as exhibits to the registration statement of which this information statement is a part and to Delaware corporate law.

### Common Stock

#### *Voting Rights*

Holders of common stock are entitled to one vote per share. Holders of shares of common stock are not entitled to cumulate their votes in the election of directors. Generally, all matters to be voted on by stockholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes entitled to be cast by all shares of common stock present in person or represented by proxy, subject to any voting rights granted to holders of any then outstanding preferred stock. Except as otherwise provided by law, and subject to any voting rights granted to holders of any outstanding preferred stock, amendments to Visteon's charter must be approved by holders of a majority of all outstanding shares of common stock.

#### *Dividends*

Holders of common stock will share ratably in any dividend declared by our board of directors, subject to any preferential rights of any outstanding preferred stock.

#### *Other Rights*

In the event of any merger or consolidation of Visteon with or into another company in connection with which shares of common stock are converted into or exchangeable for shares of stock, other securities or property (including cash), all holders of common stock will be entitled to receive the same kind and amount of shares of stock and other securities and property (including cash).

On liquidation, dissolution or winding up of Visteon, after payment in full of the amounts required to be paid to holders of preferred stock, if any, all holders of common stock are entitled to share ratably in any assets available for distribution to holders of shares of common stock.

No shares of common stock are subject to redemption or have preemptive rights to purchase additional shares of common stock.

### Preferred Stock

Preferred stock is issuable from time to time in one or more classes or series and with such voting powers, if any, designations and preferences for each series as shall be stated in the resolutions providing for the designation and issue of each such class or series adopted by the board of directors of Visteon. The board of directors is authorized by Visteon's charter to determine, among other things, the voting, dividend, redemption, conversion and liquidation powers, rights and preferences and the limitations thereon pertaining to such class or series. The board of directors, without stockholder approval, may issue preferred stock with voting and other

rights that could adversely affect the voting power and other rights of the holders of the common stock. The ability of the board of directors to issue preferred stock without stockholder approval could also have the effect of delaying, deferring or preventing a change in control of Visteon or the removal of existing management. Visteon has no present plans to issue any shares of preferred stock.

### Certificate of Incorporation and By-law Provisions That May Have an Anti-Takeover Effect

Certain provisions of Visteon's charter and by-laws summarized below may be deemed to have an anti-takeover effect and may delay, deter or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interest, including attempts that might result in a premium being paid over the market price for the common stock.

Visteon's charter will provide that, subject to any rights of holders of preferred stock to elect additional directors under specified circumstances, the number of directors of Visteon shall consist of not less than one nor more than 15 members, the exact number of which shall be fixed from time to time by resolution adopted by the affirmative vote of a majority of the board of directors. The directors shall be

divided into three classes, as nearly equal in number as possible, serving staggered three year terms so that the directors' initial term will expire on the date of the annual meeting of stockholders held in 2001, 2002 and 2003. At each succeeding annual meeting of stockholders, beginning in 2001, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. With a classified board, at least two annual meetings of stockholders will generally be required to effect a change in a majority of the members of the board; this has the effect of delaying any attempt by a stockholder seeking a takeover of Visteon to elect a majority of directors to our board. The by-laws will provide that, subject to any rights of holders of preferred stock to elect directors under specified circumstances, the number of directors will be fixed from time to time exclusively by resolution of the board of directors. In addition, the charter and by-laws will provide that, subject to any rights of holders of preferred stock, and unless Visteon's board of directors otherwise determines, any vacancy on the board of directors that results from an increase in the number of directors may be filled by a majority of the directors then in office, provided that a quorum is present, and any other vacancy occurring on the board of directors may be filled by a majority of the board of directors then in office, even if less than a quorum, or by a sole remaining director; except as otherwise provided by law, any such vacancy may not be filled by the stockholders.

Visteon's by-laws provide for an advance notice procedure for the nomination, other than by or at the direction of the board of directors, of candidates for election as directors as well as for other stockholder proposals to be considered at annual meetings of stockholders. In general, notice of intent to nominate a director or raise matters at such meetings will have to be received in writing by Visteon not less than 60 nor more than 90 days prior to the anniversary of the previous year's annual meeting of stockholders, and must contain certain information concerning the person to be nominated or the matters to be brought before the meeting and concerning the stockholder submitting the proposal. Visteon's charter and by-laws will also provide that special meetings of stockholders may be called only by certain specified officers of Visteon or by a majority of the directors then in office. Any action required or permitted to be taken by stockholders may be effected only at a duly called annual or special meeting of stockholders and may not be effected by a written consent by stockholders in lieu of such a meeting.

The charter and by-laws provide that the by-laws may be altered, amended or repealed only by Visteon's board of directors.

### **Section 203 of the Delaware General Corporation Law**

Visteon is a Delaware corporation subject to Section 203 of the Delaware General Corporation Law. Section 203 provides that, subject to certain exceptions, a corporation shall not

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engage in any business combination with any "interested stockholder" for a three-year period following the time that such stockholder becomes an interested stockholder unless (i) prior to such time, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder, (ii) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced (excluding certain shares) or (iii) at or subsequent to such time, the business combination is approved by the board of directors of the corporation and by the affirmative vote of at least 66- 2/3% of the outstanding voting stock which is not owned by the interested stockholder. Except as specified in Section 203, an interested stockholder is generally defined as (x) any person that is the owner of 15% or more of the outstanding voting stock of the corporation, or is an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation, at any time within the three-year period immediately prior to the relevant date and (y) the affiliates and associates of any such person. Under certain circumstances, Section 203 makes it more difficult for an "interested stockholder" to effect various business combinations with a corporation for a three-year period, although the stockholders may elect to exclude a corporation from the restrictions imposed thereunder.

### **Limitation on Directors' Liability**

Visteon's charter provides that no director of Visteon shall be personally liable to Visteon or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent that exemption from liability or limitation of liability is not permitted under the Delaware General Corporation Law, as now in effect or as amended in the future. If the Delaware General Corporation Law is amended in the future to authorize the further elimination or limitation of director liability, the liability of directors will be limited or eliminated in accordance with those changes. Any repeal or modification of the director liability provisions of our charter will not have any effect on directors' liability with respect to acts or omissions occurring prior to the repeal or modification.

Pursuant to our charter, we have agreed to indemnify our directors and officers to the fullest extent authorized or permitted by law, as now in effect or as in effect at a future date. Any repeal or modification of the director and officer indemnification provisions of our charter will not have any effect on directors' or officers' rights to indemnification with respect to acts or omissions occurring prior to the repeal or modification.

### **Transfer Agent and Registrar**

The transfer agent and registrar for the common stock is EquiServe Trust Company, N.A., and its address is 525 Washington Boulevard, Jersey City, New Jersey 07310.

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## INDEMNIFICATION OF DIRECTORS AND OFFICERS

### General Corporation Law

Visteon is incorporated under the laws of the State of Delaware. Section 145 ("Section 145") of the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended (the "General Corporation Law"), *inter alia*, provides that a Delaware corporation may indemnify any persons who were, are or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was an officer, director, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was illegal. A Delaware corporation may indemnify any persons who are, were or threatened to be made, a party to any threatened, pending or completed action or suit by or in the right of the corporation by reason of the fact that such person was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, provided such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests, provided that no indemnification is permitted without judicial approval if the officer, director, employee or agent is adjudged to be liable to the corporation. Where an officer, director, employee or agent is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him or her against the expenses which such officer or director has actually and reasonably incurred.

Section 145 further authorizes a corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity, arising out of his or her status as such, whether or not the corporation would otherwise have the power to indemnify him or her under Section 145.

### Certificate of Incorporation

Visteon's Restated Certificate of Incorporation and Bylaws provide for the indemnification of directors and officers to the fullest extent permitted by the General Corporation Law.

All of Visteon's directors and officers will be covered by insurance policies maintained by Visteon against certain liabilities for actions taken in their capacities as such, including liabilities under the Securities Act of 1933, as amended.

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## WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form 10 with the SEC with respect to the shares of our common stock that Ford stockholders will receive in the spin-off. This information statement is a part of that registration statement and, as allowed by SEC rules, does not include all of the information you can find in the registration statement or the exhibits to the registration statement. For additional information relating to us and the spin-off, reference is made to the registration statement and the exhibits to the registration statement. Statements contained in this information statement as to the contents of any contract or document referred to are not necessarily complete and in each instance, if the contract or document is filed as an exhibit to the registration statement, reference is made to the copy of the contract or other document filed as an exhibit to the registration statement. Each statement is qualified in all respects by the relevant reference.

After the spin-off, we will file annual, quarterly and special reports, proxy statements and other information with the SEC. We intend to furnish our stockholders with annual reports containing consolidated financial statements certified by an independent public accounting firm. The registration statement is, and any of these future filings with the SEC will be, available to the public over the Internet at the SEC's website at <http://www.sec.gov>. You may read and copy any filed document at the SEC's public reference rooms in Washington, D.C. at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549, and at the SEC's regional offices in New York at 7 World Trade Center, 13th Floor, New York, NY 10048, and in Chicago at Suite 1400, Northwestern Atrium Center, 14th Floor, 500 W. Madison Street, Chicago, IL 60661. Please call the SEC at 1-800-SEC-0330 for further information about the public reference rooms.

We maintain an Internet site at <http://www.visteon.com>. Our website and the information contained on that site, or connected to that site, is not incorporated into this information statement or the registration statement.

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### Visteon Corporation and Subsidiaries

#### CONSOLIDATED STATEMENT OF INCOME (Unaudited)

	For the Three Months Ended March 31,	
	2000	1999
	(in millions, except per share amounts)	
<b>Sales</b>		
Ford and affiliates	\$4,476	\$ 4,355
Other customers	749	417
Total sales	5,225	4,772
<b>Costs and expenses (Note 2)</b>		
Costs of sales	4,795	4,341
Selling, administrative and other expenses	177	133
Total costs and expenses	4,972	4,474
<b>Operating income</b>	253	298
Interest income	25	22
Interest expense	48	23
Net interest expense	(23)	(1)
Equity in net income of affiliated companies	7	16
Income before income taxes	237	313
Provision for income taxes	86	112
Income before minority interests	151	201
Minority interests in net income/(loss) of subsidiaries	4	(4)
Net income	\$ 147	\$ 205

**Earnings per share (Note 1)**

Basic and diluted

\$ 1.13

\$ 1.58

The accompanying notes are part of the interim financial statements.

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[Table of Contents](#)**Visteon Corporation and Subsidiaries****CONSOLIDATED BALANCE SHEET**

	<b>March 31,</b>	<b>December 31,</b>
	<b>2000</b>	<b>1999</b>
	(in millions)	
	(Unaudited)	
<b>Assets</b>		
Cash and cash equivalents	\$ 943	\$ 1,849
Accounts and notes receivable — Ford and affiliates	1,798	1,578
Accounts receivable — other customers	806	613
	2,604	2,191
Total receivables		
Inventories (Note 3)	743	751
Deferred income taxes	106	110
Prepaid expenses and other current assets	276	295
	4,672	5,196
Total current assets		
Equity in net assets of affiliated companies	209	205
Net property	5,730	5,789
Deferred income taxes	189	362
Other assets	990	897
	\$ 11,790	\$ 12,449
<b>Liabilities and Equity</b>		
Trade payables — Ford and affiliates	\$ 983	\$ 1,414
Trade payables — other suppliers	1,747	1,736
	2,730	3,150
Total trade payables		
Accrued liabilities	1,021	1,211
Income taxes payable	1	153
Debt payable within one year — Ford and affiliates	682	697
Debt payable within one year — other	344	264
	1,026	961
Total debt payable within one year		
Total current liabilities	4,778	5,475
Long-term debt — Ford and affiliates	1,229	1,214
Long-term debt — other	197	144
	1,426	1,358
Total long-term debt		
Other liabilities	4,034	3,964
Deferred income taxes	12	153
	10,250	10,950
Total liabilities		
<b>Equity</b>		
Ford's net investment (Note 4)	1,644	1,566
Accumulated other comprehensive income	(104)	(67)
	1,540	1,499
Total equity		

Total liabilities and equity

\$ 11,790

\$ 12,449

The accompanying notes are part of the interim financial statements.

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Visteon Corporation and Subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(Unaudited)

	For the Three Months Ended March 31,	
	2000	1999
	(in millions)	
<b>Cash and cash equivalents at January 1</b>	\$ 1,849	\$ 542
Cash flows provided by/(used in) operating activities	(846)	432
Cash flows from investing activities		
Capital expenditures	(115)	(196)
Acquisitions and investments in joint ventures, net	—	(85)
Other	(10)	(26)
Net cash used in investing activities	(125)	(307)
Cash flows from financing activities		
Cash distributions to Ford	(38)	(70)
Changes in short-term debt	118	(17)
Proceeds from issuance of other term debt	7	37
Principal payments on other term debt	(50)	(52)
Net changes in revolving loan with Ford	21	—
Other	—	2
Net cash provided by/(used in) financing activities	58	(100)
Effect of exchange rate changes on cash	7	(10)
Net (decrease)/increase in cash and cash equivalents	(906)	15
<b>Cash and cash equivalents at March 31</b>	\$ 943	\$ 557

The accompanying notes are part of the interim financial statements.

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Visteon Corporation and Subsidiaries

NOTES TO INTERIM FINANCIAL STATEMENTS  
(Unaudited)

1. Financial Statements — The financial data presented herein are unaudited, but in the opinion of management reflect those adjustments necessary for a fair presentation of such information. Results for interim periods should not be considered indicative of results for a full year. Reference should be made to the consolidated financial statements and accompanying notes for the year ended December 31, 1999 included elsewhere in this information statement.

Ford Motor Company ("Ford") established Visteon Corporation ("Visteon") as a wholly-owned subsidiary of Ford. Ford has contributed or otherwise transferred to Visteon the assets and liabilities comprising Ford's automotive components and systems business. For purposes of

Notes to Interim Financial Statements, Visteon means Ford's global automotive components and systems business, regardless of the form of legal ownership, which has been treated by Ford as a separate operating segment, unless the context requires otherwise.

Through a recapitalization of Visteon, the number of common shares authorized and outstanding was increased to 500,000,000 and 130,000,000, respectively. In addition, 50,000,000 shares of preferred stock, par value \$1.00 per share, were authorized, none of which were issued. On \_\_\_\_\_, 2000, a special committee of Ford's Board of Directors, pursuant to full Board authorization, approved a pro rata distribution (or spin-off) to Ford common and Class B stockholders of record at the close of business on \_\_\_\_\_, 2000, the record date for the spin-off, of all shares of Visteon common stock owned by Ford. For purposes of the earnings per share calculation, the 130,000,000 shares outstanding, which reflect the recapitalization discussed above, are treated as outstanding for all periods presented. There were no potentially dilutive securities outstanding during the periods presented.

2. Selected costs and expenses are summarized as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2000</b>	<b>1999</b>
	(in millions)	
Depreciation	\$ 144	\$ 131
Amortization	22	18
Total	<u>\$ 166</u>	<u>\$ 149</u>

3. Inventories are summarized as follows:

	<b>March 31,</b>	<b>December 31,</b>
	<b>2000</b>	<b>1999</b>
	(in millions)	
Raw materials, work-in-process and supplies	\$ 654	\$ 653
Finished products	89	98
Total inventories	<u>\$ 743</u>	<u>\$ 751</u>
U.S. inventories	\$ 450	\$ 434

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**Visteon Corporation and Subsidiaries**  
**NOTES TO INTERIM FINANCIAL STATEMENTS — Continued**  
**(Unaudited)**

4. Comprehensive Income and Equity — Other comprehensive income includes foreign currency translation adjustments. Total comprehensive income is summarized as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2000</b>	<b>1999</b>
	(in millions)	
Net income	\$ 147	\$ 205
Other comprehensive income	(37)	(42)
Total comprehensive income	<u>\$ 110</u>	<u>\$ 163</u>

During the three months ended March 31, 2000, Visteon made a \$38 million cash distribution to Ford and transferred approximately \$31 million in net assets to Ford.

5. Segment Information — Visteon’s reportable operating segments are Dynamics & Energy Conversion; Comfort, Communication & Safety; and Glass. Financial information for the reportable operating segments is summarized as follows (in millions):

<b>First Quarter</b>	<b>Dynamics &amp; Energy Conversion</b>	<b>Comfort, Communication &amp; Safety</b>	<b>Glass</b>	<b>Total Visteon</b>
<b>2000</b>				
Sales	\$ 2,425	\$ 2,603	\$ 197	\$ 5,225
Income/(loss) before taxes	79	184	(6)	237
Net income (loss)	50	114	(4)	147
Average Assets	5,304	6,088	728	12,120
	<b>Dynamics &amp; Energy Conversion</b>	<b>Comfort, Communication &amp; Safety</b>	<b>Glass</b>	<b>Total Visteon</b>
<b>1999</b>				
Sales	\$ 2,369	\$ 2,203	\$ 200	\$ 4,772
Income/(loss) before taxes	125	182	7	313
Net income (loss)	79	121	5	205
Average Assets	4,462	4,408	616	9,686

Total income/(loss) before taxes in the table above includes \$20 million and \$1 million of net interest expense not allocated to the reportable operating segments for March 31, 2000 and 1999, respectively. Total net income in the table above includes \$13 million of expense related to net interest expense not allocated to the reportable operating segments for March 31, 2000.

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### REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders

Ford Motor Company

The transfers and recapitalization described in Note 1 to the financial statements have not been consummated at April 14, 2000. When consummated, we will be in a position to furnish the following report:

/s/ PricewaterhouseCoopers LLP

“In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, equity and cash flows present fairly, in all material respects, the financial position of Visteon Corporation and Subsidiaries (the wholly-owned automotive components and systems business of Ford Motor Company — See Notes 1 and 2) at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company’s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.”

April 7, 2000, except as to Note 1  
for which the date is \_\_\_\_\_, 2000  
Detroit, Michigan



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## Visteon Corporation and Subsidiaries

## CONSOLIDATED STATEMENT OF INCOME

	For the Years Ended December 31,		
	1999	1998	1997
	(in millions, except per share amounts)		
<b>Sales (Notes 3 and 14)</b>			
Ford and affiliates	\$ 17,105	\$ 16,350	\$ 16,003
Other customers	2,261	1,412	1,217
Total sales	19,366	17,762	17,220
<b>Costs and expenses (Notes 2, 3, 13 and 14)</b>			
Costs of sales	17,503	15,969	15,794
Selling, administrative and other expenses	674	659	575
Total costs and expenses	18,177	16,628	16,369
<b>Operating income</b>	1,189	1,134	851
Interest income	79	38	17
Interest expense	143	82	82
Net interest expense	(64)	(44)	(65)
Equity in net income of affiliated companies (Note 2)	47	26	29
<b>Income before income taxes</b>	1,172	1,116	815
Provision for income taxes (Note 7)	422	416	305
<b>Income before minority interests</b>	750	700	510
Minority interests in net income/(loss) of subsidiaries	15	(3)	(1)
<b>Net income</b>	\$ 735	\$ 703	\$ 511
<b>Earnings per share (Note 1)</b>			
Basic and diluted	\$ 5.65	\$ 5.41	\$ 3.93

The accompanying notes are part of the financial statements.

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## Visteon Corporation and Subsidiaries

## CONSOLIDATED BALANCE SHEET

	December 31,	
	1999	1998
	(in millions)	
<b>Assets</b>		
Cash and cash equivalents (Note 4)	\$ 1,849	\$ 542
Accounts and notes receivable — Ford and affiliates	1,578	1,429
Accounts receivable — other customers	613	332

Total receivables	2,191	1,761
Inventories (Note 5)	751	606
Deferred income taxes	110	139
Prepaid expenses and other current assets	295	143
<b>Total current assets</b>	<b>5,196</b>	<b>3,191</b>
Equity in net assets of affiliated companies (Note 2)	205	214
Net property (Note 6)	5,789	5,391
Deferred income taxes	362	356
Other assets	897	221
<b>Total assets</b>	<b>\$12,449</b>	<b>\$9,373</b>
<b>Liabilities and Equity</b>		
Trade payables — Ford and affiliates	\$ 1,414	\$ 544
Trade payables — other suppliers	1,736	1,319
<b>Total trade payables</b>	<b>3,150</b>	<b>1,863</b>
Accrued liabilities (Note 8)	1,211	960
Income taxes payable	153	32
Debt payable within one year — Ford and affiliates (Note 11)	697	142
Debt payable within one year — other (Note 11)	264	167
<b>Total debt payable within one year</b>	<b>961</b>	<b>309</b>
<b>Total current liabilities</b>	<b>5,475</b>	<b>3,164</b>
Long-term debt — Ford and affiliates (Note 11)	1,214	745
Long-term debt — other (Note 11)	144	71
<b>Total long-term debt</b>	<b>1,358</b>	<b>816</b>
Other liabilities (Note 8)	3,964	3,586
Deferred income taxes	153	152
<b>Total liabilities</b>	<b>10,950</b>	<b>7,718</b>
<b>Equity</b>		
Ford's net investment	1,566	1,680
Accumulated other comprehensive income	(67)	(25)
<b>Total equity</b>	<b>1,499</b>	<b>1,655</b>
<b>Total liabilities and equity</b>	<b>\$12,449</b>	<b>\$9,373</b>

The accompanying notes are part of the financial statements.

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## Visteon Corporation and Subsidiaries

### CONSOLIDATED STATEMENT OF CASH FLOWS

For the Years Ended  
December 31,

	1999	1998	1997
	(in millions)		
<b>Cash and cash equivalents at January 1</b>	\$ 542	\$ 344	\$ 137
Cash flows from operating activities (Note 15)	2,482	1,376	1,411
Cash flows from investing activities			
Capital expenditures	(876)	(861)	(917)
Acquisitions and investments in joint ventures, net	(579)	(108)	—

Other	2	29	(26)
Net cash used in investing activities	(1,453)	(940)	(943)
Cash flows from financing activities			
Cash distributions to Ford	(775)	(267)	(194)
Cash contributions from Ford	217	—	—
Changes in short-term debt	493	34	29
Proceeds from issuance of other term debt	285	96	154
Principal payments on other term debt	(361)	(149)	(66)
Net changes in revolving loan with Ford	531	—	(128)
Other	(100)	52	(46)
Net cash provided by/(used in) financing activities	290	(234)	(251)
Effect of exchange rate changes on cash	(12)	(4)	(10)
Net increase in cash and cash equivalents	1,307	198	207
<b>Cash and cash equivalents at December 31</b>	<b>\$ 1,849</b>	<b>\$ 542</b>	<b>\$ 344</b>

The accompanying notes are part of the financial statements.

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**Visteon Corporation and Subsidiaries**

**CONSOLIDATED STATEMENT OF EQUITY**

	Ford's Net Investment	Other Comprehensive Income	Total
		(in millions)	
<b>Year Ended December 31, 1997</b>			
Balance at beginning of year	\$ 986	\$ (3)	\$ 983
Comprehensive income			
Net income	511	—	511
Foreign currency translation	—	(50)	(50)
Comprehensive income			461
Net transfers to Ford	(240)	—	(240)
Balance at end of year	<u>\$ 1,257</u>	<u>\$ (53)</u>	<u>\$ 1,204</u>
<b>Year Ended December 31, 1998</b>			
Balance at beginning of year	\$ 1,257	\$ (53)	\$ 1,204
Comprehensive income			
Net income	703	—	703
Foreign currency translation	—	28	28
Comprehensive income			731
Net transfers to Ford	(280)	—	(280)
Balance at end of year	<u>\$ 1,680</u>	<u>\$ (25)</u>	<u>\$ 1,655</u>
<b>Year Ended December 31, 1999</b>			
Balance at beginning of year	\$ 1,680	\$ (25)	\$ 1,655
Comprehensive income			
Net income	735	—	735
Foreign currency translation	—	(42)	(42)
Comprehensive income			693
Net transfers to Ford	(849)	—	(849)

Balance at end of year	\$ 1,566	\$ (67)	\$1,499
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The accompanying notes are part of the financial statements.

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**Visteon Corporation and Subsidiaries**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. General Information and Background**

In January 2000, Ford Motor Company ("Ford") announced the goal for Visteon, Ford's global automotive components and systems business, to achieve independence. Towards achieving this goal, Ford established Visteon Corporation ("Visteon") as a wholly-owned subsidiary of Ford. Ford has contributed or otherwise transferred to Visteon the assets and liabilities comprising Ford's automotive components and systems business.

Visteon was incorporated in Delaware as of January 1, 2000 with an initial capitalization of 10,000 shares of \$1.00 par value common stock authorized and 1,000 shares of common stock outstanding. Through a subsequent recapitalization of Visteon, the number of common shares authorized and outstanding was increased to 500,000,000 and 130,000,000, respectively. In addition, 50,000,000 shares of preferred stock, par value \$1.00 per share, were authorized, none of which were issued. To complete the goal of independence, on \_\_\_\_\_, 2000, a special committee of Ford's Board of Directors, pursuant to full Board authorization, approved a pro rata distribution (or spin-off) to Ford common and Class B stockholders of record at the close of business on \_\_\_\_\_, 2000, the record date for the spin-off, of all shares of Visteon common stock owned by Ford.

For purposes of Notes to Financial Statements, Visteon means Ford's global automotive components and systems business, regardless of the form of legal ownership, which has been treated by Ford as a separate operating segment, unless the context requires otherwise. Visteon is comprised of over 81,000 designated employees located in 49 technical facilities and sales offices and 84 owned and leased plants in 23 countries throughout the world. Approximately 41% of Visteon-designated hourly employees are represented by the United Auto Workers ("UAW") union under collective bargaining agreements with Ford (75% are associated with a union of one form or another). For purposes of the earnings per share calculation, the 130,000,000 shares outstanding, which reflect the recapitalization discussed above, are treated as outstanding for all periods presented. There were no potentially dilutive securities outstanding during the periods presented. For purposes of Notes to Financial Statements, Ford means Ford Motor Company and its majority-owned, consolidated subsidiaries unless the context requires otherwise.

**NOTE 2. Basis of Presentation**

*Principles of Consolidation*

The consolidated financial statements include the operating results, assets, liabilities and cash flows of all significant Ford activities and activities majority-owned by Ford comprising the Visteon business. Intra-Visteon transactions have been eliminated in this consolidation. Visteon activities that are 20% to 50% owned by Ford are included and accounted for on an equity basis in these statements. Use of estimates and assumptions as determined by management are required in the preparation of financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates and assumptions.

*Visteon-designated Employee Costs and Benefit Plans*

Ford allocates the cost of Visteon-designated employees to Visteon in these financial statements. The costs include compensation and benefits for all persons who are employed by Visteon's manufacturing, sales, engineering and technical centers around the world, as well as costs for employees that retired from those Visteon sites. In addition, costs for other employees of Ford who periodically provide services to Visteon are included in the operating cost allocations.

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**Visteon Corporation and Subsidiaries**

**NOTES TO FINANCIAL STATEMENTS — Continued**

**NOTE 2. Basis of Presentation — Continued**

The cost of employee retirement plans for Visteon-designated employees of Ford has been measured and allocated to Visteon on an actuarial basis. No significant portion of the funded status of Ford's retirement plans have been allocated to Visteon.

Ford's unfunded obligation for Visteon-designated employees for postretirement health care and life insurance programs have been measured on an actuarial basis and allocated to Visteon. See Note 10 for further information.

#### *Operating Costs*

Operating costs and expenses include other allocations of general corporate overhead related to Ford's corporate headquarters and common support activities including information systems, product development, accounting and finance, corporate insurance programs, treasury, facilities, legal and human resources. These costs are assessed to Visteon based on usage or similar allocation methodologies.

Environmental costs are allocated to Visteon if the site incurring the cost is part of the Visteon business and for any historical Visteon products or processes responsible for the environmental claim or remediation. Visteon also bears the cost and responsibility for any general litigation matters related to the historical Visteon businesses, products and employees.

Although Visteon management believes the allocations and charges for such services to be reasonable, the costs of these services charged to Visteon are not necessarily indicative of the costs that would have been incurred had Visteon been a stand-alone entity or what they will be in the future.

#### *Product Liability, Warranty and Recall*

The statement of income includes expenses for accruals relating to product liability, warranty and recall claims involving Visteon products. These accruals have been made based on an analysis of Ford's claim experience against other component suppliers. In conjunction with the establishment of Visteon as a separate business unit, Visteon and Ford have agreed on a division of responsibility for product liability, warranty and recall matters as follows: (a) Ford will retain liability for all product liability, warranty or recall claims that involve parts made or sold by Visteon for 1996 or earlier model year Ford vehicles, (b) Visteon is liable for all product liability, warranty or recall claims that involve parts made or sold by Visteon for 1997 or later model year Ford vehicles in accordance with Ford's global standard purchase order terms as applied to other Tier 1 suppliers, and (c) Visteon has assumed all responsibility for product liability, warranty or recall claims relating to parts made or sold by Visteon to any non-Ford customers.

### **NOTE 3. Accounting Policies**

#### *Revenue Recognition*

Sales are recorded when products are shipped. Frequently, design modifications to products produced are implemented in advance of completing the process for negotiating a change in prices. These retroactive price adjustments are measured and included in revenue in the period in which Visteon reaches agreement with its customers.

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## **Visteon Corporation and Subsidiaries**

### **NOTES TO FINANCIAL STATEMENTS — Continued**

### **NOTE 3. Accounting Policies — Continued**

#### *Other Costs*

Advertising and sales promotion costs are expensed as incurred. Advertising costs were \$42 million in 1999, \$39 million in 1998, and \$35 million in 1997.

Research and development costs are expensed as incurred and were \$1,115 million in 1999, \$1,004 million in 1998 and \$855 million in 1997.

#### *Derivative Financial Instruments*

Visteon has operations in over 20 countries and sells component parts around the world, and is exposed to a variety of market risks, including the effects of changes in foreign currency exchange rates, interest rates and commodity prices. Visteon's primary non-U.S. currency exposures are in the euro, Mexican Peso and Canadian Dollar. Visteon's primary commodity-price exposures are aluminum and copper. These financial exposures are monitored and managed for Visteon by Ford as an integral part of Ford's overall risk management program, which recognizes the unpredictability of financial markets and seeks to reduce the potentially adverse effect on results. Ford's policy, which applies to Visteon, specifically prohibits the use of leveraged derivatives or use of any derivatives for speculative purposes.

Gains and losses on derivative financial instruments are deferred and recognized in cost of sales during the settlement period of the related transactions. Commodity exposures are managed substantially through fixed-price contracts with suppliers. After consideration of the amounts of currency exposures, Visteon management, in consultation with Ford treasury management, did not place any significant

Visteon specific hedges of non-U.S. currency exposures in 1997 or 1998. During 1999, Visteon entered into certain transactions to hedge foreign currency exposures in foreign countries. The fair value of foreign currency instruments were estimated using current market rates provided by outside quotation services. The estimated notional amount and fair value of foreign currency instruments at December 31, 1999 were \$410 million and \$16 million, respectively.

#### *Foreign Currency Translation*

Assets and liabilities of Visteon's non-U.S. businesses generally are translated to U.S. Dollars at end-of-period exchange rates. The effects of this translation for Visteon are reported in other comprehensive income. Remeasurement of assets and liabilities of Visteon's non-U.S. businesses that use the U.S. Dollar as their functional currency are included in income as transaction gains and losses. Income statement elements of Visteon's non-U.S. businesses are translated to U.S. Dollars at average-period exchange rates and are recognized as part of revenues, costs and expenses. Also included in income are gains and losses arising from transactions denominated in a currency other than the functional currency of the business involved. Net transaction gains and losses, as described above, decreased net income \$24 million in 1999, increased net income \$13 million in 1998, and decreased net income \$20 million in 1997.

#### *Impairment of Long-Lived Assets and Certain Identifiable Intangibles*

Visteon evaluates the carrying value of goodwill for potential impairment on an ongoing basis. Such evaluations compare operating income before amortization of goodwill to the amortization recorded for the operations to which the goodwill relates. Visteon also periodically evaluates the carrying value of long-lived assets and long-lived assets to be disposed of for

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### **Visteon Corporation and Subsidiaries**

#### **NOTES TO FINANCIAL STATEMENTS — Continued**

#### **NOTE 3. Accounting Policies — Continued**

potential impairment. Visteon considers projected future operating results, cash flows, trends and other circumstances in making such estimates and evaluations.

#### *Goodwill*

Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies and is amortized using the straight-line method for periods up to 20 years. Total goodwill included in other assets was \$409 million at December 31, 1999. Goodwill is primarily related to the 1999 acquisition of the automotive interior division of Compagnie Plastic Omnium.

#### *Pre-production Design and Development Costs*

Pre-production design and development costs related to long-term supply arrangements are generally expensed as incurred.

#### **NOTE 4. Cash and Cash Equivalents**

Cash and cash equivalents consist primarily of a share of Ford's cash and cash equivalents. In addition, Visteon considers all highly liquid investments purchased with an original maturity of three months or less, including short-term time deposits and government agency and corporate obligations, to be cash equivalents. Investment earnings on Visteon's combined net cash position have been based on Ford's average rates of return on its cash and cash equivalents.

#### **NOTE 5. Inventories**

	<b>December 31,</b>	
	<b>1999</b>	<b>1998</b>
	<b>(in millions)</b>	
Raw materials, work-in-process and supplies	\$ 653	\$ 567
Finished products	98	39
Total inventories	<u>\$ 751</u>	<u>\$ 606</u>
U.S. inventories	\$ 434	\$ 363

Inventories are stated at the lower of cost or market. The cost of most U.S. inventories is determined by the last-in, first-out ("LIFO") method. The cost of the remaining inventories is determined primarily by the first-in, first-out ("FIFO") method.

If the FIFO method had been used instead of the LIFO method, inventories would have been higher by \$101 million and \$114 million at December 31, 1999 and 1998, respectively.

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**Visteon Corporation and Subsidiaries**  
**NOTES TO FINANCIAL STATEMENTS — Continued**

**NOTE 6. Net Property, Depreciation and Amortization**

	December 31,	
	1999	1998
	(in millions)	
Land	\$ 85	\$ 44
Buildings and land improvements	1,343	1,261
Machinery, equipment and other	8,540	7,872
Construction in progress	427	446
	10,395	9,623
Total land, plant and equipment		
Accumulated depreciation	(4,856)	(4,444)
	5,539	5,179
Net land, plant and equipment		
Special tools, net of amortization	250	212
	\$ 5,789	\$ 5,391
Net property		

Property, equipment and special tools are stated at cost, less accumulated depreciation and amortization. Property and equipment placed in service before January 1, 1993 are depreciated using an accelerated method that results in accumulated depreciation of approximately two-thirds of asset cost during the first half of the estimated life of the asset. Property and equipment placed in service after December 31, 1992 are depreciated using the straight-line method of depreciation over the estimated useful life of the asset. On average, buildings and land improvements are depreciated based on a 30-year life; machinery and equipment are depreciated based on a 14-year life. Cost of computer software developed or obtained for internal use is capitalized beginning January 1, 1999. Special tools placed in service before January 1, 1999 are amortized using an accelerated method over periods of time representing the estimated life of those tools. Special tools placed in service after December 31, 1998 are amortized using the straight-line method. For property and equipment retired before January 1, 1999, the general policy was to charge the cost of those assets, reduced by net salvage proceeds, to accumulated depreciation. For property and equipment retired after December 31, 1998, the general policy is to charge the net book value of those assets, reduced by net salvage proceeds, to gain or loss on disposal of assets. These changes did not have a material impact on the financial statements.

Depreciation and amortization expenses related to property, equipment and special tools were as follows:

	1999	1998	1997
	(in millions)		
Depreciation	\$572	\$503	\$539
Amortization	66	56	53
	\$638	\$559	\$592
Total			

Maintenance, repairs and rearrangement costs are expensed as incurred and were \$549 million in 1999, \$493 million in 1998 and \$537 million in 1997. Expenditures that increase the value or productive capacity of assets are capitalized. Preproduction costs related to new facilities are expensed as incurred.

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Visteon Corporation and Subsidiaries

NOTES TO FINANCIAL STATEMENTS — Continued

**NOTE 7. Income Taxes**

Visteon businesses are generally included in Ford's tax returns in each significant country of operation. Visteon measures income tax expense by calculating its annual provision on a separate company basis.

Income before income taxes for U.S. and non-U.S. operations, excluding equity in net income of affiliated companies, was as follows:

	1999	1998	1997
	(in millions)		
U.S.	\$ 974	\$ 746	\$471
Non-U.S.	151	344	315
Total income before income taxes	<u>\$1,125</u>	<u>\$1,090</u>	<u>\$786</u>

The provision for income taxes was calculated as follows:

	1999	1998	1997
	(in millions)		
Current tax provision			
U.S. federal	\$264	\$165	\$ (40)
Non-U.S.	112	149	80
State and local	26	26	17
Total current	<u>402</u>	<u>340</u>	<u>57</u>
Deferred tax provision			
U.S. federal	47	71	181
Non-U.S.	(27)	5	63
State and local	—	—	4
Total deferred	<u>20</u>	<u>76</u>	<u>248</u>
Total provision	<u>\$422</u>	<u>\$416</u>	<u>\$305</u>

The provision includes estimated taxes payable on that portion of retained earnings of non-U.S. Visteon businesses which are planned to be remitted. No provision has been made on \$158 million of retained earnings (primarily prior to 1998) which are considered to be indefinitely invested in the non-U.S. businesses.

It is not practical to estimate the amount of unrecognized deferred tax liability for the undistributed non-U.S. earnings.

A reconciliation of the provision for income taxes compared with the amounts at the U.S. statutory tax rate is shown below:

	1999	1998	1997
Tax provision at U.S. statutory rate of 35%	35%	35%	35%
Effect of:			
Tax on non-U.S. income	2	3	4
State and local income taxes	2	2	2
Other	(1)	(2)	(2)
Provision for income taxes	<u>38%</u>	<u>38%</u>	<u>39%</u>



**Visteon Corporation and Subsidiaries**  
**NOTES TO FINANCIAL STATEMENTS — Continued**

**NOTE 7. Income Taxes — Continued**

Deferred tax assets and liabilities reflect the estimated tax effect of accumulated temporary differences between assets and liabilities for financial reporting purposes and those amounts as measured by tax laws and regulations.

The components of deferred income tax assets and liabilities at December 31 were as follows:

	1999	1998
	(in millions)	
<b>Deferred tax assets</b>		
Employee benefit plans	\$ 1,152	\$ 1,398
Customer allowances and claims	58	57
All other	148	138
	1,358	1,593
<b>Deferred tax liabilities</b>		
Depreciation and amortization	931	992
Employee benefit plans	34	184
All other	91	94
	1,056	1,270
Net deferred tax assets	\$ 302	\$ 323

**NOTE 8. Liabilities**

*Current Liabilities*

Included in accrued liabilities at December 31 were the following:

	1999	1998
	(in millions)	
Salaries, wages and employer taxes	\$ 514	\$ 329
Employee benefit plans	239	315
Postretirement benefits other than pensions	186	30
Other	272	286
	\$ 1,211	\$ 960

*Noncurrent Liabilities*

Included in other liabilities at December 31 were the following:

	1999	1998
	(in millions)	
Postretirement benefits other than pensions	\$ 3,300	\$ 3,220
Employee benefit plans	331	119
Minority interests in net assets of subsidiaries	91	16
Other	242	231
	\$ 3,964	\$ 3,586

**Visteon Corporation and Subsidiaries**  
**NOTES TO FINANCIAL STATEMENTS — Continued**

**NOTE 9. Employee Retirement Plans**

In the U.S., Visteon-designated employees of Ford participate in two principal retirement plans, the Ford-UAW Retirement Plan and the General Retirement Plan, both sponsored by Ford, and also in pension plans sponsored by Ford Electronics and Refrigeration LLC. The hourly plans provide noncontributory benefits related to employee service. The salaried plans provide similar noncontributory and contributory benefits related to pay and service. In addition, certain Visteon-designated executives participate in unfunded defined benefit plans, also sponsored by Ford.

Visteon-designated employees of Ford also participate in pension plans outside the U.S.; these generally are funded by Ford, except in Germany, where an unfunded liability exists. Also outside the U.S., Visteon activities either sponsor pension plans or participate in pension plans sponsored by subsidiaries of Ford.

The employee benefit plan expense allocated from Ford and charged to Visteon was as follows:

	U.S. Plans			Non-U.S. Plans		
	1999	1998	1997	1999	1998	1997
	(in millions)					
<b>Costs Recognized in Income</b>						
Service cost	\$ 140	\$ 121	\$ 119	\$ 34	\$ 30	\$ 28
Interest cost	418	390	402	67	65	62
Expected return on plan assets	(611)	(539)	(514)	(95)	(88)	(80)
Amortization of:						
Transition (asset)/obligation	1	1	2	(1)	(2)	(2)
Plan amendments	104	133	110	13	11	10
(Gains)/losses and other	5	3	5	12	2	(2)
Net pension expense	<u>\$ 57</u>	<u>\$ 109</u>	<u>\$ 124</u>	<u>\$ 30</u>	<u>\$ 18</u>	<u>\$ 16</u>
Discount rate for expense	6.25%	6.75%	7.25%	5.70%	6.50%	7.10%
Assumed long-term rate of return on assets	9.00%	9.00%	9.00%	9.30%	9.20%	9.20%

Pension expense in 1999 and 1998 decreased for U.S. plans primarily as a result of increased return on plan assets partially offset by lower discount rates and the year-to-year change in the cost of certain employee separation programs.

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**Visteon Corporation and Subsidiaries**  
**NOTES TO FINANCIAL STATEMENTS — Continued**

**NOTE 9. Employee Retirement Plans — Continued**

The retirement obligations of Ford Electronics and Refrigeration LLC and Ford Electronics and Manufacturing Company, Inc. are entirely the responsibility of Visteon. The summarized funded status of these plans at December 31 was as follows:

	1999	1998
	(in millions)	
Plan assets at fair value	\$ 786	\$ 725
Projected benefit obligation	501	556
Plan assets in excess of projected benefit obligation	<u>285</u>	<u>169</u>

Unrecognized amounts for transition and prior service	33	27
Unamortized net gain	(210)	(99)
	<u>          </u>	<u>          </u>
Net prepaid asset recognized and included in Visteon's balance sheet	\$ 108	\$ 97
	<u>          </u>	<u>          </u>
<b>Assumptions as of December 31</b>		
Discount rate	7.75%	6.25%
Expected return on assets	9.00%	9.00%
Average rate of increase in compensation	5.00%	5.00%

**NOTE 10. Postretirement Health Care and Life Insurance Benefits**

Ford and certain of its subsidiaries sponsor unfunded plans to provide selected health care and life insurance benefits for retired employees. Visteon-designated employees in the U.S. may become eligible for these benefits if they retire; benefits and eligibility rules may be modified from time to time.

The estimated cost for these benefits is accrued over periods of employee service on an actuarially determined basis. Ford has prepaid a portion of hourly U.S. retiree health benefits by contributing to a Voluntary Employees' Beneficiary Association ("VEBA"). At December 31, 1999, \$419 million of VEBA assets were allocated to Visteon.

Increasing the assumed health care cost trend rates by one percentage point is estimated to increase the aggregate service and interest cost components of Visteon's net postretirement benefit expense for 1999 by \$57 million and the accumulated postretirement benefit obligation at December 31, 1999 by \$508 million. A decrease of one percentage point would reduce service and interest costs by \$44 million and decrease the December 31, 1999 obligation by \$423 million.

The amounts primarily allocated from Ford and charged to Visteon expense for postretirement health care and life insurance benefits were as follows:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
	(in millions)		
<b>Costs Recognized in Income</b>			
Service cost	\$ 81	\$ 59	\$ 54
Interest cost	261	245	266
Expected return on plan assets	(27)	(11)	—
Amortization of:			
Plan amendments	(9)	(10)	(11)
Losses and other	9	10	1
	<u>          </u>	<u>          </u>	<u>          </u>
Net cost recognized	\$315	\$293	\$ 310
	<u>          </u>	<u>          </u>	<u>          </u>

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**Visteon Corporation and Subsidiaries**  
**NOTES TO FINANCIAL STATEMENTS — Continued**

**NOTE 10. Postretirement Health Care and Life Insurance Benefits — Continued**

The year-end status of these plans was as follows:

	<u>1999</u>	<u>1998</u>
	(in millions)	
<b>Change in Benefit Obligation</b>		
Benefit obligation at January 1	\$ 4,203	\$ 3,665
Service cost	81	59
Interest cost	261	245
Termination programs	6	7
Benefits paid	(179)	(179)
Actuarial loss/(gain)	(231)	406
	<u>          </u>	<u>          </u>

Benefit obligation at December 31	\$ 4,141	\$ 4,203
<b>Change in Plan Assets</b>		
Fair value of plan assets at January 1	\$ 500	\$ 171
Actual return on plan assets	18	10
Company contributions	33	425
Benefits paid	(132)	(106)
Fair value of plan assets at December 31	\$ 419	\$ 500
<b>Funded Status of the Plans</b>		
Plan assets less than projected benefits	\$(3,722)	\$(3,703)
Unamortized amendments	8	(30)
Unamortized net losses	228	483
Net amount recognized as an accrued liability in the balance sheet	\$(3,486)	\$(3,250)
<b>Assumptions as of December 31</b>		
Discount rate	7.75%	6.50%
Expected return on assets	6.00%	6.00%
Initial health care cost trend rate	8.75%	7.00%
Ultimate health care cost trend rate	5.14%	5.00%
Number of years to ultimate trend rate	8	9

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Visteon Corporation and Subsidiaries

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 11. Debt

Debt at December 31, 1999 and 1998 was as follows:

	Maturity	Weighted-Average Interest Rate		Book Value	
		1999	1998	1999	1998
(in millions)					
<b>Term debt payable within one year</b>					
Ford and affiliates		4.8%	5.5%	\$ 697	\$ 142
Other		7.6%	8.0%	264	167
Total debt payable within one year				961	309
<b>Long-term debt</b>					
Ford and affiliates	2001-2007	6.9%	5.0%	115	177
Other	2001-2005	8.3%	6.6%	144	71
Total term debt				1,220	557
Borrowings under revolving loan arrangement with Ford	2001	7.9%	8.0%	1,099	568
Total debt				\$2,319	\$1,125

Term debt consists of various arrangements. The portion of these loans payable in non-U.S. currencies at December 31, 1999 and 1998, was \$147 million and \$183 million, respectively. The fair value of term debt approximated book value at December 31, 1999 and 1998 and was estimated based on quoted market prices or current rates for similar debt with the same remaining maturities.

Debt also includes borrowings under an intracompany revolving loan arrangement with Ford. Under this arrangement, Visteon may borrow up to \$1,250 million. Borrowings under this revolving loan arrangement are due on the first business day following the first

anniversary of the date demand for repayment is made by Ford. Interest on this debt is determined quarterly based on Ford's average interest rate on its U.S. Dollar denominated, publicly traded automotive debt. No fair value has been estimated on this debt.

Debt at December 31, 1999 included maturities as follows (in millions): 2000 — \$961; 2001 — \$1,185; 2002 — \$53; 2003 — \$44; 2004 — \$4; thereafter — \$72.

#### *Additional Support Facilities*

Certain Visteon receivables are sold to Ford Motor Credit Company ("Ford Credit"), a wholly owned subsidiary of Ford. Under the terms of this agreement, Visteon provides loss protection to Ford Credit up to twelve percent of the average amount of receivables sold. The amount of such receivables sold was \$89 million and \$91 million at December 31, 1999 and 1998, respectively.

#### **NOTE 12. Litigation and Claims**

Various legal actions, governmental investigations and proceedings and claims are pending or may be instituted or asserted in the future against Visteon, including those arising out of alleged defects in Visteon's products; governmental regulations relating to safety; employment-related matters; customer, supplier and other contractual relationships; intellectual property rights; product warranties; and environmental matters. Some of the foregoing matters involve or

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### **Visteon Corporation and Subsidiaries**

#### **NOTES TO FINANCIAL STATEMENTS — Continued**

#### **NOTE 12. Litigation and Claims — Continued**

may involve compensatory, punitive, or antitrust or other treble damage claims in very large amounts, or demands for recall campaigns, environmental remediation programs, sanctions, or other relief which, if granted, would require very large expenditures.

Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. Reserves have been established by Visteon for certain matters discussed in the foregoing paragraph where losses are deemed probable. It is reasonably possible, however, that some of the matters discussed in the foregoing paragraph for which reserves have not been established could be decided unfavorably to the Visteon business involved and could require Visteon to pay damages or make other expenditures in amounts, or a range of amounts that cannot be estimated at December 31, 1999. Visteon does not reasonably expect, based on its analysis, that any adverse outcome from such matters would have a material effect on future Visteon consolidated financial statements for a particular year, although such an outcome is possible.

#### **NOTE 13. Acquisitions and Restructuring**

In June 1999, Visteon acquired the automotive interiors division of Compagnie Plastic Omnium for approximately 2.9 billion French Francs, net of cash acquired. This business has 14 facilities located in four countries: France, Spain, Italy and the United Kingdom, and generated 1998 revenues of approximately 2.8 billion French Francs. The acquisition has been accounted for as a purchase. The purchase price has been allocated to the assets acquired and liabilities assumed based on estimated fair values as of the acquisition date. The excess of the purchase price over the estimated fair value of the net assets acquired is approximately \$300 million and is being amortized on a straight-line basis over 20 years. The assets purchased, liabilities assumed and the results of operations, since the date of acquisition, are included in the financial statements on a consolidated basis. Assuming the acquisition had taken place January 1, 1999 and 1998, Visteon's pro forma revenue and net income for the related periods would not be materially affected.

Visteon recorded a pre-tax charge of approximately \$40 million in fourth quarter 1998 for Visteon-designated employees that were part of special voluntary and involuntary retirement and separation programs announced by Ford.

During fourth quarter 1997, Visteon recorded a pre-tax expense totaling approximately \$60 million reflecting the restructuring and rationalization of Glass Division in the U.S. These actions are related to the windshield manufacturing facilities in the U.S. and the closure of the Dearborn Glass Plant.

#### **NOTE 14. Transactions with Ford and its Affiliates**

Revenues from Ford and its affiliates approximated 88% in 1999, 92% in 1998, and 93% in 1997. The majority of significant transactions regarding employee matters, financing, warranty and product liability, environmental costs, litigation claims and tax sharing with Ford and its affiliates are disclosed throughout these financial statements. In addition, Ford has provided Visteon with various corporate and administrative services, the most significant of which include information technology, product development, accounting and finance, corporate insurance programs, treasury, facilities, legal and human resources. For 1999 and 1998, assessments for these services totaled approximately \$211 million and \$185 million, respectively. For 1997, data are not readily available to determine the assessments related to these services.

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**Visteon Corporation and Subsidiaries**  
**NOTES TO FINANCIAL STATEMENTS — Continued**

**NOTE 15. Cash Flows**

The reconciliation of net income to cash flows from operating activities is as follows:

	1999	1998	1997
		(in millions)	
Net income	\$ 735	\$ 703	\$ 511
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation and amortization	651	565	590
Earnings of affiliated companies in excess of dividends remitted	(23)	(9)	(13)
Foreign currency adjustments	32	(16)	32
Provision for deferred income taxes	20	76	248
Changes in assets and liabilities:			
Increases in accounts receivable and other current assets	(285)	(137)	(211)
(Increase)/decrease in inventory	(62)	(81)	27
Increases in accounts payable, accrued and other liabilities	1,494	436	278
Other	(80)	(161)	(51)
Cash flows from operating activities	<u>\$2,482</u>	<u>\$1,376</u>	<u>\$1,411</u>

Cash paid for interest and income taxes was as follows:

	1999	1998	1997
		(in millions)	
Interest	\$143	\$ 81	\$ 95
Income taxes	281	308	84

**NOTE 16. Stock Options**

Visteon-designated employees participate in the stock option plans of Ford and have stock options outstanding under Ford's 1990 Long-Term Incentive Plan and the 1998 Long-Term Incentive Plan. Options granted in 1997 under the 1990 Plan and options granted under the 1998 Plan become exercisable 33% after one year from the date of grant, an additional 33% after two years and in full after three years. In general, options granted prior to 1997 under the 1990 Plan become exercisable 25% after one year from the date of grant, 50% after two years, 75% after three years, and in full after four years. Options under both Plans expire after 10 years from the date of grant.

The estimated fair value as of date of grant of options granted in 1999, 1998, and 1997, using the Black-Scholes option-pricing model, was as follows:

	1999	1998	1997
Estimated fair value per share of options granted during the year	\$17.53	\$9.25	\$5.76
Assumptions:			
Annualized dividend yield	3.2%	4.1%	4.8%
Common Stock price volatility	36.5%	28.1%	22.1%
Risk-free rate of return	5.2%	5.7%	6.7%
Expected option term (in years)	5	5	5

**NOTES TO FINANCIAL STATEMENTS — Continued**

**NOTE 16. Stock Options — Continued**

Visteon measures compensation cost using the intrinsic value method. Accordingly, no compensation cost for stock options has been recognized. If compensation cost had been determined based on the estimated fair value of options granted since 1995, the pro forma effects on Visteon's net income would not have been material.

**NOTE 17. Segment Information**

Statement of Financial Accounting Standards No. 131 ("SFAS 131"), "Disclosures about Segments of an Enterprise and Related Information" establishes standards for reporting information about operating segments in annual financial statements and requires reporting selected information about operating segments in interim financial reports. It also establishes standards for related disclosures about products and services and geographic operations.

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision makers, or a decision making group, in deciding how to allocate resources and in assessing performance. Visteon's chief operating decision-making group is the Strategy Council, which is comprised of the Chairman and Chief Executive Officer and five other senior executives.

Visteon's reportable operating segments are Dynamics & Energy Conversion; Comfort, Communication & Safety; and Glass. The Dynamics & Energy Conversion segment supplies various chassis and energy transformation components and systems mainly to OEM customers. The Comfort, Communication & Safety segment supplies various interior, exterior, and climate control components and systems mainly to OEM customers. The Glass segment supplies architectural and flat glass to a broad customer base, including OEMs.

The accounting policies for the operating segments are the same as those described in Note 3, "Accounting Policies". Visteon evaluates the performance of its operating segments based primarily on sales, profit before taxes and net income.

Financial information for the reportable operating segments is summarized as follows (in millions):

	<b>Dynamics &amp; Energy Conversion</b>	<b>Comfort, Communication &amp; Safety</b>	<b>Glass</b>	<b>Total Visteon</b>
<b>1999</b>				
Sales	\$ 9,216	\$ 9,377	\$ 773	\$ 19,366
Income/(loss) before taxes	549	676	2	1,172
Net income	344	422	3	735
Depreciation/amortization	278	338	35	651
Capital expenditures	388	444	44	876
Unconsolidated affiliates:				
Equity in net income	—	39	8	47
Investments in	—	184	21	205
Average assets	5,048	5,204	682	10,934

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**Visteon Corporation and Subsidiaries**

**NOTES TO FINANCIAL STATEMENTS — Continued**

**NOTE 17. Segment Information — Continued**

	<b>Dynamics &amp; Energy Conversion</b>	<b>Comfort, Communication &amp; Safety</b>	<b>Glass</b>	<b>Total Visteon</b>
<b>1998</b>				
Sales	\$ 8,673	\$ 8,337	\$ 752	\$ 17,762
Income/(loss) before taxes	473	716	(29)	1,116
Net income	294	452	(15)	703
Depreciation/amortization	263	268	34	565
Capital expenditures	399	378	84	861

Unconsolidated affiliates:				
Equity in net income	—	17	9	26
Investments in	—	190	24	214
Average assets	4,306	4,070	548	8,924

	<b>Dynamics &amp; Energy Conversion</b>	<b>Comfort, Communication &amp; Safety</b>	<b>Glass</b>	<b>Total Visteon</b>
<b>1997</b>				
Sales	\$ 7,918	\$ 8,545	\$ 757	\$ 17,220
Income/(loss) before taxes	223	704	(47)	815
Net income	136	439	(25)	511
Depreciation/amortization	295	247	48	590
Capital expenditures	414	451	52	917
Unconsolidated affiliates:				
Equity in net income	—	20	9	29
Investments in	—	172	23	195
Average assets	3,936	3,747	507	8,190

Total income/(loss) before taxes in the table above includes \$55 million, \$44 million and \$65 million of net interest expense not allocated to the reportable operating segments for 1999, 1998 and 1997, respectively. Total net income in the table above includes \$34 million, \$28 million and \$39 million of expense related to net interest expense not allocated to the reportable operating segments for 1999, 1998 and 1997, respectively.

Visteon's major geographic areas are the United States and Europe. Other geographic areas (primarily Canada, Mexico, South America and Asia Pacific) individually are not material. Financial information segregated by geographic area is as follows (in millions).

<b>Geographic Areas</b>	<b>United States</b>	<b>Europe</b>	<b>All Other</b>	<b>Total Company</b>
<b>1999</b>				
Sales	\$ 14,814	\$2,732	\$ 1,820	\$ 19,366
Net property	3,592	1,274	923	5,789
<b>1998</b>				
Sales	\$ 13,543	\$2,638	\$ 1,581	\$ 17,762
Net property	3,494	1,244	653	5,391
<b>1997</b>				
Sales	\$ 12,960	\$2,627	\$ 1,633	\$ 17,220
Net property	3,324	1,075	517	4,916

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### Visteon Corporation and Subsidiaries

#### NOTES TO FINANCIAL STATEMENTS — Continued

##### NOTE 18. Summary Quarterly Financial Data (Unaudited)

	<b>1999</b>				<b>1998</b>			
	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
	(in millions)							
Sales	\$4,772	\$5,063	\$4,600	\$4,931	\$4,378	\$4,725	\$4,097	\$4,562
Operating income	298	461	280	150	303	377	243	211
Income before income taxes	313	449	260	150	286	384	240	206
Net income	205	280	155	95	187	239	148	129

##### NOTE 19. Subsequent Events (Unaudited)

In connection with Visteon's separation from Ford, Visteon and Ford have entered into, or expect to enter into, a series of agreements.



These agreements include a master transfer agreement and certain related ancillary agreements. The following summary is qualified in all respects by the terms of the master transfer agreement and other related agreements.

#### *Master Transfer Agreement*

The master transfer agreement, effective as of April 1, 2000, provides for Ford to transfer to Visteon and/or its subsidiaries, prior to its spin-off, generally, all assets used exclusively in the Visteon business, including but not limited to real property interests, personal property and ownership interests in subsidiaries and joint ventures. Visteon and Ford have agreed to transfer legal title to any remaining assets and any remaining liabilities of the Visteon business not transferred prior to the spin-off, most of which are foreign assets and liabilities subject to regulatory and other delays, as soon as practicable. In the interim, Visteon will operate and receive the economic benefit of (and bear the economic burdens of) these assets.

In addition, Visteon and Ford have agreed to a division of certain liabilities including liabilities related to product liability, warranty and recall, environmental, intellectual property claims and other general litigation claims.

#### *Supply Agreement and Pricing Letter Agreement*

The supply agreement provides that Visteon's existing purchase orders with Ford as of January 1, 2000 will generally remain in effect at least through the end of 2003, subject to Ford's right to terminate any particular purchase order for quality or certain other reasons. In addition, the pricing letter requires a one-time 5% price reduction on products that Visteon was supplying to Ford as of January 1, 2000 based on a market pricing review conducted by Ford and Visteon. The pricing letter also requires productivity price adjustments in each of 2000, 2001, 2002 and 2003 to reflect competitive price reductions obtained each year by Ford from its other Tier 1 suppliers. Visteon and Ford have agreed on a 3.5% productivity price reduction for 2000 on such products, which is consistent with (i) price reductions between Visteon and Ford in prior years and (ii) the amount of annual productivity improvement that Ford generally expects from its other Tier 1 suppliers.

Until May 2003, Visteon has the right of last refusal to meet competitive terms, including with respect to price, on replacement products that (i) Visteon produces in the United States, Canada, Europe and Mexico, and (ii) Visteon supplied to Ford on January 1, 2000, subject to certain conditions and exceptions.

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## **Visteon Corporation and Subsidiaries**

### **NOTES TO FINANCIAL STATEMENTS — Continued**

#### **NOTE 19. Subsequent Events (Unaudited) — Continued**

##### *Master Separation Agreement*

The master separation agreement provides for Ford to provide certain transitional services to Visteon until December 31, 2001. These services include information technology, human resources, accounting, customs, product development technology and real estate services which have been historically provided to Visteon by Ford. Visteon has agreed to pay Ford amounts which reflect its fully accounted cost for these services, including a reasonable allocation of internal overhead costs, as well as any direct costs incurred from outside suppliers. Visteon may terminate any transitional service upon six months' written notice. Transitional services may be extended an additional six months to June 30, 2002, provided Visteon notifies Ford by June 30, 2001.

##### *Aftermarket Relationship Agreement*

The aftermarket relationship agreement covers components supplied by Visteon to Ford's aftermarket business. The agreement addresses pricing, tooling and other matters, and provides that any components purchased by Ford's aftermarket business from Visteon for vehicles currently in production will be governed by the supply agreement and pricing letter agreements discussed above.

##### *Hourly Employee Assignment Agreement*

The hourly employee assignment agreement sets forth certain rights and obligations with respect to about 23,580 United States hourly employees of Ford who (i) are represented by the UAW, (ii) are covered by the Ford UAW Master Collective Bargaining Agreement dated as of September 30, 1999, (iii) are employed in one of Visteon's facilities as of a date that will be no later than the date of the spin-off, and (iv) after Visteon's spin-off will remain Ford employees indefinitely but will be assigned to work for Visteon.

Under this agreement, Visteon will exercise day-to-day supervision over the covered individuals and Ford will continue to provide the same employee benefits generally offered to other hourly employees of Ford who are represented by the UAW. Visteon will reimburse Ford for the wage, benefit and other costs incurred by Ford related to these individuals. However, Visteon's liability for profit sharing based on Ford's profits is limited to \$50 million per year in each of 2000-2004. After 2004, Visteon will be liable for the full amount of profit sharing based on Ford's profits.

##### *Employee Transition Agreement*

The employee transition agreement covers the transfer of employment to Visteon of all the employees engaged in the Visteon business, other than the employees covered by the hourly employee assignment agreement discussed above. This agreement provides for the transition of employee benefit plans and programs. Visteon has agreed to adopt substantially comparable benefit plans and programs as were in effect at Ford and to continue such programs for at least four years after the spin-off, subject to certain conditions.

With respect to pensions, Visteon will provide the pension related to future service for all such employees. Ford will retain the pension obligations for those employees who had worked in the Visteon business and had retired prior to the spin-off. Ford also will retain the pension obligations for the past service of two groups of transferred employees: (a) those active

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**Visteon Corporation and Subsidiaries**  
**NOTES TO FINANCIAL STATEMENTS — Continued**

**NOTE 19. Subsequent Events (Unaudited) — Continued**

employees who are eligible to retire under Ford's pension plan, and (b) those active employees that meet certain minimum age and years of service requirements.

Ford will retain the liability to provide postretirement health and life insurance benefits for those employees who had worked in the Visteon business and had retired prior to the spin-off. For all continuing active employees, Visteon will be responsible for these postretirement benefits.

In addition, the employee transition agreement addresses certain matters related to other non-qualified retirement plans sponsored by Ford.

*Tax Sharing Agreement*

The tax sharing agreement provides, among other things, for the allocation of tax liabilities arising prior to, as a result of, and subsequent to the spin-off. Generally, Visteon will be liable for taxes attributable to the Visteon business determined as though Visteon were to file separate federal, state and local income tax returns as the common parent of an affiliated group of corporations filing consolidated or combined federal state or local returns.

Visteon has agreed, within two years after completion of the spin-off, not to take any actions or enter into any transactions that would cause the spin-off not to qualify as tax-free. Visteon also has agreed to indemnify Ford to the extent that any action Visteon takes gives rise to a tax incurred by Ford with respect to the spin-off.

*Stock Option Plan*

Management intends to sponsor a stock-based incentive plan ("Long-Term Incentive Compensation Plan" or "LTIP") contingent upon the successful completion of the spin-off. The LTIP will be administered by a compensation committee. The LTIP provides for the grant of incentive and nonqualified stock options, stock appreciation rights, performance stock rights, and stock and various other rights based on stock (collectively referred to as "Awards"). The total number of shares of Visteon common stock that may be subject to Awards under the LTIP is 13,000,000 shares, including Awards granted subject to completion of the spin-off.

Visteon intends to grant to certain employees contingent on the successful completion of the spin-off about 958,000 shares of restricted stock and about 1,862,000 stock options with an exercise price equal to the closing sale price of Visteon common stock on the New York Stock Exchange on the date of the spin-off. The restricted stock will vest on the fifth anniversary of the date of grant. Stock options will become exercisable 33% after one year from the date of grant, an additional 33% after two years and in full after three years, and expire after 10 years from the date of grant.

*Other*

Effective April 1, 2000, Ford converted \$1,120 million of debt owed to it by Visteon under an intracompany revolving loan arrangement into an equity investment in Visteon.

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**ANNEX A — SUPPLEMENTAL FINANCIAL DATA**

**THIS ANNEX A IS NOT A PART OF VISTEON CORPORATION AND ITS SUBSIDIARIES' CONSOLIDATED FINANCIAL STATEMENTS**

Visteon Corporation and Subsidiaries

**STATEMENT OF INCOME**  
For the Year Ended December 31, 1999  
(In Millions)

ACTUAL	First Quarter 1999	Second Quarter 1999	Third Quarter 1999	Fourth Quarter 1999	1999
	(unaudited)				
Sales	\$4,772	\$5,063	\$4,600	\$4,931	\$19,366
<b>Costs and expenses</b>					
Costs of sales	4,341	4,430	4,146	4,586	17,503
Selling, administrative, and other expenses	133	172	174	195	674
Total costs and expenses	4,474	4,602	4,320	4,781	18,177
<b>Operating income</b>	298	461	280	150	1,189
Interest income	22	2	26	29	79
Interest expense	23	26	50	44	143
Net interest expense	(1)	(24)	(24)	(15)	(64)
Equity in net income of affiliated companies	16	12	4	15	47
<b>Income before income taxes</b>	313	449	260	150	1,172
Provision for income taxes	112	164	96	50	422
<b>Income before minority interests</b>	201	285	164	100	750
Minority interests in net income of subsidiaries	(4)	5	9	5	15
<b>Net Income</b>	\$ 205	\$ 280	\$ 155	\$ 95	\$ 735
PRO FORMA	First Quarter 1999	Second Quarter 1999	Third Quarter 1999	Fourth Quarter 1999	1999
	(unaudited)				
Sales	\$4,597	\$4,877	\$4,445	\$4,757	\$18,676
<b>Costs and expenses</b>					
Costs of sales	4,304	4,383	4,129	4,545	17,361
Selling, administrative, and other expenses	158	198	198	222	776
Total costs and expenses	4,462	4,581	4,327	4,767	18,137
<b>Operating income</b>	135	296	118	(10)	539
Interest income	9	9	8	9	35
Interest expense	44	44	44	44	176
Net interest expense	(35)	(35)	(36)	(35)	(141)
Equity in net income of affiliated companies	16	12	4	15	47
<b>Income before income taxes</b>	116	273	86	(30)	445
Provision for income taxes	38	98	31	(18)	149
<b>Income before minority interests</b>	78	175	55	(12)	296
Minority interests in net income of subsidiaries	(4)	5	9	5	15
<b>Net Income</b>	\$ 82	\$ 170	\$ 46	\$ (17)	\$ 281

**Visteon Corporation and Subsidiaries**
**SUPPLEMENTAL FINANCIAL DATA**

	1999 Actual						1999 Pro Forma			
	1997	1998	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year	First Quarter	Second Quarter	Third Quarter
			(unaudited)						(unaudited)	
<b>Sales (In Millions)</b>										
Comfort, Communication & Safety Dynamics & Energy	\$ 8,545	\$ 8,337	\$ 2,203	\$ 2,405	\$ 2,344	\$ 2,425	\$ 9,377	\$ 2,130	\$ 2,328	\$ 2,280
Conversion	7,918	8,673	2,369	2,456	2,075	2,317	9,216	2,276	2,357	1,992
Glass	757	752	200	202	182	189	773	190	192	173
<b>Total</b>	<b>\$17,220</b>	<b>\$17,762</b>	<b>\$4,772</b>	<b>\$5,063</b>	<b>\$4,600</b>	<b>\$4,931</b>	<b>\$19,366</b>	<b>\$4,597</b>	<b>\$4,877</b>	<b>\$4,445</b>
<b>Profit Before Tax (In Millions)</b>										
Comfort, Communication & Safety Dynamics & Energy	\$ 704	\$ 716	\$ 182	\$ 294	\$ 181	\$ 20	\$ 676	\$ 113	\$ 223	\$ 113
Conversion	223	473	125	169	97	157	549	38	81	12
Glass	(47)	(29)	7	10	(1)	(14)	2	—	4	(9)
<b>Total (Incl. Other)(a)</b>	<b>\$ 815</b>	<b>\$ 1,116</b>	<b>\$ 313</b>	<b>\$ 449</b>	<b>\$ 260</b>	<b>\$ 150</b>	<b>\$ 1,172</b>	<b>\$ 116</b>	<b>\$ 273</b>	<b>\$ 86</b>
<b>Net Income (In Millions)</b>										
Comfort, Communication & Safety Dynamics & Energy	\$ 439	\$ 452	\$ 121	\$ 182	\$ 105	\$ 14	\$ 422	\$ 78	\$ 138	\$ 63
Conversion	136	294	79	106	61	99	344	25	50	8
Glass	(25)	(15)	5	8	(1)	(10)	3	1	4	(5)
<b>Total (Incl. Other)(a)</b>	<b>\$ 511</b>	<b>\$ 703</b>	<b>\$ 205</b>	<b>\$ 280</b>	<b>\$ 155</b>	<b>\$ 95</b>	<b>\$ 735</b>	<b>\$ 82</b>	<b>\$ 170</b>	<b>\$ 46</b>
<b>Operating Margin(b)</b>										
Comfort, Communication & Safety Dynamics & Energy	8.0%	8.4%	7.6%	11.8%	7.9%	0.4%	6.9%	4.6%	9.1%	5.2%
Conversion	2.8	5.5	5.3	6.9	4.7	6.8	6.0	1.7	3.4	0.6
Glass	Loss	Loss	2.5	4.0	Loss	Loss	Loss	Loss	1.0	Loss
<b>Total</b>	<b>4.9</b>	<b>6.4</b>	<b>6.2</b>	<b>9.1</b>	<b>6.1</b>	<b>3.0</b>	<b>6.1</b>	<b>2.9</b>	<b>6.1</b>	<b>2.7</b>
<b>Depreciation &amp; Amortization (In Millions)</b>										
	\$ 590	\$ 565	\$ 149	\$ 151	\$ 186	\$ 165	\$ 651	\$ 149	\$ 151	\$ 186
<b>R&amp;D as a Percent of Sales</b>										
	5.0%	5.6%	5.6%	5.8%	5.6%	6.0%	5.8%	5.8%	6.1%	5.8%

[Continued from above table, first column(s) repeated]

	1999 Pro Forma		2000
	Fourth Quarter	Full Year	First Quarter
(unaudited)			
<b>Sales (In Millions)</b>			
Comfort, Communication & Safety	\$2,354	\$ 9,092	\$2,603
Dynamics & Energy Conversion	2,225	8,849	2,425
Glass	179	735	197
Total	\$4,757	\$18,676	\$5,225
<b>Profit Before Tax (In Millions)</b>			
Comfort, Communication & Safety	\$ (47)	\$ 399	\$ 184
Dynamics & Energy Conversion	72	203	79
Glass	(21)	(26)	(6)
Total (Incl. Other)(a)	\$ (30)	\$ 445	\$ 237
<b>Net Income (In Millions)</b>			
Comfort, Communication & Safety	\$ (28)	\$ 249	\$ 114
Dynamics & Energy Conversion	46	128	50
Glass	(14)	(14)	(4)
Total (Incl. Other)(a)	\$ (17)	\$ 281	\$ 147
<b>Operating Margin(b)</b>			
Comfort, Communication & Safety	Loss	4.1%	6.9%
Dynamics & Energy Conversion	3.2	2.3	3.3
Glass	Loss	Loss	Loss
Total	Loss	2.9	4.8
<b>Depreciation &amp; Amortization (In Millions)</b>			
	\$ 165	\$ 651	\$ 166
<b>R&amp;D as a Percent of Sales</b>			
	6.2%	6.0%	5.5%

(a) Incl. Other represents net interest expense not allocated to reportable operating segments.

(b) Reflects operating income (income before interest, taxes and minority interest) divided by sales.

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[FRONT SIDE OF STOCK CERTIFICATE]

NUMBER

SHARES

V \_\_\_\_\_

VISTEON

INCORPORATED UNDER THE LAWS  
OF THE STATE OF DELAWARE

VISTEON CORPORATION

CUSIP 92839U 10 7

SEE REVERSE FOR  
CERTAIN DEFINITIONS

DATE

THIS CERTIFIES THAT

IS THE OWNER OF

fully paid and non-assessable shares of the Common Stock, \$1.00 par value, of Visteon Corporation, transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender of this certificate properly endorsed. This certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

Witness the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

COUNTERSIGNED AND REGISTERED:  
EQUISERVE TRUST COMPANY, N.A.  
TRANSFER AGENT  
AND REGISTRAR

BY

AUTHORIZED OFFICER

SECRETARY

CHAIRMAN OF THE BOARD

[CORPORATE SEAL]

[REVERSE SIDE OF STOCK CERTIFICATE]

VISTEON CORPORATION

The Corporation will furnish without charge to each stockholder who so requests, the designations, powers, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Any such request should be addressed to the Secretary of Visteon Corporation, Fairlane Plaza North, 290 Town Center Drive, Dearborn, Michigan 48126, or to the Transfer Agent and Registrar named on the face of this certificate.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common	UNIF GIFT MIN ACT -	Custodian
		-----
		(Cust) (Minor)
TEN ENT - as tenants by the entireties		under Uniform Gifts to Minors Act
		-----
JT TEN - as joint tenants with right of survivorship and not as tenants in common		(State)

Additional abbreviations may also be used though not in the above list.

For Value Received \_\_\_\_\_ hereby sell, assign and transfer unto \_\_\_\_\_

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

-----  
-----

-----  
PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE

-----  
-----  
-----

Shares of the stock represented by the within Certificate, and do hereby irrevocably constitute and appoint \_\_\_\_\_ Attorney, to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.

Dated, \_\_\_\_\_

-----  
NOTICE: THE SIGNATURE TO THIS ASSIGNMENT SHOULD CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

-----  
SIGNATURE(S) GUARANTEED: THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM).



RELATIONSHIP AGREEMENT  
between  
AUTOMOTIVE CONSUMER SERVICES GROUP  
and  
VISTEON CORPORATION

THIS RELATIONSHIP AGREEMENT is entered into effective as of the 1st day of January, 2000, by the AUTOMOTIVE CONSUMER SERVICES GROUP ("ACSG", formerly Ford Customer Service Division) of Ford Motor Company ("Ford"), and VISTEON CORPORATION ("Visteon").

WHEREAS, Ford has determined it would be appropriate and beneficial to separate the activities being conducted under the name Visteon Automotive Systems, an enterprise of Ford, including those activities conducted by the subsidiaries and affiliates aligned with such enterprise (collectively, with historic operations, the "Business"); and to that end, Ford has set up a separate legal structure for Visteon and will be operating Visteon as a separate legal entity;

WHEREAS, it is anticipated that Visteon will be spun-off from Ford, and become a separate, independent enterprise;

WHEREAS, ACSG and Visteon, in recognition of the impending separation of Visteon from Ford, wish to set forth their agreement as to how they will conduct business between ACSG and Visteon going forward.

NOW THEREFORE, in consideration of the mutual covenants and promises contained herein, the parties agree as follows:

1. PURCHASE OF CURRENT PRODUCTION PARTS. Purchase by ACSG from Visteon of any service, accessory, warranty and /or replacement parts (collectively "Service Parts") already covered by a Ford production purchase order or other Existing Agreement (as defined below) will be governed by the terms of the Purchase and Supply Agreement between Ford and Visteon, dated as of January 1, 2000, which incorporates by reference the Ford standard Purchase Order terms and conditions (FGT26 rev. 4/97) (the "Supply Agreement"), as it may be modified by Ford and Visteon from time to time. Accordingly, the terms of the Supply Agreement are incorporated herein by reference. For such purposes, all such Service Parts (if covered by an Existing Agreement) shall be deemed Components and Current Business as those terms are defined and used under the Supply Agreement.

2. SERVICE PARTS AND SERVICES. Subject to Visteon remaining at all times competitive in terms of quality, service and delivery, ACSG agrees that Visteon will not be desourced during the term of this agreement with respect to any non-production

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service parts or services currently supplied by Visteon to ACSG or Ford. Accordingly, ACSG shall honor the terms and conditions of all non-production purchase orders, long term supply agreements, sourcing confirmation letters, ESTA's and other formal and verifiable informal agreements in existence as of the date of this Agreement relating to the sale by Visteon of non-production Service Parts or related Services ("Existing Service Parts Agreements"). Service parts and services purchased by ACSG from Visteon hereunder will be governed by the applicable Existing Service Parts Agreement, except to the extent they are modified by the following:

- a. FCSD Service Parts Guide. ACSG and Visteon agree that all purchases under this Section 2 shall be governed by the FCSD Service Parts Guide (Attachment 1), as such may be updated from time to time.

b. Global FCSD Full Service Supplier Statement of Work Generic Requirements. ACSG and Visteon agree that all purchases under this Section 2 shall be governed by the requirements set forth in the ACSG document "Global FCSD Full Service Supplier Statement of Work Generic Requirements" (Attachment 2) as it may be modified from time to time.

c. Parts Branding Directive. ACSG and Visteon agree that all purchases under this Section 2 shall be in compliance with the "Parts Branding Directive" set forth in a letter issued by Ford Motor Company President and CEO on October 7, 1999 (Attachment 3).

d. Performance Goals. ACSG and Visteon agree that all purchases under this Section 2 shall be subject to the ACSG Performance Goals as periodically determined and published by ACSG Purchasing.

e. Pricing. ACSG and Visteon have agreed to the pricing principles in this subsection (e), to be effective as of January 1, 2000 and through December 31, 2004. Except as provided in this Section, pricing on all Current Business shall be fixed at the current pricing set forth in the Existing Service Parts Agreements. Thereafter, prices for newly-sourced (non-Current Business) Service Parts shall be determined on a competitive basis in accordance with ACSG's customary practice with its suppliers. Prior to implementing price changes, Visteon will consult with ACSG to ensure that individual component price changes effected under this subsection (e) do not cause ACSG to become uncompetitive in price on such individual components. The agreed upon pricing principles are not superceded by terms of any Existing Service Parts Agreement nor the Supply Agreement and are as follows:

- 1) Price Increase. Visteon may increase pricing on certain Service Parts such that the total amount of such increase multiplied by the volume of affected Service Parts purchased by ACSG does not exceed \$4 million in calendar year 2000.

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- 2) Price Decrease - 2000. Effective January 1, 2000, Visteon shall provide to ACSG a 1.5% price reduction on certain Service Parts such that the net average price reduction across all production Service Parts, non-production Service Parts and Remanufactured Parts (as hereinafter defined) sold to ACSG for such period shall equal 1.5%. The 1.5% price reduction will be calculated on the immediately prior year Visteon sales to ACSG.
- 3) Price Decrease - 2001-2004. Effective January 1, 2001 and each anniversary thereafter through 2004, Visteon shall provide to ACSG a 2% price reduction on certain Service Parts such that the net average price reduction across all production Service Parts, non-production Service Parts and Remanufactured Parts (as hereinafter defined) sold to ACSG for such period shall equal 2%. The 2% price reduction will be calculated on the immediately prior year Visteon sales to ACSG.
- 4) Exclusion of Newly Sourced Service Parts. The foregoing price reductions during the years 2001 through 2004 do not include newly sourced Service Parts first sold to ACSG after July 1 of the prior year in calculation.
- 5) Credit for Cost Savings. Visteon shall receive credit from ACSG for 100% of the materials cost savings resulting from changes initiated by Visteon and approved by ACSG. Such cost savings will be credited against the above-required cost reductions. With each design change that Visteon initiates, Visteon must furnish information and data that demonstrate, in conformance with

standard industry engineering practices, the feasibility of the change. ACSG may conduct its own engineering analysis of the change and shall not be obligated to approve any change that ACSG believes causes a deviation from original product specifications.

- 6) Credit for Remanufactured Service Parts. For purposes of calculating the amount of price reduction achieved in connection with any volume of Service Parts sales for any relevant sales period hereunder, Visteon shall be entitled to include the entire volume of Remanufactured Parts (as defined below) sold to ACSG in that period.

f. Tooling - Visteon may continue to use ACSG tooling as follows:

- (i) Aftermarket Suppliers - Visteon may continue to use ACSG-owned tooling ("ACSG Tooling") for production of Service Parts for automotive aftermarket suppliers through 2004. Any new/additional customers, Service Parts or tooling use requires prior ACSG approval. Use of ACSG Tooling in 2000 will be free of any additional charge. In 2001, Visteon shall pay a 2% tooling use and maintenance fee on net sales of components manufactured from ACSG Tooling and sold to automotive aftermarket suppliers. In 2002 through 2004, Visteon shall pay a 2.5% tooling use and maintenance fee on net sales of components manufactured from ACSG Tooling and sold to automotive

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aftermarket suppliers. Use is subject to the Ford standard Purchaser Order terms and conditions (FGT26 Rev. 4/97) except as otherwise set forth herein. ACSG will notify Visteon as to ACSG's determination regarding disposition of ACSG Tooling after 12/31/04.

- (ii) Warehouse Distributors - Visteon may continue to use ACSG Tooling for production of Service Parts for warehouse distributors through 2004. Any new/additional customers, Service Parts or ACSG Tooling use requires prior ACSG approval. Use of ACSG Tooling in 2000 will be free of any additional charge. In 2001, Visteon shall pay a 3.5% tooling use and maintenance fee on net sales of Service Parts manufactured from ACSG tooling and sold to distributors other than through ACSG. In 2002 through 2004, Visteon shall pay a 4% tooling use and maintenance fee on net sales of components manufactured from ACSG Tooling and sold to distributors other than through ACSG. Use is subject to the Ford standard Purchaser Order terms and conditions (FGT26 Rev. 4/97) except as otherwise set forth herein. ACSG will notify Visteon as to ACSG's determination regarding disposition of ACSG Tooling after 12/31/04.

- (iii) Special Use of Tooling. In addition to the foregoing, ACSG and Visteon agree that Visteon may continue to use ACSG tooling on a royalty free basis, consistent with current business practice for the following programs:

- a. Climate Control Service Part (unbranded) sales to Midas.
- b. Freightliner Service Parts sales (only as required to support Sterling (HN-80)).
- c. Current programs to supply OE (no aftermarket) Service Parts to Mazda, Nissan, and Volkswagen.
- d. Export component sales to Ford dealers in the Middle East (no new Service Parts - only existing Service Parts being sold will continue to be offered).

ACSG and Visteon agree that the approved uses of tooling in subsections (a) through (d) above may continue (i) for the term of any

binding contract (in effect as of the effective date of this Agreement and entered into by Visteon) that requires Visteon to supply Service Parts for the transactions described in (a) through (d) above, or if no such contract term is in place, (ii) for the term of this Agreement, after which time ACSG and Visteon will mutually agree if such tooling use will continue,

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under new or prior terms. If ACSG and Visteon agree to discontinue such tooling use, they will create a reasonable transition and/or discontinuation plan.

3. REMANUFACTURING PROGRAMS. Subject to Visteon remaining at all times competitive in terms of quality, service and delivery, ACSG and Visteon agree that, for a period of two (2) years from the date hereof, Visteon shall be the exclusive supplier to ACSG and ACSG shall be the exclusive customer of Visteon, for the remanufactured Service Parts ("Remanufactured Parts") currently manufactured by Visteon for ACSG. In the event that Visteon elects to supply Remanufactured Parts to ACSG under the Right of Last Refusal described in Section 4 (ii) below, such supply will be subject to the same two-year mutual exclusivity provisions described above.

4. RIGHT OF LAST REFUSAL FOR REPLACEMENT AND NEW BUSINESS. For a period equal to three (3) years from the effective date of this Agreement, provided that Visteon is competitive in terms of quality, service and delivery, Visteon will be granted a right of last refusal ("Right of Last Refusal") under Ford's then standard Purchase Order terms, for (i) the replacement cycle of all Current Business; (ii) all Remanufactured Parts under the Program as of the effective date of this Agreement (as described above) and for any other remanufactured parts which ACSG wishes to purchase during the period to the extent Visteon manufactures such parts; and (iii) any new Service Parts requirements of ACSG which arise during the period, to the extent that Visteon manufactures such Parts. The Right of Last Refusal shall be governed in accordance with the terms the Right of Last Refusal as described in Section 6 and Exhibit I of the Supply Agreement.

5. CARLITE GLASS BUSINESS. ACSG and Visteon acknowledge and agree that all assets and liabilities related to the Carlite-branded glass manufacturing, distribution and service/installation business the ("Carlite Brand Glass Business") have been transferred to Visteon pursuant to the Master Transfer Agreement between Ford and Visteon dated as of March 30, 2000. Accordingly, ACSG has no continuing right or interest to or in the Carlite Brand Glass Business. It is the intention of the parties that Visteon shall be permitted to continue to operate the Carlite Brand Glass Business substantially as it has in the past, including without limitation, Visteon's ability to continue to represent such business as an authorized Ford-OEM replacement glass supplier in the North American market (for so long as it continues to be so sourced), and the right in connection therewith to continue to label the Carlite brand with Ford range of brands on replacement glass in accordance with the licensing guidelines set forth in Exhibit 5 hereto.

6. VISTEON SERVICE DISTRIBUTOR NETWORK. ACSG and Visteon agree that the Visteon Service Distributor Network covering audio systems and equipment, instrument clusters and speedometers (the "Network") will continue as currently operated and/or managed by Visteon under previously agreed upon guidelines and principles, whereby Visteon acts as an authorized service center and distributor for ACSG and Ford Service Parts and service. For the term of this Agreement, ACSG will continue to recognize Visteon as its sole authorized service center and distributor, but only for those Ford Service Parts that Visteon manufactures for ACSG during the term of this Agreement and only if Visteon adheres to customary standards of quality and timing for service for a

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particular Ford Service Part. After the term of this Agreement, neither ACSG nor Visteon will be obligated to support the Network unless both mutually agree such should continue, under mutually agreed upon terms. If ACSG and Visteon agree to terminate Visteon's status as an authorized service center and distributor, ACSG and Visteon will create a reasonable transition plan to ensure there is no gap in service coverage to Ford dealers. Additionally, ACSG has no obligation to expand the Network relationship to include components other than those currently covered by the Network.

7. TRANSFER OF TIER 2 SUPPLIER PURCHASE ORDERS. Within the North American market, ACSG agrees to transfer certain ACSG Tier 2 purchase orders to Visteon. ACSG and Visteon will mutually determine which purchase orders will be transferred dependent on what is appropriate and beneficial to both entities. ACSG and Visteon will mutually agree on the timeline for the transfer with a targeted completion date of June 30, 2000. The volume of components represented by the purchase orders transferred to Visteon on or before June 30, 2000 will be included under the terms of the pricing agreement set forth in Section 2(e) from January 1, 2001. The volume of components represented by the purchase orders transferred to Visteon after June 30, 2000 will be included under the terms of the pricing agreement set forth in Section 2(e) from January 1, 2002. As relates to these transferred purchase orders, Ford will provide reasonable assistance to Visteon to ensure Visteon has access to all tools related to production of the Service Parts covered by such purchase orders.

ACSG and Visteon also agree to explore Visteon taking control of the supply of certain aftermarket projects currently supplied directly to ACSG by Ryken Tube Manufacturing ("Ryken") and Findlay Industries ("Findlay"). The intention is to complete this analysis by June 30, 2000. If the decision is made to transfer to Visteon the business currently handled by these two suppliers, Visteon and ACSG will mutually agree to a pricing agreement which will be treated as an addendum to Section 2(e) of this Agreement. Should Visteon and ACSG agree to not transfer control of this business, then the Ryken and Findlay business will be exempt from the Section 2(e) pricing agreement.

8. LOGISTICS. ACSG and Visteon have been in discussions relating to the provision by ACSG to Visteon of certain logistics and transportation services, to be provided to Visteon beginning January 2001. ACSG will submit a bid to Visteon for supplying such services by September 30, 2000. Visteon agrees to give preferred consideration to the ACSG bid and will provide to ACSG an initial response to the bid within 30 days after its receipt.

9. TERM OF AGREEMENT. This Agreement shall be in effect from January 1, 2000 through December 31, 2004.

10. MISCELLANEOUS.

a. Entire Agreement. This Agreement, including all Exhibits and Schedules attached hereto, constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior written and oral and all

contemporaneous oral agreements and understandings with respect to the subject matter hereof.

b. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Michigan.

c. Benefit of the Parties. This Agreement is for the sole benefit of the Parties hereto and no third party may claim any right, or enforce any obligation of the Parties, hereunder.

d. Notices. All notices and other communications hereunder shall be in

writing and shall be deemed to have been duly given when delivered in person, by fax with confirmation of receipt, by express or overnight mail delivered by a nationally recognized air courier (delivery charges prepaid), or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties as follows:

If to Ford:  
Ford Motor Company  
The American Road  
Dearborn, MI 48121  
Attention: Secretary  
Fax: (313) 248-7036

If to Visteon:  
Visteon Corporation  
Auto Club Drive  
Dearborn, MI  
Attention: General Counsel  
Fax: (313) 390-9277

or to such other address as the party to whom notice is given may have previously furnished to the others in writing in the manner set forth above. Any notice or communication delivered in person shall be deemed effective on delivery. Any notice or communication sent by fax or by air courier shall be deemed effective on the next business day. Any notice or communication sent by registered or certified mail shall be deemed effective on the fifth business day after such notice or communication was mailed.

e. Successors and Assignees. This Agreement shall be binding upon and inure to the benefit of each party hereto and their respective successors and assignees of the parties. In no event will a party be released from their indemnity obligations without the written consent of the other party.

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f. Dispute Resolution. If a dispute arises between the Parties relating to this Agreement, the following procedure shall be implemented except that either Party may seek injunctive relief from a court where appropriate in order to maintain the status quo while this procedure is being followed:

The Parties shall hold a meeting promptly, attended by persons with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute; provided, however, that no such meeting shall be deemed to vitiate or reduce the obligations and liabilities of the Parties or be deemed a waiver by a party hereto of any remedies to which such Party would otherwise be entitled.

If within thirty (30) days after such meeting, the Parties have not succeeded in negotiating a resolution of the dispute, they agree to submit the dispute to mediation in accordance with the then-current Model Procedure for Mediation of Business Disputes of the Center for Public Resources and to bear equally the costs of the mediation. The Parties will jointly appoint a mutually acceptable mediator, seeking assistance in such regard from the Center for Public Resources if they have been unable to agree upon such appointment within twenty (20) days from the conclusion of the negotiation period.

The Parties agree to participate in good faith in the mediation and negotiations related thereto for a period of thirty (30) days. If the Parties are not successful in resolving the dispute through the mediation, then the Parties agree to submit the matter to binding

arbitration in accordance with the Center for Public Resources Rules for Non-Administered Arbitration, by a sole arbitrator.

Mediation or arbitration shall take place in the City of Dearborn, Michigan. Equitable remedies shall be available in any arbitration. Punitive or exemplary damages shall not be awarded. This clause is subject to the Federal Arbitration Act, 9 U.S.C.A. Section 1 et seq., or comparable legislation in non-U.S. jurisdictions, and judgment upon the award rendered by the arbitrator, if any, may be entered by any court having jurisdiction thereof.

g. Invalidity of Individual Terms. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent

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of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible.

h. Non-Waiver of Rights. No failure or delay on the part of any party hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

i. Headings. The descriptive headings herein are for reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

j. Amendment. No change or amendment will be made to this Agreement except by an instrument in writing signed on behalf of each of the parties to such agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their fully authorized representatives as of the day and year first above written.

VISTEON CORPORATION

FORD MOTOR COMPANY

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Name: /s/ Daniel R. Coulson

Name: /s/ Malcolm Macdonald

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Title: Executive Vice President  
-----  
and Chief Financial Officer  
-----

Title: Vice President and Treasurer  
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## HOURLY EMPLOYEE ASSIGNMENT AGREEMENT

This Assignment Agreement (the "Agreement") is entered into as of the first day of April, 2000, by and among Visteon Corporation, a corporation organized under the laws of the state of Delaware, with offices at 5500 Auto Club Drive, Dearborn, Michigan 48126 ("Visteon"), and Ford Motor Company, a corporation organized under the laws of the state of Delaware, with offices at The American Road, Dearborn, Michigan 48121 ("Ford"). Ford and Visteon are referred to herein individually as a "Party" and collectively as the "Parties".

## RECITALS

A. Ford employs directly approximately 23,580 U.S. hourly employees ("Ford Hourly Employees") who are engaged in the business of manufacturing and assembling automotive parts and services now being conducted under the name of Visteon Automotive Systems, an enterprise of Ford Motor Company, including those activities conducted by its subsidiaries and affiliates (the "Business");

B. The Ford Hourly Employees are represented by the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America, UAW and its affiliated Locals 228, 400, 600, 723, 737, 848, 849, 892, 898, 1111, 1216 and 1895 (collectively, "UAW") and are covered under the terms and conditions of the Ford-UAW Collective Bargaining Agreement dated as of September 30, 1999 between Ford and the UAW and various local agreements by and between Ford and UAW ("Ford-UAW CBA"). For purposes of this Agreement, the Ford Hourly Employees do not include the hourly employees of subsidiaries or affiliates of Ford which are included in the Business.

C. Pursuant to a Master Transfer Agreement dated as of even date herewith by and among Visteon and Ford ("Master Transfer Agreement"), Visteon will acquire the assets and assume the liabilities of the Business from Ford;

D. Visteon desires to continue to utilize the services of the Ford Hourly Employees for its Business; and

E. Ford desires to assign its Ford Hourly Employees to Visteon for the purpose of enabling Visteon to conduct the Business in accordance with the terms set forth below.

NOW, THEREFORE, in consideration of the premises and mutual promises herein made, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Term. The term of this Agreement shall commence on a date to be agreed by Ford and Visteon, but no later than the date that Ford will distribute to the holders of its common stock and Class B stock, by means of an exchange offer and/or a prorata distribution, all of the shares of Visteon common stock owned by Ford, such date being referred to hereafter as the Effective Date, and shall terminate at the earlier to occur of (a) the termination of employment of all of the Ford Assigned Employees, as defined in Paragraph 2 below, or (b) the agreement of the Parties to terminate. The term shall be known as the "Assigned Period." Nothing herein contained shall be construed to imply that Visteon's obligations to hourly employees represented by the UAW and hired by Visteon after the Effective Date ("Visteon Hourly Employees") extend beyond the Mirror



Period, as defined in Paragraph 13.

2. Purchased Services. During the Assigned Period, Ford shall supply Visteon with those Ford Assigned Employees who are assigned to the Business as of the Effective Date, including any inactive employees (the "Initial Ford Assigned Employees"). On the Effective Date, Ford shall provide to Visteon a preliminary list of the Initial Ford Assigned Employees as of the Effective Date, together with their base hourly wage rate, Ford service date, job classification, location code, social security number, and the reason for any absence of an inactive employee and the date any leave expires. Ford shall finalize the list of Initial Ford Assigned Employees as of the Effective Date no later than thirty (30) days after the Effective Date, subject to Visteon review. Ford shall update such list at least monthly for employee quits, retirements, transfers from Ford facilities to Visteon's facilities, transfers from Visteon's facilities to Ford facilities or transfers between hourly and salaried status at Visteon, in connection with the invoice procedure specified in Section 8. The Initial Ford Assigned Employees and any replacement employees under the process described above, shall be known for purposes of this Agreement as the "Ford Assigned Employees." Ford Assigned Employees and all other hourly employees employed by Ford and covered by the Ford-UAW CBA shall retain their transfer rights under the Ford-UAW CBA including rights to placement in Visteon or Ford facilities.

3. Employer Definition. During the Assigned Period, Ford shall retain responsibility for all payments and benefits due to the Ford Assigned Employees in connection with the work relating to the Business, including but not limited to

- (i) the payment of Ford Assigned Employees' base hourly wage or other components of pay as required under the Ford-UAW CBA now in existence or as modified hereafter (less any applicable withholding or other taxes or any amounts deducted from such wages pursuant to normal payroll practices of Ford);
- (ii) the provision of all other employee benefits generally provided by Ford to other hourly employees of Ford covered by the Ford-UAW CBA;

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- (iii) payment of all federal, state, or local taxes withheld or otherwise required to be paid with respect thereto; and
- (iv) the liability for statutory benefits, including workers' compensation, payable to employees.

4. Management of Employees. While Ford will retain legal responsibility for administering the terms of the Ford-UAW CBA with respect to the Ford Assigned Employees, Visteon, as Ford's agent, will have full and complete authority to exercise day to day supervision over the Ford Assigned Employees, including assigning work and evaluating, supervising, disciplining and discharging such employees in accordance with the terms of the Ford-UAW CBA. If any of those decisions are challenged by a Ford Assigned Employee through a grievance procedure, in judicial proceedings, or in any other forum, Visteon will have the sole responsibility for determining how those challenges should be handled and resolved (including but not limited to the sole authority for making

a decision whether to settle or defend the challenged matter), provided, however, that Visteon shall comply with any decision rendered by an umpire, arbitrator, officer of a state administrative agency or judge of any court of competent jurisdiction with respect to such matter, subject to Visteon's right of appeal. Notwithstanding the provision set forth above, Visteon will advise Ford of any major issues that arise under the Ford-UAW CBA, or other major employment related matters affecting or potentially affecting UAW hourly represented Ford employees, or matters that could materially impact the Ford-UAW relationship. If Visteon advises Ford of any such issue or matter, or if such issue or matter otherwise comes to the attention of Ford and Ford in its sole judgment considers the issue or matter to fit the criteria above, Ford will notify Visteon that Ford desires to participate in the resolution of such issue or matter. As soon as practical after such notice is given, Visteon and Ford will meet to discuss the issue or matter through the Joint Advisory Board described in Section 17 and determine the appropriate course of action for handling or resolving the issue or matter. If a common approach cannot be agreed and Ford decides to pursue its own resolution of the issue or matter, then Ford shall relieve Visteon of its role as agent of Ford with respect to such issue or matter and Ford shall pursue the issue or matter in Ford's sole discretion. Visteon shall provide Ford on a weekly basis a summary of the hours of service rendered by each of the Ford Assigned Employees during the preceding week. In addition, Visteon shall provide Ford with such information or documents as Ford may reasonably request with respect to Ford Assigned Employees. Visteon will share any such information with Ford (other than non-job related personal care received by the Ford Assigned Employees unless related to a legitimate business interest of Ford) regardless of any claim of privilege or confidentiality because Ford is an employer of the Ford Assigned Employees.

5. Payroll and Related Services. During the Assigned Period, Ford shall provide payroll processing services for the Ford Assigned Employees including, but not

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limited to, the following: weekly payroll, quarterly and annual payroll tax deductions and filings, including deductions and payments for income and Social Security tax requirements under local, state and federal laws; personnel record maintenance, authorized income withholding orders, insurance or other withholdings; employee verification; retirement plan processing and annual W-2 forms; and reporting of hours by Visteon location for Visteon to administer the Visteon local training funds.

6. Employee Benefit Plans.

6.1 Identification of Plans. During the Assigned Period, Ford shall cover the Ford Assigned Employees under the same employee benefit and fringe benefit plans and arrangements generally offered to other hourly represented UAW employees of Ford, at the same time, and the Ford Assigned Employees shall be ineligible to participate in any employee benefit plan or fringe benefit program sponsored by Visteon. Ford reserves the right to modify, terminate or suspend any plan applicable to any Ford Assigned Employee, subject to the Ford-UAW CBA.

6.2 Administration of Plans. During the Assigned Period, Ford or its designee shall maintain, administer and manage all employee benefit and fringe benefit plans and arrangements offered to the Ford Assigned Employees.

7. Fees. Unless otherwise specifically provided herein, Ford shall be reimbursed monthly for the direct wage and benefit costs for the Ford Assigned Employees, except with respect to reimbursement for item (iii) below with respect to Retiree Health Care and Retiree Life Insurance, in which case any such reimbursement shall be made directly to the applicable benefit plan. For

purposes of this Section 7, "direct wage and benefit costs" for which reimbursement is required shall include:

- (i) The weekly gross wage, and any other type of compensation, such as Christmas bonus, moving allowance, and any other cash compensation not included in the Standard Monthly Group Fringe cost referred to in (ii) below, except with respect to profit share, see item (viii) below, payable by Ford to each Ford Assigned Employee for work performed during the Assigned Period;
- (ii) A per-employee Standard Monthly Group Fringe cost as published from time to time by Ford in the PF-4 (U.S. Labor Assumptions) less the accrual rates for Retirement Plans-Pensions, Retiree Health Care, and Retiree Life Insurance;
- (iii) An annual payment for Retirement Plans-Pensions, Retiree Health Care and Retiree Life Insurance related to the Ford Assigned Employees, according to the methodology set forth in Attachment A hereto;

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- (iv) Expenses incurred by Ford with respect to each Ford Assigned Employee that are not included in (i) through (iii) above and arises as a result of such employee's work for the Business, such as reserves for any workers' compensation claims arising out of any work accident while the Ford Assigned Employee was performing work for the Business, regardless of when the claim occurred and disability claims with respect to each Ford Assigned Employee to the extent such claims are not covered by insurance. Visteon will assume responsibility as Ford's agent, for accruing and administering the local training funds pursuant to the Ford-UAW CBA. In the event Ford incurs expense for local training funds relating to the Business, Visteon shall reimburse Ford for such expense;
- (v) Reasonable and necessary travel and business related expenses related to Ford Assigned Employees incurred by Ford on behalf of the Business and paid or reimbursed to such employee by Ford as authorized by Ford's standard travel and business expense reimbursement policy;
- (vi) All assessments, premiums or other taxes incurred and paid by Ford with respect to the Ford Assigned Employees not otherwise paid under section (i) through (v) above, including the annual Michigan Single Business Tax cost to Ford resulting from the assignment of the Ford Assigned Employees to Visteon under this Agreement;
- (vii) Direct out-of-pocket incremental costs incurred by Ford in the establishment and administration of benefit programs applicable to Ford Assigned Employees including, but not limited to, legal fees, record keeping, actuarial, and accounting fees not otherwise payable from the Ford-UAW Retirement Plan trust or the Tax Efficient Savings Plan for Hourly Employees; and

- (viii) Annual profit share payable by Ford to each Ford Assigned Employee, provided, however, that for each of calendar years 2000 through 2004, any aggregate profit share reimbursement shall be limited to the lesser of (A) \$50 million, or (B) the aggregate actual profit share payable for such year with respect to the Ford Assigned Employees.

8. Payment. Within fifteen (15) days after the end of each calendar month during the Assigned Period, Ford shall render an invoice to Visteon in such form and containing such detail as Visteon shall reasonably require, for direct wage and benefit costs which Ford has incurred with respect to the Ford Assigned Employees consistent with the Ford-UAW CBA and which were not previously invoiced. In rendering such reports, Ford will not be required to undertake any modifications to its information systems in order to render the detail requested by Visteon. Unless some other form of

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payment is agreed between Visteon and Ford, Visteon shall pay Ford this amount within ten (10) business days of receipt of the invoice by wire transfer into a Ford designated account. Visteon shall have a right to audit the invoices and related records of Ford upon reasonable notice during normal business hours, at a place mutually agreed by the Parties. To the extent the Parties agree the payment should be adjusted as a result of such audit, any overpayments will be applied to the next payment(s) due from Visteon and any underpayments will be added to the next invoice issued by Ford.

9. Workers' Compensation and Unemployment Insurance. Ford shall continue to provide Workers' Compensation and Unemployment Compensation coverage for the Ford Assigned Employees at all times during the term of this Agreement.

10. Work Environment.

10.1 Compliance With All Health and Safety Laws. Visteon shall maintain its facilities at its sole cost and expense so as to provide a work environment in conformance with legal requirements.

10.2 Compliance with Employment Laws. The Parties shall comply with all applicable national, federal, state and local employment laws, including, but not limited to, wage and hour, overtime, discrimination laws, and/or local employment ordinances.

11. Noninterference. In the event that Visteon desires to hire a Ford Assigned Employee to become a Visteon Hourly Employee or a Visteon salaried employee, Ford shall not interfere or restrict such employee from accepting any Visteon offer of employment.

12. Assumption of Liability. As of the Effective Date, Visteon will assume liability and responsibility for all pending employment claims with respect to the Ford Assigned Employees that relate to the Business, provided, however, that Visteon shall not assume any obligation or liability of Ford with respect to the following litigation: Michael Jones et al v. Ford Motor Company filed on June 9, 1993 in U.S. District Court, District of Minnesota, regarding discrimination allegations. With respect to those claims assumed, Visteon will have sole responsibility for deciding how to defend the claims (e.g. whether to settle or litigate).

13. Visteon Role in Ford-UAW Bargaining. Pursuant to the terms of a Plant Closing and Sale Moratorium letter dated October 9, 1999 by and between Ford and the UAW, the parties agreed that Ford would be permitted to spin-off, sell or otherwise transfer the Business pursuant to certain conditions including that (i) Visteon would agree to adopt a collective bargaining agreement for the Visteon Hourly Employees that would mirror the Ford-UAW CBA for the 1999-2003 contract period and for the

next two contract periods ("Restricted Period") and (ii) in accordance with the Visteon-UAW CBA, Visteon Hourly Employees hired during the Restricted Period are to be provided with wages, benefits and other terms and conditions of employment by Visteon which are a mirror of the successive Ford-UAW CBA's for the duration of their employment with and retirement from Visteon ("Continuation Period") (the Restricted Period and the Continuation Period to be known collectively as the "Mirror Period"). For a period at least equal to the Mirror Period, Ford will include Visteon in negotiations planning and strategy development and will consult in good faith with Visteon concerning the terms of any CBA applicable to Ford Assigned Employees before entering into such CBA. Nothing in this Agreement shall be construed to preclude Visteon and the UAW or any other union from negotiating different terms and conditions of employment for the Visteon Hourly Employees which are mutually satisfactory to those parties.

14. Future Changes. Under the Ford-UAW CBA, the local parties may agree to local continuous improvement initiatives to improve operational effectiveness. Ford will support Visteon's efforts to secure appropriate changes in work rules and practices, or other local continuous improvement initiatives, to improve operational effectiveness. Nothing herein contained in this Agreement shall be construed as to interfere with Visteon's rights as an employer to pursue its own aims in the collective bargaining process with the UAW with respect to Visteon Hourly Employees. If Visteon and the UAW agree that Ford Assigned Employees should become Visteon Hourly Employees subject to the terms of the Visteon-UAW CBA, Ford shall cooperate in transferring the employment of the Ford Assigned Employees to Visteon, provided however, that Ford incurs no additional cost with respect thereto.

15. Management of Worker's Compensation Claims. The Parties recognize that because Ford will remain an employer of the Ford Assigned Employees, Visteon may have limitations on its ability to control and manage worker's compensation claims relating to the Ford Assigned Employees. Ford and Visteon will work together to develop and implement a strategy and process for minimizing and reducing those claims.

16. Business Costs Related to Insufficient Business and/or Business Restructuring. The Parties recognize that significant business costs relating to the Ford Assigned Employees will be incurred in the event that Visteon does not have sufficient work to perform during the term of this Agreement ("Insufficient Business"). The Parties further recognize that Visteon will seek ways to restructure and streamline its business to improve competitiveness which may also result in significant business costs relating to the Ford Assigned Employees ("Business Restructuring"). Ford and Visteon agree to jointly work together in good faith through the Joint Advisory Board to attempt to minimize the business costs to Visteon and Ford in the event of Insufficient Business or Business Restructuring. Ford shall consider in good faith proposals by Visteon to minimize the cost impact, for example, considering placements of the Ford Assigned Employees in Ford hourly open positions without a cost penalty to Ford or

accelerating the termination of this Agreement. To the extent that such a proposal requires agreement by the UAW, Ford and Visteon shall use their respective best efforts with the UAW to secure such approval. Nothing herein

contained however shall be construed as a Ford commitment to assume liability for all or any part of such labor costs, or to take any specific action with respect to any proposal.

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17. Joint Advisory Board. The Parties recognize that it is in their mutual interest to establish and maintain cooperative working relationships with each other not only from the point of view of ongoing reliability of competitive supply, but also because of the continuing relationship of both Parties with their employees, particularly those represented by the UAW. It is also recognized that there will be instances in the future where each Party's labor policy and negotiations strategy and practice may vary from each other's. Similarly, the Parties recognize that as Visteon attempts to streamline its operations, and adjust its workforce, there may be a need to cooperatively deal with the effect of these efforts on the performance of each Party.

In order to achieve these objectives, the Parties agree to establish a Joint Advisory Board for the purpose of assuring cooperative relationships between the Parties and to be used as the forum to discuss significant issues that may arise between the Parties as a result of their business relationships that cannot otherwise be resolved through normal processes. The Advisory Board will meet regularly and will consist of senior representatives of the labor relations, purchasing, technology and general business functions of Ford and Visteon. The Advisory Board will seek mutually beneficial solutions to resolve significant issues that arise between the Parties in a fair and cooperative manner and in the interest of securing a positive business relationship.

18. Indemnity.

18.1 Visteon Indemnity. Visteon shall indemnify Ford against and agrees to hold it harmless from any and all damage, loss, claim, liability and expense (including without limitation, reasonable attorneys' fees and expense in connection with any action, suit or proceeding brought against Ford) incurred or suffered by Ford arising out of (i) breach of any agreement made by Visteon hereunder; (ii) any claim by Ford Assigned Employees (or their dependents or beneficiaries) arising out of or in connection with the operation, administration, funding or termination of any of Visteon's employee benefit plans or programs, whenever made, including, without limitation, claims made to the Pension Benefit Guaranty Corporation ("PBGC"), the Department of Labor ("DOL"), or the Internal Revenue Service ("IRS"); or (iii) employment claims of Ford Assigned Employees whenever made based on conditions or actions arising prior to or during the Assigned Period, except as provided in Section 18.2 (iii) below.

18.2 Ford Indemnity. Ford shall indemnify Visteon against and agrees to hold it harmless from any and all damage, loss, claim, liability and expense (including without limitation, reasonable attorneys' fees and expenses in connection with any action, suit or proceeding brought against Visteon) incurred or suffered by Visteon arising out of (i) breach of any agreement made by Ford hereunder; (ii) any claim by Ford Assigned Employees (or their dependents or beneficiaries) arising out of or in connection with the operation, administration, funding or termination of any of the employee benefit plans or programs applicable to the Ford Assigned Employees, whenever made, including without limitation, claims

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made to the PBGC, the DOL, or the IRS; or (iii) employment claims of the Ford Assigned Employees that arise before or during the Assigned Period where the liability, if any, is primarily the result of and arising from conduct of a Ford supervisor or manager not employed by the Business (as opposed to the actions or inaction of Visteon).

18.3 Procedure for Indemnity. The procedure for indemnification under this Section 17 shall be as set forth in Section 7(c) through (j) of the Master Transfer Agreement and shall be incorporated herein by reference.

19. Dispute Resolution. If a dispute arises between the Parties relating to this Agreement, the following procedure shall be implemented except that either Party may seek injunctive relief from a court where appropriate in order to maintain the status quo while this procedure is being followed:

19.1 Initial Meeting. The Parties shall hold a meeting promptly, attended by persons with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute; provided, however, that no such meeting shall be deemed to vitiate or reduce the obligations and liabilities of the Parties or be deemed a waiver by a party hereto of any remedies to which such Party would otherwise be entitled.

19.2 Mediation. If, within thirty (30) days after such meeting, the Parties have not succeeded in negotiating a resolution of the dispute, they agree to submit the dispute to mediation in accordance with the then-current Model Procedure for Mediation of Business Disputes of the Center for Public Resources and to bear equally the costs of the mediation. The Parties will jointly appoint a mutually acceptable mediator, seeking assistance in such regard from the Center for Public Resources if they have been unable to agree upon such appointment within twenty (20) days from the conclusion of the negotiation period.

19.3 Arbitration. The Parties agree to participate in good faith in the mediation and negotiations related thereto for a period of thirty (30) days. If the Parties are not successful in resolving the dispute through the mediation, then the Parties agree to submit the matter to binding arbitration in accordance with the Center for Public Resources Rules for Non-Administered Arbitration, by a sole arbitrator.

19.4 Procedure. Mediation or arbitration shall take place in the City of Dearborn, Michigan. Equitable remedies shall be available in any arbitration. Punitive or exemplary damages shall not be awarded. This clause is subject to the Federal Arbitration Act, 9 U.S.C.A. Section 1 et seq., or comparable legislation in non-U.S. jurisdictions, and judgment upon the award rendered by the arbitrator, if any, may be entered by any court having jurisdiction thereof.

20. Miscellaneous.

20.1 Assignment. This Agreement has been executed in consideration of the Parties involved and therefore may not be assigned or transferred to a third party without the prior written consent of the other Party. This Agreement will be binding on the agreed successors to or assignees of either Party. In no event will a Party be released from their indemnity obligations without the prior written consent of the other Party.

20.2 Entire Agreement, Amendment, Waiver. This Agreement embodies the entire agreement of the Parties and supersedes any other agreements or understandings between them, whether oral or written, relating to this subject matter. In the event of a conflict between this Agreement and any other agreement between or among any of the Parties with respect to the subject matter hereof, this Agreement shall control. No amendment or modification or waiver of a breach of any term or condition of this Agreement shall be valid unless in a writing signed by each of the Parties. The failure of either Party to enforce, or the delay by either of them in enforcing, any of its respective rights under this Agreement will not be deemed a continuing waiver or a modification of any rights hereunder and either Party may, within the time provided by applicable law and consistent with the provisions of this Agreement, commence appropriate legal proceedings to enforce any or all of its rights.

20.3 Notices. Any notice or other communication hereunder must be given in writing and either (a) delivered in person, (b) transmitted by facsimile transmission or other telecommunications mechanism, (c) sent by a nationally recognized overnight courier service (delivery charges prepaid) or (d) sent by registered or certified mail (postage prepaid, return receipt requested) as follows:

If to Ford:

Ford Motor Company  
Henry Ford II World Center  
The American Road  
Dearborn, Michigan 48121-1899  
Attention: Secretary  
Fax: (313) 248-7036

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If to Visteon:

Visteon Corporation  
Auto Club Drive  
Dearborn, Michigan 48121-1899  
Attention: General Counsel  
Fax: (313) 390-2718

All notices personally delivered shall be deemed received on the date of delivery. Any notice sent via facsimile transmission shall be deemed received on date shown on the confirmation advice. Any notice by registered or certified mail shall be deemed to have been given on the date of receipt or refusal thereof. The date of any notice by overnight courier service shall be the date the airbill is signed by the recipient. Any Party may change its address for the receipt of notices by giving Notice thereof to the other.

20.4 Partial Invalidity. Any provision of this Agreement which is found to be invalid or unenforceable by any court in any jurisdiction will, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability, and the invalidity or unenforceability of such provision will not affect the validity or enforceability of the remaining provisions hereof.

20.5 Title and Headings. Titles and headings of Sections and Subsections of this Agreement are for convenience only and will not affect the construction of any provision of this Agreement.



20.6 Negotiated Terms. The Parties agree that the terms and conditions of this Agreement are the result of negotiations between the Parties and that this Agreement will not be construed in favor of or against any Party by reason of the extent to which any Party or its professional advisors participated in the preparation of this Agreement.

20.7 Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which taken together will constitute one and the same instrument.

20.8 Governing Laws. This Agreement is governed by the internal laws of the State of Michigan.

20.9 Third Party Beneficiaries. This Agreement is for the sole benefit of the Parties hereto and no third party may claim any right, or enforce any obligation of the Parties, hereunder.

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20.10 Relationship. Nothing contained in this Agreement will be construed to make any of the Parties partners, principals, agents or employees of the other, except as explicitly provided. None of the Parties will have any right, power or authority, express or implied, to bind any of the other Parties. Nothing contained in this Agreement shall be construed to imply multiemployer bargaining with respect to the labor affairs of the other Party.

20.11 Good Faith and Fair Dealing. In entering into this Agreement, the Parties each acknowledge and agree that all aspects of the relationship among the Parties contemplated by this Agreement, including the performance of all obligations under this Agreement, will be governed by the fundamental principle of good faith and fair dealing.

20.12 Consents, Approvals and Requests. Except as specifically set forth in this Agreement, all consents and approvals to be given by any of the Parties under this Agreement will not be unreasonably withheld or delayed.

20.13 Further Assurances. The Parties will execute such further assurances and other documents and instruments and do such further and other things as may be necessary to implement and carry out the intent of this Agreement.

20.14 Excusable Delays. Neither Party will be liable for a failure to perform any obligation under this Agreement that arises from causes or events beyond its reasonable control and without its fault or negligence, including labor disputes. The Party claiming the excusable delay shall give notice in writing as soon as possible to the other Party after the occurrence of the cause relied on and after termination of the condition.

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement as \_\_\_\_\_, 2000.

FORD MOTOR COMPANY

VISTEON CORPORATION

By: /s/ Malcolm Macdonald  
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By: /s/ Daniel R. Coulson  
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Title: Vice President and Treasurer

Title: Executive Vice President and

ATTACHMENT A

PENSION, RETIREE HEALTH CARE AND RETIREE LIFE INSURANCE EXPENSE

For purposes of Section 7(iii) of the Hourly Employee Assignment Agreement, (the "Agreement") the expense for Retirement Plans-Pension, Retiree Health Care and Retiree Life Insurance for the Ford Assigned Employees shall be determined in accordance with the methodology described in this Attachment A.

1. Retirement Plans-Pension. Visteon shall be responsible for reimbursing Ford with cash for the Statement of Financial Accounting Standards No. 87 ("SFAS No. 87") annual future pension accruals with respect to the Ford Assigned Employees, determined as provided below.

1.1 Visteon Pension Account Established. Solely for purposes of determining the correct reimbursement, and not for purposes of establishing a separate trust or pension plan with respect to the Ford Assigned Employees, a notional Visteon-UAW Pension Asset Account ("Visteon Pension Account") will be established, as if the Ford-UAW Pension Plan in which the Ford Assigned Employees participate had been segregated into a separate trust which continued to participate in the Ford Master Trust. The Visteon Pension Account shall be established as of the first of the month coincident with or prior to the date of the distribution of Visteon stock to Ford shareholders ("Start Date"). The opening balance of the Visteon Pension Account will be established by crediting such account with assets equal in amount to the projected benefit obligation as defined in SFAS No. 87 ("PBO") of the active Ford Assigned Employees as of the Start Date ("Hourly PBO"). The Hourly PBO shall be determined by an independent actuary appointed by Ford ("Ford Actuary") using:

- (i) the actuarial assumptions and methods used in the most recent SFAS 87 actuarial valuation developed for accounting purposes under the Ford-UAW Retirement Plan prepared by the Ford Actuary; and
- (ii) a discount rate as of the Start Date determined by Ford using its normal methods for developing a SFAS 87 discount rate but based on market interest rates as of the Start Date.

An independent actuary appointed by Visteon ("Visteon Actuary") shall have the opportunity to verify the calculation of the Hourly PBO.

1.2 Visteon Pension Account Activity. After the opening balance of the Visteon Pension Account is determined in accordance with Section 1.1 above, it shall be managed as follows:

It shall be credited with

- (i) any cash contribution paid by Visteon to Ford under this Section One; and
- (ii) the Ford U.S. Pension Master Trust actual rate of investment return.

It shall be debited with

- (iii) the amount of retirement benefits payable to the Ford Assigned Employees who retire after the Start Date; and
- (iv) an allocable share of Ford-UAW Plan expenses based on the ratio of PBO of the Ford Assigned Employees to the total PBO of the Ford UAW Retirement Plan, unless Ford and Visteon agree to another method.

If for administrative reasons, the exact amount of retirement benefits payable to the Ford Assigned Employees cannot be determined precisely, then Ford shall be able to substitute a fair approximation of the retirement benefits paid. The Visteon Actuary shall have the opportunity to verify the calculation.

1.3 Determination of Annual Cash Pension Reimbursement. The cash payable by Visteon to Ford for any given year shall be equal to the sum of (A), (B) and (C) where :

- (A) is the SFAS 87 pension expense for that year (or, at the outset, a part year) based on:
  - (i) as of each annual actuarial valuation date, the liabilities of the Ford Assigned Employees;
  - (ii) the Ford-UAW Retirement Plan assumptions used in the Ford Actuary's SFAS 87 valuation of the Ford-UAW Retirement Plan for the applicable year; and
  - (iii) the value of the Visteon Pension Account
- (B) is the administration expenses as defined in Section 1.2 (iv) of this Attachment; and

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- (C) SFAS 88 pension expense for Ford Assigned Employees related to any termination incentive programs occurring in the year.

2. Retiree Health Care and Retiree Life Insurance. Visteon shall pay the cost of providing post-retirement health and life benefits for Ford Assigned Employees under the Ford-UAW Hospital-Surgical-Medical-Drug-Dental-Vision Program and the Ford-UAW Group Life and Disability Insurance Plan (the "Plans") ("OPEB") beginning as of the Start Date as provided below.

2.1 Determination of Annual Cash OPEB Reimbursement. For the portion of 2000 that follows the Start Date and for each calendar year thereafter until the OPEB liability for the Ford Assigned Employees is extinguished, the Annual Cash OPEB Reimbursement to the Plans for any given year shall be an amount equal to the sum of (A) and (B) where

- (A) is the estimated amount of OPEB claims paid during the period to the Ford Assigned Employees who retire after the Start Date, together with their spouses or dependents, determined on the basis of average per contract claims costs for Ford-UAW retirees; and
- (B) is an allocable share of administration expenses based on the ratio of OPEB liability for Ford Assigned Employees to total Ford-UAW OPEB liability, unless Ford and Visteon agree to another method.

The Annual Cash OPEB Reimbursement shall be determined by the Ford Actuary;

the Visteon Actuary will have the opportunity to verify the calculation.

2.2 Pre-Funding of SFAS 106 Liability. Visteon will establish and maintain a Voluntary Employees' Beneficiary Association ("VEBA") trust whose purpose is to reimburse the Plans in respect of the claims and administration costs described in Section 2.1 above. Visteon agrees that it will make a series of cash payments to the VEBA so that by December 31, 2020 the assets in the VEBA will equal Visteon's balance sheet liability at the same date for OPEB benefits in respect of Ford Assigned Employees. The cash payment to the VEBA shall commence no later than January 1, 2006 and shall be payable in advance in twelve equal monthly installments. The amount of cash paid to the VEBA in each year commencing no later than January 1, 2006 shall be an amount equal to the sum of (A), (B) and (C) where

(A) is the Visteon SFAS 106 expense for that year as computed by the Ford Actuary (and verified by the Visteon Actuary) and based on assumptions used by Ford for its Ford-UAW employees;

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(B) is an allocable share of expenses as described in Section 2.1(B) above; and

(C) is the amount of Visteon's OPEB balance sheet liability in respect of Ford Assigned Employees at the beginning of each calendar year divided by the number of years remaining to December 31, 2020.

Notwithstanding the above, Visteon may accelerate payments to the VEBA in its discretion. In the event the tax law would not permit Visteon a current deduction for the level of funding described above, Visteon may make only such contributions to the VEBA that would be tax deductible, provided, however that the balance of the funding obligation which exceeds the permitted deduction is otherwise deposited into a separate trust. Visteon and Ford shall cooperate with each other to design, and Visteon agrees it will take necessary action to implement, an appropriate method approved by the Parties' respective auditors that would have the effect of eliminating the Ford's FAS 106 OPEB balance sheet liability for the Ford Assigned Employees beginning on the Start Date. In the event that the tax benefits contemplated by the Parties as being available to Visteon with respect to prefunding of OPEB liabilities are not or cease to be available, Visteon and Ford agree to renegotiate the structure provided the new structure does not increase Ford's costs or jeopardize Ford's security. If Ford and Visteon cannot agree on a replacement structure, or if Visteon fails to suggest a replacement structure, then Visteon will pay to Ford directly the payments it otherwise would have paid to the VEBA. Ford shall credit interest on such amount at the pretax rate of return on Ford's cash portfolio.

3. Recordkeeping. In connection with administering Section One and Two above, Ford may decide to retain a third party service to maintain the notional Visteon Pension Account and to determine the correct amount of Visteon reimbursements according to the methodology set forth in this Attachment A. If Ford decides to retain a third party service, Ford shall consult with Visteon prior to appointing a third party service, but Ford shall retain the right to appoint a third party service in its sole discretion. Ford shall pay the expense of such third party service and Visteon shall reimburse Ford for such expense.

4. Continuation of Arrangements. The terms set forth in this Attachment A shall be in force until the last survivors and dependents of Ford Assigned Employees in service as of the Start Date who are eligible for Ford-UAW retirement or OPEB benefits are deceased, or upon earlier termination agreed jointly by Ford and Visteon, including any VEBA or other arrangements or methods agreed in Section 2.2 (unless the Parties' respective auditors advise that joint agreement to terminate would jeopardize the expected accounting treatment of

such arrangements or methods). As soon as practical following the death of the last survivor and covered dependents of the Ford Assigned Employees who are eligible for Ford-UAW retirement benefits, Ford shall pay

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to Visteon either cash or provide equivalent monetary value, in an amount equal to the balance (if any) remaining in the Visteon Pension Account.

5. Ability to Substitute. The Parties may agree to substitute an alternative method of computing reimbursement under this Attachment. The method substituted shall have as its objective to produce a fair estimate of the pension and OPEB expense and other reimbursement charges set forth in this Attachment, and should preserve for each Party, to the extent possible, the economic benefits bargained under this Attachment. Without limiting the rights of Ford and Visteon as provided above, the Parties agree to jointly evaluate and equitably refine the reimbursement mechanism described in this Attachment as applied to periods following the earlier to occur of (A) termination of the Agreement, and (B) the date, if any, on which all or a significant portion of the Ford Assigned Employees become Visteon Hourly Employees.

6. Definitions. Unless otherwise specifically defined herein, the capitalized terms herein shall have the same meanings as set forth in the Agreement.

7. Actuarial Verification. If the Visteon Actuary and the Ford Actuary are unable to agree on a verification, they shall jointly designate a third independent actuary whose verification shall be final and binding. Ford and Visteon shall each pay one-half of the cost of such third actuary.

8. Employee Transfers. In the event that an employee ceases to be a Ford Assigned Employee, but remains an employee of Ford, then Visteon shall not be responsible for the cost of pension, retiree health or retiree life benefits for such employee. Ford will assume the obligation and Visteon will reimburse Ford as follows:

- (A) Pensions: The balance in the Visteon Pension Account will be reduced by the amount of the SFAS 87 PBO transferred to Ford;
- (B) Retiree health and life benefits: Visteon will pay Ford an amount equal to the SFAS 106 APBO transferred to Ford.

All adjustments should be handled on a quarterly basis based on SFAS 87 and SFAS 106 assumptions appropriate for that quarter.

Visteon shall retain appropriate records in order to identify these transfers.

In the event that a Ford employee becomes a Ford Assigned Employee, then Visteon shall assume the obligation for pensions, retiree health and retiree life benefits for such employee, and the financial arrangements shall be the reverse of those described above.

If the reimbursements for retiree health and life benefits exceeds \$10 million per year, the Party with the obligation shall have the option to pay \$10 million in the first year,

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and shall pay the balance in succeeding years in annual installments of at least \$5 million until the obligation is satisfied, together with interest on the

obligation at the 90 day Treasury Bill rate as quoted in the Wall Street Journal for the relevant period.

## EMPLOYEE TRANSITION AGREEMENT

This Employee Transition Agreement relating to certain employment matters and employee benefit plans (this "Agreement") dated as of April 1, 2000 is made and entered into by and among Ford Motor Company, a Delaware corporation ("Ford") and Visteon Corporation, a Delaware corporation and a wholly owned subsidiary of Ford, ("Visteon"). Ford and Visteon are referred to herein individually as a "Party" and collectively as the "Parties".

## RECITALS

1. Ford has determined that it would be appropriate and beneficial to separate the activities now being conducted under the name of "Visteon Automotive Systems, an enterprise of Ford Motor Company," including those activities conducted by any entity in which Ford, directly or indirectly, owns or controls 50% or more of its stock or other equity interests (a "Subsidiary") and by any entity in which Ford, directly or indirectly, owns or controls less than 50% but more than 20% of its stock or other equity interests (an "Affiliate") which is aligned with such enterprise, which presently includes the Chassis Systems, Climate Control Systems, Interior and Exterior Systems, Energy Transformation Systems, Glass Division, and the Visteon Technology Office (collectively, with historic operations, including the former Automotive Products Operations, Automotive Components Division, Electronics, Plastics and Trim, Climate Control, Chassis, Electrical and Fuel Handling, and Glass Divisions, the "Business");
2. Ford has concluded that the separation of the Business from its automaking business would (i) alleviate competitive barriers to expanding the Business beyond sales to Ford, Ford Subsidiaries and Ford Affiliates, (ii) allow Ford to overcome competitive barriers to making purchases from third-party automotive suppliers, and (iii) enhance the Business' ability to attract employees and permit the Business to offer employee incentives more directly tied to the performance of the Business;
3. Ford has caused Visteon to be formed for the purpose of carrying on and conducting the Business;
4. Ford and Visteon have entered into various agreements, including a Master Transfer Agreement dated as of even date herewith, to effect the separation of the Business; and
5. The parties desire that Ford transfer to Visteon certain employees who are presently engaged in doing work for the Business and to provide for the orderly transition of employee benefit plans.

## AGREEMENT

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

## ARTICLE I

## DEFINITIONS

1.01 "BENEFIT TRANSITION DATE" shall mean the first day of the month coincident with or preceding the Distribution Date except with respect to the Ford Flexible Benefits Plan shall mean June 1, 2000.

1.02 "CODE" shall mean the Internal Revenue Code of 1986, as amended.

1.03 "DISTRIBUTION DATE" shall mean the date Ford will distribute to Ford shareholders all of the shares of Visteon common stock then owned by Ford.

1.04 "DOL" shall mean the U.S. Department of Labor.

1.05 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

1.06 "FORD BUSINESS EMPLOYEES" shall mean

- (i) Persons who are enrolled on the Ford salaried payroll (U.S. or non-U.S) or enrolled on the Ford hourly payroll in non-U.S jurisdictions and who are actively at work at the Business the day prior to the Transfer Date including those on paid time off (i.e. Jury Duty Pay, Bereavement Pay, Short Term Military Pay, Vacation and Paid Holiday) and those on reduced or alternate work schedules, but excluding Ford employees who are on temporary assignment to the Business ("Active Ford Business Employees"); and
- (ii) Persons who are absent from such salaried or hourly employment as of the day prior to the Transfer Date on account of short term or long term disability leave or other approved leaves of absence, or layoff ("Inactive Ford Business Employees").

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1.07 "FORD RETIREE" shall mean a former Ford Business Employee, or a surviving spouse or beneficiary of a former Ford Business Employee, who had terminated service with Ford or Visteon and is receiving retirement benefits under a Ford sponsored retirement plan as of the Benefit Transition Date or who terminated employment with Ford or Visteon on or before the Benefit Transition Date and is eligible on the Benefit Transition Date to receive immediate or future retirement benefits (including deferred vested benefits) under the Ford sponsored retirement plan.

1.08 "GENERAL RETIREMENT PLAN" OR "GRP" shall mean the General Retirement Plan of Ford Motor Company and its participating subsidiaries.

1.09 "GLOBAL FORD BUSINESS EMPLOYEES" shall mean all employees of Ford or its Subsidiaries or Affiliates who are engaged in the conduct of the Business prior to the Transfer Date, including but not limited to

- (i) Ford Business Employees; and
- (ii) Persons who are enrolled on the payroll of a Subsidiary or Affiliate of Ford engaged in the Business as of the Transfer Date, or persons who are no longer active but who had been employed by a Subsidiary or Affiliate engaged in the Business at any time prior to the Transfer Date ("Subsidiary Employees").

1.10 "GLOBAL VISTEON EMPLOYEES" shall mean all employees of Visteon or its subsidiaries or affiliates who are engaged in the conduct of the Business after the Transfer Date, including but not limited to

- (i) Visteon Employees; and
- (ii) Subsidiary Employees who as a result of the transfer of Ford's interest in the Subsidiary or Affiliate to Visteon as of the Transfer Date, became employed by, or became the responsibility of, a



subsidiary or affiliate of Visteon on the Transfer Date.

For purposes of this Agreement, Global Visteon Employees shall not include any employees hired directly by Visteon or its subsidiaries or affiliates after the Transfer Date.

1.11 "GROUP I EMPLOYEE" shall mean a U.S. Visteon Employee who as of the Benefit Transition Date is eligible for immediate normal or regular early retirement under the provisions of the GRP as in effect on the Benefit Transition Date.

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1.10 "GROUP II EMPLOYEE" shall mean a U.S. Visteon Employee who

- (i) is not a Group I Employee;
- (ii) has as of the Benefit Transition Date a combination of age and continuous service that equals or exceeds sixty (60) points (partial months disregarded); and
- (iii) could become eligible for normal or regular early retirement under the provisions of the GRP as in effect on the Benefit Transition Date within the period after the Benefit Transition Date equal to the employee's Ford service as of the Benefit Transition Date.

1.12 "GROUP III EMPLOYEE" shall mean any U.S. Visteon Employee who participates in the GRP other than a Group I or II Employee.

1.13 "IRS" means the U.S. Internal Revenue Service.

1.14 "OSHA" shall mean the Occupational Safety and Health Act of 1970, as amended.

1.15 "PBGC" shall mean the Pension Benefit Guaranty Corporation.

1.16 "SFAS NO. 87" shall mean the Statement of Financial Accounting Standards No. 87.

1.17 "SFAS NO. 106" shall mean the Statement of Financial Accounting Standards No. 106.

1.18 "TRANSFER DATE" shall mean the date specified in the Master Transfer Agreement with respect to each entity or interest to be transferred pursuant thereto.

1.19 "VISTEON BALANCE SHEET" shall mean the balance sheet for Visteon Automotive Systems as of March 31, 2000, as prepared by Ford.

1.20 "VISTEON EMPLOYEES" shall mean

- (i) Active Ford Business Employees who are transferred to Visteon pursuant to the terms hereof and who are at work on the Transfer Date including those on paid time off (i.e., Jury Duty Pay, Bereavement Pay, Short Term Military Pay, Vacation Pay and Paid Holiday) and those on reduced or alternate work schedules; and
- (ii) Inactive Ford Business Employees or Ford Retirees on a disability retirement who are transferred to Visteon pursuant to the terms hereof on the Reinstatement Date or Disability Retiree Reinstatement Date.

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For purposes of this Agreement, Visteon Employees shall not include any

employees hired directly by Visteon after the Transfer Date, except for those specified in (ii) above.

1.21 "VISTEON RETIREE" shall mean a former Ford Business Employee, or a surviving spouse or beneficiary of a former Ford Business Employee, who became a Visteon Employee and who terminated service with Visteon after the Benefit Transition Date and is receiving retirement benefits under a Ford sponsored retirement plan and a Visteon sponsored retirement plan.

## ARTICLE II

### EMPLOYMENT RESPONSIBILITY

#### 2.01 EMPLOYEE CENSUS.

On the Transfer Date, Ford shall provide Visteon a preliminary employee census ("Employee Census") containing the following information:

- (i) a list of all Active Ford Business Employees by location;
- (ii) a list of all Inactive Ford Business Employees by location;
- (iii) the job classification of each Ford Business Employee;
- (iv) the Ford Service Date of each Ford Business Employee;
- (v) the base monthly salary of each Ford Business Employee;
- (vi) the reason for any absence of any Ford Inactive Business Employee and the date any leave expires.

Ford shall finalize the Employee Census no later than thirty (30) days after the Transfer Date, subject to Visteon review. Ford shall not be responsible for providing Visteon an Employee Census of the Global Ford Business Employees.

#### 2.02 EMPLOYMENT TRANSFER.

Unless otherwise agreed, Ford shall transfer the employment of the Active Ford Business Employees to Visteon effective on the Transfer Date and the Active Ford Business Employees shall become Visteon Employees effective on the Transfer Date. Ford shall transfer to Visteon the employment of an Inactive Ford Business Employee who is recalled from layoff or other inactive status or requests reinstatement on or before the date such employee's leave of absence expires or as of the date such employee's medical disability ceases and such employee is released by their personal physician to return to their former position of employment or a comparable position consistent with any medical restrictions, as applicable (the "Reinstatement Date"). In addition, Ford shall transfer to Visteon employment responsibility for a Ford Retiree on

a disability retirement ("Disability Retiree") on the date the medical disability ceases, such employee is released by their personal physician to return to their former position of employment or a comparable position consistent with any medical restrictions, and the retirement committee approves the return to work ("Disability Retiree Reinstatement Date"). The Transfer Date, the Reinstatement Date and the Disability Retiree Reinstatement Date shall be known as the "Employment Date". Notwithstanding the above, Visteon shall remain financially responsible for any costs incurred by Ford or its benefit plans and programs related to the Inactive Ford Business Employees between the Transfer Date and the Employment Date, and Visteon shall reimburse Ford for any such costs under a method to be mutually agreed by the Parties. A Ford Business Employee who is on an international service assignment to a non-Business activity as of the Distribution Date shall remain in such assignment until

scheduled to return and shall return to the originating activity. A Ford employee who is on international service assignment to a Business activity as of the Distribution Date shall remain in such assignment until scheduled to return and shall return to the originating activity. Visteon or Ford, as applicable, shall reimburse the other for the costs of such employees after the Distribution Date under a method to be mutually agreed by the Parties.

#### 2.03 RECOGNITION OF SERVICE.

Visteon shall recognize, or shall cause its subsidiaries or affiliates to recognize, the Ford Service Date or Subsidiary Service Date, as applicable, of each Global Visteon Employee in determining years of service under the employee benefit plans and other compensation and benefit practices and policies of Visteon or its subsidiaries or affiliates both prior to the Benefit Transition Date and thereafter, except as otherwise provided in this Agreement.

#### 2.04 COMPENSATION AND BENEFIT PLANS.

Visteon shall pay each Global Visteon Employee at the same base salary rate or hourly rate as was applicable to them as a Global Ford Business Employee, and shall implement any merit, promotional or other increases that were scheduled to go into effect as of the Transfer Date. Effective on the Transfer Date, and except as otherwise provided in this Agreement, Visteon shall adopt the same benefit plans and programs for Visteon Employees as are in effect for Ford Business Employees as of the Transfer Date, and shall participate in the Ford employee benefit plans and programs as a participating subsidiary or its equivalent until the Benefit Transition Date. Visteon shall reimburse Ford for any such cost and expense consistent with the methods presently in effect for charging such expenses to participating subsidiaries or their equivalents using methodology consistent with U.S. GAAP and acceptable to both Parties. In addition, Visteon shall reimburse Ford for any costs and expense incurred prior to the Benefit Transition Date and that relate to Ford Retirees under an incentivized separation program. Effective on the Benefit Transition Date, and except as otherwise provided herein, Visteon shall adopt, or shall cause its subsidiaries or affiliates to maintain or adopt, benefit plans and programs for the U.S. Global Visteon Employees

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that are substantially comparable in the aggregate to those that were in effect on the day immediately preceding the Benefit Transition Date and shall continue such programs substantially in effect for at least four (4) years after the Distribution Date, provided, however, if Ford makes changes in the benefit plans and programs applicable to Ford employees during the four (4) year period, Visteon or its subsidiaries or affiliates, as applicable, shall be permitted, but shall not be required, to make a comparable change. The comparability period shall not be effective with respect to U.S. employees of Visteon who were hired as new hires by Visteon after the Transfer Date or with respect to non-U.S. Global Visteon Employees. Except as otherwise provided in this Agreement, Ford shall take such action as is necessary to eliminate Global Visteon Employees from Ford sponsored benefit plans and programs as of the Benefit Transition Date unless otherwise agreed by the Parties, and thereafter Global Visteon Employees shall have no rights under any such plans or programs.

#### 2.05 PAID TIME OFF.

Effective as of the Employment Date, each Global Visteon Employee shall retain the same paid time off eligibility they had under Ford's paid time off policy, or the policy of Ford's Subsidiaries or Affiliates. Any paid time off used by a Global Ford Business Employee in 2000 prior to the Employment Date shall be counted against such employee's entitlement as a Global Visteon Employee after the Distribution Date until December 31, 2000.

#### 2.06 COLLECTIVE BARGAINING AGREEMENTS.

Certain of the Ford Business Employees are covered under the terms of the

collective bargaining agreements listed on Attachment A. Effective as of the Transfer Date, Visteon shall assume the obligation of Ford under the collective bargaining agreements applicable to such employees, and Ford shall be relieved of any further obligations under such agreements with respect to such employees. The Agreement Governing the Separation of the Ford Visteon Organization dated January 25, 2000 between Ford and the Ford European Works Council, attached hereto as Attachment B, shall apply to the Ford Business Employees represented by the Ford European Works Council, and Visteon agrees to abide by its terms.

#### 2.07 REEMPLOYMENT RESTRICTION.

Except with the consent of Visteon, Ford shall not hire any Global Visteon Employee during the period commencing as of the Distribution Date and terminating twelve months thereafter, unless otherwise required by law.

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### ARTICLE III

#### EMPLOYEE BENEFIT PLANS

##### 3.01 U.S. QUALIFIED DEFINED BENEFIT RETIREMENT PLANS.

- a. GRP Participating Subsidiary. U.S. Ford Business Employees participate in the GRP as employees of Ford. Effective as of the Transfer Date, Visteon shall take such corporate action as is necessary to participate in the GRP as a "Participating Subsidiary" as defined in the GRP with respect to the Visteon Employees until the Benefit Transition Date. Ford hereby consents to such participation by Visteon. Visteon shall reimburse Ford for the cost of any early separation incentive programs applicable to U.S. Ford Business Employees prior to the Benefit Transition Date.
- b. Visteon Mirror GRP.
  - (i) Establishment of Plan. Effective on the Benefit Transition Date, or such later date as the Parties may mutually agree, Visteon shall establish its own defined benefit pension plan that with respect to Group III Employees contains provisions that duplicate the benefit provisions of the GRP as it pertains to service prior to the Benefit Transition Date and with respect to Group I and II Employees, contains substantially comparable benefit provisions with respect to service after the Benefit Transition Date ("Visteon Mirror GRP"). The Visteon Mirror GRP shall be responsible for providing retirement benefits for Group I and Group II Employees for service on or after the Benefit Transition Date and, subject to receipt of the asset transfer described below, for Group III Employees for service recognized under the GRP prior to the Benefit Transition Date and for service with Visteon after the Benefit Transition Date. The Visteon Mirror GRP shall recognize credited service of Visteon Employees under the GRP through the Benefit Transition Date for purposes of eligibility to participate and eligibility for benefits to the same extent as such credited service (or ERISA service) was counted under the GRP. Notwithstanding the above, for purposes of calculating the Part B Contributory Benefit, only a total of thirty five (35) years of combined Ford and Visteon service may be used.
  - (ii) Asset Transfer Valuation. Ford shall cause to be transferred from the GRP assets in cash or cash equivalents, or marketable securities reasonably acceptable to Visteon, that shall equal

the projected benefit obligation, as defined in SFAS No. 87, of the liabilities related to the Group III Employees as of the Benefit Transition Date ("GRP PBO Value") determined by an independent actuary appointed by Ford ("Ford Actuary") in accordance with the principles stated below:

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- (A) The present value of liabilities will be determined under SFAS No. 87 as the projected benefit obligation, using the actuarial assumptions and methods that are published in the most recent actuarial valuation for accounting purposes for the GRP prepared by Buck Consultants.
- (B) A discount rate as of the Benefit Transition Date determined by Ford using its normal methods for developing a SFAS No. 87 discount rate but based on market interest rates as of the Benefit Transition Date.

In no event shall the GRP PBO Value as calculated on the basis described above result in an asset transfer less than the amount necessary to reflect the requirements of the provisions of Code Section 411(d) and 414(l) and the Treasury Regulations issued thereunder and the actuarial methods and assumptions established by the PBGC with respect to spin-offs of pension plans where liabilities, for purposes of Code Section 411(d) and 414(l), are calculated using a discount rate equal to the applicable rate or rates published by the PBGC and in effect for plans terminating on the Benefit Transition Date. The determination of the GRP PBO Value by the Ford Actuary shall be submitted to an independent actuary appointed by Visteon (the "Visteon Actuary") for verification but such verification shall relate only to the calculation of the GRP PBO Value on the basis set forth above. If the Visteon Actuary and the Ford Actuary are unable to agree on a verification, they shall jointly designate a third independent actuary whose verification shall be final and binding. Ford and Visteon shall each pay one-half of the costs of such third actuary.

- (iii) Transfer to Qualified Plan. Within ninety (90) days of the Transfer Date (but in no event later than the Benefit Transition Date), Visteon shall provide Ford with the plan document for the Visteon Mirror GRP, together with either (A) an opinion letter of counsel reasonably acceptable to Ford that the Visteon Mirror GRP satisfies the requirements for qualification under Section 401(a) of the Code as of its effective date or will be amended to meet the qualification requirements in the event the IRS requires retroactive amendments to the Visteon Mirror Plan as part of the determination letter process and that the transfer of assets provided in (iv) below shall not affect the qualification of such plan, or (B) a favorable determination letter issued by the IRS that the Visteon Mirror GRP satisfies the requirements for qualification under Section 401(a) of the Code as of its effective date.

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- (iv) Asset Transfer. As soon as practicable after the latest of (A) the date on which the GRP PBO Value is determined and verified pursuant to (ii) above, (B) the expiration of

thirty days following the filing of Forms 5310 with the IRS and PBGC in respect of the GRP and the Visteon Mirror GRP or (C) the receipt by Ford of the opinion or determination letters described in (iii) above and determination by Ford that the Visteon Mirror GRP satisfies the terms of this Agreement (the "Asset Transfer Date"), Ford shall cause the trustee of the GRP to transfer assets and respective liability therefor to the Visteon Mirror Pension Plan in such amount and in such form as provided in (ii) above, together with interest from the Benefit Transition Date to the first of the month immediately preceding the Asset Transfer Date, at the Ford Master Trust rate of return, and thereafter until the Asset Transfer Date, interest at the 90-day Treasury Bill rate on a bond equivalent yield in effect on the last business day of the month immediately preceding or coincident with the Asset Transfer Date as quoted in the Wall Street Journal.

- (v) No Further Liability. Upon receipt of the transferred assets from the GRP, neither Ford nor the GRP shall have any further liability to the Group III Employees for benefits for service under the GRP with respect to which liabilities and assets have been transferred. Ford and Visteon shall use their respective best efforts to make amendments to their respective plans and trusts as may be necessary or appropriate to effect the transfers contemplated by these provisions.
- (vi) Pension Security. The assets of the Visteon Mirror GRP that are transferred from the GRP trust as provided in section (iv) above, and any earnings thereon, shall be held in a separate trust for a period equal to five years commencing as of the Benefit Transition Date. Such assets shall be available only for the purposes of providing pension benefits for plan participants and their beneficiaries for service under the Ford GRP through the Benefit Transition Date ("Visteon Past Service Trust"). In the event the assets in the Visteon Past Service Trust are insufficient to pay the liability for accrued benefits measured on a plan termination basis, determined as of each year end, using PBGC assumptions, including the PBGC discount rates, mortality tables and expected retirement ages unless Ford agrees to such other rates, tables and assumptions certified to by the Visteon Actuary as appropriate for measuring liabilities on a plan termination basis, while such

Visteon Past Service Trust is maintained, Visteon shall contribute sufficient cash within thirty days of the date the year-end calculation is complete to restore the assets in the Visteon Past Service Trust to be at least equal to such termination liability. Notwithstanding the above, Visteon need not contribute in any year an amount greater than the maximum tax deductible contribution allowed for such year, and provided further, that if the contribution required would exceed \$10 million in any year, Visteon shall have the option to pay \$10 million the first year, and shall pay the balance in succeeding years in annual installments of at least \$5 million until the obligation is satisfied, together with interest on the obligation at the 90 day Treasury Bill rate as quoted in the Wall Street Journal for the relevant period (the "Financial Burden Formula"). Visteon shall not terminate the Visteon Mirror GRP and revert assets to Visteon for a period of five years after the Benefit Transition Date. Visteon shall not invest any

assets of the Visteon Past Service Trust in an employer security as defined in Section 407(d)(1) of ERISA for a period of five years after the Benefit Transition Date.

c. Ford GRP Pension Liability.

- (i) Ford Retirees. The GRP shall retain liability for retirement benefits for all Ford Retirees, and shall retain all GRP assets with respect thereto. The benefits payable shall be based on the benefit provisions applicable under the GRP as of the date of retirement, and as may be subsequently amended. To the extent that such benefit is based on final average salary under the GRP, the GRP will take into account any base salary paid at Visteon while an employee as of the December 31 prior to the Benefit Transition Date. Ford shall amend the GRP to provide that Ford Retirees may be employed at Visteon after the Distribution Date and remain eligible to receive benefits under the GRP.
- (ii) Group I and Group II Employees For Pre-Benefit Transition Date Service. The GRP shall retain liability for retirement benefits of Group I and Group II Employees, but only for service through the Benefit Transition Date. The GRP shall recognize credited service (or ERISA service) of U.S. Visteon Employees under the Visteon Mirror GRP for purposes of eligibility to participate and eligibility for benefits to the same extent as if such credited service (or ERISA service) was earned under the GRP, but not for purposes of benefit calculation. The retirement benefits paid to Group I and Group II Employees from the GRP shall be based on the benefits in effect as of the retirement date using the final average salary of the

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Group I or Group II Employee at retirement from Visteon, giving effect to Visteon base salary increases after the Benefit Transition Date. Visteon shall reimburse Ford for the following additional costs: (A) the cost of benefit increases under the GRP that occur after the Benefit Transition Date and relate to service prior to the Benefit Transition Date; (B) for the effect on the PBO related to Group I and Group II Employees for any Visteon average merit salary increase which exceeds the average Ford merit increase by one-half percent in any given year, provided Visteon shall receive credit if the Visteon average merit salary increase is less than the average Ford merit increase by one-half percent in any given year; and (C) for the effect on the PBO related to Group I and Group II Employees as a result of Visteon's implementation of any early separation incentive programs, provided however that Visteon shall receive credit if the effect of such programs reduces the PBO. The method of computing the reimbursements shall be as described on Schedules X, Y and Z. The amount of reimbursement shall be determined by Ford's Actuary and shall be subject to verification by Visteon's Actuary. If the Visteon Actuary and the Ford Actuary are unable to agree on a verification, they shall jointly designate a third independent actuary whose verification shall be final and binding. Ford and Visteon shall each pay one-half of the cost of such third actuary. The reimbursements shall be done annually within thirty days after the annual actuarial valuation of the GRP is completed by the Ford Actuary and verified by Visteon's Actuary. If the reimbursements for either Party exceeds in the aggregate \$10 million per year (relating to costs under (A), (B) and (C) above and under

(A), (B) and (C) of Section 3.02c(ii) incurred in that year, but not including costs under (A), (B), and (C) above or under (A), (B) and (C) of Section 3.02c(ii) incurred in prior years) the Party with the obligation shall have the option to pay the obligation according to the Financial Burden Formula. Group I and Group II Employees who retire under the GRP will be eligible for the same Ford postretirement benefits, such as health care and life insurance and certain other Ford sponsored programs on the same basis as other Ford employees retiring at the same time.

d. Prorated GRP Supplements.

- (i) Early Retirement Supplement. To the extent that any Early Retirement Supplement is payable under the GRP to a Group I or Group II Employee, the amount of the total monthly benefit used for determining the Early Retirement Supplement shall be determined as follows: The amount of the total monthly benefit that would otherwise be used for determining the Early Retirement

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Supplement under the GRP at the time the Group I or Group II Employee retires shall be multiplied by a fraction, the numerator of which is the number of years of credited service, including fractions of a year, under the GRP not to exceed thirty years, and the denominator of which is thirty. To the extent that any Early Retirement Supplement is payable under the Visteon Mirror GRP to a Group I or Group II Employee, the amount of the total monthly benefit that would otherwise be used for determining the Early Retirement Supplement under the Visteon Mirror GRP at the time the Group I or Group II Employee retires shall be multiplied by a fraction, the numerator of which is thirty less the number of years (not to exceed thirty) of credited service, including fractions of a year, under the GRP to the Benefit Transition Date and the denominator of which is thirty. In the event the Group I or Group II Employee has credited service under the GRP of thirty or more years as of the Benefit Transition Date, no Visteon Mirror Supplement shall be payable.

- (ii) Interim Supplement or Temporary Benefit. To the extent that any Interim Supplement or Temporary Benefit is payable under the GRP to a Group I or Group II Employee, the amount of the Interim Supplement or Temporary Benefit as applicable, shall be determined by multiplying the number of years of credited service (not to exceed 30), including fractions of a year, under the GRP as of the Benefit Transition Date by the monthly Interim Supplement Rate, or Temporary Benefit Rate, as applicable, in effect at the time of retirement. To the extent that any Interim or Temporary Benefit is payable under the Visteon Mirror GRP to a Group I or Group II Employee, the amount of the benefit shall be shall be determined by multiplying the number of years of credited service (except if the combined Ford and Visteon service exceeds thirty, then the Visteon benefit shall be determined by subtracting from thirty years the years of Ford credited service), including fractions of a year, under the Visteon Mirror GRP by the monthly Interim Supplement Rate, or Temporary Benefit Rate, as applicable, in effect at the time of retirement. In the event a Group I or Group II Employee



has credited service under the GRP of thirty or more years as of the Benefit Transition Date, no Visteon Mirror Interim Supplement or Temporary Benefit shall be payable.

- e. Group II Employees Who Fail Grow-in. Except as otherwise provided by law, for those Group II Employees who do not continue to be employed by Visteon or a successor to Visteon until such time as their age and combined service with Ford through the Benefit Transition Date and with Visteon or its successor after the Benefit Transition Date would be

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sufficient to result in eligibility for retirement under the GRP, any benefit payable for years of service prior to the Benefit Transition Date shall be based on the benefit rate and final average salary, if applicable, in effect under the GRP on the date such employee breaks service under the Visteon Mirror GRP. In such event, such employee shall be treated as a "deferred vestee" under the GRP, if otherwise eligible based on combined service. Benefits for service at Visteon after the Benefit Transition Date shall be payable by Visteon.

- f. U.S. Master Trust. After the Transfer Date, the defined benefit plans of Ford Electronics and Refrigeration, LLC. ("FE&R") may continue to participate in the U.S. Ford Master Trust until the Benefit Transition Date. Visteon shall establish a U.S. Visteon Master Trust no later than the Benefit Transition Date and Ford shall cause the Trustee of the U.S. Ford Master Trust to transfer the assets in such U.S. Ford Master Trust allocable to FE&R's defined benefit plans to the trustee of the U.S. Visteon Master Trust. Assets shall be valued at the end of the month coincident with or following the Distribution Date ("Valuation Date") and cash or cash equivalents, or marketable securities acceptable to Visteon, shall be transferred within thirty (30) days thereafter, together with interest from the Valuation Date to the asset transfer date at the 90-day Treasury Bill rate on a bond equivalent yield in effect on the last business day of the month immediately preceding the asset transfer date as quoted in the Wall Street Journal. Assets attributable to such plans that are held outside the Ford Master Trust also shall be transferred to Visteon on or before the asset transfer date, in such form as such assets are presently held. Nothing herein contained shall be construed as to prohibit Ford from causing Visteon to transfer assets and liabilities from FE&R sponsored salaried defined benefit plans to Ford sponsored defined benefit plans prior to the Benefit Transition Date for the purpose of aligning appropriate liabilities with respect to the Business, provided such transfers comply with applicable law and result in each such FE&R salaried defined benefit plan having assets with a fair market value as of January 1, 2000 equal to the projected benefit obligation, as defined in SFAS No. 87, of the liabilities related to non-transferred participants in each such plan as of January 1, 2000. Visteon shall cooperate with Ford in effectuating such transfers in the period between the Transfer Date and the Benefit Transition Date.

### 3.02 U.S. NON-QUALIFIED RETIREMENT PLANS.

- a. Participating Subsidiary. Ford maintains the following U.S. non-qualified retirement plans in which certain U.S. Ford Business Employees who are eligible under the terms of the plans participate: The Benefit Equalization Plan ("BEP"), the Supplemental Executive Retirement Plan ("SERP") and

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the Executive Separation Allowance Plan ("ESAP") and the Select Retirement Plan ("SRP"). As of the Transfer Date, Visteon shall take such corporate action as is necessary to become a Participating Subsidiary under the SERP, ESAP and SRP and Ford hereby consents to such participation.

- b. Visteon Mirror NQPs. Effective on the Benefit Transition Date, Visteon shall establish for the benefit of the U.S. Visteon Employees who are otherwise eligible as of the Benefit Transition Date for a BEP, SERP or ESAP benefit, its own non-qualified retirement plans that with respect to eligible Group III Employees contain provisions that duplicate the benefit provisions of the BEP, SERP and ESAP as it pertains to service prior to the Benefit Transition Date and with respect to eligible Group I and Group II Employees, contains substantially comparable benefit provisions with respect to service after the Benefit Transition Date ("Visteon Mirror NQPs"). For eligible Group I and Group II Employees, Visteon shall be responsible for paying a benefit for service after the Benefit Transition Date under the Visteon Mirror NQPs. For eligible Group III Employees, the liability for any service prior to the Benefit Transition Date under the BEP, SERP and ESAP shall be transferred to the respective Visteon Mirror NQPs, and Visteon shall be responsible for paying a benefit based on combined service at Ford and Visteon. Visteon's Mirror NQPs shall recognize service at Ford for purposes of determining any minimum years of service to achieve eligibility for benefits under such plans.
- c. Ford Liability.
- (i) Ford Retirees. Ford shall retain the liability for eligible Ford Retirees. The benefit payable under the BEP, SERP, ESAP and SRP shall be based on the benefit provisions applicable under such plans as of the date of retirement, and as may be subsequently amended. To the extent such benefit is based on final average salary or final salary, the applicable plan will take into account any base salary paid at Visteon prior to the Benefit Transition Date. Ford Retirees may be employed at Visteon after the Distribution Date and remain eligible to receive benefits under the BEP, SERP, ESAP and SRP.
- (ii) Group I and Group II Employees for Pre-Benefit Transition Date Service. Ford shall retain the liability for benefits for Group I or Group II Employees who have attained the minimum Leadership Level required for such benefits as of the Benefit Transition Date, but only for service through the Benefit Transition Date. For example, a Group I or Group II Employee who attains Leadership Level 1 or 2 on or after the Benefit Transition Date shall have no

benefit payable under the Ford ESAP. As soon as practical after the Benefit Transition Date, Visteon shall pay cash to Ford in an amount equal to the BEP, SERP and ESAP projected benefit obligation with respect to the eligible Group I or Group II Employees determined by the Ford Actuary and verified by the Visteon Actuary as of the Benefit Transition Date. If the Visteon Actuary and the Ford Actuary are unable to agree on a verification, they shall jointly designate a third independent actuary whose verification shall be final and binding. Ford and Visteon shall each pay one-half of the costs of such third actuary. The benefits paid to an

eligible Group I and Group II Employee from the BEP, SERP and ESAP shall be based on the accrued benefits and eligibility, at rates in effect as of the retirement date using the final average salary, or final salary as applicable, of the eligible Group I or Group II Employee at retirement, giving effect to Visteon salary increases after the Benefit Transition Date. Visteon shall reimburse Ford for the following additional costs: (A) the cost of benefit increases under the BEP, SERP and ESAP that occur after the Benefit Transition Date (including changes in the accrual rate) and which relate to service prior to the Benefit Transition Date, when such increases occur; (B) for the effect on the PBO for any Visteon average merit salary increase which exceeds the average Ford merit increase by one-half percent in any given year provided that Visteon shall receive credit if the Visteon average merit salary increase is less than the average Ford merit increase by one-half percent in any given year; and (C ) for the effect of the PBO as a result of Visteon's implementation of any early separation incentive programs, provided however that Visteon shall receive credit if the effect of such programs reduces the PBO. The method of computing the reimbursements shall be as described on Schedules X, Y and Z. The amount of reimbursement shall be determined by Ford's Actuary and shall be subject to verification by Visteon's Actuary. If the Visteon Actuary and the Ford Actuary are unable to agree on a verification, they shall jointly designate a third independent actuary whose verification shall be final and binding. Ford and Visteon shall each pay one-half of the costs of such third actuary. Such reimbursements shall be done annually within thirty days after the annual actuarial valuation of the BEP, SERP and ESAP is completed by the Ford Actuary and verified by the Visteon Actuary. If the reimbursements for either Party exceeds in the aggregate \$10 million per year (relating to costs under (A), (B) and (C ) above or under (A), (B) or (C) under Section 3.01c(ii) incurred in that year, but not including costs under (A), (B) and (C ) above or under (A), (B) or (C) under Section 3.01c(ii) incurred in prior years), the Party with the obligation shall have the option to pay the obligation according to the Financial Burden Formula.

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- (iii) Group III Employees. After the Benefit Transition Date, Ford shall have no liability for benefits payable to eligible Group III Employees with respect to service prior to the Benefit Transition Date.

### 3.03 RETIREE HEALTH CARE AND RETIREE LIFE INSURANCE.

Visteon shall pay the cost of providing post-retirement health and life benefits for Group I and Group II Employees under the Ford Health and Group Life and Disability Insurance Plan (the "Plans") ("OPEB") beginning as of the Benefit Transition Date as provided below.

- a. Determination of Annual Cash OPEB Reimbursement. For the portion of 2000 that follows the Benefit Transition Date and for each calendar year thereafter until the OPEB liability for the Group I and Group II Employees is extinguished, the annual cash OPEB reimbursement to the Plans for any given year shall be an amount equal to the sum of (i) and (ii) where

- (i) is the estimated amount of OPEB claims paid during the period to the Group I and Group II Employees who retire after the Benefit Transition Date, together with their spouses or dependents, determined on the basis of average per contract claims costs for Ford salaried retirees; and
- (ii) is an allocable share of administration expenses based on ratio of OPEB Liability for Group I and II Employees to the total Ford salaried OPEB liability unless Ford and Visteon agree to another method.

The Annual Cash OPEB Reimbursement shall be determined by the Ford Actuary; the Visteon Actuary will have the opportunity to verify the calculation.

- b. Pre-Funding of SFAS 106 Liability. Visteon will establish and maintain a Voluntary Employees' Beneficiary Association, other tax-advantaged funded vehicle, such as a 401(h) medical account under a qualified pension plan, or a similar bankruptcy remote trust (collectively "VEBA") whose purpose is to reimburse the Plans in respect of the claims and administration costs described in Section 3.03a(ii) above. Visteon agrees that it will make a series of cash payments to the VEBA with the intent that by December 31, 2020 the assets in the VEBA will equal Visteon's balance sheet liability at the same date for OPEB benefits in respect of Group I and Group II Employees. The cash payment to the VEBA shall commence no later than January 1, 2011 and shall be payable in advance

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in twelve equal monthly installments. The amount of cash paid to the VEBA in each year commencing no later than January 1, 2011 shall be an amount equal to the sum of (i), (ii) and (iii) where

- (i) is the Visteon SFAS 106 expense for that year as computed by the Ford Actuary (and verified by the Visteon Actuary) and based on assumptions used by Ford for its salaried employees;
- (ii) is an allocable share of expenses as described in Section a (ii) above; and
- (iii) is the amount of Visteon's OPEB balance sheet liability in respect of Group I and Group II Employees at the beginning of each calendar year divided by the number of years remaining to December 31, 2020.

Notwithstanding the above, Visteon may accelerate payments to the VEBA in its discretion. In the event tax law would not permit Visteon a current deduction for the level of funding described above, Visteon may make only such contributions to the VEBA that would be tax deductible, provided, however that the balance of the funding obligation which exceeds the permitted deduction is otherwise deposited into a separate trust. Visteon and Ford shall cooperate with each other to design, and Visteon agrees it will take necessary action to implement, an appropriate method approved by the Parties' respective auditors that would have the effect of eliminating Ford's FAS 106 OPEB balance sheet liability for Group I and Group II Employees beginning on the Benefit Transition Date. In the event that the tax benefits contemplated by the Parties as being available to Visteon with respect to prefunding of OPEB liabilities are not or cease to be available, Visteon and Ford agree to renegotiate the structure provided the new structure does not increase Ford's costs or jeopardize Ford's security. If Ford and Visteon cannot agree on a replacement structure, then Visteon will pay to Ford directly the payments it otherwise would have paid to the VEBA. Ford shall credit

interest on such amount at the pretax rate of return on Ford's cash portfolio.

- c. Recordkeeping. In connection with administering Section 3.03 (a) above, Ford may decide to retain a third party service to determine the correct amount of Visteon reimbursements according to the methodology set forth in this Section 3.03. If Ford decides to retain a third party service, Ford shall consult with Visteon prior to appointing a third party service, but Ford shall retain the right to appoint a third party service in its sole discretion. Ford shall pay the expense of such third party service and Visteon shall reimburse Ford for such expense.

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- d. Continuation of Arrangements. The terms set forth in this Section 3.03 shall be in force until the last survivors and dependents of Group I and Group II Employees in service as of the Benefit Transition Date who are eligible for GRP retirement or OPEB benefits are deceased, or upon earlier termination agreed jointly by Ford and Visteon, including any VEBA or other arrangements or methods agreed in Section 3.03(b) (unless the Parties' respective auditors advise that joint agreement to terminate would jeopardize the expected accounting treatment of such arrangements or methods).
- e. Ability to Substitute. The Parties may agree to substitute an alternative method of computing reimbursement under this Section 3.03. The method substituted shall have as its objective to produce a fair estimate of the OPEB expense and other reimbursement charges set forth in this Section, and should preserve for each Party, to the extent possible, the economic benefits bargained under this Section.
- f. Actuarial Verification. If the Ford Actuary and the Visteon Actuary are unable to agree on a verification, they shall jointly designate a third independent actuary whose verification shall be final and binding. Ford and Visteon shall each pay one-half of the cost of such third actuary.

#### 3.04 U.S DEFINED CONTRIBUTION RETIREMENT PLANS.

- a. Participating Subsidiary. Ford sponsors the Ford Motor Company Savings and Stock Investment Plan ("Ford SSIP") for the benefit of the employees of Ford and its participating subsidiaries and certain U.S. Ford Business Employees elect to participate in the SSIP. Effective on the Transfer Date, Visteon shall take such corporate action as is necessary to participate in the SSIP as a "Participating Subsidiary" as defined in the SSIP with respect to the U.S. Visteon Employees who participate in the SSIP until the Benefit Transition Date. Ford hereby consents to such participation by Visteon. Ford shall amend the SSIP to vest all U.S. Ford Business Employees who participate in the SSIP in the Ford matching contributions contained in their SSIP accounts as of the Benefit Transition Date.
- b. Visteon SSIP. Effective on the Benefit Transition Date, Visteon shall establish its own defined contribution pension plan for the benefit of U.S. Visteon Employees that had participated in the SSIP that contains provisions substantially comparable to the SSIP, except that the number of investment elections may be reduced and the Ford Stock Fund election will be replaced with a Visteon Stock Fund election. The Visteon SSIP shall provide benefits related to contributions on or after the Benefit Transition Date. Within ninety days after the Benefit Transition Date, U.S.

Visteon Employees who have accounts in the SSIP will be given a one time opportunity to transfer no less than the entire balance in such accounts to the Visteon SSIP. U.S. Visteon Employees who choose to continue to participate in the SSIP with respect to contributions made prior to the Benefit Transition Date shall be treated as terminated employees under the provisions of the SSIP. However, no distributions will be permitted until the U.S. Visteon Employee separates from Visteon employment or a successor employer. Plan loans will be permitted subject to the SSIP rules and U.S. Visteon Employees who have SSIP loans currently or who take new SSIP Loans after the Benefit Transition Date shall be issued coupon books for their loan repayments. Hardship withdrawals will not be permitted.

### 3.05 FLEXIBLE BENEFITS PLAN.

Visteon shall establish a Flexible Benefits Plan for the benefit of U.S. Visteon Employees who participated in the Ford Flexible Benefits Plan ("Ford Flex Plan"), commencing on the Benefit Transition Date ("Visteon Flex Plan"). The Visteon Flex Plan shall include health care, life and accident insurance, health care spending account, dependent care spending account, purchased vacation, the legal plan, vision care and financial planning on terms identical to those provided under the Ford Flex Plan for plan year 2000, and benefits substantially comparable thereafter, and shall be designed to comply with the requirements of Code Section 125 with respect to those benefits that are eligible to be included in a Section 125 arrangement. For plan year 2000, Visteon shall make available to U.S. Visteon Employees who participated in the Ford Flex Plan at least the same amount of FCA dollars and Bonus Flex Dollars as was made available under the Ford Flex Plan. For plan years commencing 2001 through 2003, Visteon shall make available to U.S. Visteon Employees who participated in the Ford Flex Plan at least the same amount of FCA dollars as was available under the Ford Flex Plan and the amount of Bonus Flex Dollars shall be determined on the basis of the same formula as was applicable under the Ford Flex Plan, but shall be based on Visteon's before tax return on sales.

### 3.06 SALARIED INCOME SECURITY PLAN.

As of the Transfer Date, Visteon shall become a participating subsidiary under the Ford Salaried Income Security Plan ("SISP"), and Ford hereby consents to such participation. Effective on the Benefit Transition Date, Visteon shall adopt its own severance plan with terms substantially comparable to those under the Ford SISP. Ford's limit on liability under the SISP shall be reduced prorata by the number of U.S. Global Visteon Employees. Effective as of the Transfer Date, Visteon shall assume the liability for any U.S. Visteon Business Employee who is receiving benefits under the Ford SISP. Ford shall retain the responsibility for paying such benefit payments and continuing any applicable insurance under the Ford SISP, and Visteon shall reimburse Ford annually for any such cost.

### 3.07 ANNUAL INCENTIVE COMPENSATION PLAN.

Global Visteon Employees who are otherwise eligible to participate in the Ford Annual Incentive Compensation Plan ("FAICP") shall continue to be eligible to participate under the same terms applicable to Ford employees after the Distribution Date through December 31, 2000, with awards for 2000 payable in March, 2001, provided that the pro forma award amounts, adjusted for Ford performance, under the FAICP for such Global Visteon Employees shall equal 50% of the adjusted target amounts. Adjustments for individual performance may be made to the extent of 50% of the amount of the Extraordinary Contribution Fund that would normally be allocated to the Visteon Employees. Visteon shall

reimburse Ford for any amounts paid to Global Visteon Employees for 2000 under the FAICP. Visteon shall establish an interim bonus program for the remainder of 2000 following the Distribution Date for these Global Visteon Employees. If the Distribution Date occurs prior to January 1, 2001, Visteon shall adopt a Visteon Annual Incentive Compensation Plan ("VAICP"), subject to stockholder approval effective January 1, 2001. The Global Visteon Employees who were otherwise eligible to participate under the FAICP shall be eligible to participate under the VAICP. If the Distribution Date occurs on or after January 1, 2001, the Parties shall agree to alternate arrangements.

### 3.08 STOCK OPTION AND PERFORMANCE STOCK RIGHTS PROGRAMS.

- a. Ford Stock Option and Performance Stock Rights Programs. Ford Business Employees who are eligible to participate in the Ford 1998 Long-Term Incentive Plan ("FLTIP") shall be eligible for grants of Ford stock options in March, 2000. In general, any options granted in March, 2000 or in prior years under the FLTIP and the Ford 1990 Long-Term Incentive Plan to Ford Business Employees who become Visteon Employees continue and shall accrue until five years after the Distribution Date (provided that the Ford Business Employee had remained an employee of Ford or its Subsidiaries for at least three months after the date the option was granted) unless the option expires earlier or such employee's employment with Visteon terminates (other than due to disability, death or retirement with Visteon approval). Outstanding Ford Options designated as "incentive stock options" held by Visteon Employees will retain their tax attributes only if exercised within three months after the Distribution Date. Subject to approval of the Ford Compensation and Option Committee, Ford Retirees who received option grants in March, 2000 while employed by Ford but who retired from Ford prior to the date six months after the option grant date, shall be treated in accordance with the immediately preceding sentence with respect to

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those grants. Ford Business Employees who are eligible to participate under the FLTIP shall be eligible for grants of Ford Performance Stock Rights ("FPSRs") in the first quarter of 2000. Any grants of FPSRs to an eligible Ford Business Employee shall continue to be earned out and shall be paid out under the FLTIP as if such employee were still employed at Ford unless such employee's employment at Visteon terminates.

- b. Visteon Stock Option and Performance Stock Rights Programs. Visteon shall adopt a Visteon Long-Term Incentive Plan ("VLTIP"), subject to stockholder approval and regulatory restrictions. The Visteon Employees who were otherwise eligible to participate under the FLTIP shall be eligible to participate under the VLTIP in those countries where it is practicable based on the number of employees and difficulty and cost to comply with regulatory requirements. Visteon shall make grants of Visteon stock options under the VLTIP to eligible Visteon Employees in March 2001, and shall make grants of Performance Stock Rights to eligible Visteon Employees in March, 2001.

### 3.09 U.S. PERFORMANCE BONUS PLAN.

U.S. Global Visteon Employees who are otherwise eligible to participate in the U.S. Ford Performance Bonus Plan ("FPBP") shall continue to be eligible to participate under the same terms as applicable to Ford Employees after the Distribution Date through December 31, 2000, with awards for 2000 payable in March, 2001. Visteon shall reimburse Ford for any amounts paid to U.S. Global Visteon Employees for 2000 under the FPBP. If the Distribution Date occurs prior to January 1, 2001, Visteon shall adopt a Visteon Performance Bonus Plan

("VPBP") effective January 1, 2001. The U.S. Global Visteon Employees who were otherwise eligible to participate under the FPBP shall be eligible to participate under the VPBP. If the Distribution Date occurs on or after January 1, 2001 or later, the Parties shall agree to alternate arrangements.

### 3.10 U.S. DEFERRED COMPENSATION PLAN.

Ford shall request the Ford Compensation and Option Committee to approve effective as of the Transfer Date the participation of U.S. Visteon Employees in the Ford Deferred Compensation Plan ("FDCP") and ability to make new deferral elections under the FDCP until the pay ending immediately prior to the Distribution Date. Visteon shall adopt a Visteon Deferred Compensation Plan ("VDCP") effective on the Distribution Date, and shall offer as an investment option a Visteon Stock Fund. Any deferral of compensation on or after the Distribution Date shall be made under the VDCP, even if the election to defer was made prior to the Distribution Date, and unless the participant changes his/her investment options for any such deferral, the VDCP shall honor any investment elections that were in effect under the FDCP for such class year and type of compensation to the extent the VDCP has the same investment choices. If a U.S. Visteon Employee had made deferrals under the FDCP prior to the

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Distribution Date, the book entry account balance of such employee's deferred compensation account in the FDCP, valued as of 5:00 P.M. EST on the Distribution Date, shall be transferred to the VDCP as of the Distribution Date ("Transferred Accounts"). The Transferred Account balances may not be immediately available for further transfer to VDCP investment options until account balances have been properly verified by the plan administrators. Visteon shall cause the VDCP to offer a Ford Stock Fund investment option for those Transferred Accounts that had deferrals based on the FDCP Ford Stock Fund as of the Distribution Date, but the VDCP Ford Stock Fund shall be a "sell" only fund, and would not be available for any new deferrals or redesignations into such fund from other funds or for credits based on dividend earnings. Visteon shall assume the liability with respect to the Transferred Accounts and shall be responsible for making any subsequent distributions in the form specified by the participant while employed by Ford from the Transferred Accounts. If Visteon is unable to make distributions from the Transferred Accounts at the end of any applicable deferral period due to insolvency or otherwise, Ford shall make the appropriate distributions. Ford shall have no responsibility with respect to any other VDCP accounts.

### 3.11 NON-U.S. BENEFIT PLANS AND PROGRAMS.

Unless provided otherwise in Schedule 3.11 attached hereto, Global Ford Business Employees who participate in benefit plans and programs sponsored by non-U.S. Subsidiaries or Affiliates of Ford, shall transition to the benefit plans and programs of the non-U.S. subsidiaries of Visteon as of the Benefit Transition Date, except with respect to retirement liabilities as provided in the next sentence. Ford shall retain liabilities for non-U.S. Ford Retirees as of the Benefit Transition Date and Visteon shall assume liabilities for non-U.S. Visteon Employees with appropriate asset transfers from funded plans. To the extent there are any benefit plans or programs which are unfunded or underfunded, Visteon shall assume the liability for the benefit payments in respect of the non-U.S. Visteon Employees and Ford shall retain the liability for non-U.S. Ford Retirees.

### 3.12 NON-EMBEDDED PLANS.

Notwithstanding anything herein to the contrary, to the extent that Ford has a Subsidiary or Affiliate that maintains pension, savings and or welfare benefit plans separate and apart from the Ford plans, and such Subsidiary or Affiliate becomes a subsidiary or affiliate of Visteon pursuant to the Master Transfer Agreement, the plans of such Subsidiary or Affiliate shall remain the responsibility of such Subsidiary or Affiliate, and no division or allocation of



such plans will occur as a result of such transfer on the Transfer Date. After the Distribution Date, Ford shall have no responsibility attributable to a parent corporation with respect to such plans, except as otherwise may be required by law.

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### 3.13 FUTURE BENEFIT CHANGES.

Nothing contained herein shall be construed to prohibit Ford or its Subsidiaries or Affiliates from amending, terminating or otherwise modifying the terms of employee benefit plans or programs applicable to Global Visteon Employees, Ford Retirees or Visteon Retirees, except as may otherwise be provided by applicable law. Except as otherwise specifically provided herein or by applicable law, no Global Visteon Employee, Ford Retiree or Visteon Retiree shall have any vested right to any employee benefit plan or program sponsored by Ford or its Subsidiaries or Affiliates. Except as provided in Sec. 3.01(b)(vi), and as may be provided by applicable law, nothing in this Agreement shall prohibit Visteon or its subsidiaries or affiliates from amending, modifying or terminating benefit plans or programs applicable to Global Visteon Employees, Visteon Retirees or any other Visteon retirees or employees.

## ARTICLE IV

### VEHICLE PROGRAMS

#### 4.01 U.S. LEASE AND EVALUATION PROGRAMS.

Except as specifically provided herein, participation of the U.S. Global Visteon Employees in Ford's U.S. Lease and Evaluation Vehicle Program shall be terminated as of the Distribution Date. U.S. Global Visteon Employees who participate in such programs shall be given a reasonable period of time after the Benefit Transition Date not to exceed sixty (60) days or such other time as the Parties mutually agree, to either purchase the vehicles leased or assigned to them or to return them to Ford, or Ford's agents as provided below ("Vehicle Transition Period"). During the Vehicle Transition Period, Ford shall offer for sale to each lessee and assignee of such vehicles as are presently leased to such lessee or assignee under the terms of Ford's Used Vehicle Purchase ("B") Plans, or to continue a lease under the terms of the Ford Credit's Red Carpet Lease Plan, subject to credit evaluation and dealer acceptance. In the event a lessee or assignee of a lease or evaluation vehicle declines to purchase or continue to lease such vehicle within the Vehicle Transition Period, the lessee or assignee shall return such vehicle to its original servicing garage. Visteon shall collect, or shall cause its subsidiaries or affiliates to collect, the applicable lease fee from the Global U.S. Visteon Employees for such lease vehicles during the Vehicle Transition Period. Visteon shall reimburse Ford in cash on a monthly basis, within ten days of the last day of the month, an amount equal to (i) the aggregate amount on the monthly lease fees for lease vehicles owed by U.S. Global Visteon Employees and (ii) the aggregate amount of the monthly evaluation vehicle fees, determined on the same basis as if the evaluation vehicles were lease vehicles, and paid by Visteon. U.S. Ford Retirees shall continue to be eligible to participate in Ford's U.S. Lease and Evaluation Vehicle Programs according to the terms of such programs. Group I and Group II Employees

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shall be eligible to participate in Ford's U.S. Lease and Evaluation Vehicle Programs, if otherwise eligible under the terms of such Programs, on the same terms as a Ford Retiree upon their retirement from Visteon or its subsidiaries

or affiliates.

#### 4.02 NON-U.S. LEASE AND EVALUATION PROGRAMS.

Participation of the Global Visteon Employees in Ford's Non-U.S. Lease and Evaluation Programs shall terminate as of the Distribution Date, or such other date as the Parties may agree. Ford shall cooperate with Visteon in providing appropriate transition services comparable to those described in Section 4.01 with respect to the U.S. Lease and Evaluation Programs.

#### 4.03 VEHICLE PURCHASE PLANS.

U.S. Global Visteon Employees shall be permitted to participate in Ford's Vehicle Purchase Plan consisting of the "A Plan" indefinitely. After the Distribution Date, U.S. Global Visteon Employees shall not be eligible to participate in Ford's "B Plan" (except as provided above in Section 4.01). After the Distribution Date, U.S. Global Visteon Employees shall not be eligible to nominate purchasers under the "X-Plan". Ford Retirees shall continue to be eligible to participate in such plans after the Distribution Date according to the terms of such plans.

#### 4.04 U.S. SURVIVING SPOUSE CAR PROGRAMS.

Visteon shall not be required to provide a benefit substantially comparable to the U.S. Surviving Spouse Car Program after the Benefit Transition Date. Ford shall have no responsibility to provide a benefit under the U.S. Surviving Spouse Car Program to a spouse of any U.S. Global Visteon Employee who dies after the Distribution Date.

### ARTICLE V

#### U.S. WORKERS COMPENSATION

Visteon shall assume all liability for workers' compensation claims, damages, expenses, liabilities or administrative expenses of any kind whatsoever, related to U.S. Ford Business Employees regardless of when filed or reported effective as of the Transfer Date. Visteon shall indemnify and hold Ford harmless in respect of any such claims paid by Ford on Visteon's behalf under any insured or self insured program operated by Ford. Effective on the Distribution Date, and at such time as may be required thereafter, Visteon shall transfer to Ford any reserves established in connection with claims which applicable state workers' compensation laws require Ford to continue to pay on behalf of Visteon. Effective on the Distribution Date, Ford shall transfer to Visteon any reserves established in connection with claims for which Visteon assumes payment responsibility to the extent allowed by state law and to the extent

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such reserves are not reflected on Visteon's balance sheet. Where transfer of claim liability is prohibited by state law, Ford will continue to pay such claims on Visteon's behalf and shall be reimbursed by Visteon as described herein. Effective on 12:01 a.m. on the Distribution Date, Visteon shall cease to be covered by any of the workers compensation liability insurance policies sponsored by Ford or any self insurance program of Ford applicable to the U.S. Ford Business Employees for injuries or occupational disablements occurring subsequent to the Distribution Date. Visteon shall assume responsibility for its allocable share of future retrospective premium adjustments for periods preceding the Distribution Date. Visteon shall take all steps necessary under applicable law to provide workers compensation coverage on or after the Distribution Date, either through self-insurance where permissible under state law or by the purchase of insurance. Visteon shall notify state and federal regulatory agencies of the above. Visteon shall cooperate with Ford in obtaining the return or release of all bonds, letters of credit, securities, indemnifications, cash or other assets given by Ford to any state or federal

agency in connection with workers compensation self-insurance with respect to U.S. Ford Business Employees, and to the extent required by any state or federal agency, post its own bonds, letters of credit, indemnifications, securities, cash or other assets in substitution therefor.

## ARTICLE VI

### EMPLOYEE LIABILITIES

Effective as of the Transfer Date, and except as otherwise provided under the terms of this Agreement, Visteon will assume, and agrees to perform, the debts, liabilities, guarantees, contingencies and obligations of Ford, whether asserted or unasserted, fixed or contingent, accrued or unaccrued, known or unknown, and howsoever arising, relating to the Global Visteon Employees. Ford shall transfer any funded or unfunded reserves it may maintain with respect to such liabilities, unless such reserves are reflected on the Visteon Balance Sheet.

## ARTICLE VII

### INDEMNIFICATION

#### 7.01 VISTEON INDEMNITY.

Visteon shall indemnify Ford against and agrees to hold it harmless from any and all damage, loss, claim, liability and expense (including without limitation,

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reasonable attorneys' fees and expense in connection with any action, suit or proceeding brought against Ford) incurred or suffered by Ford arising out of (i) breach of any agreement made by Visteon hereunder; (ii) any claim by a Global Visteon Employee (or such employee's dependents or beneficiaries) arising out of or in connection with the operation, administration, funding or termination of any of Visteon's employee benefit plans or programs or the employee benefit plans or programs of a Visteon subsidiary or affiliate, whenever made, including, without limitation, claims made to the PBGC, the DOL, or the IRS; or (iii) employment claims of Global Visteon Employees whenever made based on conditions or actions arising prior to or after the Transfer Date, except as provided in Section 7.02 below (iii).

#### 7.02 FORD INDEMNITY.

Ford shall indemnify Visteon against and agrees to hold it harmless from any and all damage, loss, claim, liability and expense (including without limitation, reasonable attorneys' fees and expenses in connection with any action, suit or proceeding brought against Visteon) incurred or suffered by Visteon (i) arising out of breach of any agreement made by Ford hereunder; (ii) any claim made by a Global Visteon Employee (or such employee's dependents or beneficiaries) arising out of or in connection with the operation, administration, funding or termination of any of the benefit plans or programs sponsored by Ford (excluding any programs sponsored by Ford subsidiaries that have been transferred to Visteon), whenever made, including, without limitation, claims made to the PBGC, DOL or the IRS; or (iii) employment claims of Global Visteon Employees that arise prior to or after the Transfer Date where the liability, if any, is primarily the result of and arising from conduct of a Ford supervisor or manager not employed by the Business (as opposed to the actions or inaction of Visteon or its subsidiaries or affiliates).

## 7.03 PROCEDURE FOR INDEMNITY.

The procedure for indemnification under this Section 7 shall be the same procedure as set forth in Section 7(C ) through (j) of the Master Transfer Agreement and shall be incorporated herein by reference.

## 7.04 ASSUMPTION OF LIABILITY.

As of the Transfer Date, Visteon will assume liability and responsibility for all pending employment litigation by Global Ford Business Employees transferred to Visteon pursuant to the terms hereof that relate to the Business, provided, however that Visteon shall not assume any obligation or liability and Ford with respect to the following litigation: Michael Jones et al v. Ford Motor Company filed on June 9, 1993 in U.S. District Court, District of Minnesota, regarding discrimination allegations. With respect to those cases assumed, Visteon will have sole responsibility for deciding how to defend the claims (e.g., whether to settle or litigate).

## ARTICLE VIII

## MISCELLANEOUS

## 8.01 DISPUTE RESOLUTION.

If a dispute arises between the Parties relating to this Agreement, the following procedure shall be implemented except that either Party may seek injunctive relief from a court where appropriate in order to maintain the status quo while this procedure is being followed:

- (a) Initial Meeting. The Parties shall hold a meeting promptly, attended by persons with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute; provided, however, that no such meeting shall be deemed to vitiate or reduce the obligations and liabilities of the Parties or be deemed a waiver by a party hereto of any remedies to which such Party would otherwise be entitled.
- (b) Mediation. If, within thirty (30) days after such meeting, the Parties have not succeeded in negotiating a resolution of the dispute, they agree to submit the dispute to mediation in accordance with the then-current Model Procedure for Mediation of Business Disputes of the Center for Public Resources and to bear equally the costs of the mediation. The Parties will jointly appoint a mutually acceptable mediator, seeking assistance in such regard from the Center for Public Resources if they have been unable to agree upon such

appointment within twenty (20) days from the conclusion of the negotiation period.

- (c) Arbitration. The Parties agree to participate in good faith in the mediation and negotiations related thereto for a period of thirty (30) days. If the Parties are not successful in resolving the dispute through the mediation, then the Parties agree to submit the matter to binding arbitration in accordance with the Center for Public Resources Rules for Non-Administered Arbitration, by a sole arbitrator.

(d) Procedure. Mediation or arbitration shall take place in the City of Dearborn, Michigan. Equitable remedies shall be available in any arbitration. Punitive or exemplary damages shall not be awarded. This clause is subject to the Federal Arbitration Act, 9 U.S.C.A. Section 1 et seq., or comparable legislation in non-U.S. jurisdictions, and judgment upon the award rendered by the arbitrator, if any, may be entered by any court having jurisdiction thereof.

#### 8.02 ASSIGNMENT.

This Agreement has been executed in consideration of the Parties involved and therefore may not be assigned or transferred to a third party without the prior written consent of the other Party. This Agreement will be binding on the agreed successors to or assignees of either Party. In no event will a Party be released from their indemnity obligations without the prior written consent of the other Party.

#### 8.03 ENTIRE AGREEMENT, AMENDMENT, WAIVER.

This Agreement embodies the entire agreement of the Parties and supersedes any other agreements or understandings between them, whether oral or written, relating to this subject matter. In the event of a conflict between this Agreement and any other agreement between or among any of the Parties with respect to the subject matter hereof, this Agreement shall control. No amendment or modification or waiver of a breach of any term or condition of this Agreement shall be valid unless in a writing signed by each of the Parties. The failure of either Party to enforce, or the delay by either of them in enforcing, any of its respective rights under this Agreement will not be deemed a continuing waiver or a modification of any rights hereunder and either Party may, within the time provided by applicable law and consistent with the provisions of this Agreement, commence appropriate legal proceedings to enforce any or all of its rights.

#### 8.04 NOTICES.

Any notice or other communication hereunder must be given in writing and either (a) delivered in person, (b) transmitted by facsimile transmission or other

telecommunications mechanism, (c) sent by a nationally recognized overnight courier service (delivery charges prepaid) or (d) sent by registered or certified mail (postage prepaid, return receipt requested) as follows:

If to Ford:

Ford Motor Company  
Henry Ford II World Center  
The American Road  
Dearborn, Michigan 48121-1899  
Attention: Secretary  
Fax: (313) 248-7036

If to Visteon:

Visteon Corporation  
5500 Auto Club Drive  
Dearborn, Michigan 48126  
Attention: General Counsel  
Fax: (313) 390-2718

All notices personally delivered shall be deemed received on the date of delivery. Any notice sent via facsimile transmission shall be deemed received on date shown on the confirmation advice. Any notice by registered or certified mail shall be deemed to have been given on the date of receipt or refusal thereof. The date of any notice by overnight courier service

shall be the date the airbill is signed by the recipient. Any Party may change its address for the receipt of notices by giving Notice thereof to the other.

#### 8.05 PARTIAL INVALIDITY.

Any provision of this Agreement which is found to be invalid or unenforceable by any court in any jurisdiction will, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability, and the invalidity or unenforceability of such provision will not affect the validity or enforceability of the remaining provisions hereof.

#### 8.06 TITLE AND HEADINGS.

Titles and headings of Sections and Subsections of this Agreement are for convenience only and will not affect the construction of any provision of this Agreement.

#### 8.07 NEGOTIATED TERMS.

The Parties agree that the terms and conditions of this Agreement are the result of negotiations between the Parties and that this Agreement will not be construed in

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favor of or against any Party by reason of the extent to which any Party or its professional advisors participated in the preparation of this Agreement.

#### 8.08 COUNTERPARTS.

This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which taken together will constitute one and the same instrument.

#### 8.09 GOVERNING LAWS.

This Agreement is governed by the internal laws of the State of Michigan.

#### 8.10 THIRD PARTY BENEFICIARIES.

This Agreement is for the sole benefit of the Parties hereto and no third party may claim any right, or enforce any obligation of the Parties, hereunder.

#### 8.11 RELATIONSHIP.

Nothing contained in this Agreement will be construed to make any of the Parties partners, principals, agents or employees of the other, except as explicitly provided. None of the Parties will have any right, power or authority, express or implied, to bind any of the other Parties. For purposes of this Agreement, Affiliate means any individual, partnership, corporation, limited liability company, trust, or other entity directly or indirectly, through one or more intermediaries, controlling, controlled by or, under common control with a Party.

#### 8.12 GOOD FAITH AND FAIR DEALING.

In entering into this Agreement, the Parties each acknowledge and agree that all aspects of the relationship among the Parties contemplated by this Agreement, including the performance of all obligations under this Agreement, will be governed by the fundamental principle of good faith and fair dealing.

#### 8.13 CONSENTS, APPROVALS AND REQUESTS.

Except as specifically set forth in this Agreement, all consents and approvals to be given by any of the Parties or any of its respective Affiliates under this Agreement will not be unreasonably withheld or delayed.

8.14 FURTHER ASSURANCES.

The Parties will execute such further assurances and other documents and instruments and do such further and other things as may be necessary to implement and carry out the intent of this Agreement.

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8.15. SALE OF VISTEON BUSINESS.

If Visteon sells all or part of the assets comprising the Business after the Distribution Date, and transfers Global Visteon Employees to a successor employer in connection with the sale of such Business assets, Visteon shall attempt to negotiate in good faith with the successor employer provisions with respect to benefit comparability and pension security no less favorable than those set forth in Section 2.04 and Section 3.01 b.(vi).

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement as of the day and year first above written.

FORD MOTOR COMPANY

VISTEON CORPORATION

By:/s/ Malcolm Macdonald

By: /s/ Daniel R. Coulson

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Title: Vice President and Treasurer

Title: Executive Vice President and

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Chief Financial Officer

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## SUBSIDIARIES OF VISTEON CORPORATION AS OF MAY 15, 2000\*

Organization -----	Jurisdiction -----
Atlantic Automotive Components, LLC	Delaware, U.S.A.
Visteon Climate Control Systems Limited	Delaware, U.S.A.
Visteon Canada, Inc.	Canada
Visteon Global Technologies, Inc.	Michigan, U.S.A.
Visteon International Holdings, Inc.	Delaware, U.S.A.
Autopal s.r.o.	Czech Republic
Brasil Holdings Ltda.	Brazil
Visteon Sistemas Automotivos Ltda.	Brazil
Visteon Brazil Trading Co.	Bermuda
Duck Yang Industry Company Limited	Korea
Halla Climate Control Corporation	Korea
Naldec Corp.	Japan
Shanghai Fudian Automotive Electronics Company, Ltd.	China
Visteon Ardennes Industries, SA	France
Visteon Asia-Pacific, Inc.	Japan
Visteon Automotive Holdings, LLC	Delaware, U.S.A.
Grupo Visteon SRL	Mexico
Altec Electronica Chihuahua SA de CV	Mexico
Autovidrio SA de CV	Mexico
Carplastic SA de CV	Mexico
Climate Systems Mexicana SA de CV	Mexico
Coclisa SA de CV	Mexico
Lamosa SA de CV	Mexico
Visteon Automotive Systems India Private Limited	India
Visteon Caribbean, Inc.	Puerto Rico
Visteon European Holdings Corporation	Delaware, U.S.A.
Visteon Holdings Espana, SI	Spain
Cadiz Electronica SA	Spain
Visteon Centro, SA	Spain
Visteon	
Holdings France SAS	France
Visteon Holdings Italia SRL	Italy
Visteon Interior Holdings France, SAS	France
Visteon Interior Systems France, SA	France
Visteon Hungary Kft.	Hungary
Visteon Philippines, Inc.	Philippines
Visteon Poland S.A.	Poland
Visteon Portugesa Ltd.	Bermuda/Portugal
Visteon Powertrain Control Systems India Private Limited	India
Visteon (Thailand) Co. Limited	Thailand
Visteon UK Limited	UK
Visteon Verwaltungs GmbH	Germany
Visteon Deutschland GmbH	Germany
Visteon IA Holdings Corp.	Delaware, U.S.A.
Visteon Systems, LLC	Delaware, U.S.A.
Visteon AC Holdings Corp.	Delaware, U.S.A.

10 Other U.S. Subsidiaries

19 Other Non-U.S. Subsidiaries

\* Subsidiaries not shown by name in the above list, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.



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This schedule contains summary financial information extracted from the accompanying financial statements of Visteon Corporation for the three years in the period ended December 31, 1999, and is qualified in its entirety by reference to such financial statements.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE ACCOMPANYING FINANCIAL STATEMENTS OF VISTEON CORPORATION FOR THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 1999, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE ACCOMPANYING FINANCIAL STATEMENTS OF VISTEON CORPORATION FOR THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 1999, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE ACCOMPANYING FINANCIAL STATEMENTS OF VISTEON CORPORATION FOR THE THREE MONTHS IN THE PERIOD ENDED MARCH 31, 1999, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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