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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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**FORM 10-Q**

(Mark One)

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**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES AND EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2004, or**

**o**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 1-15827**

**VISTEON CORPORATION**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State of incorporation)

**17000 Rotunda Drive, Dearborn, Michigan**  
(Address of principal executive offices)

**38-3519512**  
(I.R.S. employer  
Identification number)  
**48120**  
(Zip code)

Registrant's telephone number, including area code: (800)-VISTEON

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes ☐ No ☒

As of July 28, 2004, the Registrant had outstanding 129,571,528 shares of common stock, par value \$1.00 per share.

**Exhibit index located on page number 39.**

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**VISTEON CORPORATION AND SUBSIDIARIES**
**PART I. FINANCIAL INFORMATION**
**ITEM 1. FINANCIAL STATEMENTS**
**VISTEON CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF INCOME**
**For the Periods Ended June 30, 2004 and 2003**
**(in millions, except per share amounts)**

	Second Quarter		First Half	
	2004	2003	2004	2003
	(unaudited)			
<b>Sales</b>				
Ford and affiliates	\$ 3,491	\$ 3,592	\$ 7,128	\$ 7,313
Other customers	1,379	1,021	2,714	2,004
Total sales	4,870	4,613	9,842	9,317
<b>Costs and expenses (Notes 2 and 4)</b>				
Costs of sales	4,567	4,625	9,212	9,102
Selling, administrative and other expenses	236	239	499	481
Total costs and expenses	4,803	4,864	9,711	9,583
<b>Operating income (loss)</b>	67	(251)	131	(266)
Interest income	5	4	9	8
Debt extinguishment cost (Note 7)	11	—	11	—
Interest expense	24	24	47	47
Net interest expense and debt extinguishment cost	(30)	(20)	(49)	(39)
Equity in net income of affiliated companies (Note 2)	18	15	29	30
<b>Income (loss) before income taxes and minority interests</b>	55	(256)	111	(275)
Provision (benefit) for income taxes (Note 2)	12	(98)	29	(110)
<b>Income (loss) before minority interests</b>	43	(158)	82	(165)
Minority interests in net income of subsidiaries	12	9	21	17
<b>Net income (loss)</b>	\$ 31	\$ (167)	\$ 61	\$ (182)
<b>Income (loss) per share (Note 8)</b>				
Basic	\$ 0.25	\$ (1.33)	\$ 0.49	\$ (1.45)
Diluted	0.24	(1.33)	0.48	(1.45)
<b>Cash dividends per share</b>	\$ 0.06	\$ 0.06	\$ 0.12	\$ 0.12

The accompanying notes are part of the financial statements.

**VISTEON CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET**  
(in millions)

	June 30, 2004	December 31, 2003
	(unaudited)	
<b>Assets</b>		
Cash and cash equivalents	\$ 1,009	\$ 953
Marketable securities	1	3
	1,010	956
Total cash and marketable securities		
Accounts receivable — Ford and affiliates	1,511	1,198
Accounts receivable — other customers (Note 6)	1,150	1,164
	2,661	2,362
Total receivables, net (Note 2)		
Inventories (Note 11)	834	761
Deferred income taxes (Note 2)	163	163
Prepaid expenses and other current assets (Note 2)	271	168
	4,939	4,410
Total current assets		
Equity in net assets of affiliated companies	208	215
Net property	5,369	5,369
Deferred income taxes (Note 2)	708	700
Other assets	238	270
	11,462	10,964
<b>Total assets</b>		
<b>Liabilities and Stockholders' Equity</b>		
Trade payables	\$ 2,449	\$ 2,270
Accrued liabilities	1,023	924
Income taxes payable (Note 2)	48	27
Debt payable within one year (Note 7)	244	351
	3,764	3,572
Total current liabilities		
Long-term debt (Note 7)	1,686	1,467
Postretirement benefits other than pensions	543	469
Postretirement benefits payable to Ford	2,097	2,090
Other liabilities	1,540	1,508
	9,630	9,106
Total liabilities		
<b>Stockholders' equity</b>		
Capital stock		
Preferred stock, par value \$1.00, 50 million shares authorized, none outstanding	—	—
Common stock, par value \$1.00, 500 million shares authorized, 131 million shares issued, 130 million and 131 million shares outstanding, respectively	131	131
Capital in excess of par value of stock	3,297	3,288
Accumulated other comprehensive loss (Note 12)	(90)	(21)
Other	(31)	(19)
Accumulated deficit	(1,475)	(1,521)
	1,832	1,858
Total stockholders' equity		
<b>Total liabilities and stockholders' equity</b>	\$ 11,462	\$ 10,964

The accompanying notes are part of the financial statements.

## VISTEON CORPORATION AND SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the Periods Ended June 30, 2004 and 2003**  
(in millions)

	First Half	
	2004	2003
	(unaudited)	
<b>Cash and cash equivalents at January 1</b>	\$ 953	\$ 1,204
Cash flows provided by (used in) operating activities	352	(111)
Cash flows from investing activities		
Capital expenditures	(370)	(403)
Purchases of securities	—	(48)
Sales and maturities of securities	3	118
Other	10	13
Net cash used in investing activities	(357)	(320)
Cash flows from financing activities		
Commercial paper repayments, net	(81)	(65)
Other short-term debt, net	(19)	43
Proceeds from issuance of other debt, net of issuance costs	522	161
Repurchase of unsecured debt securities (Note 7)	(269)	—
Principal payments on other debt	(19)	(64)
Purchase of treasury stock	(11)	(5)
Cash dividends	(16)	(16)
Other, including book overdrafts	(38)	2
Net cash provided by financing activities	69	56
Effect of exchange rate changes on cash	(8)	19
Net increase (decrease) in cash and cash equivalents	56	(356)
<b>Cash and cash equivalents at June 30</b>	<b>\$ 1,009</b>	<b>\$ 848</b>

The accompanying notes are part of the financial statements.

# VISTEON CORPORATION AND SUBSIDIARIES

## NOTES TO FINANCIAL STATEMENTS

(unaudited)

### NOTE 1. Financial Statements

The financial data presented herein are unaudited, but in the opinion of management reflect those adjustments, including normal recurring adjustments, necessary for a fair statement 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 included in Visteon's Annual Report on Form 10-K for the year ended December 31, 2003, as filed with the Securities and Exchange Commission on February 13, 2004. Certain amounts for prior periods were reclassified to conform with present period presentation.

Visteon Corporation ("Visteon") is a leading, global supplier of automotive systems, modules and components. Visteon sells products primarily to global vehicle manufacturers, and also sells to the worldwide aftermarket for replacement and vehicle appearance enhancement parts. Visteon became an independent company when Ford Motor Company ("Ford") established Visteon as a wholly-owned subsidiary in January 2000 and subsequently transferred to Visteon the assets and liabilities comprising Ford's automotive components and systems business. Ford completed its spin-off of Visteon on June 28, 2000 (the "spin-off"). Prior to incorporation, Visteon operated as Ford's automotive components and systems business.

### NOTE 2. Selected Costs, Income and Other Information

#### Depreciation and Amortization

Depreciation and amortization expenses are summarized as follows:

	Second Quarter		First Half	
	2004	2003	2004	2003
	(in millions)			
Depreciation	\$ 142	\$ 144	\$ 282	\$ 284
Amortization	26	25	52	48
Total	\$ 168	\$ 169	\$ 334	\$ 332

#### Investments in Affiliates

The following table presents summarized financial data for those affiliates accounted for under the equity method. The amounts represent 100% of the results of operations of these affiliates. Our share of their net income is reported in the line "Equity in net income of affiliated companies" on the Consolidated Statement of Income.

	Second Quarter		First Half	
	2004	2003	2004	2003
	(in millions)			
Net sales	\$ 453	\$ 334	\$ 787	\$ 625
Gross profit	87	70	148	137
Net income	35	30	56	60

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
**(unaudited)**

**NOTE 2. Selected Costs, Income and Other Information — (Continued)**

*Accounts Receivable*

The allowance for doubtful accounts was \$34 million at June 30, 2004 and \$35 million at December 31, 2003.

*Prepaid Expenses and Other Current Assets*

Prepaid expenses and other current assets include \$190 million and \$96 million of European value added and other tax receivables at June 30, 2004 and December 31, 2003, respectively.

*Income Taxes*

Visteon's provision (benefit) for income taxes, which is computed based upon income (loss) before income taxes excluding equity in net income of affiliated companies, reflects an effective tax rate of 32% for the second quarter and 35% for the first half of 2004, compared with 36% for both the second quarter and the first half of 2003. The rate in the first half of 2004 was impacted adversely by not recording the tax benefit related to losses in certain foreign jurisdictions where full valuation allowances are maintained and was impacted favorably by certain tax adjustments related to prior periods, including adjustments related to Visteon's 2003 Federal income tax return, which was filed in May 2004, and the resolution of a foreign tax audit during the first quarter of 2004.

The realization of Visteon's remaining net deferred tax asset of about \$870 million is dependent on achieving our forecast of 2004 taxable income in the U.S. and maintaining our forward-year outlook. Visteon has concluded that the estimates and underlying assumptions concerning the realization of our remaining net deferred tax asset are appropriate at this time. However, the ability to achieve our 2004 forecasted earnings in the U.S. could be impacted by a number of factors, including lower than expected Ford North American volumes in the second half of the year. Visteon will continue to monitor closely the forecast and actual results for the remainder of 2004. If, during a subsequent period, there is an adverse change in our current year U.S. forecast or forward-year outlook, we will update our assessment of the recoverability of our deferred tax assets and reduce them further as needed. Such a write-down would result in additional income tax expense and reduce net income significantly in the applicable period.



**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
**(unaudited)**

**NOTE 3. Stock-Based Awards**

Starting January 1, 2003, Visteon began expensing the fair value of stock-based awards granted to employees pursuant to Statement of Financial Accounting Standards No. 123 (“SFAS 123”), “Accounting for Stock-Based Compensation.” This standard was adopted on a prospective method basis for stock-based awards granted, modified or settled after December 31, 2002. For stock options and restricted stock awards granted prior to January 1, 2003, Visteon measures compensation cost using the intrinsic value method. If compensation cost for all stock-based awards had been determined based on the estimated fair value of stock options and the fair value set at the date of grant for restricted stock awards, in accordance with the provisions of SFAS 123, Visteon’s reported net income (loss) and income (loss) per share would have changed to the pro forma amounts indicated below:

	Second Quarter		First Half	
	2004	2003	2004	2003
	(in millions, except per share amounts)			
Net income (loss), as reported	\$ 31	\$ (167)	\$ 61	\$ (182)
Add: Stock-based employee compensation expense included in reported net income (loss), net of related tax effects	4	3	6	4
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(5)	(7)	(9)	(10)
Pro forma net income (loss)	<u>\$ 30</u>	<u>\$ (171)</u>	<u>\$ 58</u>	<u>\$ (188)</u>
Income (loss) per share:				
As reported:				
Basic	\$ 0.25	\$ (1.33)	\$ 0.49	\$ (1.45)
Diluted	0.24	(1.33)	0.48	(1.45)
Pro forma:				
Basic	\$ 0.24	\$ (1.36)	\$ 0.46	\$ (1.49)
Diluted	0.24	(1.36)	0.45	(1.49)

Shareholder approval was obtained in May 2004 for the Visteon Corporation 2004 Incentive Plan, as amended and restated (the “Incentive Plan”). The Incentive Plan was originally adopted effective as of June 28, 2000 as the 2000 Incentive Plan, and approved by shareholders on May 9, 2001. The amended and restated Incentive Plan includes changes to increase the maximum number of shares of common stock that may be issued by 1.8 million shares to 14.8 million shares and to change the maximum term of an option or stock appreciation right awarded under the plan after the effective date of the amendment to five years from ten years.

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
**(unaudited)**

**NOTE 4. Special Charges**

*First Half 2004 Actions*

Visteon recorded in costs of sales \$5 million and \$16 million of pre-tax special charges in the second quarter and first half of 2004, respectively, as summarized below:

	Second Quarter		First Half	
	Pre-tax	After-tax	Pre-Tax	After-tax
(in millions)				
Restructuring and other charges:				
Plant closure related	\$ 5	\$ 3	\$ 10	\$ 6
European Plan for Growth related	—	—	6	4
Total special charges	\$ 5	\$ 3	\$ 16	\$ 10

Plant closure charges are related to the involuntary separation of up to 220 employees as a result of the planned closure of our La Verpilliere, France, manufacturing facility by the end of 2004. The involuntary separations of the employees at the La Verpilliere facility are expected to occur during the second half of 2004. European Plan for Growth charges are comprised of \$6 million related to the separation of about 50 hourly employees located at Visteon's plants in Europe through a continuation of a special voluntary retirement and separation program started in 2002.

*First Half 2003 Actions*

Visteon recorded in operating results \$266 million and \$297 million of pre-tax special charges in the second quarter and first half of 2003, respectively, as summarized below:

	Second Quarter		First Half	
	Pre-tax	After-tax	Pre-Tax	After-tax
(in millions)				
Restructuring and other charges:				
European Plan for Growth related	\$ 45	\$ 28	\$ 48	\$ 31
North American salaried related	—	—	18	11
Other actions	4	3	14	9
Total restructuring and other charges	49	31	80	51
Loss related to seating operations	217	139	217	139
Total special charges	\$ 266	\$ 170	\$ 297	\$ 190

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
**(unaudited)**

**NOTE 4. Special Charges — (Continued)**

European Plan for Growth charges of \$48 million are comprised of \$42 million related to the involuntary separation of 675 hourly employees located in Germany and \$6 million related to the separation of about 128 hourly employees located at Visteon's plants in Europe through a continuation of a special voluntary retirement and separation program started in 2002. North American salaried charges of \$18 million are related to the involuntary separation of about 135 U.S. salaried employees. Other actions of \$14 million include the elimination of about 120 manufacturing positions in Mexico and \$4 million of non-cash charges related to the write-down of a group of coiled spring and stamping equipment at our Monroe, Michigan, plant for which production activities were discontinued and the future undiscounted cash flows were less than the carrying value of these fixed assets held for use. Of the \$80 million of pre-tax restructuring and other charges described above, \$5 million was recorded in selling, administrative and other expenses in the first quarter of 2003 and the remainder in costs of sales.

During the second quarter of 2003, Visteon finalized an agreement with Ford Motor Company to transfer seat production located in Chesterfield, Michigan, to another supplier. As part of this agreement, about 1,470 Visteon-assigned Ford-UAW employees working at the Chesterfield, Michigan, facility transferred to Ford, and Visteon agreed to be responsible to reimburse Ford for the actual net costs of transferring seating production through June 2004, including costs related to Ford hourly employee voluntary retirement and separation programs that Ford is expected to implement, offset by certain cost savings expected to be realized by Ford. Included in costs of sales and our operating results for the second quarter of 2003 is \$217 million related to the seating operations consisting of:

- \$114 million of payments to be made to Ford for the estimated costs of separating approximately 650 hourly Ford-UAW employees under Ford employee retirement and separation programs and relocation programs expected to be implemented by Ford during the transition process;
- \$60 million of net other contractually-committed cost payments to be made to Ford;
- \$25 million non-cash charge related to certain seating-related fixed assets; and
- \$18 million related to operating losses incurred between the effective date of the agreement (April 1, 2003) and the date the agreements were finalized (June 23, 2003).

The ultimate costs and cash payments related to this agreement depend on several factors including the actual net costs incurred during the seating production transition phase. The most critical factors that impact this are the ultimate actual costs incurred related to the relocation, re-deployment and/or employment termination of the 1,470 Visteon-assigned Ford-UAW employees and the savings achieved by Ford (as defined in the agreement) resulting from resourcing production that will serve as an offset to the transition costs. The final determination of the net costs incurred by Ford related to this agreement is expected to be completed by the end of 2004, which may result in an adjustment to the previously established accruals and related expense. Visteon paid Ford about \$37 million in the first half of 2004 and about \$30 million in 2003 related to this agreement.

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
**(unaudited)**

**NOTE 4. Special Charges — (Continued)***Reserve Activity*

Reserve balances of \$35 million and \$45 million at June 30, 2004 and December 31, 2003, respectively, are included in current accrued liabilities on the accompanying balance sheets. The June 30, 2004 reserve balance includes \$21 million related primarily to 2003 restructuring activities. Visteon currently anticipates that the restructuring activities to which all of the above charges relate will be substantially complete by the end of 2004.

	<u>Automotive Operations</u>	<u>Total Visteon</u>
	(in millions)	
December 31, 2003 reserve balance	\$ 45	\$ 45
First quarter 2004 actions:		
Included in costs of sales	11	11
Second quarter 2004 actions:		
Included in costs of sales	5	5
	<u>16</u>	<u>16</u>
Total expense	16	16
Utilization	(26)	(26)
	<u>35</u>	<u>35</u>
June 30, 2004 reserve balance	\$ 35	\$ 35

Utilization in the first half of 2004 of \$26 million was primarily related to severance pay.

*Other Actions*

As previously announced, Visteon intends to move a portion of the operations at the Bedford, Indiana facility to another Visteon manufacturing facility, which will result in a reduction over time in workforce at the Bedford plant. Reductions are expected to be achieved through voluntary separation programs, with associated charges incurred and recorded as those programs are implemented.

In addition, Visteon intends to implement programs to offer eligible Visteon-assigned Ford-UAW employees incentives to voluntarily retire. Costs associated with these actions, which could aggregate up to \$25 million, would be recorded as the programs are implemented.

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
**(unaudited)**

**NOTE 5. Employee Retirement Benefits**

Visteon's retirement plans' expense for the second quarter and first half of 2004 and 2003, respectively, are summarized as follows:

	Retirement Plans				Health Care and Life Insurance Benefits	
	U.S. Plans		Non-U.S. Plans			
	2004	2003	2004	2003	2004	2003
	(in millions)					
Second Quarter						
Service cost	\$ 14	\$ 14	\$ 9	\$ 8	\$ 9	\$ 6
Interest cost	16	15	16	13	12	11
Expected return on plan assets	(16)	(14)	(16)	(14)	—	—
Amortization of:						
Plan amendments	3	3	2	3	(5)	(1)
(Gains) losses and other	1	—	1	—	6	2
Special termination benefits	—	—	—	3	—	—
Expense for Visteon-assigned Ford-UAW and certain salaried employees	27	104	—	—	38	94
Net pension/postretirement expense	\$ 45	\$ 122	\$ 12	\$ 13	\$ 60	\$ 112
First Half						
Service cost	\$ 28	\$ 27	\$ 18	\$ 16	\$ 18	\$ 13
Interest cost	33	30	33	26	25	22
Expected return on plan assets	(32)	(28)	(31)	(27)	—	—
Amortization of:						
Plan amendments	5	5	5	5	(10)	(3)
(Gains) losses and other	2	—	1	—	14	5
Special termination benefits	—	—	—	10	—	—
Expense for Visteon-assigned Ford-UAW and certain salaried employees	58	125	—	—	75	177
Net pension/postretirement expense	\$ 94	\$ 159	\$ 26	\$ 30	\$ 122	\$ 214

The expense amount for Visteon-assigned Ford-UAW employees included in the table above for the second quarter and first half of 2003 includes pension expense of \$85 million and retiree health care and life insurance expense of \$17 million related to the transfer of the Chesterfield, Michigan, seat production as discussed further in Note 4.

As of June 30, 2004, contributions to U.S. retirement plans and postretirement health care and life insurance plans were \$71 million and \$24 million, respectively, including payments to Ford of \$53 million and \$15 million, respectively. Visteon presently anticipates contributing an additional \$109 million to U.S. retirement plans in 2004 for a total of \$180 million, including additional payments to Ford of \$54 million for a total of \$107 million.

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
**(unaudited)**

**NOTE 5. Employee Retirement Benefits — (Continued)**

The Medicare Drug Improvement and Modernization Act of 2003 was signed into law on December 8, 2003. This legislation provides for a federal subsidy beginning in 2006 to sponsors of retiree health care benefit plans that provide a benefit at least actuarially equivalent to the benefit established by the law. Visteon's plans generally provide retiree drug benefits that exceed the value of the benefit that will be provided by Medicare Part D, and we have concluded that our plans are actuarially equivalent, pending further definition of the criteria used to determine equivalence. This subsidy is estimated to reduce the benefit obligation for Visteon plans by \$95 million as of June 30, 2004, and will be recognized through reduced retiree health care expense over the related employee future service lives.

**NOTE 6. Asset Securitization**

*United States*

In the first quarter of 2004, Visteon established a \$100 million revolving accounts receivable securitization facility in the United States ("facility agreement"). Under this facility agreement, Visteon can sell a portion of its U.S. trade receivables to Visteon Receivables LLC ("VRL"), a wholly-owned consolidated special purpose entity. VRL may then sell, on a non-recourse basis (subject to certain limited exceptions), an undivided interest in the receivables to an asset-backed, multi-seller commercial paper conduit, which is unrelated to Visteon or VRL. The conduit typically finances the purchases through the issuance of commercial paper, with back-up purchase commitments from the conduit's financial institution. The sale of the undivided interest in the receivables from VRL to the conduit is accounted for as a sale under the provisions of Statement of Financial Accounting Standards No. 140, "Accounting for the Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." When VRL sells an undivided interest to the conduit, VRL retains the remaining undivided interest. The carrying value of the remaining undivided interests approximates the fair market value of these receivables. The value of the undivided interest sold to the conduit is excluded from our consolidated balance sheet and will reduce our accounts receivable balance. Visteon continues to perform the collection and administrative functions related to the accounts receivable. The facility expires in March 2005 and can be extended annually through March 2008 based upon the mutual agreement of the parties. Additionally, the agreement contains financial covenants similar to our unsecured revolving credit facilities.

At the time VRL sells the undivided interest to the conduit, the sale is recorded at fair market value with the difference between the carrying amount and fair value of the assets sold included in operating income as a loss on sale. This difference between carrying value and fair value is principally the estimated discount inherent in the facility agreement, which reflects the borrowing costs as well as fees and expenses of the conduit, and the length of time the receivables are expected to be outstanding. In the second quarter of 2004, VRL made an initial sale of a \$45 million undivided interest in about \$265 million of total receivables. The retained interest at June 30, 2004 of \$220 million is included in Accounts receivable — other customers on the Consolidated Balance Sheet. The loss on sale was less than \$1 million for the first half of 2004.

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
**(unaudited)**

**NOTE 6. Asset Securitization — (Continued)**

*Europe*

As of June 30, 2004 and December 31, 2003, Visteon has sold euro 37 million (\$45 million) and euro 12 million (\$15 million), respectively, of trade receivables under a European sale of receivables agreement with a bank. This agreement provides for the sale of up to euro 40 million in trade receivables.

**NOTE 7. Debt**

Debt at June 30, 2004 and December 31, 2003, including the fair market value of related interest rate swaps, was as follows:

	June 30, 2004	December 31, 2003
	(in millions)	
<b>Debt payable within one year</b>		
Commercial paper	\$ —	\$ 81
Other — short-term	214	234
Current portion of long-term debt	30	36
	<u>244</u>	<u>351</u>
<b>Long-term debt</b>		
8.25% notes due August 1, 2010	695	716
7.00% notes due March 10, 2014	438	—
7.95% notes due August 1, 2005	256	518
Term loan due June 25, 2007	173	104
Other	124	129
	<u>1,686</u>	<u>1,467</u>
<b>Total debt</b>	<u>\$ 1,930</u>	<u>\$ 1,818</u>

On March 10, 2004, Visteon completed a public offering of unsecured fixed-rate term debt securities totaling \$450 million with a maturity of ten years. The securities bear interest at a stated rate of 7.00%, with interest payable semi-annually on March 10 and September 10, beginning on September 10, 2004. The securities rank equally with Visteon's existing and future unsecured fixed-rate term debt securities and senior to any future subordinated debt. The unsecured term debt securities agreement contains certain restrictions, including, among others, a limitation relating to liens and sale-leaseback transactions, as defined in the agreement. In the opinion of management, Visteon was in compliance with all of these restrictions. In addition, an interest rate swap has been entered into for a portion of this debt (\$225 million). This swap effectively converts the securities from fixed interest rate to variable interest rate instruments.

On April 6, 2004, Visteon repurchased \$250 million of our existing 7.95% five-year notes maturing on August 1, 2005. In the second quarter of 2004, Visteon recorded a pre-tax debt extinguishment charge of \$11 million, consisting of redemption premiums and transaction costs (\$19 million), offset partially by the accelerated recognition of gains from interest rate swaps associated with the repurchased debt (\$8 million).

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
**(unaudited)**

**NOTE 7. Debt — (Continued)**

Visteon has financing arrangements with a syndicate of third-party lenders that provide contractually committed, unsecured revolving credit facilities (the “Credit Facilities”). During the second quarter of 2004, the 364-day revolving credit facility in the amount of \$565 million was renewed, which now expires in June 2005. In addition to the 364-day revolving facility, Visteon continues to have a five-year revolving credit facility in the amount of \$775 million that expires in June 2007. The Credit Facilities also provide for a delayed draw term loan in the amount of \$250 million, expiring in 2007, which is used primarily to finance new construction for facilities consolidation in Southeast Michigan. Borrowings under the Credit Facilities bear interest based on a variable rate interest option selected at the time of borrowing. The Credit Facilities contain certain affirmative and negative covenants including a covenant not to exceed a certain leverage ratio of net debt to EBITDA (excluding special charges and other items) of 3.5 to 1. Visteon has been in compliance with all covenants since the inception of the Credit Facilities.

**NOTE 8. Income (Loss) Per Share of Common Stock**

Basic income (loss) per share of common stock is calculated by dividing reported net income (loss) by the average number of shares of common stock outstanding during the applicable period, adjusted for restricted stock. The calculation of diluted income (loss) per share takes into account the effect of dilutive potential common stock, such as stock options, and contingently returnable shares, such as restricted stock.

	Second Quarter		First Half	
	2004	2003	2004	2003
	(in millions, except per share amounts)			
Numerator:				
Net income (loss)	\$ 31	\$ (167)	\$ 61	\$ (182)
Denominator:				
Average common stock outstanding	129.5	130.7	129.7	130.2
Less: Average restricted stock outstanding	(4.3)	(5.0)	(4.5)	(4.3)
Basic shares	125.2	125.7	125.2	125.9
Net dilutive effect of restricted stock and stock options	3.2	—	3.2	—
Diluted shares	128.4	125.7	128.4	125.9
Income (loss) per share:				
Basic	\$ 0.25	\$ (1.33)	\$ 0.49	\$ (1.45)
Diluted	\$ 0.24	\$ (1.33)	\$ 0.48	\$ (1.45)

For the second quarter and first half of 2003 potential common stock of about 713,000 shares and 613,000 shares, respectively, are excluded, as the effect would have been antidilutive due to the losses incurred during those periods. Options to purchase 7,693,000 shares of common stock at exercise prices ranging from \$11 per share to \$22 per share were outstanding during the first half of 2004 but were not included in the computation of diluted income (loss) per share because the options’ exercise price was greater than the average market price of the common shares. The options expire at various dates between 2009 and 2012.



**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
**(unaudited)**

**NOTE 9. Variable Interest Entities**

In December 2003, the FASB issued revised Interpretation No. 46 ("FIN 46") "Consolidation of Variable Interest Entities." Until this interpretation, a company generally included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns. Application of FIN 46 was required during the fourth quarter of 2003 for interests in structures that are commonly referred to as special-purpose entities and for all other types of variable interest entities in the first quarter of 2004.

As a result of the application of FIN 46, the consolidated financial statements include the accounts of Lextron-Visteon Automotive Systems, LLC and MIG-Visteon Automotive Systems, LLC, both joint ventures 49% owned by Visteon or its subsidiaries, that supply integrated cockpit modules and other modules and systems to Nissan. Consolidation of these entities was based on an assessment of the amount of equity investment at risk, the subordinated financial support provided by Visteon, and that Visteon supplies the joint ventures' inventory. The effect of consolidation on Visteon's results of operations or financial position as of June 30, 2004 was not significant as substantially all of the joint ventures' liabilities and costs are related to activity with Visteon.

From June 30, 2002, a variable interest entity owned by an affiliate of a bank is included in Visteon's consolidated financial statements. This entity was established in early 2002 to build a leased facility for Visteon to centralize customer support functions, research and development and administrative operations. Construction of the facility is planned to be completed in 2004 at a cost of about \$250 million, with initial occupancy starting in mid-2004. As of June 30, 2004, this entity has incurred about \$183 million in expenditures related to this facility.

**NOTE 10. Product Warranty**

A reconciliation of changes in the product warranty liability is summarized as follows:

	<b>First Half</b>
	<b>2004</b>
	<b>(in millions)</b>
Beginning balance	\$ 22
Accruals for products shipped	13
Accruals related to pre-existing warranties (including changes in estimates)	9
Settlements	(10)
Ending balance	\$ 34

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
**(unaudited)**

**NOTE 11. Inventories**

Inventories are summarized as follows:

	June 30, 2004	(in millions)	December 31, 2003
Raw materials, work-in-process and supplies	\$ 572		\$ 518
Finished products	262		243
<b>Total inventories</b>	<b>\$ 834</b>		<b>\$ 761</b>
U.S. inventories	\$ 475		\$ 436

The components of inventory at December 31, 2003 have been conformed to present period presentation to reclassify finished products inventory at several plant locations.

**NOTE 12. Comprehensive Income (Loss)**

Comprehensive income (loss) is summarized as follows:

	Second Quarter		First Half	
	2004	2003	2004	2003
Net income (loss)	\$ 31	\$ (167)	\$ 61	\$ (182)
Change in foreign currency translation adjustments, net of tax	(44)	64	(71)	85
Other	—	10	2	17
<b>Total comprehensive loss</b>	<b>\$ (13)</b>	<b>\$ (93)</b>	<b>\$ (8)</b>	<b>\$ (80)</b>

Accumulated other comprehensive loss is comprised of the following:

	June 30, 2004	(in millions)	December 31, 2003
Foreign currency translation adjustments, net of tax	\$ 59		\$ 130
Realized and unrealized gains on derivatives, net of tax	9		8
Unrealized loss on marketable securities, net of tax	—		(1)
Minimum pension liability, net of tax	(158)		(158)
<b>Total accumulated other comprehensive loss</b>	<b>\$ (90)</b>		<b>\$ (21)</b>

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
**(unaudited)**

**NOTE 13. Segment Information**

Visteon's reportable operating segments are Automotive Operations and Glass Operations. Financial information for the reportable operating segments is summarized as follows:

	Automotive Operations	Glass Operations	Total Visteon
	(in millions)		
Second Quarter			
2004:			
Sales	\$4,733	\$137	\$4,870
Income before taxes	52	3	55
Net income	29	2	31
Special charges before taxes	5	—	5
Special charges after taxes	3	—	3
Total assets, end of period	11,208	254	11,462
2003:			
Sales	\$4,459	\$154	\$4,613
Income (loss) before taxes	(263)	7	(256)
Net income (loss)	(172)	5	(167)
Special charges before taxes	266	—	266
Special charges after taxes	170	—	170
Total assets, end of period	11,316	286	11,602
First Half			
2004:			
Sales	\$9,566	\$276	\$9,842
Income before taxes	99	12	111
Net income	53	8	61
Special charges before taxes	16	—	16
Special charges after taxes	10	—	10
Total assets, end of period	11,208	254	11,462
2003:			
Sales	\$9,010	\$307	\$9,317
Income (loss) before taxes	(286)	11	(275)
Net income (loss)	(190)	8	(182)
Special charges before taxes	296	1	297
Special charges after taxes	189	1	190
Total assets, end of period	11,316	286	11,602

**VISTEON CORPORATION AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
**(unaudited)**

**NOTE 14. 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; product recalls; and environmental matters. Some of the foregoing matters involve or 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 matters discussed in the foregoing paragraph where losses are deemed probable; these reserves are adjusted periodically to reflect estimates of ultimate probable outcomes. 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 Visteon and could require Visteon to pay damages or make other expenditures in amounts, or a range of amounts, that cannot be estimated at June 30, 2004. Visteon does not reasonably expect, based on its analysis, that any adverse outcome from such matters would have a material effect on our financial condition, results of operations or cash flows, although such an outcome is possible.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders

Visteon Corporation

We have reviewed the accompanying consolidated balance sheet of Visteon Corporation and its subsidiaries as of June 30, 2004, and the related consolidated statement of income for each of the three-month and six-month periods ended June 30, 2004 and June 30, 2003 and the condensed consolidated statement of cash flows for the six-month periods ended June 30, 2004 and June 30, 2003. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2003, and the related consolidated statements of operations, stockholders' equity, and of cash flows for the year then ended (not presented herein), and in our report dated January 22, 2004 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2003, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Detroit, Michigan  
July 20, 2004

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The financial data presented herein are unaudited, but in the opinion of management reflect those adjustments, including normal recurring adjustments, necessary for a fair statement of such information. Reference should be made to the consolidated financial statements and accompanying notes included in the company's Annual Report on Form 10-K for the year ended December 31, 2003, as filed with the Securities and Exchange Commission on February 13, 2004.

### Overview

Visteon's worldwide sales for the second quarter of 2004 were up about \$257 million over the same period in 2003. Sales improvement largely came from nearly \$244 million in net new business from non-Ford customers, although currency changes contributed \$168 million as well. A six percent decline in Ford's North American production volumes and the loss of \$118 million in sales from our exited seating operations were significant negative factors in the quarter.

Visteon's worldwide sales in the first six months of 2004 were \$9.8 billion, compared with \$9.3 billion in the first six months of 2003. Sales to non-Ford customers reached \$2.7 billion for the first half of 2004, an increase of \$710 million over the comparable period in 2003, and accounted for 28% of total sales for the first six months.

Net income for the second quarter of 2004 was \$31 million, or \$0.24 per share, an improvement of \$198 million over a net loss of \$167 million, or \$1.33 per share, for the second quarter of 2003. Profit improvement came from the non-recurrence of special charges from the exit of seating operations in the second quarter of 2003 of \$139 million. Additional improvement came from cost reductions, increased non-Ford business, and restructuring efforts.

Net income for the first six months of 2004 was \$61 million, or \$0.48 per share, an improvement of \$243 million over a net loss of \$182 million, or \$1.45 per share, for the first six months of 2003.

Cash from operations was \$352 million during the first half of 2004, an improvement of \$463 million versus the same period last year. The improvement was due to higher profits and improved trade working capital. We ended the half with \$1,010 million in cash and marketable securities and took further actions to enhance our liquidity and extend our maturity profile.

### Results of Operations

#### *Second Quarter 2004 Compared with Second Quarter 2003*

**Sales** for each of our segments for the second quarter of 2004 and 2003 are summarized in the following table:

	Second Quarter		2004 over/(under) 2003
	2004	2003	
		(in millions)	
Automotive Operations	\$ 4,733	\$ 4,459	\$274
Glass Operations	137	154	(17)
<b>Total</b>	<b>\$ 4,870</b>	<b>\$ 4,613</b>	<b>\$257</b>
Memo: Sales to non-Ford customers			
Amount	\$ 1,379	\$ 1,021	\$358
Percentage of total sales	28%	22%	6pts

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (Continued)**

Sales for Automotive Operations were \$4.7 billion in 2004, compared with \$4.5 billion in 2003, an increase of \$274 million or 6%. This increase reflects the impact of net new business with non-Ford customers of \$244 million, favorable currency changes of \$168 million, and higher Ford European production volume, offset partially by the impact of lower Ford North American production volume, the loss of revenue from the exit of seating operations of \$118 million, and price reductions.

Sales for Glass Operations were \$137 million in 2004, compared with \$154 million in 2003, a decrease of \$17 million or 11%, reflecting primarily lower aftermarket revenue because of a mix of price reductions and lower volume.

**Costs of sales** for the second quarter of 2004 were \$4.6 billion, down \$58 million compared with the second quarter of 2003. Costs of sales includes primarily material, labor, manufacturing overhead and other costs, such as product development costs. The decrease reflects the exit of our seating operations (\$335 million, \$217 million of which were special charges), and favorable cost performance of \$137 million despite material surcharges and fuel cost increases. These decreased costs were offset partially by the variable costs of \$286 million associated with higher production volumes including new business and higher Ford European production volume offset partially by lower Ford North American production volume, and currency fluctuations of \$148 million. Special charges included in this line item were \$5 million in 2004 and \$266 million in 2003.

**Selling, administrative and other expenses** for the second quarter of 2004 were \$236 million, \$3 million lower compared with the second quarter of 2003. The lower expenses reflect lower Information Technology ("IT") costs as well as other efficiencies, offset partially by currency fluctuations of \$7 million.

**Net interest expense and debt extinguishment cost** of \$30 million in the second quarter of 2004 was \$10 million higher than second quarter of 2003 primarily due to an \$11 million debt extinguishment charge.

**Equity in net income of affiliated companies** was \$18 million in the second quarter of 2004, compared with \$15 million in the second quarter of 2003, with the change primarily related to our affiliates in Asia.

**Income (loss) before income taxes and minority interests**, including and excluding special charges, is the primary profitability measure used by our chief operating decision makers. The following table shows income (loss) before income taxes and minority interests for the second quarter of 2004 and 2003, for each of our segments:

	Second Quarter		2004 over/(under) 2003
	2004	2003	
		(in millions)	
Automotive Operations	\$ 52	\$ (263)	\$ 315
Glass Operations	3	7	(4)
Total	\$ 55	\$ (256)	\$ 311
Memo:			
Special charges included above	\$ (5)	\$ (266)	\$ 261

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (Continued)**

Automotive Operations' second quarter 2004 income before income taxes and minority interests was \$52 million compared with a loss of \$263 million for the second quarter of 2003. Special charges before taxes in 2004 were down \$261 million, \$217 million from the exit of our seating operations in the second quarter of 2003. Favorable cost performance, net of reduced prices to our customers, material surcharges, fuel cost increases, and wage and benefit economic increases, despite our reduced OPEB costs, was \$75 million. Additionally, second quarter 2004 results were impacted favorably by currency fluctuations of \$13 million. Partial offsets to these improvements include \$11 million in debt extinguishment costs and the impact of lower volume. The combination of lower Ford North American production volume, increased new business and higher Ford European production volume also reduced second quarter income.

Income before income taxes and minority interests for Glass Operations in the second quarter of 2004 was \$3 million compared with \$7 million before taxes for the second quarter of 2003, reflecting lower aftermarket pricing and volume, offset partially by a reduction in OPEB costs.

**Provision (benefit) for income taxes** represents an effective income tax rate of 32% in the second quarter of 2004 compared with 36% in the second quarter of the prior year. The rate for the second quarter of 2004 was impacted adversely by not recording the tax benefit related to losses in certain foreign jurisdictions where full valuation allowances are maintained and was impacted favorably by adjustments related to Visteon's 2003 Federal income tax return, which was filed in May 2004.

**Minority interests in net income of subsidiaries** was \$12 million in the second quarter of 2004, compared with \$9 million in the second quarter of 2003. Minority interest amounts are related primarily to Halla Climate Control Corporation located in Korea, in which we have a 70% ownership interest.

**Net income (loss)** for the second quarter of 2004 and 2003 are shown in the following table for each of our segments:

	Second Quarter		2004 over/(under) 2003
	2004	2003	
		(in millions)	
Automotive Operations	\$ 29	\$ (172)	\$ 201
Glass Operations	2	5	(3)
Total	\$ 31	\$ (167)	\$ 198
Memo:			
Special charges included above	\$ (3)	\$ (170)	\$ 167

Visteon reported a net profit for the second quarter of 2004 of \$31 million compared with a net loss of \$167 million for the second quarter of 2003 because of the factors described above in income (loss) before income taxes. Special charges after taxes were \$3 million for 2004 and \$170 million for 2003.



**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (Continued)**
**Results of Operations**

*First Half 2004 Compared with First Half 2003*

Sales for each of our segments for the first half of 2004 and 2003 are summarized in the following table:

	First Half		2004 over/(under) 2003
	2004	2003	
		(in millions)	
Automotive Operations	\$ 9,566	\$ 9,010	\$556
Glass Operations	276	307	(31)
<b>Total</b>	<b>\$ 9,842</b>	<b>\$ 9,317</b>	<b>\$525</b>
Memo: Sales to non-Ford customers			
Amount	\$ 2,714	\$ 2,004	\$710
Percentage of total sales	28%	22%	6pts

Sales for Automotive Operations in the first half were \$9.6 billion in 2004, compared with \$9.0 billion in 2003, an increase of \$556 million or 6%. This increase is a result of the impact of new business with non-Ford customers of \$417 million, favorable currency changes of \$364 million, and higher Ford European production volumes offset partially by the impact of lower Ford North American production volume, the loss of revenue from the exit of seating operations of \$246 million, and price reductions.

Sales for Glass Operations in the first half were \$276 million in 2004, compared with \$307 million in 2003, a decrease of \$31 million or 10%, resulting primarily from lower aftermarket revenue because of price reductions and lower volume.

**Costs of sales** for the first half of 2004 were \$9.2 billion, up \$110 million compared with the first half of 2003. Costs of sales includes primarily material, labor, manufacturing overhead and other costs, such as product development costs. The increase reflects the variable costs associated with production volumes of \$488 million (new business and higher Ford European production volume offset partially by Ford North American production volume) and currency fluctuations of \$323 million, offset partially by an elimination of costs of \$487 million (including \$217 million of special charges) resulting from the exit of our seating operations, and favorable cost performance of \$251 million (net of material surcharges and fuel cost increases). Special charges included in this line item were \$16 million in 2004 and \$292 million in 2003.

**Selling, administrative and other expenses** for the first half of 2004 were \$499 million, \$18 million higher than the first half of 2003. The increase reflects primarily incremental IT actions of \$18 million as well as currency translation of \$16 million offset partially by efficiencies and the non-recurrence of special charges. Special charges included in this line item were \$5 million for 2003.

**Net interest expense and debt extinguishment cost** of \$49 million in the first half of 2004 was \$10 million higher than the first half of 2003 primarily due to an \$11 million debt extinguishment charge.

**Equity in net income of affiliated companies** was \$29 million in the first half of 2004, compared with \$30 million in the first half of 2003, with the change more than explained by our affiliates in Asia.

**ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (Continued)**

**Income (loss) before income taxes and minority interests**, including and excluding special charges, is the primary profitability measure used by our chief operating decision makers. The following table shows income (loss) before income taxes and minority interests for the first half of 2004 and 2003, for each of our segments:

	First Half		2004 over 2003
	2004	2003	
	(in millions)		
Automotive Operations	\$ 99	\$ (286)	\$ 385
Glass Operations	12	11	1
Total	\$ 111	\$ (275)	\$ 386
Memo:			
Special charges included above	\$ (16)	\$ (297)	\$ 281

Automotive Operations’ first half 2004 income before income taxes and minority interests was \$99 million compared with a loss of \$286 million for the first half of 2003. The improvement resulted from the elimination of costs of \$242 million (including \$217 million of special charges) resulting from the exit of our seating operations and currency fluctuations of \$25 million. Favorable cost performance, net of reduced prices to our customers, material surcharges, fuel cost increases, and wage and benefit economic increases, despite our reduced OPEB costs, was \$81 million. Higher production volumes, including new business and higher Ford European production volume offset partially by lower Ford North American production volume, also improved first half income before taxes. Partial offsets to these improvements include \$11 million in debt extinguishment costs. Special charges included in income (loss) before income taxes and minority interests were \$16 million and \$296 million in the first half of 2004 and 2003, respectively.

Income before income taxes and minority interests for Glass Operations in the first half of 2004 was \$12 million compared with \$11 million for the first half of 2003 reflecting lower OPEB costs and improved architectural glass sales, offset partially by lower aftermarket glass pricing and volume.

**Provision (benefit) for income taxes** represents an effective income tax rate of 35% for the first half of 2004 compared with 36% for the first half of 2003. The rate for the first six months was impacted adversely by not recording the tax benefit related to losses in certain foreign jurisdictions where full valuation allowances are maintained, and was impacted favorably by certain tax adjustments related to prior periods, including adjustments related to Visteon’s 2003 Federal income tax return, which was filed in May 2004, and the resolution of a foreign tax audit during the first quarter of 2004.

**Minority interests in net income of subsidiaries** was \$21 million in the first half of 2004, compared with \$17 million in the first half of 2003. Minority interest amounts are related primarily to Halla Climate Control Corporation located in Korea, in which we have a 70% ownership interest.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (Continued)**

**Net income (loss)** for the first half of 2004 and 2003 are shown in the following table for each of our segments:

	First Half		2004 over 2003
	2004	2003	
	(in millions)		
Automotive Operations	\$ 53	\$ (190)	\$ 243
Glass Operations	8	8	—
<b>Total</b>	<b>\$ 61</b>	<b>\$ (182)</b>	<b>\$ 243</b>
Memo:			
Special charges included above	\$ (10)	\$ (190)	\$ 180

Visteon reported a net profit for the first half of 2004 of \$61 million compared with a net loss of \$182 million for the first half of 2003 because of the factors described above in income (loss) before income taxes. Special charges after taxes were \$10 million for the first half of 2004 and \$190 million for the first half of 2003.

**Restructuring, Dispositions and Special Charges**

The table below presents special charges related to restructuring initiatives and other actions during the second quarter and first half of 2004 and 2003:

	Automotive Operations		Glass Operations		Total	
	Second Quarter	First Half	Second Quarter	First Half	Second Quarter	First Half
(in millions)						
2004 Special Charges:						
Plant closure related	\$ (5)	\$ (10)	\$ —	\$ —	\$ (5)	\$ (10)
European Plan for Growth	—	(6)	—	—	—	(6)
Total 2004 special charges, before taxes	\$ (5)	\$ (16)	\$ —	\$ —	\$ (5)	\$ (16)
Total 2004 special charges, after taxes	\$ (3)	\$ (10)	\$ —	\$ —	\$ (3)	\$ (10)
2003 Special Charges:						
North American seating operations	\$ (217)	\$ (217)	\$ —	\$ —	\$ (217)	\$ (217)
European Plan for Growth	(45)	(48)	—	—	(45)	(48)
North American salaried restructuring	—	(18)	—	—	—	(18)
Other actions	(4)	(13)	—	(1)	(4)	(14)
Total 2003 special charges, before taxes	\$ (266)	\$ (296)	\$ —	\$ (1)	\$ (266)	\$ (297)
Total 2003 special charges, after taxes	\$ (170)	\$ (189)	\$ —	\$ (1)	\$ (170)	\$ (190)

**First Half 2004 Actions**

During the first half of 2004, Visteon incurred plant closure charges related to the involuntary separation of up to 220 employees as a result of the planned closure of our La Verpilliere, France, manufacturing facility by the end of 2004. The involuntary separations of the employees at the La Verpilliere facility are expected to occur during the second half of 2004. European Plan for Growth charges are comprised of \$6 million related to the separation of about 50 hourly employees located at Visteon's plants in Europe through a continuation of a special voluntary retirement and separation program started in 2002.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (Continued)**

*First Half 2003 Actions*

During the second quarter of 2003, Visteon finalized an agreement with Ford Motor Company to transfer seat production located in Chesterfield, Michigan, to another supplier. As part of this agreement, about 1,470 Visteon-assigned Ford-UAW employees working at the Chesterfield, Michigan, facility transferred to Ford, and Visteon agreed to be responsible to reimburse Ford for the actual net costs of transferring seating production through June 2004, including costs related to Ford hourly employee voluntary retirement and separation programs that Ford is expected to implement, offset by certain cost savings expected to be realized by Ford.

Included in costs of sales and our operating results for the second quarter of 2003 is \$217 million related to the seating operations consisting of:

- \$114 million of payments to Ford primarily for the estimated costs of separating approximately 650 hourly Ford-UAW employees under Ford employee retirement and separation programs and relocation programs expected to be implemented by Ford during the transition process;
- \$60 million of net other contractually-committed cost payments to Ford;
- \$25 million non-cash charge related to certain seating-related fixed assets;
- \$18 million related to operating losses incurred between the effective date of the agreement (April 1, 2003) and the date the agreements were finalized (June 23, 2003).

The ultimate costs and cash payments related to this agreement depend on several factors including the actual net costs incurred during the seating production transition phase. The most critical factors that impact this are the ultimate actual costs incurred related to the relocation, re-deployment and/or employment termination of the 1,470 Visteon-assigned Ford-UAW employees and the savings achieved by Ford (as defined in the agreement) resulting from resourcing production that will serve as an offset to the transition costs. The final determination of the net costs incurred by Ford related to this agreement is expected to be completed by the end of 2004, which may result in an adjustment to the previously established accruals and related expense.

European Plan for Growth charges of \$48 million are comprised of \$42 million related to the involuntary separation of 675 hourly employees located in Germany and \$6 million related to the separation of about 128 hourly employees located at Visteon's plants in Europe through a continuation of a special voluntary retirement and separation program started in 2002. North American salaried charges of \$18 million are related to the involuntary separation of about 135 U.S. salaried employees. Other actions of \$14 million include the elimination of about 120 manufacturing positions in Mexico and \$4 million of non-cash charges related to the write-down of a group of coiled spring and stamping equipment at our Monroe, Michigan, plant for which production activities were discontinued and the future undiscounted cash flows were less than the carrying value of these fixed assets held for use. Of the \$80 million of pre-tax restructuring and other charges described above, \$5 million was recorded in selling, administrative and other expenses in the first quarter of 2003 and the remainder in costs of sales.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (Continued)**

*Other*

Cash payments related to special charges, including those for severance and special pension benefits, were \$100 million and \$79 million during the first half of 2004 and 2003, respectively. The first half 2004 amount includes payments to Ford of about \$37 million of previously accrued amounts related to an agreement entered into in 2003 to reimburse Ford for the actual net costs of transferring seating production, including costs related to Ford hourly employee voluntary retirement and separation programs that Ford is expected to implement.

As previously announced, Visteon intends to move a portion of the operations at the Bedford, Indiana, facility to another Visteon manufacturing facility, which will result in a reduction over time in workforce at the Bedford plant. Reductions are expected to be achieved through voluntary separation programs, with associated charges incurred and recorded as those programs are implemented.

In addition, Visteon intends to implement programs to offer eligible Visteon-assigned Ford-UAW employees incentives to voluntarily retire. Costs associated with these actions, which could aggregate up to \$25 million, would be recorded as the programs are implemented.

We continue to evaluate the possibility of partnerships, sales or closings involving other under-performing or non-core businesses. However, there can be no assurance that a transaction or other arrangement favorable to Visteon will occur in the near term or at all.

**Liquidity and Capital Resources**

*Overview*

Visteon's funding objective is to finance its worldwide business with cash from operations, supplemented when required by a combination of liquidity sources, including but not limited to cash and cash investments, receivables programs, and committed and uncommitted bank facilities and securities issuance. These sources are used also to fund working capital needs, which are highly variable during the year because of changing customer production schedules.

Visteon's balance sheet reflects cash and marketable securities of \$1,010 million and total debt of \$1,930 million at June 30, 2004, compared with cash and marketable securities of \$956 million and total debt of \$1,818 million at December 31, 2003. The increase in cash and marketable securities is primarily due to the increase in debt, offset partially by an increase in trade working capital related to higher volumes at the end of the second quarter compared with the year end shutdown period. Visteon's ratio of total debt to total capital, which consists of total debt plus total stockholders' equity, was 51% at June 30, 2004 and 49% at December 31, 2003, and increased primarily because of the increase in debt.

*Financing Arrangements*

On March 10, 2004, Visteon completed a public offering (the "Notes Sale") of unsecured fixed-rate 7.00% term debt securities totaling \$450 million in aggregate principal amount due in March 2014. Proceeds from the Notes Sale were used for a debt retirement and for general corporate purposes. Concurrent with the Notes Sale, Visteon announced an offer (the "Tender Offer") to purchase for cash up to \$250 million aggregate principal amount of our 7.95% notes due in August 2005. The Tender Offer expired on April 2, 2004 and \$250 million of these notes were retired on April 6, 2004. In addition, Visteon reduced short-term debt by about \$100 million, including an \$81 million reduction in commercial paper.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (Continued)**

In March 2004, Visteon established a \$100 million revolving accounts receivable securitization facility (the "facility") in the U.S. The facility allows for sale of a portion of U.S. trade receivables to a wholly-owned consolidated special purpose entity, Visteon Receivables LLC ("VRL"), which may then sell an undivided interest in the receivables to an asset-backed multi-seller conduit which is unrelated to Visteon or VRL. At June 30, VRL had sold a \$45 million undivided interest in a pool of \$265 million of receivables. This sale generated \$45 million of cash flow from operations in the second quarter of 2004. The facility expires in March 2005 and is extendible annually through March 2008 through mutual agreement of both parties, as discussed further in Note 6 to the consolidated financial statements.

Visteon has financing arrangements providing contractually committed, unsecured revolving credit facilities with a syndicate of third-party lenders providing for a maximum of \$1,590 million in committed, unsecured credit facilities (the "Credit Facilities"). The terms of the Credit Facilities provide for a 364-day revolving credit line in the amount of \$565 million, which expires June 2005, and a five-year revolving credit line in the amount of \$775 million, which expires June 2007. During the second quarter, we extended the term of the previous 364-day facility until June 2005 and increased the amount available. The Credit Facilities also provide for a five-year, delayed-draw term loan in the amount of \$250 million, which is used primarily to finance new construction for facilities consolidation in Southeast Michigan. At June 30, 2004, there were no outstanding borrowings under either the 364-day or the five-year facility; there were \$81 million of obligations under standby letters of credit under the five-year facility, and \$173 million borrowed against the delayed-draw term loan. The Credit Facilities contain certain affirmative and negative covenants, including a financial covenant not to exceed a leverage ratio of net debt to EBITDA (excluding special charges and other items) of 3.5 to 1. In the opinion of management, Visteon has been in compliance with all covenants since the inception of the Credit Facilities. During 2004, we expect to continue to be in compliance, although there can be no assurance that this will be the case especially during quarters following seasonal shutdown periods, when our cash usage and short-term borrowings may increase temporarily.

Visteon had maintained a commercial paper program utilizing the Credit Facilities as backup. As of June 30, 2004, Visteon had no outstanding commercial paper, compared with \$81 million outstanding at December 31, 2003. Commercial paper is less available to Visteon than in prior years and, when available, only in significantly smaller amounts and for shorter durations.

Visteon maintains a trade payables program through General Electric Capital Corporation ("GECC") that provides financial flexibility to Visteon and its suppliers. When a supplier participates in the program, GECC pays the supplier the amount due from Visteon in advance of the original due date. In exchange for the earlier payment, our suppliers accept a discounted payment. Visteon pays GECC the full amount. Approximately \$90 million and \$100 million was outstanding to GECC under this program at June 30, 2004 and December 31, 2003, respectively. These amounts are reported in short-term debt. As part of the same program with GECC, Visteon is allowed to defer payment to GECC for a period of up to 30 days. At June 30, 2004, Visteon had not exercised the deferral option of the program.

In addition, Visteon at times participates in a trade payables program offered by one of our customers. When we participate, our receivables are reduced and our cash balances are increased. We did not participate in the program as of June 30, 2004, although at December 31, 2003 our receivables had been reduced by \$75 million due to this program.

Visteon has entered into interest rate swaps to manage our interest rate risk. These swaps effectively convert a portion of Visteon's fixed rate debt into variable rate debt, and as a result, approximately 40% of Visteon's borrowings are effectively on a fixed rate basis, while the remainder is subject to changes in short-term interest rates.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (Continued)**

*Credit Ratings*

Our long-term credit rating with Standard & Poor's ("S&P") is BB+; with Moody's it is Ba1, and with Fitch it is BBB-. Both S&P and Moody's rate Visteon as "stable." Fitch rates our short-term credit as F3. We continue to have access to sufficient liquidity, and believe we will continue to have access, to meet ongoing operating requirements although that access is less reliable and could be more costly than in prior years.

*Cash Requirements*

Visteon's expected near-term cash outflows related to debt have decreased since December 31, 2003 as a result of completing the March Notes Sale and the April Tender Offer as discussed further in Note 7 to the consolidated financial statements. The \$500 million in notes due in August, 2005 has been reduced to \$250 million and the weighted average maturity of Visteon's long-term notes has been extended from 4.2 years to 6.6 years.

As of June 30, 2004, Visteon had guaranteed about \$22 million of borrowings held by unconsolidated joint ventures. In addition, we have guaranteed Tier 2 suppliers' debt and lease obligations of about \$16 million at June 30, 2004 to ensure the continued supply of essential parts.

Cash required to meet capital expenditure needs in the second quarter of 2004 was \$172 million. Capital expenditures in 2004, as in 2003, are expected to be higher than previous levels as described below under "Cash Flows — Investing Activities." Visteon's cash and liquidity needs also are impacted by the level, variability, and timing of our customers' worldwide vehicle production, which varies based on economic conditions and market shares in major markets. Our intra-year needs are impacted also by seasonal effects in the industry, such as the shutdown of operations for about two weeks in July, the subsequent ramp-up of new model production and the additional one-week shutdown in December by our primary North American customers. These seasonal effects normally require use of liquidity resources during the first and third quarters.

Visteon expects improved performance for 2004 will result in cash from operating activities being modestly higher than capital expenditure requirements, although this may not be the case during specific quarters. Based on our present assessment of future customer production levels over a two-year time horizon, we believe we can meet general and seasonal cash needs using cash flows from operations, cash balances and borrowings, if needed. Visteon also believes we can supplement these sources with access to the capital markets on satisfactory terms and in adequate amounts, if needed, although there can be no assurance that this will be the case.

**Pension and Postretirement Benefits**

Second quarter 2004 postretirement health care and life insurance expense was \$52 million lower than the same period in 2003, reflecting Ford's assumption of a portion of the liability for Visteon-assigned Ford-UAW employees under the amended and restated agreements, lower restructuring charges and the Medicare Act, offset partially by lower discount rates. Pension expense for the second quarter of 2004 was \$78 million lower than the same period in 2003, more than accounted for by \$85 million related to the transfer of Chesterfield, Michigan, seat production, offset partially by lower discount rates and the effect of the 2003 Ford-UAW collective bargaining agreement.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (Continued)**

*Legislation*

The Medicare Act was signed into law on December 8, 2003. This legislation provides for a federal subsidy beginning in 2006 to sponsors of retiree health care benefit plans that provide a benefit at least actuarially equivalent to the benefit established by the law. Visteon's plans generally provide retiree drug benefits that exceed the value of the benefit that will be provided by Medicare Part D, and we have concluded that our plans are actuarially equivalent, pending further definition of the criteria used to determine equivalence. This subsidy is estimated to reduce the benefit obligation for Visteon plans by \$95 million, and will be recognized through reduced retiree health care expense over the related employee future service lives. The impact on Ford plans is included in the post retirement health care and life insurance expense decrease noted above.

**Cash Flows**

*Operating Activities*

Cash provided by operating activities during the first half of 2004 totaled \$352 million, compared with cash used by operating activities of \$111 million for the same period in 2003. The improvement is largely explained by higher profitability, improved trade working capital flows primarily due to improved collections on non-Ford receivables, an increase in the utilization of our receivables programs, and increased payables. Cash provided from the utilization of our receivables program was \$75 million and \$5 million during the first half of 2004 and 2003, respectively. Cash payments related to special charges, including those for severance and special pension benefits were \$100 million and \$79 million during the first half of 2004 and 2003, respectively.

*Investing Activities*

Cash used in investing activities was \$357 million during the first half of 2004, compared with \$320 million for the first half of 2003. Visteon's capital expenditures in the first half of 2004 totaled \$370 million, compared with \$403 million for the same period in 2003. Visteon's capital spending in each of 2003 and 2004 will be higher than previous years as we undertake spending to fund new construction for consolidation of operations in Southeast Michigan and also to fund IT infrastructure transition and improvements. Visteon anticipates that the facilities' consolidation will allow us to centralize customer support functions, research and development, and selected business operations at lower operating costs. During the first half of 2004, Visteon sold \$3 million of marketable securities, compared with net sales of securities of \$70 million in the same period last year.

*Financing Activities*

Cash provided by financing activities totaled \$69 million in the first half of 2004, compared with \$56 million in the same period in 2003. The \$69 million inflow in 2004 includes a net increase in debt of \$200 million due to the March Notes Sale and April Tender Offer, offset partially by reductions in short-term debt and by dividend payments.

On July 15, 2004, the Visteon Board of Directors declared a dividend of \$0.06 per share on Visteon's common stock, payable on September 1, 2004, to the stockholders of record as of July 30, 2004. Visteon has paid a dividend each quarter since it became an independent, publicly traded company in June 2000.



**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (Continued)**

**Outlook**

Revenue for the third quarter of 2004 is projected to be in the range of \$4.0 billion to \$4.1 billion, up from \$3.9 billion in 2003, reflecting primarily non-Ford revenue growth. Visteon expects third quarter net loss of \$105 million to \$90 million, or a loss of \$0.80 per share to \$0.70 per share; this includes an effective tax rate of 27%.

Visteon expects full year revenue to be between \$18.6 billion and \$18.8 billion in 2004, nearly a \$1 billion improvement from 2003. This estimate is based on full year Ford North American vehicle production of 3.65 million units, which is down from 2003 levels. The revenue increase is expected to come from increased non-Ford sales, which is estimated to be approximately \$5.4 billion for full year 2004. Visteon expects net income of \$75 million to \$110 million, or \$0.60 per share to \$0.90 per share; this includes a full year effective tax rate of 38%. Full year 2004 projected results include anticipated pre-tax special charges of up to \$50 million. Visteon expects cash from operations to be higher than capital spending for the full year.

The full year effective tax rate of 38% is based on our most recent annualized forecast of pre-tax income (loss) by country and includes the effect of permanent book/tax differences and tax credits, as well as the effect of not recording tax benefits for losses in certain foreign countries where full valuation allowances are maintained. This rate is expected to fluctuate quarter-to-quarter, because of the valuation allowances. We will re-evaluate our full year effective tax rate again during the third quarter. Changes in our forecast or actual results could have a significant impact on our effective tax rate for a given quarter or for the full year. Additionally, we continue to monitor the recoverability of our remaining net deferred tax asset of approximately \$870 million at June 30, 2004. Realization of this net deferred tax asset is dependent on achieving our forecast of 2004 taxable income in the U.S. and maintaining our forward-year outlook. We have concluded that the estimates and underlying assumptions concerning the realization of our remaining net deferred tax asset are appropriate at this time. However, the ability to achieve our 2004 forecasted earnings in the U.S. could be impacted by a number of factors, including lower than expected Ford North American volumes and higher steel and fuel prices in the second half of the year. We will continue to closely monitor our forecast and actual results for the remainder of 2004. If, during a subsequent period, there is an adverse change in our current year U.S. forecast or forward-year outlook, we will update the assessment of the recoverability of our deferred tax assets and reduce them further as needed. Such a write-down would result in additional income tax expense and reduce net income significantly in the applicable period.

**Labor Matters**

On May 6, 2004, Visteon and the United Auto Workers union ("UAW") entered into a seven-year supplement to their existing master collective bargaining agreement, which provides for wage and benefit levels for future covered hires that are significantly below those currently in place for Ford-UAW workers assigned to Visteon. The agreement covers employees at Visteon's 15 UAW Master Agreement facilities in the United States. Under terms of the agreement, the starting wage will be \$14 per hour, with a grow-in to a full rate of up to \$18.50 per hour. The agreement also provides for, among other things, more cost-competitive health care, pension and postretirement medical benefits for covered hires.

**ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (Continued)**

On June 13, 2004, Visteon Systems, LLC, a wholly-owned subsidiary of Visteon, and the IUE-CWA Local 907 entered into a four-year local operating agreement, covering approximately 1,026 hourly employees located at Visteon’s manufacturing facility in Bedford, Indiana. This agreement resolved a strike by workers at the facility that commenced upon the expiration of the prior agreement on May 30, 2004. As previously announced, Visteon intends to move a portion of the operations at the Bedford, Indiana facility to another Visteon manufacturing facility, which will result in a reduction over time in workforce at the Bedford plant. Reductions are expected to be achieved through voluntary separation programs, with associated charges incurred and recorded as those programs are implemented.

**Cautionary Statement regarding Forward-Looking Information**

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “anticipate,” “expect,” “intend,” “plan,” “believe,” “seek,” “outlook” and “estimate” as well as similar words and phrases signify forward-looking statements. Visteon’s forward-looking statements are not guarantees of future results and conditions and important factors, risks and uncertainties may cause our actual results to differ materially from those expressed in our forward-looking statements, including, but not limited to, the following:

- Visteon’s dependence on Ford.
- Visteon’s ability to satisfy its pension and other post-employment benefit obligations, and to retire outstanding debt and satisfy other contractual commitments, all at the levels and times planned by management.
- Changes in vehicle production volume in markets where we operate, and in particular changes in Ford’s North American vehicle production volume.
- Changes in the operations (including products, product planning and part sourcing), financial condition, results of operations or market share of Visteon’s customers, particularly its largest customer, Ford, which is undergoing a comprehensive “revitalization plan.”
- Visteon’s ability to increase sales to customers other than Ford and to maintain current business with, and to provide competitive quotes and win future business from, Ford.
- Visteon’s ability to generate cost savings to offset or exceed agreed upon price reductions or price reductions to win additional business and, in general, to maintain and improve its operating performance; to recover engineering and tooling costs; to streamline and focus its product portfolio; to sustain technological competitiveness; to compete favorably with automotive parts suppliers with lower cost structures and greater ability to rationalize operations; to achieve the benefits of its restructuring activities; and to exit non-performing businesses on satisfactory terms, particularly due to limited flexibility under existing labor agreements.
- Visteon’s ability to satisfy its future capital and liquidity requirements; Visteon’s ability to access the credit and capital markets, which depends in large part on Visteon’s credit ratings (which have declined in the past and could decline further in the future); and Visteon’s ability to comply with financial covenants applicable to it.
- Visteon’s ability to generate a sufficient level of taxable earnings to recover its remaining deferred tax assets.

**ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (Continued)**

- Visteon’s ability to reduce its cost structure by, among other things, reducing the number of Ford-UAW workers assigned to work at Visteon locations.
- Restrictions in labor contracts with unions, and with the UAW in particular, that significantly restrict Visteon’s ability to close plants, divest unprofitable, noncompetitive businesses, change local work rules and practices at a number of facilities and implement cost-saving measures.
- Significant changes in the competitive environment in the major markets where Visteon procures materials, components or supplies or where its products are manufactured, distributed or sold.
- Visteon’s ability to realize sales and profits from its book of business.
- Legal and administrative proceedings, investigations and claims, including product liability, warranty, environmental and safety claims, and any recalls of products manufactured or sold by Visteon.
- Changes in economic conditions, currency exchange rates, changes in foreign laws, regulations or trade policies or political stability in foreign countries where Visteon procures materials, components or supplies or where its products are manufactured, distributed or sold.
- Shortages of materials or interruptions in transportation systems, labor strikes, work stoppages or other interruptions to or difficulties in the employment of labor in the major markets where Visteon purchases materials, components or supplies to manufacture its products or where its products are manufactured, distributed or sold.
- Changes in laws, regulations, policies or other activities of governments, agencies and similar organizations, domestic and foreign, that may tax or otherwise increase the cost of, or otherwise affect, the manufacture, licensing, distribution, sale, ownership or use of Visteon’s products or assets.
- Possible terrorist attacks or acts of war, which could exacerbate other risks such as slowed vehicle production, interruptions in the transportation system, or fuel prices and supply.
- The cyclical and seasonal nature of the automotive industry.
- Visteon’s ability to comply with environmental, safety and other regulations applicable to it and any increase in the requirements, responsibilities and associated expenses and expenditures of these regulations.
- Visteon’s ability to protect its intellectual property rights, and to respond to changes in technology and technological risks and to claims by others that Visteon infringes their intellectual property rights.
- Delays in completing Visteon’s transition to an information technology environment that is separate from Ford’s environment and to a new facility for the majority of its central executive, administrative and engineering functions.
- Other factors, risks and uncertainties detailed from time to time in Visteon’s Securities and Exchange Commission filings.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (Continued)**

These risks and uncertainties are not the only ones facing our company. Additional risks and uncertainties not presently known to Visteon or currently believed to be immaterial also may adversely affect Visteon. Any risks and uncertainties that develop into actual events could have material adverse effects on Visteon's business, financial condition and results of operations. For these reasons, do not place undue reliance on our forward-looking statements. Visteon does not intend or assume any obligation to update any of these forward-looking statements.

**New Accounting Standards and Accounting Changes**

In December 2003, the FASB issued revised Interpretation No. 46 ("FIN 46") "Consolidation of Variable Interest Entities." Until this interpretation, a company generally included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns. Application of FIN 46 was required during the fourth quarter of 2003 for interests in structures that are commonly referred to as special-purpose entities and for all other types of variable interest entities in the first quarter of 2004. The effect of applying the consolidation provisions of FIN 46 on Visteon's results of operations or financial position as of June 30, 2004 was not significant.

In December 2003, the FASB issued Statement of Financial Accounting Standards No. 132 (revised 2003) ("SFAS 132-R"), "Employers' Disclosures about Pensions and Other Postretirement Benefits." This revised statement expands financial statement disclosures for defined benefit plans related to plan assets, investment policies, future benefit payments and plan contributions. Certain disclosure requirements of SFAS 132-R were effective for the year ended December 31, 2003, with additional disclosure requirements during 2004.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Visteon is exposed to market risks from changes in currency exchange rates, interest rates and certain commodity prices. To manage these risks, we use a combination of fixed price contracts with suppliers, cost sourcing arrangements with customers and financial derivatives. We maintain risk management controls to monitor the risks and the related hedging. Derivative positions are examined using analytical techniques such as market value and sensitivity analysis. Derivative instruments are not used for speculative purposes, as per clearly defined risk management policies.

*Foreign Currency Risk*

Visteon's 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. Visteon's on-going solution is to reduce the exposure through operating actions. We use foreign exchange forward contracts to manage a portion of our exposure.

Visteon's primary foreign exchange exposure includes the Mexican peso, euro, Canadian dollar and Czech koruna. Because of the mix between our costs and our revenues in various regions, we are exposed generally to weakening of the euro and to strengthening of the Mexican peso, Canadian dollar and Czech koruna. For transactions in these currencies, Visteon utilizes a strategy of partial coverage. As of June 30, 2004, our coverage for projected transactions in these currencies was about 60% for 2004.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK — (Continued)**

As of June 30, 2004 and December 31, 2003, the net fair value of financial instruments with exposure to currency risk was an asset of \$1 million and a liability of \$10 million, respectively. The hypothetical pre-tax gain or loss in fair value from a 10% favorable or adverse change in quoted currency exchange rates would be approximately \$96 million and \$81 million as of June 30, 2004 and December 31, 2003, respectively. These estimated changes assume a parallel shift in all currency exchange rates and include the gain or loss on financial instruments used to hedge loans to subsidiaries. Because exchange rates typically do not all move in the same direction, the estimate may overstate the impact of changing exchange rates on the net fair value of our financial derivatives. It is also important to note that gains and losses indicated in the sensitivity analysis would be offset by gains and losses on the underlying exposures being hedged.

*Interest Rate Risk*

As of June 30, 2004 and December 31, 2003, the net fair value of interest rate swaps was a liability of \$16 million and an asset of \$15 million, respectively. The potential loss in fair value of these swaps from a hypothetical 50 basis point adverse change in interest rates would be approximately \$20 million and \$10 million as of June 30, 2004 and December 31, 2003, respectively. Because of hedge accounting under Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities," this reduction in value would not immediately affect Visteon's reported income.

The annual increase in pre-tax interest expense from a hypothetical 50 basis point adverse change in variable interest rates (principally LIBOR) would be approximately \$6 million as of June 30, 2004 and December 31, 2003. Approximately half of the increases in expense is related to variable-rate debt and half is related to interest rate swaps.

*Commodity Risk*

Visteon has entered into long-term agreements with some of our key suppliers of non-ferrous metals to protect Visteon from changes in market prices. In addition, some products Visteon manufactures and sells to Ford containing non-ferrous metals are price-adjusted monthly based on metal content and market price. During the third quarter of 2003, Visteon initiated the use of financial instruments to lock in pricing of its forward year copper purchases. As of June 30, 2004 and December 31, 2003, the net fair value of copper derivatives was an asset of \$3 million and \$2 million, respectively. The potential loss in fair value from a 10% adverse change in quoted prices would be \$2 million at June 30, 2004 and December 31, 2003. Because of hedge accounting under SFAS 133, this reduction in value would not immediately affect Visteon's reported income.

Natural gas is a commodity Visteon uses in its manufacturing processing, related primarily to glass production, as well as for heating our facilities. Uncertainty in both supply and demand for this commodity has led to price instability over the last three years. As of June 30, 2004, Visteon has locked in pricing on about 75% of its remaining projected usage for 2004, through financial derivatives. As of June 30, 2004 and December 31, 2003, the net fair value of natural gas derivatives was an asset of \$10 million and \$9 million, respectively. The potential loss in fair value of these derivative contracts from a 10% adverse change in quoted prices would be approximately \$5 million at June 30, 2004 and December 31, 2003, respectively. Because of hedge accounting under SFAS 133, this reduction in value would not immediately affect Visteon's reported income.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK — (Continued)**

Precious metals (for catalytic converter production) are purchased through a Ford-directed source; Ford accepts all market price risk. As a result, we presently do not enter into financial derivatives to hedge these potential exposures. Steel products are purchased for various uses but are not hedged due to the lack of such instruments in the market. Visteon's exposure to steel price changes is managed through negotiations with our suppliers and our customers although there can be no assurance that Visteon will not have to absorb any or all price increases and/or surcharges.

**ITEM 4. CONTROLS AND PROCEDURES**

As of the end of the period covered by this report, Visteon carried out an evaluation, under the supervision and with the participation of Visteon's Disclosure Committee and management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon, and as of the date of, this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in Visteon's periodic SEC reports is recorded, processed, summarized and reported as and when required. Except as otherwise discussed herein, there have been no changes in Visteon's internal control over financial reporting during the most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, Visteon's internal control over financial reporting.

In January 2003, we entered into a global IT outsourcing arrangement with IBM, which provides for, among other things, the transition of Visteon applications from Ford's IT systems, upon which we have relied since our spin-off. The second major phase of this transition was completed in April 2004, and included the migration of the majority of our operating systems, including new business processes and IT systems utilized to record revenue and manage the related accounts receivable associated with sales to our largest customer, Ford. The migration of all remaining applications from Ford's IT systems is expected to be completed in the remainder of 2004. This transition may affect Visteon's existing business processes including Visteon's internal control over financial reporting. As this transition continues, it will be monitored and evaluated with regard to Visteon's ability to process, record, summarize and report financial information.

**PART II. OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

We are involved in various legal proceedings, which are ordinary, routine proceedings, incidental to the conduct of our business. We do not believe that any legal proceedings to which we are a party will have a material adverse effect on our financial condition or results of operations, although such an outcome is possible.

**ITEM 2. CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES**

In May 2004, we issued a total of 6,000 restricted shares of common stock to two of our non-employee directors pursuant to the terms of the Visteon Corporation Restricted Stock Plan for Non-Employee Directors. Such issuances were exempt from registration under the Securities Act of 1933, as amended, as a transaction not involving a public offering under Section 4(2).

There were no purchases of shares of our common stock made by or on behalf of Visteon, or an affiliated purchaser, during the second quarter of 2004.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

The Annual Meeting of Stockholders was held on May 12, 2004. At the meeting, the following matters were submitted to a vote of the stockholders:

- (1) The election of four directors to serve for a three-year term beginning at the 2004 annual meeting of stockholders and expiring at the 2007 annual meeting of stockholders.

Nominee	For	Withheld
Steven K. Hamp	99,167,525	9,979,940
Michael F. Johnston	99,157,498	9,989,967
Karl J. Krapek	100,075,925	9,071,540
Robert M. Teeter	99,182,100	9,965,365

- (2) The ratification of the appointment of PricewaterhouseCoopers LLP as Visteon's independent auditors for fiscal year 2004.

For	Against	Abstain	Broker Non-Votes
103,264,351	5,122,009	761,105	N/A

- (3) The approval of the Visteon Corporation 2004 Incentive Plan, as amended and restated.

For	Against	Abstain	Broker Non-Votes
55,607,112	32,402,203	1,176,462	19,961,688

- (4) The approval of the Visteon Corporation Non-Employee Director Stock Unit Plan.

For	Against	Abstain	Broker Non-Votes
76,242,631	11,209,297	1,733,849	19,961,688

- (5) A shareholder proposal relating to the adoption of a stockholder rights plan.

For	Against	Abstain	Broker Non-Votes
44,947,459	42,734,264	1,504,054	19,961,688

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS — (Continued)**

- (6) A shareholder proposal relating to the adoption of a code for Visteon's international operations.

For	Against	Abstain	Broker Non-Votes
13,125,310	65,557,999	10,502,468	19,961,688

- (7) A shareholder proposal relating to voting leverage.

For	Against	Abstain	Broker Non-Votes
6,359,118	80,635,428	2,191,231	19,961,688

**ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K**

(a) Exhibits

Please refer to the Exhibit Index on Page 39.

(b) Reports on Form 8-K

The Registrant filed the following Current Reports on Form 8-K during the quarter ended June 30, 2004:

Current Report on Form 8-K, dated April 13, 2004, in respect of Registrant's press release dated April 13, 2004 announcing that its Board of Directors had declared a cash dividend.

Current Report on Form 8-K, dated April 22, 2004, in respect of Registrant's press release dated April 22, 2004 announcing Registrant's financial results for first quarter 2004.

Current Report on Form 8-K, dated May 6, 2004, in respect of Registrant's press release dated May 6, 2004 related to a supplemental agreement with the United Automobile Workers union.

Current Report on Form 8-K, dated May 26, 2004, in respect of Registrant's press release dated May 26, 2004 announcing the appointment of an Executive Vice President and Chief Financial Officer.

Current Report on Form 8-K, dated June 15, 2004, in respect of Registrant's press release dated June 14, 2004 related to the death of a member of the Board of Directors.

Current Report on Form 8-K, dated June 29, 2004, in respect of Registrant's press release dated June 28, 2004 announcing the appointment of the President and Chief Executive Officer.



**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VISTEON CORPORATION

By: /s/ GLENDA J. MINOR

---

Glenda J. Minor  
Vice President and  
Chief Accounting Officer

Date: July 30, 2004

## EXHIBIT INDEX

Exhibit Number	Exhibit Name
3.1	Amended and Restated Certificate of Incorporation of Visteon Corporation (“Visteon”) is incorporated herein by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q of Visteon dated July 24, 2000.
3.2	Amended and Restated By-laws of Visteon as in effect on the date hereof is incorporated herein by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q of Visteon dated November 14, 2001.
4.1	Amended and Restated Indenture dated as of March 10, 2004 between Visteon and J.P. Morgan Trust Company, as Trustee, is incorporated herein by reference to Exhibit 4.01 to the Current Report on Form 8-K of Visteon dated March 3, 2004 (filed as of March 19, 2004).
4.2	Supplemental Indenture dated as of March 10, 2004 between Visteon and J.P. Morgan Trust Company, as Trustee, is incorporated herein by reference to Exhibit 4.02 to the Current Report on Form 8-K of Visteon dated March 3, 2004 (filed as of March 19, 2004).
4.3	Form of Common Stock Certificate of Visteon is incorporated herein by reference to Exhibit 4.1 to Amendment No. 1 to the Registration Statement on Form 10 of Visteon dated May 19, 2000.
10.1	Master Transfer Agreement dated as of March 30, 2000 between Visteon and Ford Motor Company (“Ford”) is incorporated herein by reference to Exhibit 10.2 to the Registration Statement on Form S-1 of Visteon dated June 2, 2000 (File No. 333-38388).
10.2	Purchase and Supply Agreement dated as of December 19, 2003 between Visteon and Ford is incorporated herein by reference to Exhibit 10.2 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2003.†
10.3	2003 Relationship Agreement dated December 19, 2003 between Visteon and Ford is incorporated herein by reference to Exhibit 10.3 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2003.
10.4	Master Separation Agreement dated as of June 1, 2000 between Visteon and Ford is incorporated herein by reference to Exhibit 10.4 to Amendment No. 1 to the Registration Statement on Form S-1 of Visteon dated June 6, 2000 (File No. 333-38388).
10.5	Aftermarket Relationship Agreement dated as of January 1, 2000 between Visteon and the Automotive Consumer Services Group of Ford is incorporated herein by reference to Exhibit 10.5 to Amendment No. 1 to the Registration Statement on Form 10 of Visteon dated May 19, 2000.
10.6	Amended and Restated Hourly Employee Assignment Agreement dated as of April 1, 2000, as amended and restated as of December 19, 2003, between Visteon and Ford is incorporated herein by reference to Exhibit 10.6 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2003.
10.7	Amended and Restated Employee Transition Agreement dated as of April 1, 2000, as amended and restated as of December 19, 2003, between Visteon and Ford is incorporated herein by reference to Exhibit 10.7 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2003.
10.8	Tax Sharing Agreement dated as of June 1, 2000 between Visteon and Ford is incorporated herein by reference to Exhibit 10.8 to the Registration Statement on Form S-1 of Visteon dated June 2, 2000 (File No. 333-38388).

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Exhibit Number	Exhibit Name
10.9	Visteon Corporation 2004 Incentive Plan, as amended and restated, is incorporated herein by reference to Appendix B to the Proxy Statement of Visteon dated March 30, 2004.*
10.10	Form of Revised Change in Control Agreement is incorporated herein by reference to Exhibit 10.10 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2000.*
10.10.1	Schedule identifying substantially identical agreements to Revised Change in Control Agreement constituting Exhibit 10.10 hereto entered into by Visteon with Messrs. Pestillo, Johnston, Orchard, Palmer, Chatterjee and Marcin, and Ms. Fox.*
10.11	Issuing and Paying Agency Agreement dated as of June 5, 2000 between Visteon and The Chase Manhattan Bank is incorporated herein by reference to Exhibit 10.11 to the Quarterly Report on Form 10-Q of Visteon dated July 24, 2000.
10.12	Corporate Commercial Paper — Master Note dated June 1, 2000 is incorporated herein by reference to Exhibit 10.12 to the Quarterly Report on Form 10-Q of Visteon dated July 24, 2000.
10.13	Letter Loan Agreement dated as of June 12, 2000 from The Chase Manhattan Bank is incorporated herein by reference to Exhibit 10.13 to the Quarterly Report on Form 10-Q of Visteon dated July 24, 2000.
10.14	Visteon Corporation Deferred Compensation Plan for Non-Employee Directors, as amended, is incorporated herein by reference to Exhibit 10.14 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2003.*
10.15	Visteon Corporation Restricted Stock Plan for Non-Employee Directors, as amended, is incorporated herein by reference to Exhibit 10.15 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2003.*
10.16	Visteon Corporation Deferred Compensation Plan, as amended, is incorporated herein by reference to Exhibit 10.16 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2002.*
10.17	Visteon Corporation Savings Parity Plan is incorporated herein by reference to Exhibit 10.17 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2002.*
10.18	Visteon Corporation Pension Parity Plan is incorporated herein by reference to Exhibit 10.18 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2002.*
10.19	Visteon Corporation Supplemental Executive Retirement Plan is incorporated herein by reference to Exhibit 10.19 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2002.*
10.20	Executive Employment Agreement dated as of September 15, 2000 between Visteon and Michael F. Johnston is incorporated herein by reference to Exhibit 10.20 to the Annual Report on Form 10-K for the period ended December 31, 2001.*
10.21	Service Agreement dated as of November 1, 2001 between Visteon International Business Development, Inc., a wholly-owned subsidiary of Visteon, and Dr. Heinz Pfannschmidt is incorporated herein by reference to Exhibit 10.21 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2002.*
10.22	Visteon Corporation Executive Separation Allowance Plan is incorporated herein by reference to Exhibit 10.22 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2002.*

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Exhibit Number	Exhibit Name
10.23	Trust Agreement dated as of February 7, 2003 between Visteon and The Northern Trust Company establishing a grantor trust for purposes of paying amounts to certain executive officers under the plans constituting Exhibits 10.14, 10.16, 10.17, 10.18, 10.19 and 10.22 hereto is incorporated herein by reference to Exhibit 10.23 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2002.*
10.24	Five-Year Revolving Loan Credit Agreement dated as of June 20, 2002 among Visteon, the several banks and other financial institutions or entities from time to time parties to the agreement, JPMorgan Chase Bank, as administrative agent, and Bank of America N.A., as syndication agent, is incorporated herein by reference to Exhibit 10.24 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2002.
10.25	364-Day Credit Agreement dated as of June 18, 2004 among Visteon, the several banks and other financial institutions or entities from time to time parties to the agreement, JPMorgan Chase Bank, as administrative agent, and Citibank, N.A., as syndication agent.
10.26	Five-Year Term Loan Credit Agreement dated as of June 25, 2002 among Visteon, the several banks and other financial institutions or entities from time to time parties to the agreement, JPMorgan Chase Bank, as administrative agent, and Bank of America N.A., as syndication agent, is incorporated herein by reference to Exhibit 10.26 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2002.
10.27	Pension Plan Agreement effective as of November 1, 2001 between Visteon Holdings GmbH, a wholly-owned subsidiary of Visteon, and Dr. Heinz Pfannschmidt is incorporated herein by reference to Exhibit 10.27 to the Quarterly Report on Form 10-Q of Visteon dated May 7, 2003.*
10.28	Hourly Employee Conversion Agreement dated as of December 22, 2003 between Visteon and Ford is incorporated herein by reference to Exhibit 10.28 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2003.
10.29	Employment Agreement effective as of January 1, 2004 between Visteon and Daniel R. Coulson is incorporated herein by reference to Exhibit 10.29 to the Annual Report on Form 10-K of Visteon for the period ended December 31, 2003.*
10.30	Visteon Corporation Non-Employee Director Stock Unit Plan is incorporated herein by reference to Appendix C to the Proxy Statement of Visteon dated March 30, 2004.*
10.31	Employment Agreement effective as of June 2, 2004 between Visteon and James F. Palmer.*
12.1	Statement re: Computation of Ratios
15.1	Letter of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm, dated July 20, 2004 relating to Financial Information.
31.1	Rule 13a-14(a) Certification of Chief Executive Officer dated July 30, 2004.
31.2	Rule 13a-14(a) Certification of Chief Financial Officer dated July 30, 2004.
32.1	Section 1350 Certification of Chief Executive Officer dated July 30, 2004.
32.2	Section 1350 Certification of Chief Financial Officer dated July 30, 2004.

† Portions of this exhibit have been redacted and are subject to a confidential treatment request filed with the Secretary of the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. The redacted material was filed separately with the Securities and Exchange Commission.

\* Indicates that exhibit is a management contract or compensatory plan or arrangement.

In lieu of filing certain instruments with respect to long-term debt of the kind described in Item 601(b)(4) of Regulation S-K, Visteon agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.

Schedule identifying substantially identical agreements, between Visteon Corporation ("Visteon") and each of the persons named below, to the Revised Change in Control Agreement constituting Exhibit 10.10 to the Quarterly Report on Form 10-Q of Visteon for the quarterly period ended June 30, 2004.

Name  
----

Peter J. Pestillo  
Michael F. Johnston  
James C. Orchard  
James F. Palmer  
Anjan Chatterjee  
Stacy L. Fox  
Robert H. Marcin

364-DAY CREDIT AGREEMENT

DATED AS OF JUNE 18, 2004

AMONG

VISTEON CORPORATION, AS BORROWER,

THE SEVERAL BANKS  
FROM TIME TO TIME PARTIES HERETO,

JPMORGAN CHASE BANK,  
AS ADMINISTRATIVE AGENT,

AND

CITIBANK, N.A.,  
AS SYNDICATION AGENT

-----

J.P. MORGAN SECURITIES INC. AND  
CITIGROUP GLOBAL MARKETS INC.,  
AS JOINT LEAD ARRANGERS AND JOINT BOOKRUNNERS

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## 364-DAY CREDIT AGREEMENT

This 364-DAY CREDIT AGREEMENT, dated as of June 18, 2004, is among VISTEON CORPORATION, a Delaware corporation (the "Company"), the several banks and other financial institutions or entities from time to time parties to this Agreement (the "Banks"), JPMORGAN CHASE BANK, a New York banking corporation, as administrative agent (the "Administrative Agent"), and CITIBANK, N.A., as syndication agent (the "Syndication Agent").

The Company desires to obtain a revolving credit facility for itself and its Affiliates in the aggregate amount of U.S. \$565,000,000 or the Equivalent thereof (as hereinafter defined) at any one time outstanding, and the Banks and Administrative Agent are willing to provide such revolving credit facility and to make Loans to the Company and the Affiliates, subject to the terms and conditions set forth below.

### SECTION 1. DEFINITIONS

The following terms, as used herein, have the following respective meanings:

"Accession Memorandum" means a memorandum of an Affiliate substantially in the form of Exhibit A hereto evidencing the Affiliate's agreement to be bound by the terms of this Agreement; provided that such a memorandum shall contain such changes or additional provisions as may be deemed necessary by mutual agreement of the Administrative Agent, the Affiliate and the Company.

"Administrative Agent" has the meaning set forth in the preamble, it being understood that matters concerning Foreign Currency Loans will be administered by J.P. Morgan Europe Limited and therefore all notices concerning such Foreign Currency Loans will be required to be given at the Foreign Currency Notice Office.

"Affected Foreign Currency" has the meaning set forth in Section 10.1(c).

"Affiliate" means any direct or indirect majority-owned subsidiary of the Company and any partnership of which the Company or a direct or indirect majority-owned subsidiary of the Company is a general or unlimited partner. For purposes of this definition, "majority-owned" means ownership of more than 50% of the capital stock of or other equity interest in, or more than 50% of the voting power with respect to, an entity.

"Affiliate Event of Default" has the meaning set forth in Section 8.2.

"Agents" means the Administrative Agent and the Syndication Agent collectively.

"Aggregate Commitments" means, at any time, the aggregate amount of the Commitments then in effect. The original amount of the Aggregate Commitments is \$565,000,000.

"Aggregate Exposure" means, with respect to any Bank at any time, an amount equal to the principal amount of such Bank's Commitment then in effect or, if the Commitments have been terminated, the principal amount of the Loans held by such Bank then outstanding.

"Aggregate Exposure Percentage" means, with respect to any Bank at any time, the ratio (expressed as a percentage) of such Bank's Aggregate Exposure at such time to the Aggregate Exposure of all Banks at such time.

"Aggregate Extensions of Credit" means at any time, the aggregate amount of Extensions of Credit of the Banks outstanding at such time.

"Aggregate Loans" means the total principal amount of all outstanding Loans.

"Agreement" means this 364-Day Credit Agreement, together with the exhibits hereto, as amended from time to time.

"Annual Report" has the meaning set forth in Section 7.1(a).

"Assignment and Acceptance" means an Assignment and Acceptance, substantially in the form of Exhibit G.

"Augmenting Bank" has the meaning set forth in Section 2.1(c).

"Available Commitment" means as to any Bank at any time, an amount equal to the excess, if any, of (a) such Bank's Commitment then in effect over (b) such Bank's Extensions of Credit then outstanding.

"Banks" has the meaning provided in the preamble hereto; provided, that unless the context otherwise requires, each reference herein to the Banks shall be deemed to include any Conduit Bank.

"Bank's Actual Reserve Cost" has the meaning set forth in Section 10.3(b).

"Base Rate" means for any day the greater of (i) an annual rate of interest equal to that announced generally from time to time by the Administrative Agent at its Domestic Lending Office as its prime rate, base rate or equivalent rate and in effect on such day and (ii) the Federal Funds Effective Rate plus 0.50%.

"Base Rate Loan" means any loan hereunder denominated in United States dollars which the Company (on behalf of itself or an Affiliate) specifies pursuant to Section 2.6 or Section 2.12 as a Base Rate Loan.

"Base Rate Margin" means the applicable amount as set forth on the Pricing Grid; provided, however, that in the event (x) the Commitments are terminated pursuant to Section 8.1 or after the Termination Date Loans or CAF Advances remain outstanding hereunder and (y) the Base Rate Margin is then determined by reference to the margin opposite the rating category "

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"CAF Advance Availability Period" means the period from and including the Effective Date to and including the date which is 14 days prior to the Termination Date.

"CAF Advance Confirmation" means each confirmation by the Company of its acceptance of CAF Advance Offers, which confirmation shall be substantially in the form of Exhibit E and shall be delivered to the Administrative Agent by facsimile transmission.

"CAF Advance Interest Payment Date" means as to each CAF Advance, each interest payment date specified by the Company for such CAF Advance in the related CAF Advance Request.

"CAF Advance Maturity Date" means as to any CAF Advance, the date specified by the Company pursuant to Section 2.8(d)(ii) in its acceptance of the related CAF Advance Offer.

"CAF Advance Offer" means each offer by a Bank to make CAF Advances pursuant to a CAF Advance Request, which offer shall contain the information specified in Exhibit D and shall be delivered to the Administrative Agent by telephone, immediately confirmed by facsimile transmission.

"CAF Advance Request" means each request by the Company for Banks to submit bids to make CAF Advances, which request shall contain the information in respect of such requested CAF Advances specified in Exhibit C and shall be delivered to the Administrative Agent in writing, by facsimile transmission, or by telephone, immediately confirmed by facsimile transmission.

"CAF Borrowing Date" means any Domestic Business Day (in the case of Fixed Rate CAF Advances) or Eurodollar Business Day (in the case of LIBO Rate CAF Advances) or any Foreign Currency Business Day (in the case of CAF Advances denominated in a Foreign Currency) specified in a notice pursuant to Section 2.8(a) as a date on which the Company requests the Banks to make CAF Advances hereunder.

"Commitment" means, as to any Bank, the obligation of such Bank, if any, to make Loans in an aggregate principal amount not to exceed the amount set forth under the heading "Revolving Commitment" opposite such Bank's name on Schedule 1 or in the Assignment and Acceptance pursuant to which such Bank became a party hereto, as the same may be changed from time to time pursuant to the terms hereof.

"Commitment Quarter" means each of the respective three-month periods during the term of this Agreement ending on September 30, December 31, March 31 and June 30.

"Conduit Bank" means any special purpose corporation organized and administered by any Bank for the purpose of making Loans otherwise required to be made by such Bank and designated by such Bank in a written instrument; provided, that the designation by any Bank of a Conduit Bank shall not relieve the designating Bank of any of its obligations to fund a Loan under this Agreement if, for any reason, its Conduit Bank fails to fund any such Loan, and the designating Bank (and not the Conduit Bank) shall have the sole right and responsibility to deliver all consents and waivers required or requested under this Agreement with respect to its Conduit Bank, and provided, further, that no Conduit Bank shall (a) be entitled to receive any greater amount pursuant to Section 2.18, 10.3, 10.4 or 12.6 than the designating Bank would have been entitled to receive in respect of the extensions of credit made by such Conduit Bank or (b) be deemed to have any Commitment.

"Consolidated EBITDA" means for any period, Consolidated Net Income for such period plus, without duplication and to the extent reflected as a charge in the statement of such Consolidated Net Income for such period, the sum of (a) income tax expense, (b) interest expense, (c) amortization or

writedoff of debt discount and debt issuance costs and commissions, discounts and other fees and charges associated with Indebtedness (including the Loans), (d) depreciation and amortization expense, (e) amortization of intangibles (including, but not limited to, goodwill) and organization costs, (f) any non-recurring expenses or losses, and (g) with respect to any discontinued operation, any loss resulting therefrom; and minus, to the extent included in the statement of such Consolidated Net Income for such period, the sum of (i) to the extent included in the statement of such Consolidated Net Income for such period, any non-recurring income or gains or (ii) with respect to any discontinued operation, any gain resulting therefrom, all as determined on a consolidated basis. For the purposes of calculating Consolidated EBITDA during any four quarter period in which a Material Acquisition or a Material Disposition has occurred, Consolidated EBITDA for such period shall be calculated after giving pro forma effect to such Material Acquisition or Material Disposition as if such Material Acquisition or Material Disposition occurred on the first day of such four quarter period.

"Consolidated Leverage Ratio" means as of the end of any fiscal quarter, the ratio of (a) Consolidated Total Debt as of such date to (b) Consolidated EBITDA for the period of four fiscal quarters ending as of such date.

"Consolidated Net Income" means for any period, the consolidated net income (or loss) of the Company and its Subsidiaries, determined on a consolidated basis in accordance with GAAP.

"Consolidated Total Assets" means, as of the date of determination, all amounts that would, in conformity with GAAP, be set forth opposite the caption "total assets" (or any like caption) on a consolidated balance sheet of the Company and its Subsidiaries at such date.

"Consolidated Total Debt" means, as of any date and without duplication, the aggregate principal amount of all Indebtedness of the Company and its Subsidiaries on a consolidated basis minus Consolidated Total Net Cash as of such date.

"Consolidated Total Net Cash" means, as of any date, all amounts that would, in conformity with GAAP, be set forth opposite the caption "cash and cash equivalents" (or any like caption) on a consolidated balance sheet of the Company and its Subsidiaries at such date.

"Domestic Business Day" means any day, except a Saturday, Sunday or other day on which commercial banks in New York City are authorized or obligated by law or regulation to close.

"Domestic Funding Office" means the office of the Administrative Agent specified in Exhibit F hereto or such other office as may be specified from time to time by the Administrative Agent by written notice to the Company and the Banks as its funding office for the purpose of funding or payment of Domestic Loans.

"Domestic Lending Office" means, as to any Bank, the office, branch or affiliate of such Bank in the continental United States as it may from time to time designate as the Domestic Lending Office by notice to the Administrative Agent.

"Domestic Loan" means any Loan made pursuant to Section 2.1 denominated in United States dollars which the Company (on behalf of itself or an Affiliate) specifies pursuant to Section 2.6 or Section 2.12 as a Base Rate Loan.

"Effective Date" means June 18, 2004.

"Equivalent" means, in relation to any amount in United States dollars, at any date, the amount obtained by converting such amount in United States dollars into a specified Foreign Currency at the Exchange Rate for such Foreign Currency, or vice versa, as applicable.

"ERISA" means the Employee Retirement Income Security Act of 1974 of the United States, as amended.

"Euro" means the single currency of participating Member States of the European Union that adopt a single currency in accordance with the Treaty on European Union signed on February 7, 1992.

"Eurocurrencies" means United States dollars and Foreign Currencies.

"Eurocurrency Loan" means any Loan made pursuant to Section 2.1 denominated in any Eurocurrency which the Company (on behalf of itself or an Affiliate) specifies pursuant to Section 2.6 or Section 2.12 as a Eurocurrency Loan.

"Eurocurrency Margin" means the applicable amount as set forth on the Pricing Grid; provided, however, that in the event the Commitments are terminated pursuant to Section 8.1 or after the Termination Date Loans or CAF Advances remain outstanding hereunder, the Eurocurrency Margin shall automatically be increased for any period during which such Loans or CAF Advances may be outstanding after such termination by an amount equal to the then applicable Facility Fee (expressed as a percentage).

"Eurocurrency Tranche" means the collective reference to Eurocurrency Loans the then current Interest Periods with respect to all of which begin on the same date and end on the same later date (whether or not such Loans shall originally have been made on the same day).

"Eurodollar Business Day" means any day, except a Saturday, Sunday or other day on which commercial banks in New York City are authorized or obligated by law or regulation to close, on which commercial banks in New York City are open for trading in United States dollar deposits in the interbank eurodollar market.

"Eurodollar Funding Office" means the office of the Administrative Agent specified in Exhibit F hereto or such other office as may be specified from time to time by the Administrative Agent by written notice to the Company and the Banks as its funding office for the purpose of funding or payment of Eurocurrency Loans which are denominated in United States dollars.

"Eurodollar Lending Office" means, as to any Bank, the office, branch or affiliate of such Bank as it may from time to time designate as the Eurodollar Lending Office by notice to the Administrative Agent.

"Event of Default" has the meaning set forth in Section 8.1.

"Event of Default - Bankruptcy" has the meaning set forth in Section 8.3.

"Exchange Rate" means on any day, with respect to any currency, the rate at which such currency may be exchanged into any other currency, as set forth at approximately 11:00 a.m., London time, on such date on the Reuters World Currency Page for such currency. In the event that such rate does not appear on any Reuters World Currency Page, the Exchange Rate shall be determined by reference to such other publicly available service for displaying exchange rates as may be selected by the Administrative Agent, or, in the event no such service is selected, such Exchange Rate shall instead be the arithmetic average of the spot rates of exchange of the Administrative Agent in the market where its foreign currency exchange operations in respect of such currency are then being conducted, at or about 10:00

a.m., local time, on such date for the purchase of the relevant currency for delivery two Foreign Currency Business Days later; provided that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent, after consultation with the Company, may use any reasonable method it deems appropriate to determine such rate, and such determination shall be presumed correct absent manifest error.

"Existing 364-Day Credit Agreement" means the 364-Day/1-Year Term Out Credit Agreement, dated as of June 19, 2003, among the Company, the several lenders from time to time party thereto, JPMorgan Chase Bank, as administrative agent and Bank of America, N.A., as Syndication Agent.

"Extensions of Credit" means as to any Bank at any time, the aggregate principal amount of all Loans held by such Bank then outstanding.

"Facility Fee" has the meaning set forth in Section 2.3(a).

"Federal Funds Effective Rate" means for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Domestic Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Domestic Business Day, the average of the quotations for the day of such transactions received by JPMorgan Chase Bank from three federal funds brokers of recognized standing selected by it.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System of the United States, or any successor thereto.

"Fee Payment Date" means each of (a) the tenth Domestic Business Day following the last day of each Commitment Quarter and (b) the Termination Date.

"Five-Year Revolving Credit Agreement" means the Five-Year Revolving Loan Credit Agreement dated as of June 20, 2002 among Visteon Corporation, the several banks from time to time parties thereto, JPMorgan Chase Bank, as administrative agent, and Bank of America, N.A., as syndication agent.

"Five Year Term Loan Agreement" means the \$250,000,000 Five-Year Term Loan Credit Agreement, dated as of June 25, 2002, among Visteon Corporation, the several banks from time to time parties thereto, JPMorgan Chase Bank, as administrative agent, and Bank of America, N.A., as syndication agent.

"Fixed Rate CAF Advance" means any CAF Advance made pursuant to a Fixed Rate CAF Advance Request.

"Fixed Rate CAF Advance Request" means any CAF Advance Request requesting the Banks to offer to make CAF Advances at a fixed rate (as opposed to a rate composed of the LIBO Rate plus (or minus) a margin).

"Foreign Currency" means (a) with respect to Loans, British Pounds Sterling and the euro and (b) with respect to CAF Advances, British Pounds Sterling, euros and any other freely-convertible currency agreed upon by the Company, the Administrative Agent and the Bank making such CAF Advance.

"Foreign Currency Business Day" means any day, except a Saturday, Sunday or other day on which the commercial banks in London, England are authorized or obligated by law or regulation to close,



on which the commercial banks in London, England are open for international business (including dealings in deposits in the relevant currency in the interbank eurocurrency market), provided that when used in connection with (a) Foreign Currency Loans or CAF Advances denominated in euros, the term "Foreign Currency Business Day" shall also exclude any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System (TARGET) (or, if such clearing system ceases to be operative, such other clearing system (if any) determined by the Administrative Agent to be a suitable replacement) is not open for settlement of payment in euros and (b) CAF Advances denominated in any currency other than United States dollars, the term "Foreign Currency Business Day" shall also exclude any day on which banks in (i) the jurisdiction of the account to which the proceeds of such CAF Advance are to be disbursed, and (ii) the jurisdiction in which payments of principal of and interest on such CAF Advance are to be made are authorized or required by law to remain closed.

"Foreign Currency Funding Office" means the office of the Administrative Agent specified in Exhibit F hereto or such other office as may be specified from time to time by the Administrative Agent by written notice to the Company and the Banks as its funding office for the purpose of funding or payment of Foreign Currency Loans or CAF Advances denominated in a Foreign Currency.

"Foreign Currency Lending Office" means, as to any Bank, the office, branch or affiliate of such Bank as it may from time to time designate as the Foreign Currency Lending Office by notice to the Administrative Agent.

"Foreign Currency Loans" means any Eurocurrency Loan hereunder denominated in a Foreign Currency.

"Foreign Currency Notice Office" means the Administrative Agent's office located at 125 London Wall, London or such other office in London as may be designated by the Administrative Agent by written notice to the Company and the Banks.

"GAAP" means generally accepted accounting principles in the United States as applied to the Company.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization (including the National Association of Insurance Commissioners).

"Gross-up" means the amount payable to the Administrative Agent or any Bank to account for required deductions for withholding taxes as provided in Section 10.4.

"Guarantee" means the guarantee and other obligations of the Company set forth in Section 4.

"Guaranteed Obligations" has the meaning set forth in Section 4(a).

"Increasing Bank" has the meaning set forth in Section 2.1(c).

"Indebtedness" means, as of any date, the amount outstanding on such date under notes, bonds, debentures, commercial paper, or other similar evidences of indebtedness for money borrowed.

"Indemnified Liabilities" has the meaning set forth in Section 12.6(d).

"Indemnatee" has the meaning set forth in Section 12.6(d).

"Interest Period" means with respect to each Eurocurrency Loan:

(a) initially, the period commencing on the date of Borrowing with respect to such Loan (or in the case of a Loan which has been converted into a Eurocurrency Loan, on the date specified in Section 2.12) and ending one, two, three or six months thereafter, as the Company (on behalf of itself or an Affiliate) may elect pursuant to Section 2.6 or Section 2.12; and

(b) thereafter, each period commencing on the last day of the next preceding Interest Period for such Borrowing and ending one, two, three or six months thereafter, as the Company (on behalf of itself or an Affiliate) may elect pursuant to Section 2.12;

provided, however, that:

(i) any such Interest Period which would otherwise end on a day which is not a Eurodollar Business Day (or a Foreign Currency Business Day, in the case of Loans denominated in a Foreign Currency) shall be extended to the next succeeding Eurodollar Business Day or Foreign Currency Business Day, as the case may be, unless such Eurodollar Business Day or Foreign Currency Business Day, as the case may be, falls in another calendar month, in which case such Interest Period shall end on the next preceding Eurodollar Business Day or Foreign Currency Business Day, as the case may be,

(ii) any such Interest Period which begins on the last Eurodollar Business Day or Foreign Currency Business Day, as the case may be, of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on a day which is the last Eurodollar Business Day or Foreign Currency Business Day, as the case may be, of the applicable calendar month; and

(iii) the Company (on behalf of itself or an Affiliate) may not elect an Interest Period that would end later than the Termination Date.

"LIBO Rate" means with respect to any Eurocurrency Loan or LIBO Rate CAF Advance for any Interest Period, the London interbank offered rate for deposits in the relevant currency appearing on Telerate Page 3750 (or in the case of a Foreign Currency Borrowing, the rate appearing on the Page for the applicable Foreign Currency) as of 11:00 a.m. (London, England time) two Eurodollar Business Days prior to the beginning of such Interest Period for the period commencing on the date of such Eurocurrency Loan or LIBO Rate CAF Advance and ending on a maturity date comparable to that of the applicable Interest Period. In the event that such rate does not appear on Page 3750 of the Telerate screen (or, in the case of Foreign Currencies, the applicable Page of the Telerate screen), the "LIBO Rate" shall be determined by reference to such other comparable publicly available service for displaying eurocurrency rates as may be selected by the Administrative Agent or, in the absence of such availability, by reference to the rate at which the Administrative Agent is offered deposits in identical currencies at or about 11:00 a.m., local time, two Foreign Currency Business Days prior to the beginning of such Interest Period in the interbank eurocurrency market where its eurocurrency and foreign currency and exchange operations are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein.

"LIBO Rate CAF Advance" means any CAF Advance made pursuant to a LIBO Rate CAF Advance Request.

"LIBO Rate CAF Advance Request" means any CAF Advance Request requesting the Banks to offer to make CAF Advances at an interest rate equal to the LIBO Rate plus (or minus) a margin.

"Lien" means any mortgage, pledge, lien, security interest, conditional sale or other title retention agreement or other similar encumbrance.

"Loan" means any Domestic Loan or Eurocurrency Loan.

"Mandatory Cost Rate" has the meaning set forth in Section 10.3(a).

"Mark-to-Market Day" has the meaning set forth in Section 2.4.

"Material Acquisition" means any one or more acquisitions of any business entity or entities, or of any operating unit or units of any business entity or entities, that become consolidated with the Company in accordance with GAAP and that involve the payment of consideration (including, without limitation, the assumption of debt) by the Company and its Subsidiaries in excess of \$25,000,000 in the aggregate during any Commitment Quarter. "Material Disposition" means any one or more dispositions by the Company or a Subsidiary of any business entity or entities, or of any operating unit or units of the Company or a Subsidiary, that become unconsolidated with the Company in accordance with GAAP and that involve the receipt of consideration by the Company and its Subsidiaries in excess of \$25,000,000 in the aggregate during any Commitment Quarter.

"Maturity Date" means (a) for any Base Rate Loan, the Termination Date or, (b) for any Eurocurrency Loan the last day of the final Interest Period for such Loan specified by the Company (on behalf of itself or an Affiliate) pursuant to Section 2.6 or Section 2.12.

"National Currency Unit" means a non-decimal expression of the euro based upon a fixed conversion rate between the euro and the former national currency of a Participating Member State, as contemplated by Council Regulation (EC) No. 1103/97 dated June 17, 1997.

"Normal Banking Hours" with respect to the Notice Office of the Administrative Agent means the period from 9:00 a.m. to 5:00 p.m. in the time zone in which the Notice Office is located on a Domestic Business Day.

"Note" means any promissory note evidencing Loans.

"Notice Office" means the office of the Administrative Agent in the continental United States specified as such in Exhibit F hereto or such other office of the Administrative Agent in the continental United States as it may hereafter designate as the Notice Office by notice to the Company.

"Obligations" means the unpaid principal of and interest on (including interest accruing after the maturity of the Loans and CAF Advances and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Company and any Affiliate, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Loans, CAF Advances and all other obligations and liabilities of the Company (and its Affiliates) to the Administrative Agent or to any Bank, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, any other document made, delivered or given in connection herewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses

(including all fees, charges and disbursements of counsel to the Administrative Agent or to any Bank that are required to be paid by the Company pursuant hereto) or otherwise.

"Participant" has the meaning set forth in Section 9.2.

"Participating Member State" means a Member State of the European Union that has adopted, and is at the time of inquiry utilizing, the euro as its currency.

"Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan" means an employee benefit plan or other plan (other than a multi-employer benefit plan) maintained by the Company for employees of the Company and certain Affiliates and covered by Title IV of ERISA.

"Pricing Grid" means the pricing grid set forth below and based on the Company's long-term senior unsecured non-credit-enhanced debt ratings as provided by Standard & Poor's Ratings Services, a Division of the McGraw Hill Companies, Inc. ("S&P") or Moody's Investors Service, Inc. ("Moody's"):

Long-Term Senior Unsecured Non-Credit- Enhanced Debt Rating (higher of) S&P/Moody's	Facility Fee (bps.)	Eurocurrency Margin (bps.)	Base Rate Margin (bps.)
-----	-----	-----	-----
(Smaller or equal) BBB-/Baa3	17.5	107.5	0.0
BB+/Ba1	20.0	130.0	25.0
(Greater than) BB+/Ba1	25.0	135.0	25.0

The applicable Facility Fee, Eurocurrency Margin and Base Rate Margin shall be determined based upon the long-term senior unsecured non-credit-enhanced debt ratings as provided by S&P or Moody's. In the event that S&P and Moody's ratings of the Company are not equivalent, the applicable Facility Fee, Eurocurrency Margin and Base Rate Margin will be determined by the higher rating. In the event that either S&P or Moody's ceases to provide a long-term senior unsecured non-credit-enhanced debt rating for the Company, the applicable Facility Fee, Eurocurrency Margin and Base Rate Margin will be determined by reference to the rating issued by the other rating agency. For any period in which neither S&P nor Moody's provides a long-term senior unsecured non-credit-enhanced debt rating for the Company, the rating shall for purposes of this definition be

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to Section 8, and for all purposes after the Loans and CAF Advances become due and payable pursuant to Section 8 or the Commitments expire or terminate, the CAF Advances of the Banks shall be included in their respective Aggregate Exposures in determining the Required Banks.

"Requirement of Law" means as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Reserves" has the meaning set forth in Section 10.3(b).

"Revolving Percentage" means, as to any Bank at any time, the percentage which such Bank's Commitment then constitutes of the Aggregate Commitments or, at any time after the Commitments shall have expired or terminated, the percentage which the aggregate principal amount of such Bank's Extensions of Credit then outstanding constitutes of the aggregate principal amount of the Extensions of Credit then outstanding.

"Sale-Leasebacks" has the meaning set forth in Section 7.4.

"Senior Debt" has the meaning set forth in Section 7.6.

"Spot Rate" means, on any day, with respect to two currencies, the arithmetic mean of the buy and sell spot rates of exchange for the purchase and sale of such two currencies for each other as publicly or generally quoted by the Administrative Agent on the date of the determination, or if the Administrative Agent is not publicly or generally quoting such exchange rates on such date, then such rate as the Administrative Agent shall determine in good faith for purposes hereof.

"Subsidiary" means a corporation, partnership, limited liability company or other entity which would be consolidated on the balance sheets of the Company and its Subsidiaries in accordance with GAAP. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Company. For purposes of the definition of "Consolidated Total Debt", "Subsidiary" shall be deemed to include the Special Purpose Borrower (as defined in the Five-Year Term Loan Agreement), if any.

"10-K Report" has the meaning set forth in Section 7.1(a).

"10-Q Report" has the meaning set forth in Section 7.1(b).

"Termination Date" has the meaning set forth in Section 2.1(b).

"United States dollars" and "\$" mean the lawful currency of the United States.

"Utilization Fee" means the utilization fee payable by the Company pursuant to Section 2.3(b).

## SECTION 2. THE LOANS

### 2.1 THE COMMITMENT; TERMINATION DATE; INCREASE IN COMMITMENTS

(a) Subject to the terms and conditions set forth in this Agreement, each Bank agrees to make Domestic Loans and Eurocurrency Loans to the Company or any Affiliate, each from time to time during the period from the date hereof to and including the Termination Date in amounts which (i) do not exceed

the Bank's Commitment, (ii) do not cause the aggregate Equivalent principal amount of all Foreign Currency Loans then outstanding to exceed \$250,000,000, and (iii) do not cause the sum of the aggregate Equivalent principal amount of Loans and CAF Advances then outstanding to exceed the Aggregate Commitments. Within the conditions specified in this Agreement, the Company or any Affiliate may borrow under this Section 2.1, repay under Sections 2.17 and 2.18 and reborrow under this Section 2.1. The date of Borrowing of any Loan or advance of any CAF Advance may not be after the Termination Date.

(b) The "Termination Date" shall be June 17, 2005.

(c) The Company may from time to time elect to increase the Aggregate Commitments so long as, after giving effect thereto, the total amount of the Aggregate Commitments does not exceed \$780,000,000. The Company may arrange for any such increase to be provided by one or more Banks (each Bank so agreeing, in its sole discretion, to an increase in its Commitment, an "Increasing Bank"), or by one or more banks, financial institutions or other entities (each such bank, financial institution or other entity, an "Augmenting Bank"), to increase their existing Commitments, or extend Commitments, provided that (i) each Augmenting Bank, shall be subject to the approval of the Company and the Administrative Agent and (ii) the Company and each applicable Increasing Bank or Augmenting Bank shall execute all such documentation as the Administrative Agent shall reasonably specify. Increases and new Commitments created pursuant to this clause (c) shall become effective on the date agreed by the Company, the Administrative Agent and the relevant Banks, and the Administrative Agent shall notify each affected Bank thereof. Notwithstanding the foregoing, no increase in the Aggregate Commitments (or in the Commitment of any Bank), shall become effective under this Section 2.1(c) unless, (i) on the proposed date of the effectiveness of such increase, the conditions set forth in paragraphs (iii) and (iv) of Section 5.1(a) and paragraphs (i) and (ii) of Section 5.1(b) shall be satisfied and the Administrative Agent shall have received a certificate to that effect dated such date and executed by a responsible officer of the Company and (ii) the Administrative Agent shall have received (with sufficient copies for each of the Banks) documents consistent with those delivered on the Effective Date under Section 6.1 as to the corporate power and authority of the Company and related matters to borrow hereunder after giving effect to such increase. On the effective date of any increase in the Aggregate Commitments, (i) each relevant Increasing Bank and Augmenting Bank shall make available to the Administrative Agent such amounts in immediately available funds and in the relevant currency or currencies as the Administrative Agent shall determine, for the benefit of the other relevant Banks, as being required in order to cause, after giving effect to such increase and the use of such amounts to make payments to such other relevant Banks, each Bank's portion of the outstanding Loans in each currency to equal its Revolving Percentage of such outstanding Loans in each such currency and (ii) the Company shall be deemed to have repaid and reborrowed all outstanding Loans as of the date of any increase in the relevant Commitments (with such reborrowing to consist of the Loans, with related Interest Periods if applicable, specified in a notice delivered by the Company in accordance with the requirements of Section 2.6). The deemed payments made pursuant to clause (ii) of the immediately preceding sentence in respect of each Eurocurrency Loan shall be subject to indemnification by the Company pursuant to the provisions of Section 2.18 if the deemed payment occurs other than on the last day of the related Interest Periods.

## 2.2 PROCEEDS OF LOANS

The principal amount of each Loan shall be disbursed to the Company or an Affiliate, as applicable, on the date of Borrowing of such Loan in the currency in which the Loan is denominated in immediately available funds to the account of the Company or the Affiliate, as applicable, specified by the Company or the Affiliate (or the Company on behalf of the Affiliate) to the Administrative Agent from time to time.

### 2.3 FACILITY FEE; UTILIZATION FEE

(a) The Company shall pay to the Administrative Agent for the account of the Banks a facility fee (the "Facility Fee") for the period from the Effective Date to and including the Termination Date at a rate determined in accordance with the Pricing Grid multiplied by the Aggregate Commitments (regardless of whether any Loans are outstanding). The Facility Fee with respect to each Commitment Quarter shall be payable in arrears on each Fee Payment Date and shall be computed on the basis of a year of 365 (or 366) days for the actual number of days for which due. The Facility Fee shall be payable to the Administrative Agent and shall be transmitted via the National Automated Clearing House Association electronic payments network in the United States to an account in the continental United States specified by the Administrative Agent from time to time by notice to the Company.

(b) For any quarter during which the sum of the average principal amount of Aggregate Extensions of Credit outstanding hereunder and the Aggregate Extensions of Credit (as defined in the Five-Year Revolving Credit Agreement), (a) exceeds 33 1/3% of the sum of (i) the Aggregate Commitments (as defined in the Five-Year Revolving Credit Agreement) and (ii) the Aggregate Commitments hereunder, then the Company shall pay to the Administrative Agent for the account of the Banks a quarterly utilization fee in the amount of 0.125% per annum multiplied by the daily average balance of the Aggregate Extensions of Credit outstanding hereunder during such quarter or (b) exceeds 66 2/3% of the sum of (x) the Aggregate Commitments (as defined in the Five-Year Revolving Credit Agreement) and (y) the Aggregate Commitments hereunder, then the Company shall pay to the Administrative Agent for the account of the Banks a quarterly utilization fee in the amount of 0.250% per annum multiplied by the daily average balance of the Aggregate Extensions of Credit outstanding hereunder during such quarter; provided, that if the relevant Utilization Fee is applicable at the time the Commitments are terminated pursuant to Section 8.1 or Section 8.3, it shall remain applicable with respect to the Aggregate Extensions of Credit after the date the Commitments are so terminated. For any quarter in which a Utilization Fee is due, such Utilization Fee shall be calculated on a 360-day basis and payable quarterly in arrears on the applicable Fee Payment Date.

### 2.4 MARK-TO-MARKET

Five Domestic Business Days prior to the end of any Interest Period applicable to any Loan (or, if there are no Interest Periods for any such Loan, five Domestic Business Days prior to the next succeeding interest payment date for such Loan as specified in Section 2.15) (the "Mark-to-Market Day"), the Administrative Agent shall determine the aggregate amount of all outstanding Extensions of Credit and CAF Advances in United States dollars, and the Equivalent in United States dollars of all outstanding Extensions of Credit and CAF Advances in Foreign Currencies (calculated on the Mark-to-Market Day), and if such aggregate amount exceeds the Aggregate Commitments or, in the case of any Interest Period ending more than five Domestic Business Days after the Termination Date, the Aggregate Commitments in effect as of the Termination Date (as a result of a decrease in the value of the United States dollar as measured against the value of Foreign Currencies in which outstanding Extensions of Credit or CAF Advances are denominated), the Administrative Agent shall promptly notify the Company and, in the case of an Affiliate's Loan, the Affiliate, and, at the end of the applicable Interest Period or on the applicable interest payment date for such Loan, as the case may be, the Company, or the Affiliate (in the case of an Affiliate's Loan), shall prepay, in whole or in part, as necessary, the principal of such Loan in an amount such that after such prepayment such excess is eliminated; it being understood, however, that if prepayment of the entire principal amount of such Loan for which the current Interest Period is ending or for which interest thereon is coming due will not reduce the aggregate amount of outstanding Extensions of Credit and CAF Advances to the level required above, then only prepayment of the entire principal amount of such Loan shall be required. Notwithstanding that only the Loan for which the current Interest Period is ending or for which interest thereon is coming due will be required to be prepaid, in whole or in part, as required above, the Company or

the Affiliate, as applicable, shall have the option in its discretion to reduce Extensions of Credit and CAF Advances to the required level by prepaying other Loans or causing other Affiliates to prepay other Loans.

## 2.5 OPTIONAL TERMINATION OR REDUCTION OF COMMITMENTS

The Company may at any time or from time to time, upon three Domestic Business Days' written notice to the Administrative Agent at the Notice Office, (a) terminate the Commitments if no Loans or CAF Advances are then outstanding hereunder or (b) reduce the unused portion of the Commitments; provided that no such termination or reduction of Commitments shall be permitted if, after giving effect thereto and to any prepayments of the Loans made on the effective date thereof, the sum of the Aggregate Extensions of Credit and outstanding CAF Advances would exceed the Aggregate Commitments. From the effective date of any such termination or reduction, the Facility Fee specified in Section 2.3 shall cease to accrue or shall be correspondingly reduced, provided that no such termination or reduction shall affect the Company's obligation to pay the Facility Fee to the extent theretofore accrued. If the Company terminates the Commitments in their entirety, such accrued Facility Fee shall be payable within 30 days after the effective date of such termination in the manner provided in Section 2.3. Any termination or reduction of the unused portion of the Commitments by the Company pursuant to this Section 2.5 shall be in an amount equal to \$1,000,000, or a whole multiple thereof, and shall be irrevocable.

## 2.6 NOTICE OF BORROWING; PROCEDURE

With respect to each Domestic Borrowing, the Company (on behalf of itself or an Affiliate) shall give notice of the Borrowing to the Administrative Agent at the Notice Office no later than the date of such Borrowing, but not later than 11:00 a.m. (New York City time) on such date. With respect to each Eurocurrency Borrowing which is denominated in United States dollars, the Company (on behalf of itself or an Affiliate) shall give notice of the Borrowing to the Administrative Agent at the Notice Office no later than three Eurodollar Business Days prior to the date of such Borrowing, but not later than 11:00 a.m. (New York City time) on such date. With respect to each Foreign Currency Borrowing, the Company (on behalf of its Affiliate) shall give notice of the Borrowing to the Administrative Agent at the Foreign Currency Notice Office no later than three Foreign Currency Business Days prior to the date of such Borrowing, but not later than 3:00 p.m. (London, England time) on such date. In each case, the notice shall be given by telephone (and shall be promptly confirmed in a writing substantially in the form of Exhibit B hereto) and shall specify:

(a) the borrower;

(b) the date of such Borrowing, which shall be a Domestic Business Day in the case of a Domestic Borrowing, a Eurodollar Business Day in the case of a Eurocurrency Borrowing which is denominated in United States dollars, or a Foreign Currency Business Day in the case of a Foreign Currency Borrowing;

(c) the amount of such Borrowing, which shall be not less than \$1,000,000 or the Equivalent thereof on the date of notice and, if such Loan is to be a Eurocurrency Loan, the currency in which such Loan shall be denominated;

(d) whether the Loan comprising such Borrowing is to be a Base Rate Loan or a Eurocurrency Loan;

(e) if such Loan is to be a Eurocurrency Loan, the duration of the initial Interest Period; and



(f) whether any Bank has requested a Gross-up pursuant to the next succeeding sentence.

At the time that the Company (on behalf of itself or an Affiliate) gives a notice of Borrowing, each Bank shall telephonically notify the Company and the Administrative Agent whether such Bank will require a Gross-up for withholding taxes in connection with such Loan (as provided in Section 10.4). A notice of Borrowing, once given to the Administrative Agent, shall not be revocable by the Company or an Affiliate, except in the event that any Bank notifies the Company at the time the Company gives notice of the Borrowing that a Gross-up will be required, in which case, the Company (on behalf of itself or the Affiliate) may promptly withdraw the notice of Borrowing.

Upon receipt of any such notice of Borrowing from the Company, the Administrative Agent shall promptly notify each Bank thereof. Each Bank will make the amount of its pro rata share of each Borrowing available to the Administrative Agent for the account of the Company (or Affiliate) at the Domestic Funding Office in the case of Domestic Loans, the Eurodollar Funding Office in the case of Eurocurrency Loans which are denominated in United States dollars and the Foreign Currency Funding Office in the case of Foreign Currency Loans, in each case prior to 12:00 Noon, local time, on the date of Borrowing requested by the Company in funds immediately available to the Administrative Agent. Such Borrowing will then be made available to the Company (or an Affiliate) by the Administrative Agent crediting the account of the Company (or such Affiliate) on the books of such office with the aggregate of the amounts made available to the Administrative Agent by the Banks and in like funds as received by the Administrative Agent.

## 2.7 CAF ADVANCES

During the CAF Availability Period and subject to the terms and conditions of this Agreement, the Company may borrow (a) Fixed Rate CAF Advances from time to time on any Domestic Business Day or, in the case of CAF Advances denominated in Foreign Currencies, any Foreign Currency Business Day and (b) LIBO Rate CAF Advances (to the extent, in the case of currencies other than United States dollars, the LIBO Rate can be determined pursuant to the first sentence of the definition thereof) from time to time on any Eurodollar Business Day or, in the case of CAF Advances denominated in Foreign Currencies, any Foreign Currency Business Day. CAF Advances may be borrowed in amounts such that the aggregate amount of Extensions of Credit and CAF Advances outstanding at any time shall not exceed the Aggregate Commitments at such time. Within the limits and on the conditions hereinafter set forth with respect to CAF Advances, the Company from time to time may borrow, repay and reborrow CAF Advances.

## 2.8 PROCEDURE FOR CAF ADVANCE BORROWING

(a) The Company shall request CAF Advances by delivering a CAF Advance Request to the Administrative Agent, not later than 12:00 Noon (New York City time) four Eurodollar Business Days prior to the proposed CAF Borrowing Date (in the case of a LIBO Rate CAF Advance Request), and not later than 10:00 A.M. (New York City time) one Domestic Business Day prior to the proposed CAF Borrowing Date (in the case of a Fixed Rate CAF Advance Request). Each CAF Advance Request in respect of any CAF Borrowing Date may solicit bids for CAF Advances on such CAF Borrowing Date in an aggregate principal amount of \$1,000,000 or an integral multiple of \$1,000,000 in excess thereof and having not more than three alternative CAF Advance Maturity Dates. The CAF Advance Maturity Date for each CAF Advance shall be the date set forth therefor in the relevant CAF Advance Request, which date shall be (i) not less than 7 days nor more than 360 days after the CAF Borrowing Date therefor, in the case of a Fixed Rate CAF Advance, (ii) one, two, three or six months after the CAF Borrowing Date therefor, in the case of a LIBO CAF Advance and (iii) not later than the Termination Date, in the case of

any CAF Advance. The Administrative Agent shall notify each Bank promptly by facsimile transmission of the contents of each CAF Advance Request received by the Administrative Agent.

(b) In the case of a LIBO Rate CAF Advance Request, upon receipt of notice from the Administrative Agent of the contents of such CAF Advance Request, each Bank may elect, in its sole discretion, to offer irrevocably to make one or more CAF Advances at the applicable LIBO Rate plus (or minus) a margin determined by such Bank in its sole discretion for each such CAF Advance. Any such irrevocable offer shall be made by delivering a CAF Advance Offer to the Administrative Agent, before 10:30 A.M. (New York City time) on the day that is three Eurodollar Business Days before the proposed CAF Borrowing Date, setting forth:

(i) the maximum amount of CAF Advances for each CAF Advance Maturity Date and the aggregate maximum amount of CAF Advances for all CAF Advance Maturity Dates which such Bank would be willing to make (which amounts may, subject to Section 2.7, exceed such Bank's Commitment); and

(ii) the margin above or below the applicable LIBO Rate at which such Bank is willing to make each such CAF Advance.

The Administrative Agent shall advise the Company before 11:00 A.M. (New York City time) on the date which is three Eurodollar Business Days before the proposed CAF Borrowing Date of the contents of each such CAF Advance Offer received by it. If the Administrative Agent, in its capacity as a Bank, shall elect, in its sole discretion, to make any such CAF Advance Offer, it shall advise the Company of the contents of its CAF Advance Offer before 10:15 A.M. (New York City time) on the date which is three Eurodollar Business Days before the proposed CAF Borrowing Date.

(c) In the case of a Fixed Rate CAF Advance Request, upon receipt of notice from the Administrative Agent of the contents of such CAF Advance Request, each Bank may elect, in its sole discretion, to offer irrevocably to make one or more CAF Advances at a rate of interest determined by such Bank in its sole discretion for each such CAF Advance. Any such irrevocable offer shall be made by delivering a CAF Advance Offer to the Administrative Agent before 9:30 A.M. (New York City time) on the proposed CAF Borrowing Date, setting forth:

(i) the maximum amount of CAF Advances for each CAF Advance Maturity Date, and the aggregate maximum amount for all CAF Advance Maturity Dates, which such Bank would be willing to make (which amounts may, subject to Section 2.7, exceed such Bank's Commitment); and

(ii) the rate of interest at which such Bank is willing to make each such CAF Advance.

The Administrative Agent shall advise the Company before 10:00 A.M. (New York City time) on the proposed CAF Borrowing Date of the contents of each such CAF Advance Offer received by it. If the Administrative Agent, in its capacity as a Bank, shall elect, in its sole discretion, to make any such CAF Advance Offer, it shall advise the Company of the contents of its CAF Advance Offer before 9:15 A.M. (New York City time) on the proposed CAF Borrowing Date.

(d) Before 11:30 A.M. (New York City time) three Eurodollar Business Days before the proposed CAF Borrowing Date (in the case of CAF Advances requested by a LIBO Rate CAF Advance Request) and before 10:30 A.M. (New York City time) on the proposed CAF Borrowing Date (in the case of CAF Advances requested by a Fixed Rate CAF Advance Request), the Company, in its absolute discretion, shall:

(i) cancel such CAF Advance Request by giving the Administrative Agent telephone notice to that effect, or

(ii) by giving telephone notice to the Administrative Agent (immediately confirmed by delivery to the Administrative Agent of a CAF Advance Confirmation by facsimile transmission) (A) subject to the provisions of Section 2.8(e), accept one or more of the offers made by any Bank or Banks pursuant to Section 2.8(b) or Section 2.8(c), as the case may be, and (B) reject any remaining offers made by Banks pursuant to Section 2.8(b) or Section 2.8(c), as the case may be.

(e) The Company's acceptance of CAF Advances in response to any CAF Advance Offers shall be subject to the following limitations:

(i) the amount of CAF Advances accepted for each CAF Advance Maturity Date specified by any Bank in its CAF Advance Offer shall not exceed the maximum amount for such CAF Advance Maturity Date specified in such CAF Advance Offer;

(ii) the aggregate amount of CAF Advances accepted for all CAF Advance Maturity Dates specified by any Bank in its CAF Advance Offer shall not exceed the aggregate maximum amount specified in such CAF Advance Offer for all such CAF Advance Maturity Dates;

(iii) the Company may not accept offers for CAF Advances for any CAF Advance Maturity Date in an aggregate principal amount in excess of the maximum principal amount requested in the related CAF Advance Request; and

(iv) if the Company accepts any of such offers, it must accept offers based solely upon pricing for each relevant CAF Advance Maturity Date and upon no other criteria whatsoever, and if two or more Banks submit offers for any CAF Advance Maturity Date at identical pricing and the Company accepts any of such offers but does not wish to (or, by reason of the limitations set forth in Section 2.7, cannot) borrow the total amount offered by such Banks with such identical pricing, the Company shall accept offers from all of such Banks in amounts allocated among them pro rata according to the amounts offered by such --- Banks (with appropriate rounding, in the sole discretion of the Company, to assure that each accepted CAF Advance is an integral multiple of \$1,000,000); provided that if the number of Banks that submit ----- offers for any CAF Advance Maturity Date at identical pricing is such that, after the Company accepts such offers pro rata in accordance with the foregoing provisions of this paragraph, the CAF Advance to --- ---- be made by any such Bank would be less than \$5,000,000 principal amount, the number of such Banks shall be reduced by the Administrative Agent by lot until the CAF Advances to be made by each such remaining Bank would be in a principal amount of \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof.

(f) If the Company notifies the Administrative Agent that a CAF Advance Request is cancelled pursuant to Section 2.8(d)(i), the Administrative Agent shall give prompt telephone notice thereof to the Banks.

(g) If the Company accepts pursuant to Section 2.8(d)(ii) one or more of the offers made by any Bank or Banks, the Administrative Agent promptly shall notify each Bank which has made such an offer of (i) the aggregate amount of such CAF Advances to be made on such CAF Borrowing Date for each CAF Advance Maturity Date and (ii) the acceptance or rejection of any offers to make such CAF Advances made by such Bank. Before 12:00 Noon (New York City time) on the CAF Borrowing Date specified in the applicable CAF Advance Request, each Bank whose CAF Advance Offer has been accepted shall make available to the Administrative Agent at its Domestic Funding Office in the case of

Fixed Rate CAF Advances and its Eurodollar Funding Office in the case of LIBO Rate CAF Advances the amount of CAF Advances to be made by such Bank, in immediately available funds. The Administrative Agent will make such funds available to the Company as soon as practicable on such date at such office of the Administrative Agent. It shall be a condition to each CAF Advance, and each CAF Advance accepted by the Company shall be deemed to be a representation and warranty by the Company, that:

(i) the principal amount of such CAF Advance, when added to the aggregate principal amount of all Extensions of Credit and other CAF Advances then outstanding hereunder, shall not exceed the amount of the Aggregate Commitments, each such amount, if applicable, being expressed in the United States dollar Equivalent thereof on the date of the notice of Borrowing;

(ii) after giving effect to the making of such CAF Advance no Event of Default nor Event of Default - Bankruptcy and no event which, with the giving of notice or lapse of time or both, would become an Event of Default or an Event of Default - Bankruptcy shall have occurred and be continuing; and

(iii) the representations and warranties of the Company contained in this Agreement, except those contained in Sections 6.2(b) and 6.3, shall be true and correct in all material respects on and as of the date of such CAF Advance, except to the extent such representations and warranties expressly relate to an earlier date.

As soon as practicable after each CAF Borrowing Date, the Administrative Agent shall notify each Bank of the aggregate amount of CAF Advances advanced on such CAF Borrowing Date and the respective CAF Advance Maturity Dates thereof.

(h) Notwithstanding anything to the contrary in this Section 2.8, in the case of CAF Advances to be denominated in a Foreign Currency, the Company and the Administrative Agent shall agree upon such modification to the notice times, bid times, funding times, minimum amounts and other procedures set forth above in this Section 2.8 that are appropriate for the relevant Foreign Currency; and the Administrative Agent shall advise the Banks and the Company of such modifications prior to the delivery of any CAF Advance Request soliciting bids for CAF Advances in such Foreign Currency.

## 2.9 CAF ADVANCE PAYMENTS

(a) The Company shall pay to the Administrative Agent, for the account of each Bank which has made a CAF Advance, on the applicable CAF Advance Maturity Date the then unpaid principal amount of such CAF Advance. The Company shall not have the right to prepay any principal amount of any CAF Advance without the consent of the Bank to which such CAF Advance is owed.

(b) The Company shall pay interest on the unpaid principal amount of each CAF Advance from the CAF Borrowing Date to applicable CAF Advance Maturity Date at the rate of interest specified in the CAF Advance Offer accepted by the Company in connection with such CAF Advance (calculated on the basis of a 360-day year for actual days elapsed), payable on each applicable CAF Advance Interest Payment Date.

(c) If any principal of, or interest on, any CAF Advance shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such CAF Advance shall, without limiting any rights of any Bank under this Agreement, bear interest from the date on which such payment was due at a rate per annum which is 1% above the rate which would otherwise be applicable to such CAF Advance until the stated CAF Advance Maturity Date of such CAF Advance, and for each day thereafter at a rate per annum

which is 1% above the ABR, in each case until paid in full (as well after as before judgment). Interest accruing pursuant to this paragraph (c) shall be payable from time to time on demand.

#### 2.10 CERTAIN RESTRICTIONS

A CAF Advance Request may request offers for CAF Advances to be made on not more than one CAF Borrowing Date and to mature on not more than three CAF Advance Maturity Dates. No CAF Advance Request may be submitted earlier than five Domestic Business Days after submission of any other CAF Advance Request.

#### 2.11 PROMISE TO PAY CAF ADVANCES; EVIDENCE OF CAF ADVANCES

The Company unconditionally promises to pay to the Administrative Agent, for the account of each Bank that makes a CAF Advance, on the CAF Advance Maturity Date with respect thereto, the principal amount of such CAF Advance. The Company further unconditionally promises to pay interest on each CAF Advance and each Loan for the period from and including the CAF Borrowing Date of such CAF Advance on the unpaid principal amount thereof from time to time outstanding at the applicable rate per annum determined as provided in, and payable as specified in, Section 2.9(b). Each Bank shall maintain in accordance with its usual practice appropriate records evidencing indebtedness of the Company to such Bank resulting from each CAF Advance of such Bank from time to time, including the amounts of principal and interest payable and paid to such Bank from time to time in respect of each such CAF Advance.

#### 2.12 EXTENSION OF TERM OF LOANS; CONVERSION OF LOANS

(a) The Company may, at its option, elect (on behalf of itself or any Affiliate which has borrowed hereunder) (i) to extend any outstanding Eurocurrency Loan (such extended Eurocurrency Loan to be denominated in the same currency as that prior to such extension) or (ii) to convert any outstanding Base Rate Loan into a Eurocurrency Loan denominated in United States dollars, or any outstanding Eurocurrency Loan denominated in United States dollars into a Base Rate Loan, in each case, by giving notice to the Administrative Agent at the Notice Office and, in the case of Loans to be continued in a Foreign Currency, the Foreign Currency Notice Office of such election; provided, however, that the borrower must remain the same in connection with any extension or conversion of a Loan.

(b) An outstanding Loan may be converted pursuant to Section 2.12(a) only on a day which meets both of the following requirements:

(i) an outstanding Loan may only be converted on a day which is (A) if such outstanding Loan is a Domestic Loan, a Domestic Business Day or (B) if such outstanding Loan is a Eurocurrency Loan denominated in United States dollars, a Eurodollar Business Day; and

(ii) an outstanding Loan may only be converted into (A) a Domestic Loan on a Domestic Business Day or (B) a Eurocurrency Loan which is denominated in United States dollars on a Eurodollar Business Day.

Subject to the requirements of this Section 2.12(b), an outstanding Loan may be converted on the last day of the then-existing Interest Period for such Loan (if such Loan has an Interest Period) or at any time (if such Loan does not have an Interest Period), as provided in Section 2.12(b), or, in the case of a Loan having an Interest Period, at times other than the last day of an Interest Period, as provided in Section 2.12(f).

(c) The notice by the Company to the Administrative Agent of an election pursuant to Section 2.12(a) to extend any outstanding Loan, to convert any outstanding Loan on the last day of the then-existing Interest Period (if the outstanding Loan has an Interest Period) or to convert any outstanding Loan which does not have an Interest Period shall be given by telephone (and shall be promptly confirmed in a writing substantially in the form of Exhibit B hereto) as follows:

(i) if such outstanding Loan is to be extended and is a Eurocurrency Loan denominated in United States dollars, by giving notice no later than three Eurodollar Business Days prior to the last day of the then-existing Interest Period with respect to such Loan, but not later than 11:00 a.m. (New York City time) on such day;

(ii) if such outstanding Loan is to be extended and is a Foreign Currency Loan, by giving notice no later than three Foreign Currency Business Days prior to the last day of the then-existing Interest Period with respect to such Loan, but not later than 3:00 p.m. (London, England time) on such day;

(iii) if such outstanding Loan is a Eurocurrency Loan denominated in United States dollars and is to be converted into a Domestic Loan, by giving notice no later than the last day of the then-existing Interest Period with respect to such outstanding Loan not later than 11:00 a.m. (New York City time) on such day; and

(iv) if such outstanding Loan is a Domestic Loan which is to be converted into a Eurocurrency Loan denominated in United States dollars, by giving notice no later than three Eurodollar Business Days, but not later than 11:00 a.m. (New York City time) on such date, prior to the day on which the Company or the Affiliate, as applicable, desires the conversion of such outstanding Loan to be made effective; and

(d) Each notice given by the Company pursuant to this Section 2.12 shall specify:

(i) whether such outstanding Loan is to be extended or converted;

(ii) if such outstanding Loan is to be converted, the date such conversion should be effective;

(iii) if such outstanding Loan is to be extended and is a Eurocurrency Loan, the Interest Period for the Loan as so extended;

(iv) if such outstanding Loan is to be converted, whether such Loan is to be converted into a Base Rate Loan or Eurocurrency Loan denominated in United States dollars;

(v) if such outstanding Loan is to be converted into a Eurocurrency Loan denominated in United States dollars, the Interest Period therefor; and

(vi) whether the Administrative Agent or any Bank has requested a Gross-up pursuant to subsection (g) below.

(e) With respect to each outstanding Loan which shall be extended or converted pursuant to this Section 2.12:

(i) the Company or the Affiliate, whichever shall be the borrower, shall pay to the Administrative Agent for the account of each Bank all accrued and unpaid interest with respect to such outstanding Loan,

(A) if such Loan is a Eurocurrency Loan, on the last day of the then-existing Interest Period with respect to such outstanding Loan; or

(B) if such Loan is a Base Rate Loan, or if pursuant to Section 2.12(f) the Loan is being converted on a day other than the last day of the then-existing Interest Period, on the day such outstanding Loan is converted;

(ii) no repayment of the principal amount of such outstanding Loan shall be required; and

(iii) the Loan to be outstanding upon the extension or conversion of an outstanding Loan shall not be deemed to be a new Loan under Section 5.1 of this Agreement.

(f) Subject to the requirements of Sections 2.12(a) and 2.12(b), any outstanding Eurocurrency Loan denominated in United States dollars may be converted into a Base Rate Loan pursuant to this Section 2.12 at times other than the last day of an Interest Period; provided, however, that

(i) the Company's notice (on behalf of itself or an Affiliate) with respect to any such conversion shall be given no later than the date of such conversion, but not later than 11:00 a.m. (New York City time) on such date; and

(ii) the Company or the Affiliate, whichever is the borrower, shall reimburse each Bank on demand for any loss incurred by it as a result of the timing of any such conversion in an amount determined as provided in Section 2.18 with respect to prepayments.

(g) At the time that the Company (on behalf of itself or an Affiliate) gives a notice to extend or convert any Loan pursuant to the requirements of this Section 2.12, each Bank shall telephonically notify the Company and the Administrative Agent whether such Bank will require a Gross-up for withholding taxes in connection with such Loan as so extended or converted (as provided in Section 10.4). A notice to extend or convert any Loan, once given to the Administrative Agent, shall not be revocable by the Company or an Affiliate, except in the event that any Bank notifies the Company at the time the Company gives notice to extend or convert a Loan that a Gross-up will be required, in which case, the Company (on behalf of itself or the Affiliate) may promptly withdraw the notice to extend or convert the Loan.

(h) Notwithstanding anything to the contrary in the foregoing, if after the date an outstanding Loan is borrowed the country in whose currency the Loan is denominated becomes a Participating Member State, for so long as it remains a Participating Member State, the Loan shall remain outstanding in accordance with its terms but the outstanding amount of the Loan shall automatically be converted into the equivalent amount of the euro calculated using the fixed conversion rate established between the euro and the National Currency Unit for such country's former currency. In addition, for so long as it exists, the amount of such Loan denominated in the euro shall also be denominated in the equivalent amount of the National Currency Unit for such country's former currency, calculated in accordance with the same fixed conversion rate.

### 2.13 REGISTER

The Administrative Agent shall, on behalf of the Company and each Affiliate, maintain at one of its offices a register for the recordation of the names and addresses of the Banks and the Commitment of, and the principal amount of the Loans and CAF Advances owing to, each Bank from time to time (the "Register"). The entries in the Register shall be conclusive, in the absence of manifest error, and the Company, each Affiliate, the Administrative Agent and the Banks shall treat each Person whose name is recorded in the Register as the owner of the Loans (and any Notes evidencing the Loans) and the CAF Advances recorded therein for all purposes of this Agreement. Any assignment of any Loan pursuant to Section 9.1, whether or not evidenced by a Note, shall be effective only upon appropriate entries with respect thereto being made in the Register (and any Note evidencing such Loan shall expressly so provide). Any assignment or transfer of all or part of a Loan shall be registered on the Register only upon presentation of a duly executed Assignment and Acceptance and, if such Loan is evidenced by a Note, surrender of such Note for registration of assignment or transfer.

### 2.14 INTEREST RATES

(a) Each Loan shall bear interest on the outstanding principal amount thereof, as follows:

(i) with respect to each Base Rate Loan, at a fluctuating rate per annum equal to the sum of (x) the Base Rate in effect from time to time while such Base Rate Loan is outstanding and (y) the Base Rate Margin; and

(ii) with respect to each Eurocurrency Loan, during each Interest Period applicable thereto at a rate per annum equal to the sum of (x) the LIBO Rate applicable to such Interest Period and (y) the Eurocurrency Margin.

(b) Interest on Base Rate Loans shall be computed on the basis of a year of 365 (or 366) days and paid for the actual number of days for which due. Interest on Eurocurrency Loans shall be computed on the basis of a year of 360 days and paid for the actual number of days for which due, provided that interest on any Foreign Currency Loan or CAF Advance denominated in British Pounds Sterling shall be calculated on the basis of a year of 365 (or 366) days and paid for the actual number of days for which due. Interest for each Interest Period with respect to a Eurocurrency Loan shall be calculated from and including the first day thereof to but excluding the last day thereof.

### 2.15 INTEREST PAYMENT DATES

Interest on each Loan shall be payable as follows:

(a) with respect to each Base Rate Loan, on each March 31, June 30, September 30 and December 31 that such Loan is outstanding, and upon payment in full of such Loan; and

(b) with respect to each Eurocurrency Loan, (i) if the current Interest Period for such Eurocurrency Loan is one month, two months or three months, on the last day of such Interest Period or (ii) if the current Interest Period for such Eurocurrency Loan is six months, on the last day of the third month and on the last day of the sixth month of such Interest Period, and upon payment in full of such Loan.



## 2.16 OVERDUE PRINCIPAL AND INTEREST

Any overdue principal of the Loans and, to the extent permitted by law, overdue interest thereon, shall bear interest payable on demand for each day from the date payment thereof was due to the date of actual payment, as follows:

(a) with respect to each Base Rate Loan, at a rate per annum equal to 1% plus the sum of (x) the Base Rate in effect from time to time while such Loan is overdue and (y) the Base Rate Margin; and

(b) (i) with respect to overdue principal on each Eurocurrency Loan, at a daily rate, which shall be calculated by the Administrative Agent (whose determination shall be conclusive in the absence of manifest error) and shall be a rate per annum equal to the sum of (A) 1% plus (B) the Eurocurrency Margin plus (C) the LIBO Rate, and (ii) with respect to overdue interest on each Eurocurrency Loan, at the rate per annum equal to the sum of (X) 1% plus (Y) the Eurocurrency Margin plus (Z) the interest rate per annum at which deposits in the amount of such overdue interest are offered to the Administrative Agent by other leading banks, as determined by the Administrative Agent, in the interbank market in which the Eurocurrency is obtained for a period of one day, or if no such rate is available, one month (or, if such amount remains unpaid more than three Eurocurrency Business Days, then for such other period of time not longer than six months as the Administrative Agent may elect).

## 2.17 DATES FOR PAYMENT OR OPTIONAL PREPAYMENT OF PRINCIPAL

The Company and each Affiliate unconditionally promises to repay the unpaid principal amount of each Loan made to it on or before the Maturity Date. The Company or an Affiliate may, at its option, prepay the principal amount of any Loan, in whole or in part, without penalty or premium, as follows:

(a) with respect to any Base Rate Loan, on any Domestic Business Day, provided that the Company deliver an irrevocable notice of prepayment to the Administrative Agent no later than 11:00 a.m., New York City time, on such date, which notice shall specify the date and amount of prepayment; and

(b) with respect to any Eurocurrency Loan on the last day of any Interest Period therefore, provided that the Company deliver an irrevocable notice of prepayment to the Administrative Agent no later than 3:00 p.m., London, England time, three Eurocurrency Business Days prior to such date, which notice shall specify the date and amount of prepayment;

in each case together with accrued interest on the amount prepaid to the date of prepayment. Partial prepayments of any Loans shall be in an aggregate principal amount of \$1,000,000 or a whole multiple thereof.

## 2.18 OPTIONAL PREPAYMENT ON OTHER DATES; REIMBURSEMENT FOR CERTAIN COSTS

The Company or an Affiliate, as applicable, may, at its option, prepay the principal amount of any Eurocurrency Loan, in whole or in part, at times other than those provided for in Section 2.17(b), in each case together with accrued interest on the amount prepaid to the date of prepayment; provided, however, that with respect to any such Loan, the Company or the Affiliate, whichever is the borrower, shall reimburse each Bank on demand for any loss incurred by such Bank as a result of the timing of such payment, including without limitation, any loss incurred in liquidating or re-employing deposits from third parties but excluding loss of the Eurocurrency Margin or any other profit for the period after such payment, provided that the

amount of such loss shall in no event exceed the amount of interest that would have accrued from the date of prepayment to the last day of the then-current Interest Period in the absence of prepayment, and the relevant Bank shall have delivered to the Company and, if the borrower is an Affiliate, to such Affiliate, a written statement setting forth the basis for determining such loss, which written statement shall be conclusive in the absence of manifest error. Each Bank shall use its reasonable efforts to mitigate any loss resulting from any prepayment by the Company or an Affiliate.

#### 2.19 METHOD OF PAYMENT

All payments required to be made pursuant to this Agreement shall be made in immediately available funds (i) with respect to the Facility Fee and the Utilization Fee, in United States dollars to the account in the continental United States designated by the Administrative Agent pursuant to Section 2.3, (ii) with respect to payments relating to Loans (including, without limitation, principal, interest, any Gross-up or any payments pursuant to Section 2.18 or 10.3) or CAF Advances, in the lawful currency of the country in which the Loan or CAF Advance is denominated, to the Administrative Agent for the account of the Banks at (A) the Domestic Funding Office, with respect to each Domestic Loan and each CAF Advance denominated in United States dollars, (B) the Eurodollar Funding Office, with respect to each Eurocurrency Loan which is denominated in United States dollars, (C) the Foreign Currency Funding Office, with respect to each Foreign Currency Loan or CAF Advance denominated in a Foreign Currency or (D) in each case, at such other location as may be agreed upon by the Administrative Agent and the Company and (iii) with respect to any other payment due hereunder, in such currency and in such place or office as may be required hereunder or as may otherwise be agreed upon by the Administrative Agent and the Company. The Administrative Agent shall distribute such payments to the Banks promptly upon receipt in like funds as received. Whenever any payment of principal of, or interest on, any Domestic Loan or of the Facility Fee shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day and, in the case of a payment of principal, interest thereon shall be payable for such extended time. Whenever any payment of principal of, or interest on, any Eurocurrency Loan which is denominated in United States dollars shall be due on a day which is not a Eurodollar Business Day, the date for payment thereof shall be extended to the next succeeding Eurodollar Business Day, unless as a result thereof such date would fall in the next calendar month, in which case, such date shall be advanced to the next preceding Eurodollar Business Day, and, in the case of a payment of principal, interest thereon shall be payable to the date of payment as extended or advanced as the case may be. Whenever any payment of principal of, or interest on, any Foreign Currency Loan shall be due on a day which is not a Foreign Currency Business Day, the date for payment thereof shall be extended to the next succeeding Foreign Currency Business Day, unless as a result thereof such date would fall in the next calendar month, in which case, such date shall be advanced to the next preceding Foreign Currency Business Day, and, in the case of a payment of principal, interest thereon shall be payable to the date of payment as extended or advanced as the case may be.

#### 2.20 PRO RATA TREATMENT AND PAYMENTS

(a) Each Borrowing by the Company or any Affiliate from the Banks hereunder, each payment by the Company or any Affiliate on account of the Facility Fee or Utilization Fee and any reduction of the Commitments of the Banks shall be made pro rata according to the respective Revolving Percentages of the Banks.

(b) Each payment (including each prepayment) by the Company or any Affiliate on account of principal of and interest on the Loans shall be made pro rata according to the respective outstanding amounts of principal and interest then due and owing to the Banks.

(c) Unless the Administrative Agent shall have been notified in writing by any Bank prior to a Borrowing that such Bank will not make the amount that would constitute its share of such Borrowing available to the Administrative Agent, the Administrative Agent may assume that such Bank is making such amount available to the Administrative Agent, and the Administrative Agent may, in reliance upon such assumption, make available to the Company (or an Affiliate) a corresponding amount. If such amount is not made available to the Administrative Agent by the required time on the Borrowing date such Bank shall pay to the Administrative Agent, on demand, such amount with interest thereon, at a rate equal to the greater of (i) the Federal Funds Effective Rate and (ii) a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, for the period until such Bank makes such amount immediately available to the Administrative Agent. A certificate of the Administrative Agent submitted to any Bank with respect to any amounts owing under this paragraph shall be conclusive in the absence of manifest error. If such Bank's share of such Borrowing is not made available to the Administrative Agent by such Bank within three Domestic Business Days after such Borrowing Date, the Administrative Agent shall also be entitled to recover (i) in the case of amounts denominated in United States dollars, such amount with interest thereon at the rate per annum applicable to Base Rate Loans, on demand, from the Company or (ii) in the case of amounts denominated in Foreign Currencies, such amount with interest thereon at a rate determined by the Administrative Agent to be the cost to it of funding such amount, on demand, from the Company or the relevant Affiliate.

(d) Unless the Administrative Agent shall have been notified in writing by the Company or any Affiliate prior to the date of any payment due to be made by the Company or any Affiliate hereunder that the Company or such Affiliate will not make such payment to the Administrative Agent, the Administrative Agent may assume that the Company or such Affiliate is making such payment, and the Administrative Agent may, but shall not be required to, in reliance upon such assumption, make available to the Banks their respective pro rata shares of a corresponding amount. If such payment is not made to the Administrative Agent by the Company or such Affiliate within three Domestic Business Days after such due date, the Administrative Agent shall be entitled to recover, on demand, from each Bank to which any amount which was made available pursuant to the preceding sentence (i) in the case of amounts denominated in United States dollars, such amount with interest thereon at the rate per annum equal to the daily average Federal Funds Effective Rate and (ii) in the case of amounts denominated in Foreign Currencies, such amount with interest thereon at a rate per annum determined by the Administrative Agent to be the cost to it of funding such amount. Nothing herein shall be deemed to limit the rights of the Administrative Agent or any Bank against the Company or any Affiliate.

## 2.21 LIMITATION ON EUROCURRENCY TRANCHES

Notwithstanding anything to the contrary in this Agreement, all borrowings, conversions and continuations of Eurocurrency Loans and all selections of Interest Periods shall be in such amounts and be made pursuant to such elections so that, no more than fifteen Eurocurrency Tranches in any currency shall be outstanding at any one time.

## SECTION 3. [RESERVED]

## SECTION 4. GUARANTEE OF LOANS TO AFFILIATES

(a) The Company hereby guarantees to the Administrative Agent, for the ratable benefit of the Banks and their affiliates, the due and punctual payment of the principal of and interest on any Loans made to any Affiliate under this Agreement and any other Obligations of any Affiliate to the Administrative Agent or any Bank under this Agreement or its Accession Memorandum (the "Guaranteed Obligations") when and as the same shall become due and payable, whether at maturity,

upon declaration or otherwise, according to the terms thereof. Upon the occurrence of an Affiliate Event of Default with respect to an Affiliate under this Agreement, the Company shall on behalf of such Affiliate upon demand by the Administrative Agent punctually make any payment due and payable by such Affiliate under this Agreement or its Accession Memorandum, whether at maturity, upon declaration or otherwise; and any such payment shall be treated for the purposes of such Accession Memorandum and this Agreement (other than Section 10.4) as if such payment were made by the Affiliate.

(b) The Company hereby agrees that its obligations under this Section 4 shall be irrevocable and unconditional and that the Company shall not have the right to assert any defenses based upon the validity, regularity or enforceability of any Accession Memorandum or this Agreement or any Note, the absence of any attempt to collect from the defaulting Affiliate or other action to enforce the same, the waiver or consent by the Administrative Agent or any Bank with respect to any provisions thereof or hereof (other than with respect to this Section 4), or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of the Company or of a guarantor.

(c) With respect to its obligations under this Section 4, the Company waives filing of claims with a court, trustee or receiver in the event of receivership or bankruptcy of the defaulting Affiliate, diligence, presentment, demand of payment, protest or notice with respect to Guaranteed Obligations and all demands whatsoever (other than that provided for in subsection (a) above), and covenants that this Guarantee is a continuing guarantee and will not be discharged except by complete performance of the Guaranteed Obligations of the defaulting Affiliate and the obligations of the Company under this Guarantee.

(d) To the extent of any payment by the Company to the Administrative Agent or any Bank under this Section 4, the Company shall succeed to all corresponding claims that the Administrative Agent or such Bank may have and otherwise be subrogated to the rights of the Administrative Agent or such Bank against the defaulting Affiliate or any other person or security in connection with the Loans to such Affiliate, and the Administrative Agent and any such Bank shall use reasonable efforts to cooperate with the Company in seeking recovery under such claims.

(e) The Company's obligations under this Section 4 constitute a guarantee of payment and not of collection merely and shall remain in full force and effect with respect to any Affiliate until the Guaranteed Obligations of such Affiliate shall have been paid in full in accordance with the terms of the relevant Accession Memorandum and of this Agreement. If at any time any payment of any of the Guaranteed Obligations of an Affiliate is rescinded or must be otherwise restored or returned upon the insolvency, bankruptcy or reorganization of such Affiliate or otherwise, the Company's obligations hereunder with respect to such payment shall be reinstated at such time as though such payment had not been made.

(f) If demand for, or acceleration of the time for, payment by any Affiliate to the Administrative Agent or any Bank of any Guaranteed Obligations of such Affiliate is stayed upon the insolvency, bankruptcy, reorganization or proposed compromise or arrangement with creditors of such Affiliate, all such Guaranteed Obligations of which payment or performance is stayed that would otherwise be subject to demand for payment or acceleration shall nonetheless be payable by the Company under this Section 4 immediately on demand by the Administrative Agent or such Bank.

#### SECTION 5. CONDITIONS TO LOANS AND CAF ADVANCES

The obligation of each Bank to make each Loan or CAF Advance hereunder is subject to the performance by the Company or the Affiliate, whichever is the borrower, of all its obligations under this Agreement and to the satisfaction of the following further conditions:

## 5.1 EACH LOAN OR CAF ADVANCE TO THE COMPANY OR ANY AFFILIATE

(a) In the case of each Loan or CAF Advance proposed to be made hereunder to the Company or any Affiliate:

- (i) the Administrative Agent shall have received the notice from the Company required by Section 2.6 or Section 2.8;
- (ii) the principal amount of such Loan or CAF Advance, when added to the aggregate principal amount of all Loans and CAF Advances then outstanding hereunder, shall not exceed the amount of the Aggregate Commitments;
- (iii) after giving effect to the making of such Loan or CAF Advance no Event of Default nor Event of Default - Bankruptcy and no event which, with the giving of notice or lapse of time or both, would become an Event of Default or an Event of Default - Bankruptcy shall have occurred and be continuing; and
- (iv) the representations and warranties of the Company contained in this Agreement, except those contained in Sections 6.2(b) and 6.3, shall be true and correct in all material respects on and as of the date of such Loan or CAF Advance, as the case may be, except to the extent such representations and warranties expressly relate to an earlier date.

Each Borrowing by or CAF Advance to the Company or any Affiliate shall be deemed to be a representation and warranty by the Company or Affiliate that the conditions specified in clauses (ii), (iii) and (iv) above are satisfied on and as of the date of such Borrowing or CAF Advance.

(b) In addition to the conditions stated in Section 5.1(a) above, in the case of each Loan proposed to be made to any Affiliate:

- (i) after giving effect to the making of such Loan, no Affiliate Event of Default with respect to such Affiliate and no event which, with the giving of notice or lapse of time or both, would become an Affiliate Event of Default with respect to such Affiliate shall have occurred and be continuing;
- (ii) the representations and warranties of the Affiliate contained in its Accession Memorandum shall be true and correct in all material respects on and as of the date of such Loan, except to the extent such representations and warranties expressly relate to an earlier date; and
- (iii) upon request of the Administrative Agent or any Bank, the Administrative Agent or such Bank, as the case may be, shall have received the latest available annual and interim financial statements for the Affiliate (certified, if available).

Each Borrowing by any Affiliate shall be deemed to be a representation and warranty by the Affiliate that the conditions specified in clauses (i) and (ii) above are satisfied on and as of the date of such Borrowing or issuance.

## 5.2 FIRST LOAN OR CAF ADVANCE TO THE COMPANY OR ANY AFFILIATE

(a) In the case of the first Loan or CAF Advance proposed to be made hereunder to the Company or any Affiliate:

(i) the Administrative Agent shall have received an opinion of the Vice President - General Counsel or an Assistant General Counsel of the Company, or, at the Company's option, other counsel (in which case, such counsel shall be satisfactory to the Administrative Agent), addressed to the Administrative Agent and Banks and in form satisfactory to the Administrative Agent in its reasonable judgment, to the effect that:

(A) the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with corporate power under the laws of such State to enter into this Agreement, to borrow money and extend the Guarantee as contemplated by this Agreement, and to carry out the provisions of this Agreement;

(B) this Agreement has been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery hereof by the Banks, is a valid and binding agreement of the Company enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws relating to or affecting creditors' rights generally and by general equitable principles regardless of whether such enforceability is considered in a proceeding in equity or at law;

(C) the execution, delivery and performance by the Company of this Agreement will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under (in each case material to the Company and its subsidiaries considered as a whole), or result in the creation or imposition of any lien, charge or encumbrance (in each case material to the Company and its subsidiaries considered as a whole) upon any of the property or assets of the Company pursuant to the terms of, any indenture, mortgage, deed of trust, loan agreement, guarantee, lease financing agreement or other similar agreement or instrument known to such counsel under which the Company is a debtor or a guarantor, nor will such action result in any violation of the provisions of the Certificate of Incorporation or the By-Laws of the Company; and

(D) there is no consent, approval, authorization, order, registration or qualification of or with any Governmental Authority having jurisdiction over the Company which is required for, and the absence of which would materially affect, the execution, delivery and performance of this Agreement;

(ii) the Administrative Agent shall have received such additional documents as it may reasonably request relating to the existence and good standing of the Company under the laws of the States of Delaware and Michigan and to the authorization, execution and delivery of this Agreement in form and substance reasonably satisfactory to the Administrative Agent;

(iii) the Administrative Agent shall have received this Agreement, executed and delivered by the Administrative Agent, the Company and each Person listed on Schedule 1; and

(iv) the Administrative Agent shall have received satisfactory evidence that the Existing 364-Day Credit Agreement shall have been terminated in accordance with its terms and all amounts due and payable thereunder shall have been paid; provided, that to the extent any Person listed on Schedule 1 is also a lender under the Existing 364-Day Credit Agreement, then such Person, by executing this Agreement, agrees to waive compliance with the notice requirements set forth in Section 2.5 of the Existing 364-Day Credit Agreement for optional termination and reduction of the commitments thereunder.

The documents referred to in this Section 5.2(a) shall be delivered to the Administrative Agent no later than the date of the first Loan or CAF Advance hereunder, except that if such Loan is a Eurocurrency Loan, the documents shall be delivered to the Bank at least two Eurodollar Business Days before such Loan.

(b) In addition to the conditions stated in Section 5.2(a) above, in the case of the first Loan proposed to be made to any Affiliate, the Administrative Agent shall have received:

(i) a duly executed Accession Memorandum of such Affiliate; and

(ii) such additional documents as it may reasonably request relating to the existence and good standing of the Affiliate under the laws of the jurisdiction of its incorporation or organization and to the authorization, execution and delivery of the Accession Memorandum, all in form and substance reasonably satisfactory to the Administrative Agent.

The documents referred to in this Section 5.2(b) shall be delivered to the Administrative Agent no later than the date of the first Loan to the Affiliate. Such documents, including executed documents, may be sent to the Administrative Agent by facsimile on the required date, with the originals to be sent by professional courier.

#### SECTION 6. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to the Administrative Agent and each Bank that:

##### 6.1 CORPORATE AUTHORITY OF THE COMPANY, ETC.

(a) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with corporate power under the laws of such State to execute and deliver this Agreement and to perform its obligations hereunder and thereunder, and is duly qualified and in good standing to do business as a foreign corporation in the State of Michigan;

(b) This Agreement has been duly authorized, executed and delivered on behalf of the Company and, assuming due authorization, execution and delivery by the Banks, is a valid and legally binding agreement of the Company;

(c) The execution, delivery and performance by the Company of this Agreement will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under (in each case material to the Company and its subsidiaries considered as a whole), or result in the creation or imposition of any lien, charge or encumbrance (in each case material to the Company and its subsidiaries considered as a whole) upon any of the property or assets of the Company pursuant to the terms of, any indenture, mortgage, deed of trust, loan agreement, guarantee, lease financing agreement or other similar agreement or instrument under which the Company is a debtor or a guarantor, nor will such action result in any violation of the provisions of the Certificate of Incorporation or the By-Laws of the Company; and

(d) There is no consent, approval, authorization, order, registration or qualification of or with any Governmental Authority having jurisdiction over the Company which is required for, and the absence of which would materially affect, the execution, delivery and performance of this Agreement.

##### 6.2 FINANCIAL STATEMENTS

(a) The Company has furnished the Administrative Agent and each Bank with, and the Administrative Agent and each Bank hereby acknowledges receipt of, a copy of the audited consolidated

balance sheet and the related consolidated statements of income, equity and cash flows of the Company and its Subsidiaries at December 31, 2003 and 2002, and such financial statements present fairly in all material respects the financial position of the Company and Subsidiaries at those dates, in conformity with GAAP; and

(b) As of the date of this Agreement there has not occurred any material adverse change in the financial position of the Company and its Subsidiaries considered as a whole, since December 31, 2003.

### 6.3 LITIGATION

As of the date of this Agreement there are no legal or governmental proceedings pending of which the Company or any of its Subsidiaries is the subject, and no such proceedings are known by the Company to be threatened or contemplated by Governmental Authorities or threatened by others, other than such proceedings which the Company believes will not have a material adverse effect upon the financial position of the Company and its Subsidiaries considered as a whole.

### 6.4 USE OF PROCEEDS

The proceeds of the Loans and CAF Advances will be used by the Company and its Affiliates for general corporate purposes including, without limitation, to support commercial paper issued by the Company. None of the proceeds of the Loans and CAF Advances will be used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any margin stock within the meaning of Regulation U of the Federal Reserve Board.

### 6.5 COMPLIANCE WITH ERISA

The Company has satisfied the minimum funding standards under ERISA with respect to its Plans and is in compliance in all material respects with the currently applicable provisions of ERISA.

## SECTION 7. COVENANTS

During the term of this Agreement, unless compliance shall have been waived in writing in accordance with the terms of this Agreement, the Company agrees that:

### 7.1 REPORTS; CERTIFICATE AS TO DEFAULT

It will deliver to the Administrative Agent at the Notice Office:

(a) within 120 days after the end of each of its fiscal years copies of the Company's consolidated financial statements including consolidated results of operations and cash flows of the Company and its consolidated subsidiaries all as audited by the Company's independent certified public accountants (the "Annual Report"), provided that if and when the Company files an Annual Report on Form 10-K with the Securities and Exchange Commission (the "10-K Report"), copies of the 10-K Report will be delivered to the Administrative Agent in lieu of the Annual Report;

(b) within 70 days after the end of each of the first three quarters of each of its fiscal years, copies of the Company's consolidated financial statements including consolidated results of operations and cash flows of the Company and its consolidated subsidiaries (the "Quarterly Report"), provided that if and when the Company files a Quarterly Report on Form 10-Q with the



Securities and Exchange Commission (the "10-Q Report"), copies of the 10-Q Report will be delivered to the Administrative Agent in lieu of the Quarterly Report;

(c) simultaneously with the delivery of each Annual Report or 10-K Report (as applicable) referred to in (a) above, a certificate of an authorized officer of the Company (i) stating whether, to the knowledge of such officer, there exists on the date of the certificate any condition or event which then constitutes, or which after notice or lapse of time or both would constitute, an Event of Default or an Event of Default - Bankruptcy, and, if any such condition or event exists, specifying the nature and period of existence thereof and the action the Company is taking and proposes to take with respect thereto, and (ii) demonstrating compliance with the Consolidated Leverage Ratio set forth in Section 7.9 hereof; and

(d) simultaneously with the delivery of each Quarterly Report or 10-Q Report (as applicable) referred to in (b) above, a certificate of an authorized officer of the Company demonstrating compliance with the Consolidated Leverage Ratio set forth in Section 7.9 hereof.

## 7.2 FURTHER INFORMATION

(a) From time to time while this Agreement is in effect, upon the reasonable request of the Administrative Agent or any Bank, officials of the Company will confer with officials of the Administrative Agent or such Bank and advise them as to matters bearing on the financial condition of the Company, or of any Affiliate to which Loans are then outstanding.

(b) The Company shall notify the Administrative Agent and each of the Banks at least two Foreign Currency Business Days prior to any Loan to any Affiliate in the event that any Gross-up with respect to such Loan could be required by any Bank pursuant to the terms of this Agreement.

## 7.3 LIENS

The Company shall not nor shall it permit any Subsidiary to directly or indirectly, create, incur, assume or suffer to exist any Indebtedness secured by a Lien upon any of its property or revenues, whether now owned or hereafter acquired, except Liens at any one time outstanding with respect to which the aggregate outstanding principal amount of the obligations secured thereby shall not exceed 15% of Consolidated Total Assets as reflected in the most recent Annual Report or 10-K Report delivered pursuant to Section 7.1(a); provided, however, that this Section 7.3 shall not apply to Indebtedness secured by:

(a) Liens on property of, or on any shares of stock of or Indebtedness of, any corporation existing at the time such corporation becomes a Subsidiary;

(b) Liens in favor of the Company or any Subsidiary;

(c) Liens in favor of any governmental body to secure progress, advance or other payments pursuant to any contract or provision of any statute;

(d) Liens on property, shares of stock or Indebtedness existing at the time of acquisition thereof (including acquisition through merger or consolidation) or to secure the payment of all or any part of the purchase price thereof or to secure any Indebtedness incurred prior to, at the time of, or within 60 days after, the acquisition of such property or shares or Indebtedness for the purpose of financing all or any part of the purchase price thereof; and

(e) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Lien referred to in the foregoing clauses (a) to (d), inclusive; provided, however, that such extension, renewal or replacement Lien shall be limited to all or a part of the same property, shares of stock or Indebtedness that secured the Lien extended, renewed or replaced (plus improvements on such property).

#### 7.4 SALE-LEASEBACKS

The Company shall not nor shall it permit any Subsidiary to, directly or indirectly, enter into any arrangement with any bank, insurance company or other lender or investor (not including the Company or any Subsidiary) providing for the leasing by the Company or any Subsidiary of any property owned by the Company or any Subsidiary (except for leases between the Company and a Subsidiary or between Subsidiaries), which property has been or is to be sold or transferred by the Company or such Subsidiary to such bank, insurance company or other lender or investor (not including the Company or any Subsidiary) ("Sale-Leasebacks"), except for Sale-Leasebacks consummated since the Effective Date and which are outstanding on the relevant date of determination (other than Sale-Leasebacks to the extent the proceeds thereof are used to refinance any Sale-Leaseback which was in existence on the date hereof) in an aggregate amount, which when combined with (but without duplication) the aggregate outstanding principal amount of obligations secured by a Lien upon any of the property or revenues of the Company or any of its Subsidiaries at the time of entering into any such Sale-Leaseback, shall not exceed 15% of Consolidated Total Assets as reflected in the most recent Annual Report or 10-K Report delivered pursuant to Section 7.1(a).

#### 7.5 MERGERS AND CONSOLIDATIONS

The Company may consolidate with, or sell or convey all or substantially all its assets to, or merge with or into any other corporation, provided that in any such case (i) the successor corporation shall be a corporation organized and existing under the laws of the United States of America or a State thereof, (ii) such corporation shall expressly assume the due and punctual payment of the principal of and interest on all the Loans made to the Company hereunder, and the due and punctual performance and observance of all the covenants and conditions of this Agreement to be performed by the Company, including, without limitation, the Guarantee, by an instrument, satisfactory to the Administrative Agent in its reasonable judgment, executed and delivered to the Administrative Agent by such corporation, and (iii) such successor corporation shall not, immediately after such merger or consolidation or such sale or conveyance, be in default in the performance of any such covenant or condition and shall not immediately thereafter have outstanding any secured Indebtedness not expressly permitted by the provisions of Section 7.3.

#### 7.6 ADDITIONAL COVENANTS

In the event that, at any time while this Agreement is in effect, the Company shall issue any indebtedness for borrowed money which is not by its terms subordinate and junior to other indebtedness of the Company ("Senior Debt") and such Senior Debt shall include, or be issued pursuant to a trust indenture or other agreement which includes, financial covenants not substantially provided for in this Agreement, the Company shall so advise the Administrative Agent. Thereupon, if the Administrative Agent shall so request by written notice to the Company, the Company, Administrative Agent and the Banks shall enter into an amendment to this Agreement providing for substantially the same financial covenants as those contained in such Senior Debt, trust indenture or other agreement, mutatis mutandis. Such amendment containing such financial covenants shall remain in effect so long as such covenants remain in effect with respect to such Senior Debt. As used in this Section 7.6 the term "financial covenant" shall mean a covenant on the part of the Company to the general effect that the Company shall maintain, on a consolidated basis and as of a specified date or dates, (a) a specified minimum net worth, (b) a ratio of debt to net worth not in excess of a

specified maximum, (c) current assets in an amount not less than a specified amount in excess of current liabilities or (d) any similar ratio or amount or similar measure for the same general purpose of stating a minimum financial condition.

#### 7.7 ERISA

The Company will comply with the minimum funding standards under ERISA with respect to its Plans and will use its best efforts to comply in all material respects with all other applicable provisions of ERISA and the regulations and interpretations promulgated thereunder. The Company will deliver to the Administrative Agent within 30 days after any executive officer of the Company becomes aware of the occurrence of any Reportable Event (other than a reduction in active Plan participants) with respect to any Plan, a certificate signed by the Chief Financial Officer, the Vice President - Finance, the Controller or the Treasurer of the Company setting forth the details as to such Reportable Event and the action which the Company is taking and proposes to take with respect thereto, together with a copy of the notice of such Reportable Event given to the Pension Benefit Guaranty Corporation.

#### 7.8 NOTIFICATION

The Company will notify the Administrative Agent within 30 days after any executive officer of the Company becomes aware of any failure on the part of the Company duly to observe or perform any covenant contained in Section 7.3 or Section 7.4.

#### 7.9 CONSOLIDATED LEVERAGE RATIO

The Company shall not permit the Consolidated Leverage Ratio to exceed 3.5 to 1.0 at the end of any fiscal quarter.

### SECTION 8. DEFAULT

#### 8.1 DEFAULTS RELATING TO THE COMPANY

In case one or more of the following "Events of Default" shall have occurred and be continuing, that is to say:

(a) default in any payment of principal of any Loan or CAF Advance to the Company as and when the same shall become due and payable, whether at maturity or upon required repayment or upon declaration or otherwise, and the continuance of such default for five Domestic Business Days in the case of a Domestic Loan or CAF Advance or five Eurodollar Business Days in the case of a Eurocurrency Loan; or

(b) default in the payment of any installment of interest upon any Loan or CAF Advance to the Company as and when the same shall become due and payable, and continuance of such default for a period of five Domestic Business Days in the case of a Domestic Loan or CAF Advance or five Eurodollar Business Days in the case of a Eurocurrency Loan; or

(c) failure on the part of the Company duly to observe or perform any covenant contained in Section 7.3 or Section 7.4 for 90 days after the date on which written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Administrative Agent or the Required Banks; or

(d) failure on the part of the Company duly to observe or perform any other of the covenants or agreements of this Agreement for a period of 30 days after the date on which written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Administrative Agent or the Required Banks; provided, however, that in the case of a default under Section 4, such 30-day grace period shall run from the date that demand for payment by the Administrative Agent was made upon the Company pursuant to Section 4; or

(e) any representation or warranty by the Company in this Agreement or in any certificate delivered pursuant hereto shall have proven to have been materially false or misleading; or

(f) a Reportable Event (other than a reduction in active Plan participants) shall have occurred with respect to any Plan and, within 30 days after the reporting of such Reportable Event to the Administrative Agent, the Administrative Agent shall have notified the Company in writing that the Administrative Agent has made a reasonable determination that such Reportable Event is likely to have a material adverse effect upon the financial position of the Company and its subsidiaries considered as a whole; or

(g) default in the payment of the principal of (or premium, if any, on) or interest on any other borrowing of the Company of \$5,000,000 or more and such default continues for a period of 30 days, or any default with respect to any other borrowing of the Company of \$5,000,000 or more and such default causes acceleration thereof; or

(h) more than 50% in voting power of the voting securities of the Company shall be held by (i) any person or persons who "act as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of securities" of the Company within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, or (ii) persons whose election to the Board of Directors shall not have been recommended by the committee of the Board of Directors charged with such recommendations shall constitute a majority of the members of the Board of Directors of the Company;

then, and in each and every such case, with the consent of the Required Banks, the Administrative Agent may, or upon the request of the Required Banks, the Administrative Agent shall, by notice in writing to the Company, terminate the Commitments and/or declare the principal of all Loans and CAF Advances to the Company and Affiliates and all other amounts owing under this Agreement to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived.

## 8.2 DEFAULTS RELATING TO AFFILIATES

In case one or more of the following "Affiliate Events of Default" shall have occurred and be continuing with respect to an Affiliate, that is to say:

(a) default in any payment of principal of any Loan to such Affiliate as and when the same shall become due and payable, whether at maturity or upon required repayment or upon declaration or otherwise, and the continuance of such default for five Domestic Business Days in the case of a Domestic Loan or five Eurodollar Business Days in the case of a Eurocurrency Loan; or

(b) default in the payment of any installment of interest upon any Loan to such Affiliate as and when the same shall become due and payable, and continuance of such default for a period of five Domestic Business Days in the case of a Domestic Loans, five Eurodollar Business Days in the case of a Eurocurrency Loan; or

(c) any representation or warranty by such Affiliate in this Agreement, in its Accession Memorandum or in any certificate delivered in connection therewith shall have proven to have been materially false or misleading; or

(d) such Affiliate shall have entered against it by a court having jurisdiction in the premises a decree or order for relief in respect of the Affiliate in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Affiliate or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and such decree or order shall remain unstayed and in effect for a period of 90 consecutive days; or

(e) such Affiliate shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of the Affiliate or for any substantial part of its property, or make any general assignment for the benefit of creditors, or fail generally to pay its debts as they become due, or take any corporate action in furtherance of any of the foregoing;

(f) an Event of Default under Section 8.1 shall have occurred and be continuing; or

(g) the Guarantee set forth in Section 4 shall no longer be in full force and effect;

then, (i) if such event is an Event of Default specified in clause (d) or (e), automatically all of the Loans to such Affiliate and all other amounts owing by the Affiliate under this Agreement (but not any Loans to the Company or any other Affiliate) shall immediately become due and payable, or (ii) if such event is any other Event of Default, with the consent of the Required Banks, the Administrative Agent may, or upon the request of the Required Banks, the Administrative Agent shall, by notice in writing to the Company and the defaulting Affiliate, declare the principal of all outstanding Loans to such Affiliate and all other amounts owing by the Affiliate under this Agreement (but not any Loans to the Company or any other Affiliate) to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived.

### 8.3 DEFAULTS RELATING TO BANKRUPTCY OF THE COMPANY

In case one or more of the following "Events of Default - Bankruptcy" shall have occurred and be continuing with respect to the Company, that is to say:

(a) the Company shall have entered against it by a court having jurisdiction in the premises a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs

and such decree or order shall remain unstayed and in effect for a period of 90 consecutive days; or

(b) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of the Company or for any substantial part of its property, or make any general assignment for the benefit of creditors, or fail generally to pay its debts as they become due, or take any corporate action in furtherance of any of the foregoing;

then if such event is an Event of Default - Bankruptcy specified in either of section (a) or (b) of this Section 8.3 with respect to the Company, automatically the Commitments shall immediately terminate and the Loans and CAF Advances hereunder (with accrued interest thereon) and all other amounts owing under this Agreement shall immediately become due and payable.

## SECTION 9. ASSIGNMENT; PARTICIPATIONS

### 9.1 ASSIGNMENT

(a) No Bank shall, without the consent of the Company and the Administrative Agent (in each case which consent shall not be unreasonably withheld; it being understood, however, that any concern that the Company may have regarding the availability of a currency as a result of exchange controls or otherwise is a reasonable basis for the Company to withhold its consent), transfer to any other office, branch or affiliate of the Bank or to any other financial institution, person or entity, all or any portion of the Extensions of Credit, CAF Advances or the Commitment or any of the Bank's other rights and obligations under this Agreement; provided, however, that:

(i) without the consent of the Company, a Bank may transfer or assign (A) any of its Extensions of Credit or CAF Advances or any interest therein as a pledge to any Federal Reserve Bank or other similar central bank in another jurisdiction, provided that such pledge shall not release the Bank from its obligations hereunder and (B) all or any portion of the Extensions of Credit, any CAF Advance, the Commitment or any of the Bank's other rights and obligations under this Agreement to any one or more assignees that is a Bank immediately prior to giving effect to such assignment; and

(ii) without the consent of the Company, a Bank may transfer or assign all or any portion of the Loans, the Commitment or any of the Bank's other rights and obligations under this Agreement to any Person (A) five or more days after the occurrence and continuance of an Event of Default under Section 8.1(a) or Section 8.1(d) (in respect of Section 4) or (B) upon the occurrence and continuance of any Event of Default-Bankruptcy under Section 8.3.

(b) Assignments shall be subject to the following additional conditions:

(i) except in the case of an assignment to a Bank, an affiliate of a Bank or an assignment of the entire remaining amount of the assigning Bank's Commitments or Extensions of Credit, the amount of the Commitments or Extensions of Credit (without duplication) of the assigning Bank subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000 and, after giving effect thereto, the assigning Bank shall have Commitments and Extensions of Credit (without duplication) in an aggregate amount of at least \$5,000,000, in each

case unless the Company and the Administrative Agent otherwise consent, provided that (1) no such consent of the Company shall be required if an Event of ----- Default under Section 8.1(a) or Section 8.1(d) (in respect of Section 4) has occurred and is continuing for a period of at least five days or an Event of Default-Bankruptcy under Section 8.3 has occurred and is continuing and (2) such amounts shall be aggregated in respect of each Bank and its affiliates, if any;

(ii) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500;

(iii) the assignee, if it shall not be a Bank, shall deliver to the Administrative Agent an administrative questionnaire; and

(c) In the case of any assignment to financial institutions made without the consent of the Company, any such transferee or assignee of a Bank shall not be entitled to receive any greater interest or other payment by reason of Section 10.3 or 10.4 than such Bank would have been entitled to receive with respect to the rights so transferred or assigned unless such transfer or assignment is made by reason of the provisions of Section 10.2, 10.3 or 10.4 requiring the Bank to designate a different lending office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

(d) Notwithstanding the foregoing, any Conduit Bank may assign any or all of the Loans or CAF Advance it may have funded hereunder to its designating Bank without the consent of the Company and without regard to the limitations set forth in this Section 9.1. Each of the Company, each Affiliate, each Bank and the Administrative Agent hereby confirms that it will not institute against a Conduit Bank or join any other Person in instituting against a Conduit Bank any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding under any state bankruptcy or similar law, for one year and one day after the payment in full of the latest maturing commercial paper note issued by such Conduit Bank; provided, however, that each Bank designating any Conduit Bank hereby agrees to indemnify, save and hold harmless each other party hereto for any loss, cost, damage or expense arising out of its inability to institute such a proceeding against such Conduit Bank during such period of forbearance.

## 9.2 PARTICIPATION.

Each Bank shall have the right to sell to any bank or other financial institution (a "Participant") a participating interest in such Bank's Extensions of Credit, CAF Advances or Commitment held by such Bank; provided, however, that, following any such sale, (a) such Bank's obligations under this Agreement shall remain unmodified and fully effective and enforceable against such Bank, (b) such Bank shall remain solely responsible to the Company and its Affiliates for the performance of such obligations, including, without limitation, its Commitment and the obligation of such Bank to fund Loans hereunder, (c) the Administrative Agent and the Company and any Affiliates which have borrowed hereunder shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement, (d) such Bank shall retain the sole right and responsibility to enforce the obligations of the Company and Affiliates hereunder, including, without limitation, the sole right to approve of or consent to any action hereunder or any amendment, modification or waiver hereof, except that such Bank may grant to a Participant a joint right to approve of or consent to any action, amendment, modification or waiver that would (i) reduce the amount or extend the time for payment (other than pursuant to Section 2.12) of any principal of, or interest on, the Loans or any CAF Advance, (ii) increase the amount of such Bank's Commitment or (iii) reduce the amount of the Facility Fee or the Utilization Fee, in each case, from that in effect at the time of the sale of the participating interest, provided that if such Bank so grants to a Participant a right to approve of or consent to a reduction in the Facility Fee and Utilization Fee, the term of the participating interest sold to such Participant shall not extend beyond, and unless earlier terminated such

participating interest shall automatically terminate on, the day immediately prior to the day and month of the Effective Date next following the sale of such participating interest, and (e) any such participating interest shall be in a minimum amount of \$5,000,000 or the Equivalent thereof on the date the participating interest is sold. On the month and day of the Effective Date of each year (or, if any such month and day of the Effective Date is not a Domestic Business Day, on the next succeeding Domestic Business Day), each relevant Bank shall furnish to the Administrative Agent and the Company a written notice disclosing the name of each Participant which held a participating interest in such Bank's Commitment or any Loan held by such Bank at any time during the 12-month period ended on the day immediately prior to the day and month of the Effective Date next preceding such date. A Participant shall not be entitled to receive any greater payment under Section 10.3 or 10.4 than the applicable Bank would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Company's prior written consent. Any Participant that is a foreign person (i.e., a person organized or incorporated under the laws of a country other than that under which the Company is incorporated, if it is the borrower, or an Affiliate is incorporated or organized, if such Affiliate is the borrower) shall not be entitled to the benefits of Section 10.4 unless such Participant complies with Section 10.4(c).

#### SECTION 10. CHANGE IN CIRCUMSTANCES

##### 10.1 BASIS FOR DETERMINING INTEREST RATE INADEQUATE OR UNFAIR

The Banks shall have no obligation to make a new Eurocurrency Loan, to extend an outstanding Eurocurrency Loan or to convert an outstanding Loan into a Eurocurrency Loan if the Administrative Agent determines that:

(a) by reason of circumstances generally affecting all interbank markets for deposits in the currency in which the Eurocurrency Loan has been requested to be denominated (in the applicable amounts), LIBO Rates for such deposits are not being offered to the Banks for a term equal to any Interest Period for which such new Loan, extended Loan or converted Loan shall be requested by the Company or an Affiliate;

(b) based on notice received from the Required Banks, the LIBO Rate will not adequately and fairly reflect the cost to the Banks of maintaining or funding such new Loan, extended Loan or converted Loan as shall be requested by the Company or an Affiliate;

(c) deposits in the applicable currency are not generally available, or cannot be obtained by the Banks, in the applicable market (any Foreign Currency affected by the circumstances described in clause (a), (b) or (c) is referred to as an "Affected Foreign Currency").

Upon any such determination, the Administrative Agent shall give telecopy or telephonic notice thereof to the Company and the Banks as soon as practicable. If such notice is given (y) pursuant to clause (a) or (b) of this Section 10.1 in respect of Eurocurrency Loans denominated in United States dollars, then (i) any Eurocurrency Loans denominated in United States dollars requested to be made on the first day of such Interest Period shall be made as Base Rate Loans, (ii) any Base Rate Loans that were to have been converted on the first day of such Interest Period to Eurocurrency Loans denominated in United States dollars shall be continued as Base Rate Loans and (iii) any outstanding Eurocurrency Loans denominated in United States dollars shall be converted, on the last day of the then-current Interest Period, to Base Rate Loans and (z) in respect of any Foreign Currency Loans, then (i) any Foreign Currency Loans in an Affected Foreign Currency requested to be made on the first day of such Interest Period shall not be made and (ii) any outstanding Foreign Currency Loans in an Affected Foreign Currency shall be due and payable on the first day of such Interest Period. Until such relevant notice has been withdrawn by the



Administrative Agent, no further Eurocurrency Loans denominated in United States dollars or Foreign Currency Loans in an Affected Foreign Currency shall be made or continued as such, nor shall the Company have the right to convert Base Rate Loans to Eurocurrency Loans denominated in United States dollars.

## 10.2 ILLEGALITY

(a) If, after the date of this Agreement, the introduction of, or any change in, any applicable law or regulation or in the interpretation or administration thereof by any governmental, monetary, or regulatory authority charged with the interpretation or administration thereof or compliance by any Bank with any request or directive of any such authority shall make it unlawful for such Bank to make, maintain or fund any Loan or CAF Advance, such Bank shall give notice thereof to the Company and, if the Loan is to an Affiliate, to such Affiliate (in each case with a copy to the Administrative Agent). Before giving any notice pursuant to this Section 10.2, the relevant Bank shall designate a different lending office if such designation would avoid the need for giving such notice and it would not otherwise be disadvantageous to such Bank in its reasonable judgment. Upon receipt of such notice the Company shall or, if the Loan is to an Affiliate, the Affiliate shall on either (A) the last day of the then-current Interest Period applicable to such Loan or CAF Advance if such Bank may lawfully continue to maintain and fund such Loan to such day or (B) not later than the last date such Bank may lawfully continue to fund and maintain such Loan or CAF Advance, either (i) prepay in full, without premium or penalty, the then outstanding principal amount of each affected Loan or CAF Advance, together with accrued interest thereon, or (ii) convert such Loan into another category of Loan (which would not be unlawful for the relevant Banks to make) as provided in Section 2.12.

(b) Upon any prepayment of a CAF Advance or prepayment or conversion of a Loan made pursuant to Section 10.2(a) other than at the end of an Interest Period, the Company or the Affiliate, as applicable, shall reimburse the Bank upon demand for any loss incurred by it as a result of the timing of such prepayment or conversion, in the manner provided in Section 2.18.

## 10.3 INCREASED COST

(a) If (i) Regulation D of the Federal Reserve Board as in effect on the Effective Date ("Regulation D"), (ii) minimum reserve requirements of the Bank of England and/or the Financial Services Authority as in effect on the Effective Date ("Mandatory Cost Rate"), or (iii) after the date hereof, the adoption of any applicable law or regulation, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank with any request or directive of any such authority, central bank or comparable agency (a "Regulatory Change"):

(A) shall subject any Bank to any tax, duty or other charge with respect to Eurocurrency Loans or LIBO Rate CAF Advances or its obligation to make Eurocurrency Loans, or shall change the basis of taxation of payments to such Bank of the principal of or interest on Eurocurrency Loans or LIBO Rate CAF Advances or any other amounts due under this Agreement in respect of Eurocurrency Loans or LIBO Rate CAF Advances or its obligation to make Eurocurrency Loans (except for changes in the rate of tax on the overall net income of such Bank or the Eurodollar Lending Office imposed by the jurisdictions in which such Bank's principal executive office or Eurodollar Lending Office are located); or

(B) shall impose, modify or cause to be applicable any reserve (including, without limitation, any imposed by the Federal Reserve Board), special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, such Bank or the

Eurodollar Lending Office or shall impose on such Bank (or the Eurodollar Lending Office) or all interbank markets applicable to such Eurocurrency Loans or LIBO Rate CAF Advances any other condition affecting the Eurocurrency Loans or LIBO Rate CAF Advances or its obligation to make Eurocurrency Loans;

and the result of any of the foregoing is to increase the cost to such Bank (or the Eurodollar Lending Office) of making or maintaining any Eurocurrency Loans or LIBO Rate CAF Advances, or to reduce the amount of any sum received or receivable by such Bank (or the Eurodollar Lending Office) under this Agreement, by an amount deemed by such Bank to be material, the Company shall pay or, if such Eurocurrency Loans are to Affiliates, such Affiliates shall pay to such Bank such additional amount or amounts as will compensate such Bank for any such increased cost or reduction incurred or suffered by such Bank from and after the later of (i) the date that is 15 days prior to receipt of notice from such Bank of such costs and (ii) the last date preceding receipt of such notice from such Bank on which interest was due and payable pursuant to Section 2.9 on any such LIBO Rate CAF Advance or Section 2.15 on any such Eurocurrency Loan. Any Bank which provides notice to the Company of increased costs pursuant to this Section 10.3(a) shall also provide a copy of such notice to the Administrative Agent.

(b) Without limiting the effect of the foregoing, so long as any Bank shall be required to maintain reserves against "Eurocurrency liabilities" under Regulation D (or, so long as such Bank may be required, by any Mandatory Cost Rate or by reason of any Regulatory Change, to maintain reserves against any other category of liabilities which includes deposits by reference to which the interest rate on Eurocurrency Loans or LIBO Rate CAF Advances is determined as provided in this Agreement or against any category of extensions of credit or other assets of such Bank which includes any LIBO Rate CAF Advances or Eurocurrency Loans) (such reserves are collectively called "Reserves") the Company shall pay or, if such Eurocurrency Loans are to Affiliates, such Affiliates shall pay to such Bank an amount (reasonably estimated by such Bank) for each day during each Interest Period for such LIBO Rate CAF Advances or Eurocurrency Loans equal to the product of the following:

(i) the principal amount of each LIBO Rate CAF Advance or Eurocurrency Loan to which such Interest Period relates; multiplied by

(ii) the difference between (A) a fraction, the numerator of which is the LIBO Rate (expressed as a decimal) applicable to such LIBO Rate CAF Advance or Eurocurrency Loan and the denominator of which is one (1) minus such Bank's Actual Reserve Cost (defined below) (expressed as a decimal) and (B) the LIBO Rate; multiplied by

(iii) 1/360.

For the purposes of this Section 10.3(b), the "Bank's Actual Reserve Cost" (which shall be reasonably estimated by the relevant Bank) shall be equal to the cost actually incurred by such Bank from time to time during such Interest Period as a result of the requirement that such Bank maintain Reserves with respect to such LIBO Rate CAF Advance or Eurocurrency Loan.

(c) If any Governmental Authority of the jurisdiction of any Foreign Currency (or any other jurisdiction in which the funding operations of any Bank shall be conducted with respect to such Foreign Currency) shall have in effect any reserve, liquid asset or similar requirement with respect to any category of deposits or liabilities customarily used to fund loans in such Foreign Currency, or by reference to which interest rates applicable to loans in such Foreign Currency are determined, and the result of such requirement shall be to increase the cost to such Bank of making or maintaining any Foreign Currency Loan in such Foreign Currency, and such Bank shall deliver to the Company a notice requesting compensation under this paragraph, then the Company will pay or cause the relevant Affiliate to pay to

such Bank on each Interest Payment Date with respect to each affected Foreign Currency Loan an amount that will compensate such Bank for such additional cost.

(d) Notwithstanding any other provision of this Agreement, if, after the date hereof, there shall have occurred any change in national or international financial, political or economic conditions (including the imposition of or any change in exchange controls, but excluding conditions otherwise covered by this Section 10.3) or currency exchange rates which would make it impracticable for the Required Banks to make or maintain Foreign Currency Loans denominated in the relevant currency to, or for the account of, the Company or any Affiliate, then, by written notice to the Company or such Affiliate and to the Administrative Agent:

(i) such Bank or Banks may declare that Foreign Currency Loans (in the affected currency or currencies) will not thereafter (for the duration of such unlawfulness) be made by such Bank or Banks hereunder (or be continued for additional Interest Periods), whereupon any request for a Foreign Currency Loan (in the affected currency or currencies) or to continue a Foreign Currency Loan (in the affected currency or currencies), as the case may be, for an additional Interest Period shall, as to such Bank or Banks only, be of no force and effect, unless such declaration shall be subsequently withdrawn; and

(ii) such Bank may require that all outstanding Foreign Currency Loans (in the affected currency or currencies), made by it be converted to Base Rate Loans or Loans denominated in United States dollars, as the case may be (unless repaid by the Company or the relevant Affiliate as described below), in which event all such Foreign Currency Loans (in the affected currency or currencies) shall be converted to Base Rate Loans or Loans denominated in United States dollars, as the case may be, as of the effective date of such notice as provided below and at the Exchange Rate on the date of such conversion or, at the option of the Company or the Affiliate, repaid on the last day of the then current Interest Period with respect thereto or, if earlier, the date on which the applicable notice becomes effective.

In the event any Bank shall exercise its rights under this paragraph (d), all payments and prepayments of principal that would otherwise have been applied to repay the converted Foreign Currency Loans of such Bank shall instead be applied to repay the Base Rate Loans or Loans denominated in United States dollars, as the case may be, made by such Bank resulting from such conversion. For purposes of Section 10.3(d), a notice to the Company or Affiliate by any Bank shall be effective as to each Foreign Currency Loan made by such Bank, if lawful, on the last day of the Interest Period currently applicable to such Foreign Currency Loan; in all other cases such notice shall be effective on the date of receipt thereof by the Company or Affiliate.

(e) Each Bank shall take reasonable steps, including without limitation, the designation of a different Eurodollar Lending Office or Foreign Currency Lending Office (unless it would otherwise be disadvantageous to the Bank in its reasonable judgment) if such steps would avoid the need for or reduce the amount of any payment that otherwise would be due under Section 10.3(a), 10.3(b) or 10.3(c). Any amounts payable by the Company or any Affiliate under Sections 10.3(a), 10.3(b) or 10.3(c) shall be remitted after the end of each Interest Period, within 30 days after submission by the Bank to the Company and such Affiliate (with a copy to the Administrative Agent) of a written statement setting forth the amount thereof.

(f) From time to time during the term of this Agreement, upon the request of the Company, each Bank shall provide to the Company (with a copy to the Administrative Agent) its best estimate of such Bank's Actual Reserve Cost incurred or to be incurred with respect to Eurocurrency Loans in the principal amounts specified in the Company's request.

#### 10.4 WITHHOLDING TAXES

(a) Each Bank agrees to take reasonable measures, unless it would otherwise be disadvantageous to such Bank in its reasonable judgment to avoid or minimize withholding taxes in connection with any payments made to such Bank hereunder, including without limitation designating another office of the Bank as the lending office for a Loan.

(b) If the Company or any Affiliate shall be required by law to deduct or withhold any taxes from or in respect of any sum payable hereunder to the Administrative Agent or any Bank, then, subject to Sections 10.4(e) and 10.4(f):

(i) the Company or the Affiliate, as applicable, shall make such deductions;

(ii) the Company or the Affiliate, as applicable, shall pay the full amount deducted to the relevant taxation authority in accordance with applicable law, and shall provide to the Administrative Agent or such Bank upon its request any official receipts or other evidence of payment thereof that the Company or such Affiliate may obtain or have in its possession; and

(iii) if (A) the Administrative Agent or such Bank notifies the Company (pursuant to Section 2.6 or 2.12) at the time that the Company (on behalf of itself or an Affiliate) gives a notice of Borrowing or a notice to extend or convert any Loan that such Bank will require a Gross-up for withholding taxes in connection with such Loan, as so extended or converted, if applicable, or (B) no such notice was given by the Administrative Agent or any Bank, but after a notice of Borrowing, extension or conversion pursuant to Section 2.6 or 2.12 in respect of such Loan was given a change in applicable law or regulation, or a change in the interpretation or administration thereof by any governmental or comparable authority, occurs that requires the Company or any Affiliate to so deduct or withhold taxes from or in respect of any sum payable to the Administrative Agent or such Bank, then the sum payable to the Administrative Agent or such Bank after the Company or the Affiliate makes all required deductions shall be increased by an amount such that the Administrative Agent or such Bank receives a total amount equal to the sum it would have received had no such deductions been made. If neither the Administrative Agent nor the affected Bank notifies the Company at or prior to the time that the Company (on behalf of itself or an Affiliate) gives a notice of Borrowing or a notice to extend or convert a Loan, as applicable, that the Administrative Agent or such Bank will require a Gross-up in connection with such Loan, as so extended or converted, if applicable, no Gross-up in respect of such Loan will be paid to the Administrative Agent or such Bank, except to the extent that a subsequent change in applicable law or regulation, or a change in the interpretation or administration thereof by any governmental or comparable authority, requires the Company or any Affiliate to deduct or withhold taxes (or an increased amount thereof) from or in respect of any sum payable to the Administrative Agent or such Bank in respect of such Loan. Notwithstanding anything contained in this Section 10.4, in the event that the Company shall fail to comply with its obligations under Section 7.2(b) with respect to a Loan, the Company shall pay (or cause its Affiliate to pay) to the Administrative Agent or affected Bank an amount such that the Administrative Agent or such Bank receives the amount it would have received had no such deductions been made with respect to payments in connection with such Loan.

(c) If a Bank or the Bank's lending office is a foreign person (i.e., a person organized or incorporated under the laws of a country other than that under which the Company is incorporated, if it is the borrower, or an Affiliate is incorporated or organized, if such Affiliate is the borrower), such Bank agrees that:

(i) it shall promptly deliver to the Administrative Agent and either the Company or the Affiliate such accurate and complete signed forms or documentation as may be required from time to time by any applicable law, treaty, rule or regulation as a condition to exemption or other relief from or reduction of tax for withholding purposes; and

(ii) it shall, before or promptly after the occurrence of any event (including the passing of time) requiring a change in or renewal of the most recent forms or documentation previously delivered by such Bank, deliver to the Administrative Agent and either the Company or the Affiliate, as applicable, accurate and complete signed copies of such forms or documentation.

(d) To the extent that, as determined in good faith by the Administrative Agent or any Bank in its sole discretion and without any obligation to disclose its tax records, taxes withheld and paid in accordance with this Section 10.4 for which a Gross-up has been paid have been irrevocably utilized by the Administrative Agent or such Bank (either as credits or deductions) to reduce its tax liabilities and such utilization is consistent with its overall tax policies, the Administrative Agent or such Bank shall pay to the Company or the relevant Affiliate, as the case may be, an amount equal to such reduction obtained to the extent of such Gross-up paid by the Company or the Affiliate to the Administrative Agent or such Bank as aforesaid.

(e) Notwithstanding anything herein to the contrary, the Company and the Affiliates will not be required to pay any Gross-up in respect of taxes described below:

(i) if the obligation to pay such Gross-up would not have arisen but for a failure by a Bank to comply with its obligations under Section 10.4(c) in respect of the applicable lending office; or

(ii) if a Bank shall have delivered to the Company or an Affiliate any form or documentation required by Section 10.4(c) pursuant to which the Bank claims exemption from withholding tax by any jurisdiction or under any treaty of such jurisdiction, and the Bank shall not at any time be entitled to exemption from deduction or withholding of taxes by such jurisdiction in respect of payment by the Company or any Affiliate hereunder for the account of such lending office for any reason other than a change in such jurisdiction's law or regulations or any applicable tax treaty or regulations or in the official interpretation of any such law, treaty or regulations by any Governmental Authority charged with the interpretation or administration thereof after the date of delivery of such form or documentation.

(f) In the event any Bank sells or grants a participation in its rights under this Agreement or any Loan hereunder, such Bank agrees to undertake sole responsibility for complying with any withholding tax requirements relating to the purchaser thereof imposed by any jurisdiction, including, without limitation, those imposed by Sections 1441 and 1442 of the United States Internal Revenue Code of 1986, as amended.

10.5 REPLACEMENT OF BANKS. The Company shall be permitted to replace any Bank that (a) requests reimbursement for amounts owing pursuant to Section 10.3 or 10.4(b) or (b) defaults in its obligation to make Loans hereunder, with a replacement financial institution; provided that (i) such replacement does not conflict with any Requirement of Law, (ii) no Event of Default, Affiliate Event of Default or Event of Default-Bankruptcy shall have occurred and be continuing at the time of such replacement, (iii) prior to any such replacement, such Bank shall have taken no action under Section 10.3(e) or 10.4(a) so as to eliminate the continued need for payment of amounts owing pursuant to Section 10.3 or 10.4(b), (iv) the replacement financial institution shall purchase, at par, all Loans and other amounts owing to such replaced Bank on or prior to the date of replacement, (v) the Company shall

be liable to such replaced Bank under Section 2.18 if any Eurocurrency Loan owing to such replaced Bank shall be purchased other than on the last day of the Interest Period relating thereto, (vi) the replacement financial institution, if not already a Bank, shall be reasonably satisfactory to the Administrative Agent, (vii) the replaced Bank shall be obligated to make such replacement in accordance with the provisions of Section 9.1 (provided that the Company shall be obligated to pay the registration and processing fee referred to therein), (viii) until such time as such replacement shall be consummated, the Company shall pay all additional amounts (if any) required pursuant to Section 10.3 or 10.4(b), as the case may be, and (ix) any such replacement shall not be deemed to be a waiver of any rights that the Company, the Administrative Agent or any other Bank shall have against the replaced Bank.

## SECTION 11. THE AGENTS

### 11.1 APPOINTMENT

Each Bank hereby irrevocably designates and appoints the Administrative Agent as the agent of such Bank under this Agreement, and each such Bank irrevocably authorizes the Administrative Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Administrative Agent.

### 11.2 DELEGATION OF DUTIES

The Administrative Agent may execute any of its duties under this Agreement by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care in consultation with the Company.

### 11.3 EXCULPATORY PROVISIONS

Neither any Agent nor any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such person under or in connection with this Agreement (except to the extent that any of the foregoing are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from its or such person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Banks for any recitals, statements, representations or warranties made by the Company or any Affiliate or any officer thereof contained in this Agreement or in any certificate, report, statement or other document referred to or provided for in, or received by the Agents under or in connection with, this Agreement or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or for any failure of the Company or any Affiliate to perform its obligations hereunder. The Agents shall not be under any obligation to any Bank to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement, or to inspect the properties, books or records of the Company or any Affiliate.

### 11.4 RELIANCE BY ADMINISTRATIVE AGENT

The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any instrument, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype

message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper person or persons and upon advice and statements of legal counsel (including counsel to the Company or any Affiliate), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement unless it shall first receive such advice or concurrence of the Required Banks (or, if so specified by this Agreement, all Banks) as it deems appropriate or it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement in accordance with a request of the Required Banks (or, if so specified by this Agreement, all Banks), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Banks and all future holders of the Loans.

#### 11.5 NOTICE OF DEFAULT

The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any default or Event of Default, Affiliate Event of Default or Event of Default-Bankruptcy unless the Administrative Agent has received notice from a Bank, the Company or an Affiliate referring to this Agreement, describing such default or Event of Default, Affiliate Event of Default or Event of Default-Bankruptcy and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Banks. The Administrative Agent shall take such action with respect to such default or Event of Default, Affiliate Event of Default or Event of Default-Bankruptcy as shall be reasonably directed by the Required Banks (or, if so specified by this Agreement, all Banks); provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such default or Event of Default, Affiliate Event of Default or Event of Default-Bankruptcy as it shall deem advisable in the best interests of the Banks.

#### 11.6 NON-RELIANCE ON AGENTS AND OTHER BANKS

Each Bank expressly acknowledges that neither the Agents nor any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates have made any representations or warranties to it and that no act by any Agent hereafter taken, including any review of the affairs of the Company or any Affiliate, shall be deemed to constitute any representation or warranty by any Agent to any Bank. Each Bank represents to the Agents that it has, independently and without reliance upon any Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Company and its Affiliates and made its own decision to make its Loans hereunder and enter into this Agreement. Each Bank also represents that it will, independently and without reliance upon any Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Company and its Affiliates. Except for notices, reports and other documents expressly required to be furnished to the Banks by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the

Company and its Affiliates that may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

#### 11.7 INDEMNIFICATION

The Banks agree to indemnify each Agent in its capacity as such (to the extent not reimbursed by the Company and the Affiliates and without limiting the obligation of the Company and the Affiliates to do so), ratably according to their respective Aggregate Exposure Percentages in effect on the date on which indemnification is sought under this Section (or, if indemnification is sought after the date upon which the Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with such Aggregate Exposure Percentages immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (whether before or after the payment of the Loans) be imposed on, incurred by or asserted against such Agent in any way relating to or arising out of, the Commitments, the Loans, this Agreement, any documents contemplated by or referred to herein or the transactions contemplated hereby or thereby or any action taken or omitted by such Agent under or in connection with any of the foregoing; provided that no Bank shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from such Agent's gross negligence or willful misconduct. The agreements in this Section shall survive the payment of the Loans and all other amounts payable hereunder.

#### 11.8 AGENT IN ITS INDIVIDUAL CAPACITY

Each Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Company or an Affiliate as though such Agent were not an Agent. With respect to Loans made or renewed by it, each Agent shall have the same rights and powers under this Agreement as any Bank and may exercise the same as though it were not an Agent, and the terms "Bank" and "Banks" shall include each Agent in its individual capacity.

#### 11.9 SUCCESSOR ADMINISTRATIVE AGENT

The Administrative Agent may resign as Administrative Agent upon 45 days' notice to the Banks and the Company. If the Administrative Agent shall resign as Administrative Agent under this Agreement, then the Required Banks shall appoint from among the Banks a successor administrative agent for the Banks, which successor administrative agent shall (unless an Event of Default under Section 8.1(a) or Section 8.3 with respect to the Company shall have occurred and be continuing) be subject to approval by the Company (which approval shall not be unreasonably withheld or delayed), whereupon such successor administrative agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor administrative agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Loans. If no successor administrative agent has accepted appointment as Administrative Agent by the date that is 45 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective, and the Banks shall assume and perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Banks appoint a successor administrative agent as provided for above. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of this Section 11 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.



#### 11.10 SYNDICATION AGENT

The Syndication Agent shall not have any duties or responsibilities hereunder in its capacity as such.

### SECTION 12. MISCELLANEOUS

#### 12.1 NOTICES

Unless otherwise specified herein all notices, requests, demands or other communications to or from the parties hereto shall be in writing and shall be deemed to have been duly given and made, in the case of a letter, upon delivery or three days after deposit in the mail registered first class mail, postage prepaid; and in the case of a facsimile, when a facsimile is sent and receipt is telephonically confirmed; provided, however, that notices pursuant to Section 2.6, 2.8 or 2.12 or any other notices herein which are given by telephone shall not be effective until received by the party to whom notice is given. Unless otherwise specified herein, any such notice, request, demand, or communication shall be delivered or addressed as follows:

(a) if to the Company, to it at 5500 Auto Club Drive, Dearborn, Michigan 48126 U.S.A., Attention: Treasurer (or facsimile number 313-390-3322, Attention: Treasurer);

(b) if to an Affiliate, to it at the address or facsimile number of the Affiliate designated in the Accession Memorandum of such Affiliate;

(c) if to the Administrative Agent, to it at the Notice Office;  
and

(d) if to the Banks, to each Bank at the address set forth in the administrative questionnaire delivered to the Administrative Agent;

or at such other address or facsimile number as either party hereto may designate by written notice to the other party hereto.

#### 12.2 TERM OF AGREEMENT

The term of this Agreement shall be until the termination of the Commitments or until the payment in full of the Loans and CAF Advances, whichever occurs last, provided that the obligations of the Company or any Affiliate with respect to any payment required to be made by it under this Agreement shall survive the term of this Agreement.

#### 12.3 NO WAIVERS

No failure or delay by the Administrative Agent or any Bank in exercising any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

#### 12.4 NEW YORK LAW AND JURISDICTION

(a) THIS AGREEMENT AND EACH ACCESSION MEMORANDUM SHALL BE CONSTRUED IN ACCORDANCE WITH, AND GOVERNED BY, THE LAWS OF THE STATE OF NEW YORK.

(b) THE COMPANY AND THE AFFILIATES AND THE ADMINISTRATIVE AGENT AND THE BANKS EACH HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE EXCLUSIVE JURISDICTION AND VENUE OF THE COURTS OF THE STATE OF NEW YORK AND OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, AND THE APPELLATE COURTS FROM ANY THEREOF, FOR PURPOSES OF ANY ACTION ARISING UNDER THIS AGREEMENT OR ANY ACCESSION MEMORANDUM, OR REGARDING ANY LOANS MADE HEREUNDER, AND EACH HEREBY AGREES THAT ANY DISPUTES RELATING TO THIS AGREEMENT OR ANY ACCESSION MEMORANDUM OR ANY LOANS MADE HEREUNDER SHALL BE RESOLVED ONLY IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK. EACH OF THE FOREGOING PARTIES HEREBY STIPULATES THAT THE VENUES REFERENCED IN THIS SECTION 12.4(B) ARE CONVENIENT AND EACH WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE RELATING TO THE VENUE OR CONVENIENCE OF SUCH COURTS. IF FOR ANY REASON CLAIMS HEREUNDER CANNOT BE PURSUED IN ANY OF THE FOREGOING COURTS OF NEW YORK, ALL REFERENCES IN THIS SECTION 12.4(B) TO THE COURTS OF NEW YORK SHALL INSTEAD BE DEEMED TO BE REFERENCES TO THE COURTS OF THE STATE OF MICHIGAN AND OF THE UNITED STATES FOR THE EASTERN DISTRICT OF MICHIGAN. ENFORCEMENT OF FINAL, NONAPPEALABLE JUDGMENTS RECEIVED IN ANY OF THE FOREGOING COURTS MAY ALSO BE SOUGHT IN ANY OTHER APPROPRIATE COURT OR JURISDICTION.

(c) The Secretary of the Company shall be the agent for service of process with regard to all claims hereunder by the Administrative Agent or Banks against any Affiliate.

#### 12.5 ENTIRE AGREEMENT

This Agreement, together with any Accession Memoranda, constitutes the entire understanding between the parties with respect to the subject matter of this Agreement and supersedes any prior discussions, negotiations, agreements and understandings. The parties hereto acknowledge that the general banking or business conditions or any similar bank lending rules or requirements of any organization not having the force of law, now or hereafter in effect shall not be applicable to this Agreement, the Accession Memoranda or any Loans made hereunder to the Company or any Affiliate by the Banks.

#### 12.6 PAYMENT OF CERTAIN EXPENSES

(a) Except to the extent otherwise agreed upon in writing by the parties hereto, the Company agrees to pay or reimburse the Administrative Agent for all its out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and any other documents prepared in connection herewith, and the consummation and administration of the transactions contemplated hereby and thereby, including the reasonable fees and disbursements of counsel to the Administrative Agent, with statements with respect to the foregoing to be submitted to the Company prior to the Effective Date (in the case of amounts to be paid on the Effective Date) and from time to time thereafter on a quarterly basis or such other periodic basis as the Administrative Agent shall deem appropriate.

(b) The Company, with respect to an Event of Default and Event of Default - Bankruptcy and Loans to it, or an Affiliate, with respect to an Affiliate Event of Default by such Affiliate and Loans to such Affiliate, will

(i) upon the occurrence of an Event of Default, Event of Default - Bankruptcy, or Affiliate Event of Default, as applicable, pay all reasonable out-of-pocket expenses incurred by the Administrative Agent and the Banks (including counsel fees) in connection with such Event of Default, Event of Default - Bankruptcy, or Affiliate Event of Default and collection and other enforcement proceedings resulting therefrom; and

(ii) pay all stamp and other taxes, if any, which may be determined to be payable in connection with the execution and delivery of this Agreement and any Accession Memoranda, or in connection with any modification of any Accession Memoranda or this Agreement or any waiver or consent under or in respect of this Agreement or any Accession Memoranda, and will save the Administrative Agent and the Banks harmless against any loss or liability (including interest and penalties) resulting from nonpayment or delay in payment of any such taxes.

(c) If an Affiliate borrows a Foreign Currency Loan denominated in the euro from a Foreign Currency Lending Office that is not located in the same Participating Member State as the Affiliate, the Affiliate will pay all reasonable out-of-pocket expenses incurred by the Banks in making such cross-border Loan (but limited solely to expenses directly attributable to the cross-border nature of such Loan, and not including any withholding taxes which are addressed separately by Section 10.4). Each Bank shall take reasonable steps, including without limitation, the designation for purposes of such Loan of a Foreign Currency Lending Office located in a different country (unless it would otherwise be disadvantageous to such Bank in its reasonable judgment) if such steps would avoid or reduce such expenses.

(d) The Company and the Affiliate jointly and severally agree to pay, indemnify, and hold each Bank and the Administrative Agent and their respective officers, directors, employees, affiliates, agents and controlling persons (each, an "Indemnitee") harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement, including any of the foregoing relating to the use of proceeds of the Loans or the violation of, noncompliance with or liability under, any environmental law applicable to the operations of the Company or any of its Subsidiaries or any of their respective owned or leased properties and the reasonable fees and expenses of legal counsel in connection with claims, actions or proceedings by any Indemnitee against the Company or any Affiliate (all the foregoing in this clause (d), collectively, the "Indemnified Liabilities"), provided, that neither the Company nor any Affiliates shall have any obligation hereunder to any Indemnitee with respect to Indemnified Liabilities to the extent such Indemnified Liabilities are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnitee. Without limiting the foregoing, and to the extent permitted by applicable law, the Company and its Affiliates agree not to assert and to cause their Subsidiaries not to assert, and hereby waives and agrees to cause its Subsidiaries to waive all rights for contribution or any other rights of recovery with respect to all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature, under or related to environmental laws, that any of them might have by statute or otherwise against any Indemnitee. All amounts due under this Section 12.6 shall be payable not later than 10 days after written demand therefor.

(e) The obligations of the Company and the Affiliates under this Section 12.6 shall survive payment of the Loans.

## 12.7 JUDGMENT CURRENCY

If for the purposes of obtaining judgment in any court it is necessary to convert a sum due from a party borrowing or making Loans hereunder in the currency expressed to be payable hereunder (for purposes of this Section 12.7, the "specified currency") into another currency, the rate of exchange used shall be the Spot Rate on the day that final, nonappealable judgment is given. The obligations of such parties hereunder in respect of any sum due to another party hereunder shall, notwithstanding any judgment in a currency other than the specified currency, be discharged only to the extent that on the Eurodollar Business Day following receipt by a party of any sum adjudged to be so due in such other currency such party may in accordance with normal, reasonable banking or foreign exchange procedures purchase the specified currency with such other currency. If the amount of the specified currency so purchased is less than the sum originally due to such party, in the specified currency, the party which owed such sum agrees, to the fullest extent that it may effectively do so, as a separate obligation and notwithstanding any such judgment, to indemnify the party to which the sum was owed against such loss.

## 12.8 CHANGES, WAIVERS, ETC.; ADJUSTMENTS

(a) Neither this Agreement nor any provision hereof may be amended, supplemented, changed, waived, discharged or terminated orally, but only by a statement in writing signed by the Company and the Required Banks or, with the consent of the Required Banks, the Company and the Administrative Agent; provided, however, that no such waiver and no such amendment, supplement or modification shall (i) forgive the principal amount or extend the final scheduled date of maturity of any Loan or CAF Advance, reduce the stated rate of any interest or fee payable hereunder or extend the scheduled date of any payment thereof, or increase the amount or extend the termination date of any Bank's Commitment, in each case without the written consent of each Bank directly affected thereby; (ii) eliminate or reduce the voting rights of any Bank under this Section 12.8 without the written consent of such Bank; (iii) reduce any percentage specified in the definition of Required Banks, consent to the assignment or transfer by the Company of any of its rights and obligations under this Agreement, or release the Company from its guarantee obligations under Section 4 in each case without the written consent of all Banks; (iv) add currencies as Foreign Currencies under this Agreement without the written consent of all Banks; or (v) amend, modify or waive any provision of Section 11 without the written consent of each Agent. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Banks and shall be binding upon the Company, the Affiliates, the Banks, the Agents and all future holders of the Loans. In the case of any waiver, the Company, the Affiliates, the Banks and the Administrative Agent shall be restored to their former position and rights hereunder, and any default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other default or Event of Default, or impair any right consequent thereon.

(b) Except to the extent that this Agreement expressly provides for payments to be allocated to a particular Bank, if any Bank (a "Benefitted Bank") shall receive any payment of all or part of the Obligations owing to it in a greater proportion than any such payment to any other Bank, if any, in respect of the Obligations owing to such other Bank, such Benefitted Bank shall purchase for cash from the other Banks a participating interest in such portion of the Obligations owing to each such other Bank as shall be necessary to cause such Benefitted Bank to share the excess payment ratably with each of the Banks; provided, however, that if all or any portion of such excess payment is thereafter recovered from such Benefitted Bank, such purchase shall be rescinded and the purchase price returned, to the extent of such recovery, but without interest.

## 12.9 SEVERABILITY

If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each provision of this Agreement shall be valid and enforceable to the extent permitted by law.

## 12.10 SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

## 12.11 COUNTERPARTS

This Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument. Complete sets of counterparts shall be delivered to the Company, the Administrative Agent and the Banks.

## 12.12 THIRD PARTY BENEFICIARIES

Each of the Affiliates of the Company and each office, branch or affiliate of the Administrative Agent and the Banks which make Loans or CAF Advances hereunder shall be a third party beneficiary of this Agreement.

## 12.13 ELECTRONIC RECORDING

The parties to this Agreement may electronically record any telephone communications with one another relating to any preliminary or final notices of any Borrowing, CAF Advance Borrowing, or any extension and conversion of Loans pursuant to Section 2.6, 2.8 or 2.12. In the event that any electronically recorded final notice of Borrowing, CAF Advance Borrowing or extension or conversion differs from the terms of the corresponding written notice of Borrowing, CAF Advance Borrowing or extension or conversion, the terms of the electronically recorded notice shall control.

## 12.14 AGGREGATION OR COMPARISON OF AMOUNTS IN DIFFERENT CURRENCIES; CALCULATION OF CERTAIN FEES

Whenever any provision of this Agreement requires the aggregation of two or more amounts denominated in different currencies (e.g., the aggregation of the principal amounts of Loans and CAF Advances outstanding in different currencies), or the comparison of two amounts denominated in different currencies (e.g., the requirement that the principal amount of Foreign Currency Loans not exceed an amount expressed in United States dollars), such amounts denominated in a Foreign Currency shall be notionally converted, for purposes of such aggregation or comparison, to the Equivalent thereof in United States dollars, such that the result of such aggregation or comparison shall be an amount or amounts expressed in United States dollars. Similarly, whenever any provision of this Agreement requires the calculation of a fee as a per annum percentage of a particular amount (e.g., the Utilization Fee), the amounts upon which such fee is to be calculated shall be notionally converted to the Equivalent thereof in United States dollars, so that the result of such calculation shall be a fee amount expressed in United States dollars.

## 12.15 USA PATRIOT ACT

Each Bank hereby notifies the Company that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Company, which information includes the name and address of the Company and other information that will allow such Bank to identify the Company in accordance with the Act.

[THIS SPACE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be  
duly executed as of the date first above written.

VISTEON CORPORATION

By: /s/ Peter Look

-----  
Title: Vice President and Treasurer

JPMORGAN CHASE BANK, as Administrative Agent  
and as a Bank

By: /s/ Robert P. Kellas

-----  
Title: Vice President

CITIBANK, N.A., as Syndication Agent and  
as a Bank

By: /s/ Judith Green

-----  
Title: Vice President

## M E M O R A N D U M

To: James F. Palmer

From: Michael F. Johnston

Re: Employment as Executive Vice President and Chief Financial Officer

- - - - -

I wanted to take this opportunity to welcome you aboard. This memo, which supercedes all prior agreements and understandings, establishes the terms that will apply to your employment, which shall be effective as of June 2, 2004.

1. DUTIES. You will be employed as "Executive Vice President and Chief Financial Officer" with duties and responsibilities which the Company, acting either through its Board of Directors or its Chief Executive Officer or his assignee, in its sole discretion believes are appropriate to your skills, training and experience. You will perform such assigned duties by devoting full time, due care, loyalty and your best efforts, and complying with all applicable laws and the requirements of the Company's policies and procedures on employee conduct, including but not limited to the Ethics and no-harassment policies.

2. COMPENSATION.

a. Annual Base Salary. Your annual base salary will be \$700,000, subject to adjustment in accordance with the Company's normal procedures.

b. Sign-on Bonus. You will receive a cash bonus of \$245,000, which is payable in April 2005, and which shall not be subject to any vesting requirement.

c. Special Stock-Related Benefits Under Company Incentive Plan. Subject to the terms of the Visteon Corporation 2004 Incentive Plan, and in accordance with the terms of an authorized award agreement that will be separately provided to you, you will become entitled to the benefits in this section, if at all, only when the applicable vesting requirement(s) has been met. The Special Stock-Related Benefits are as follows:

i. Restricted stock (100,000 shares), which shall become vested only upon on the 5th anniversary of your hire date, provided that your Visteon employment is continuous during this period.

ii. Restricted stock units (100,000 units), which shall vest in four equal parts upon the 2nd, 3rd, 4th, and 5th anniversaries, respectively, of your hire date, provided that your Visteon employment is continuous through each of the vesting dates during this period. The cash value of the stock units in this subsection becomes payable on or shortly after the vesting date.

iii. Stock options (75,000) which shall vest in three equal parts upon the 1st, 2nd, and 3rd anniversaries, respectively, of your hire date,



M E M O R A N D U M

provided that your Visteon employment is continuous from your hire date through each of the vesting periods.

d. Other Benefits. The following benefits shall be provided to you consistent with the terms of the Company's plans.

i. The Short Term Incentive Opportunity for calendar year 2004 will provide you an opportunity to receive up to 70% of your base salary, with a guaranteed payment of 35% of your base salary.

ii. Subject to the terms of the Visteon Corporation 2004 Incentive Plan and in accordance with the terms of an award agreement that will be separately provided to you, you will receive a Long Term Incentive Opportunity for the 2004-2006 performance period of up to 300% of your base salary.

iii. Under the Visteon Corporation Supplemental Executive Retirement Plan, Visteon will credit you with two years of service for every year of actual service with Visteon, up to five years of actual service.

iv. Under the Company's plans, you will also receive health and welfare benefits, vehicle allowance, perquisites, and other benefits to which executive-level participants are entitled. At your request, the Company will evaluate providing you with suitable post-retirement health care benefits, subject to the discretion and approval of the Company's Organization and Compensation Committee.

3. AT WILL EMPLOYMENT. Your employment is "at will." Either you or Visteon can terminate the employment relationship at any time, for any reason. Thus, even though some provisions in this agreement contemplate the possibility that the parties may maintain an employment relationship for five or more years, neither party is obligated to continue the employment relationship for five years or any other duration of time.

4. COMPENSATION ON TERMINATION. You will not be due any compensation, bonuses, or benefits at the time of your termination or thereafter, except to the extent provided for below.

a. If Visteon terminates your employment for cause, it will only be obligated to provide you with the following benefits: (i) cash Sign-On Bonus referenced in section 2.b above, to the extent this amount has not already been paid; and (ii) Special Stock-Related Benefits referenced in Section 2.c above, to the extent payable in accordance with the terms of the Visteon Corporation 2004 Incentive Plan and your award agreement (including the vesting requirements described herein).

b. If Visteon terminates your employment without cause prior to the first anniversary of your hire date, your benefits will be limited to the following: (i) cash Sign-On Bonus referenced in section 2.b above, to the extent this amount

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has not already been paid; (ii) A cash separation payment in an amount that is the greater of either 12 months of base salary or an amount calculated in accordance with the Visteon Separation Plan (which amount does not include any other benefits established under the Visteon Separation Plan).

c. If Visteon terminates your employment without cause on or after the first anniversary of your hire date, your benefits will be limited to the Special Stock-Related Benefits referenced in Section 2.c above, to the extent payable in accordance with the terms of the Visteon Corporation 2004 Incentive Plan and your award agreement (including the vesting requirements described herein), and, to the extent otherwise eligible, such benefits that that may be payable or provided under the Visteon Separation Plan as then in effect.

d. If you voluntarily resign your employment at any time, your benefits will be limited to the following: (i) cash Sign-On Bonus referenced in section 2.b above, to the extent this amount has not already been paid; and (ii) Special Stock-Related Benefits referenced in Section 2.c above, to the extent payable in accordance with the terms of the Visteon Corporation 2004 Incentive Plan and your award agreement (including the vesting requirements described herein).

For purposes of this agreement, "cause" includes, but is not limited to, misrepresentations, omissions or falsification during the hiring process; undisclosed financial or accounting improprieties prior to joining Visteon or at any other time; theft; dishonesty; fraud; gross negligence; gross dereliction of duty; misconduct injurious to the Company; financial improprieties of any kind; serious violation of the law; or violation of the Company's policies and procedures on employee conduct.

5. EFFECT ON OTHER AGREEMENTS OR OBLIGATIONS. Notwithstanding the foregoing provisions and sections of this memorandum, this memorandum does not supercede or modify any of the benefits to which you might become entitled under the Change in Control Agreement between you and the Company.

M E M O R A N D U M

This memorandum also does not supercede or modify any confidentiality, noncompete, nonsolicitation, or nondisclosure obligations, whether such obligations are expressly agreed to or implied by law.

Jim, we are we are excited about your decision to join our company. We believe our team can accomplish great things together.

/s/ James F. Palmer

-----  
James F. Palmer  
Date: July 29, 2004

VISTEON CORPORATION

By: /s/ Robert H. Marcin

-----  
Name: Robert H. Marcin  
Title: Senior Vice President  
Date: July 29, 2004

Visteon Corporation and Subsidiaries  
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

-----  
(in millions)

	First Half 2004	2003	For the Years Ended December 31, 2002	2001	2000	1999
	-----	-----	-----	-----	-----	-----
Earnings						
- -----						
Income/(loss) before income taxes, minority interest and change in accounting	\$ 111	\$ (1,150)	\$ (117)	\$ (169)	\$ 439	\$ 1,172
Earnings of non-consolidated affiliates	(29)	(55)	(44)	(24)	(56)	(47)
Cash dividends received from non-consolidated affiliates	38	35	16	12	17	24
Fixed charges	64	126	139	174	215	173
Capitalized interest, net of amortization	1	3	1	(2)	(3)	(1)
	-----	-----	-----	-----	-----	-----
Earnings	\$ 185	\$ (1,041)	\$ (5)	\$ (9)	\$ 612	\$ 1,321
	=====	=====	=====	=====	=====	=====
Fixed Charges						
Interest and related charges on debt	\$ 49	\$ 97	\$ 109	\$ 139	\$ 176	\$ 149
Portion of rental expense representative of the interest factor	15	29	30	35	39	24
	-----	-----	-----	-----	-----	-----
Fixed charges	\$ 64	\$ 126	\$ 139	\$ 174	\$ 215	\$ 173
	=====	=====	=====	=====	=====	=====
Ratios						
- -----						
Ratio of earnings to fixed charges*	2.9	N/A	N/A	N/A	2.8	7.6

- -----  
\* For the years ended December 31, 2003, 2002 and 2001, fixed charges exceeded earnings by \$1,167 million, \$144 million and \$183 million, respectively, resulting in a ratio of less than one.

July 29, 2004

Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549

Commissioners:

We are aware that our report dated July 20, 2004 on our review of interim financial information of Visteon Corporation (the "Company") for the three and six month periods ended June 30, 2004 and June 30, 2003 and included in the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2004 is incorporated by reference in its Registration Statements on Form S-3 (No. 333-85406) dated April 2, 2002, and Form S-8 (Nos. 333-39756, 333-39758, 333-40202, 333-87794, and 333-115463) dated June 21, 2000; June 21, 2000; June 26, 2000; May 8, 2002; and May 13, 2004 respectively.

Very truly yours,

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

## CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a)

I, MICHAEL F. JOHNSTON, CERTIFY THAT:

1. I have reviewed this Quarterly Report on Form 10-Q of Visteon Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2004

/s/ Michael F. Johnston  
-----  
Michael F. Johnston  
Chief Executive Officer and  
President  
(Principal Executive Officer)

## CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a)

I, JAMES F. PALMER, CERTIFY THAT:

1. I have reviewed this Quarterly Report on Form 10-Q of Visteon Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2004

/s/James F. Palmer  
-----  
James F. Palmer  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SS.1350  
AND EXCHANGE ACT RULE 13a-14(b)

Solely for the purposes of complying with 18 U.S.C. ss.1350 and Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), I, the undersigned Chief Executive Officer and President of Visteon Corporation (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2004 (the "Report") fully complies with the requirements of Section 13(a) of the Exchange Act and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Michael F. Johnston

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Michael F. Johnston

July 30, 2004



CERTIFICATION PURSUANT TO 18 U.S.C. SS.1350  
AND EXCHANGE ACT RULE 13a-14(b)

Solely for the purposes of complying with 18 U.S.C. ss.1350 and Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), I, the undersigned Executive Vice President and Chief Financial Officer of Visteon Corporation (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2004 (the "Report") fully complies with the requirements of Section 13(a) of the Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/James F. Palmer

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James F. Palmer

July 30, 2004