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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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**FORM S-1**

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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**VISTEON CORPORATION**

(Exact name of Registrant as specified in its charter)

**DELAWARE**

(State or other jurisdiction of  
incorporation or organization)

**3714**

(Primary Standard Industrial  
Classification Code Number)

**38-3519512**

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

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5500 Auto Club Drive  
Dearborn, Michigan 48126  
Telephone: 800-847-8366

(Address, including zip code, and telephone number, including area code of registrant's principal executive offices)

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**Stacy L. Fox, Esq.**  
**Senior Vice President, General Counsel and Secretary**  
**Visteon Corporation**  
5500 Auto Club Drive  
Dearborn, Michigan 48126  
Telephone: 800-847-8366

(Name, address, including zip code, and telephone number, including area code of agent for service)

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*Copies of all communications to:*

**Jeffrey Small, Esq.**  
**Davis Polk & Wardwell**  
**450 Lexington Avenue**  
**New York, New York 10017**  
**Telephone: 212-450-4000**

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**Approximate date of commencement of proposed sale to the public:**

As soon as practicable after the registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering.  \_\_\_\_\_

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earliest effective registration statement for the same offering.  \_\_\_\_\_

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

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**CALCULATION OF REGISTRATION FEE**

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<b>Title of Each Class</b>	<b>Amount to be</b>	<b>Proposed Maximum</b>	<b>Proposed Maximum</b>	<b>Amount of</b>
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of Securities to be Registered	Registered	Offering Price Per Unit(1)	Aggregate Offering Price(1)	Registration Fee
Common Stock, par value \$1.00 per share	130,000,000 shares	\$11.85	\$1,540,000,000	\$406,560

(1) Calculated pursuant to Rule 457(f)(2), based on the book value of the registrant as of March 31, 2000.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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**FORD MOTOR COMPANY**

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

Dear Fellow Ford Stockholder:

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

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

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

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

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

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

Very truly yours,

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

VISTEON CORPORATION

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

Dear Visteon Stockholder:

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

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

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

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

Very truly yours,

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

*The information in this prospectus is not complete and may be changed. We may not distribute these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to distribute these securities and we are not soliciting offers to receive these securities in any state where the offer or distribution is not permitted.*

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**Preliminary Prospectus**  
**(Subject to Completion, Dated June 2, 2000)**

## **VISTEON CORPORATION**

**130,000,000 Shares**

**COMMON STOCK**

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

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

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

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

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

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

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

**As you review this prospectus, you should carefully consider the matters described in "Risk Factors" beginning on page 8.**

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**We Are Not Asking You for a Proxy or for Any Consideration, and You Are Requested Not to Send Us a Proxy or Any Consideration.**

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

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The date of this prospectus is \_\_\_\_\_, 2000.

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## SUMMARY

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

## VISTEON

### Our Company

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

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

In recent years, our goal has been to pursue new business growth opportunities with Ford and non-Ford vehicle manufacturers, or VMs, as well as with non-automotive customers. Non-Ford business as a percentage of our total sales has grown from about 7% in 1997 to about 12% in 1999. We have a goal of expanding our non-Ford business to 20% of our sales by 2002. We believe that our spin-off from Ford will facilitate our achievement of this goal. We have a broad global presence — about 23.5% of our total 1999 sales were derived from products manufactured outside of the United States.

We have a broad global presence with a workforce of over 81,000 and a network of manufacturing sites, technical centers, sales offices and joint ventures located in every major region of the world. We operate in three business segments: Comfort, Communication & Safety, Dynamics & Energy Conversion and Glass, and are a leading Tier 1 supplier in the first two of these three segments.

### Our Strategy

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

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the following strategies, described in more detail under "Business — Strategy" on pages 45-52, will allow us to capitalize on the industry trends described above and to achieve our objective:

- *Capitalize on Our Core Ford Business*
- *Improve Our Operating Performance*
- *Expand Our Non-Ford Business*
- *Use E-Commerce to Lower Costs and Enhance Sales*
- *Exploit Our Technology and Systems Engineering Leadership*
- *Grow Our Aftermarket Business*
- *Streamline and Focus Our Product Portfolio*

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We were incorporated in Delaware as of January 1, 2000. References in this prospectus to "Visteon," "we," "our" and "us" collectively refer to Visteon Corporation and its consolidated subsidiaries. Our principal executive offices are located at 5500 Auto Club Drive, Dearborn, Michigan 48126, and our telephone number is (800) VISTEON. We maintain an Internet site at <http://www.visteon.com>. Our website and the information contained on that site, or connected to that site, is not incorporated into this prospectus. Visteon® is a registered trademark, and Carlite®, ClimatePro™, RoadFx™, NavMate® and the Visteon logo are trademarks of Visteon. Ford®, Lincoln®, Mercury®, Volvo®, Jaguar® and Aston Martin® are all registered trademarks owned by or licensed to Ford or its subsidiaries. Each trademark, trade name or service mark of any other company appearing in this prospectus belongs to its holder.

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### THE SPIN-OFF

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

<b>Distributing Company</b>	Ford Motor Company. After the spin-off, Ford will not own any shares of our stock.
<b>Spun-Off Company</b>	Visteon Corporation, currently a wholly-owned subsidiary of Ford. After the spin-off, Visteon will be an independent public company.
<b>Securities to Be Distributed</b>	130,000,000 shares of Visteon common stock, which is all of the shares of Visteon common stock owned by Ford. Immediately after the spin-off, we estimate that about 190,000 stockholders of record will hold shares of our common stock, although some of the shares may be registered in the name of a single stockholder who represents a number of stockholders.
<b>Distribution Ratio</b>	___ shares of our common stock for each share of Ford common or Class B stock that you hold at the close of business on _____, 2000, the record date for the spin-off.
<b>Record Date</b>	_____, 2000 (close of business).
<b>Spin-Off Date</b>	_____, 2000

<b>Distribution Agent</b>	First Chicago Trust Company of New York, which is the registrar and transfer agent for Ford common stock and an affiliate of EquiServe Trust Company, N.A. (the registrar and transfer agent for Visteon common stock)
<b>New York Stock Exchange Symbol</b>	VC
<b>Trading Market</b>	Before _____, 2000, there was no trading market for our common stock. On that date, trading of shares of our common stock on a “when issued” basis began.
<b>Tax Consequences</b>	It is the opinion of Davis Polk & Wardwell that the spin-off should qualify as a tax-free distribution for U.S. federal income tax purposes. See “The Spin-Off — Material Federal Income Tax Consequences of the Spin-Off” for a more detailed description of the federal income tax consequences of the spin-off.
<b>Book-Entry Shareholding</b>	<p>Ford common and Class B stockholders will receive _____ shares of Visteon common stock for each share of Ford common or Class B stock they held at the close of business on _____, 2000 (the record date for the spin-off). On or shortly after the _____, 2000 distribution date:</p> <ul style="list-style-type: none"> <li>• holders of record of ____ or more shares of Ford common and Class B stock on the record date will have credited to a book-entry account established for them by, and maintained at, EquiServe Trust Company, N.A. (the registrar and transfer agent for Visteon common stock) their proportionate number of shares of Visteon common stock;</li> <li>• holders of record of fewer than ____ shares of Ford common and Class B stock on the record date, which would</li> </ul>

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entitle them to receive less than one whole share of Visteon common stock, will receive a check for the cash value of any such fractional shares; and

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

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

**No Proceeds from the Spin-Off** There will be no proceeds from the spin-off.

**Our Management and Management Compensation After the Spin-Off** The compensation, awards and other benefits payable to selected members of management after the spin-off are described in “Management.”

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***You should carefully read the “Risk Factors” beginning on page 8.***

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

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

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

Visteon Corporation  
5500 Auto Club Drive  
Dearborn, MI 48126  
Tel: (800) 311-8608  
Fax: (313) 390-1877  
Attention: Investor Relations

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

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**SUMMARY CONSOLIDATED FINANCIAL DATA**

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

	Three Months Ended March 31,			Year Ended December 31,					
	Pro Forma 2000	2000	1999	Pro Forma 1999	1999	1998	1997	1996	1995
(in millions, except per share amounts, percentages and as noted)									
<b>Statement of Income Data:</b>									
Sales:									
Ford and affiliates	\$4,476	\$4,476	\$4,355	\$16,424	\$17,105	\$16,350	\$16,003	\$15,129	\$13,634
Other customers	749	749	417	2,252	2,261	1,412	1,217	1,368	1,481
Total sales	5,225	5,225	4,772	18,676	19,366	17,762	17,220	16,497	15,115
Operating income	228	253	298	539	1,189	1,134	851	620	398
Net income	124	147	205	281	735	703	511	384	245
Basic and diluted earnings per share based on 130,000,000 shares outstanding	\$ .95	\$ 1.13	\$ 1.58	\$ 2.16	\$ 5.65	\$ 5.41	\$ 3.93	\$ 2.95	\$ 1.89
<b>Statement of Cash Flows Data:</b>									
Cash provided by (used in) operating activities		\$ (846)	\$ 432		\$ 2,482	\$ 1,376	\$ 1,411	\$ 1,178	n/a
Cash (used in) investing activities		(125)	(307)		(1,453)	(940)	(943)	(996)	n/a
Cash provided by (used in) financing activities		58	(100)		290	(234)	(251)	(189)	n/a
<b>Other Financial Data:</b>									
Depreciation and amortization		\$ 166	\$ 149		\$ 651	\$ 565	\$ 590	\$ 510	\$ 459
EBITDA		419	447		1,840	1,699	1,441	1,130	857
Capital spending		115	196		876	861	917	969	n/a
Capital spending as a percentage of revenue		2.2%	4.1%		4.5%	4.8%	5.3%	5.9%	n/a
After tax return on:									
Sales		2.9%	4.2%		3.9%	3.9%	3.0%	2.3%	1.6%
Average assets		5.0%	8.3%		6.9%	7.8%	6.3%	4.9%	n/a
Sales per employee (in thousands)		n/a	n/a		\$ 244	\$ 235	\$ 237	n/a	n/a
<b>At March 31,</b>									
	Pro Forma 2000	2000	1999	1998	1997	1996	1995		
(in millions)									
<b>Balance Sheet Data:</b>									
Total assets		\$10,886	\$11,790	\$12,449	\$9,373	\$8,471	\$7,967	\$7,510	
Total debt		2,200	2,452	2,319	1,125	1,136	1,136	1,140	
Total equity		2,915	1,540	1,499	1,655	1,204	977	802	

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

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

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## RISK FACTORS

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

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

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

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

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

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

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

#### **We must streamline and focus our product portfolio to improve our operating results, but we are limited in this regard by contractual restrictions**

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

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#### **We must increase our competitiveness to improve our operating results, but we are limited in this regard by our labor arrangements**

As part of the Ford UAW master collective bargaining agreement, we will be subject to a number of restrictions relating to employees (current and future) at our UAW-represented facilities. We are also subject to restrictions with respect to employees at

our European facilities. In addition, under an agreement between Ford and us, we have agreed to reimburse Ford for the costs of the Ford employees working in our facilities, including amounts (limited to \$50 million per year in each of 2000-2004) for profit sharing based on Ford's profits. Our reimbursement obligations apply to all these employees even if we do not need or utilize all of them for any reason, including if we lose business from Ford or another VM. See "Business — Workforce" and "Relationship with Ford — Hourly Employee Assignment Agreement."

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

**When we operate as a separate company after the spin-off, our results may be substantially different from those indicated by our historical and pro forma financial statements**

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

- in preparing this information, we have made adjustments and allocations because Ford did not account for us as, and we were not operated as, a stand-alone business for all periods presented;
- the information does not reflect many changes that will occur in our funding and operations as a result of our spin-off from Ford;
- a pricing letter we have entered into with Ford requires a one-time 5% price reduction on products that we were supplying to Ford as of January 1, 2000 based on a market pricing review conducted by Ford and us; the pricing letter also requires productivity price adjustments in each of 2000, 2001, 2002 and 2003; we and Ford have agreed on a 3.5% productivity price reduction for 2000 on such products, which is consistent with (i) price reductions between Visteon and Ford in prior years and (ii) the amount of annual productivity improvement that Ford generally expects from its other Tier 1 suppliers; although the pricing letter contains a methodology for calculating price adjustments in 2001, 2002 and 2003 (see "Relationship with Ford — Supply Agreement and Related Pricing Letter"), we cannot predict what future annual price reductions we will be required to provide to Ford; and
- we are unable to predict the level of future price reductions that may be imposed upon us by non-Ford vehicle manufacturers.

We cannot assure you that the adjustments and allocations we have made in preparing our historical and pro forma consolidated financial statements appropriately reflect our operations

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during those periods as if we had in fact operated as a stand-alone entity or what the actual effect of our spin-off from Ford will be.

**Most of our management may have conflicts of interest when faced with decisions that could have different implications for our company and Ford because of their ownership of Ford stock**

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

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

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

**We are dependent on Ford's continued success and on maintaining our current business and winning future business with Ford; decreases in our sales to Ford will adversely affect our results**

We are highly dependent on Ford as our largest customer. Ford accounted for about 88%, 92% and 93% of our total sales in 1999, 1998 and 1997, respectively. We expect that Ford will continue to be our largest customer for the foreseeable future, and, therefore, for the foreseeable future any changes in Ford's sales volume will have a significant impact on our sales volumes. In addition, our ability to realize future sales to Ford is subject to a number of risks. These risks include uncertainties relating to our business under the supply agreement that we have entered into with Ford. In addition, the uncertainties that we identify in this prospectus as being generally applicable to supplier-customer relationships in our industry will be heightened in the case of our relationship with Ford because it is our largest customer. Accordingly, we cannot assure you as to the amount of our future business with Ford.

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

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

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

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

**We are subject to work stoppages at our facilities or those of our principal customers, which could seriously impact our business**

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

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

**If we are unable to realize our business strategy of improving our operating performance, our results will be adversely affected**

We continue to implement several important strategic initiatives designed to improve our operating performance. We cannot assure you that we will be able to successfully implement or realize the expected benefits of any of these initiatives or that we will be able to sustain any improvements we have made. In addition, the Ford UAW agreement may limit our ability to improve our operating performance. If we are not successful at these initiatives, this would have a material adverse effect on our business, particularly because we rely on these initiatives to offset pricing pressures from our customers. These initiatives are subject in many cases to participation by labor unions and other third parties, including Ford.

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**We may incur unrecovered costs relating to engineering expenses and may incur additional substantial costs for new tooling expenses, reducing our margins and affecting our liquidity and cash flows**

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

New vehicle programs require significant up-front investments in engineering, design and tooling. Historically, these investments were fully reimbursed by the VM. Over the past few years, VMs have moved away from lump sum reimbursement of engineering expenses toward reimbursement of such expenses on a per component, or piece price, basis. Because this form of reimbursement requires the supplier to recoup its investment in engineering and tooling through anticipated component sales, piece price reimbursement has the effect of delaying reimbursement and shifting volume risk associated with the vehicle program from the VM to the supplier.

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

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

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

**We may be unable to compete favorably in the highly competitive automotive parts industry, causing us to lose sales to our competitors**

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

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

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

**Because of uncertainties relating to our awarded business, we may be unable to realize all of the sales represented by our awarded business, in which case our sales may be lower than expected**

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

- the volume of vehicle models and specific vehicle options actually produced by the VM which, in turn, are subject to a number of significant risks outlined below;
- the determination by the VM to delay or cancel a particular vehicle program for which it has sourced business with the supplier or to change the option mix within the program;
- the VM's contractual right to replace the supplier throughout the duration of the contract for a variety of reasons, including if the supplier does not remain competitive in terms of quality, service, design, technology and, in some circumstances, price;
- the VM's contractual right to terminate the contract altogether; although this right varies by contract, some contracts, generally shorter-term purchase orders, are terminable by the VM at any time for any reason;
- the VM's decision to redesign a vehicle model and not to select the initial supplier to supply any or all of the same parts it was providing on the previous vehicle model; and
- product pricing, including price reductions on existing contracts negotiated in connection with the VM's sourcing of new business with the supplier.

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

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

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

#### **Because a large portion of our operations and sales are outside of the United States, our operations may be affected by conditions in international markets, which are often more volatile than in the United States**

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

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

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

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

We face an inherent business risk of exposure to product liability claims in the event that the failure of our products results, or is alleged to result, in property damage, bodily injury and/or death. We cannot assure you that we will not experience any material

product liability losses in the future or that we will not incur significant costs to defend these claims. We are currently covered by Ford's insurance against product liability claims; this coverage will continue until the spin-off. We expect to purchase product liability insurance coverage, to be effective at the time the Ford coverage ceases. However, we cannot assure you that this coverage will be adequate for liabilities ultimately incurred or that it will continue to be available on terms acceptable to us. In addition, if any of our products are, or are alleged to be, defective, we may be required to participate in a recall involving those products. Each VM has its own policy regarding product recalls and other product liability actions relating to its suppliers. However, as suppliers become more integrally involved in the vehicle design process and assume more vehicle assembly functions, VMs are increasingly looking to their suppliers for contribution when faced with product recalls or product liability claims. A successful claim brought against us in excess of our available insurance coverage or a requirement to participate in a product recall may have a material adverse effect on our business.

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

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

**We may incur material product warranty costs**

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

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

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

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

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

**Risk Factor Relating to Securities Markets**

**Our stock price may fluctuate significantly following the spin-off; stockholders who buy or sell our common stock may lose all or part of the value of their common stock, depending on the price of the common stock from time to time**

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

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

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

- our business profile may not fit the investment objectives of Ford stockholders, causing them to sell our shares after the spin-off; this is particularly true of Ford stockholders who hold Ford stock based on its inclusion in the S&P 500 Index — we have been advised that it is unlikely that our common stock will be included in the S&P 500 Index;
- actual or anticipated fluctuations in our operating results;
- changes in earnings estimated by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of other comparable companies;
- overall market fluctuations;
- developments in and publicity regarding the automotive industry, the automotive parts industry or any of our significant customers, particularly Ford; and
- economic conditions.

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

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## SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

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

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

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

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## THE SPIN-OFF

### Reasons for the Spin-Off

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

- as an independent company, Visteon will be better able to pursue business with non-Ford customers;
- it will reduce Ford’s automotive assets and capital requirements;

- it will provide Visteon’s management increased strategic flexibility and decision-making power, including the ability to manage Visteon’s product portfolio over the long-term based on Visteon’s own strategic objectives;
- having two separate public companies will enable the financial markets to evaluate each company more effectively, thereby maximizing stockholder value over the long term for both Ford and Visteon;
- separate management and ownership structures for Visteon will provide incentives to Visteon’s management and direct accountability to public investors; and
- a spin-off allows Visteon to achieve independence in the shortest possible time.

## **The Separation of Visteon from Ford**

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

## **Description of the Spin-Off**

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

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

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

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

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

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

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

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

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

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

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

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of Visteon common stock in the spin-off; (ii) any cash received in lieu of fractional share interests in Visteon will give rise to gain or loss equal to the difference between the amount of cash received and the tax basis allocable to the fractional share interests (determined as described below), and such gain or loss will be capital gain or loss if the Ford stock on which the distribution is made is held as a capital asset on the date of the spin-off; (iii) the aggregate basis of the Ford stock and the Visteon common stock in the hands of each Ford stockholder after the spin-off (including any fractional interests to which the stockholder would be entitled) will equal the aggregate basis of Ford stock held by the stockholder immediately before the spin-off, allocated between the Ford stock and the Visteon common stock in proportion to the relative fair market value of each on the date of the spin-off; and (iv) the holding period of the Visteon common stock received by each Ford stockholder will include the period during which the stockholder has held the Ford stock on which the distribution is made, provided that the Ford stock is held as a capital asset on the date of the spin-off.

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

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

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

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

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## CAPITALIZATION

Set forth below is the pro forma capitalization of Visteon as of March 31, 2000, adjusted to give effect to the spin-off and the terms of our separation from Ford, as more fully described in "Unaudited Pro Forma Condensed Consolidated Financial Statements" beginning on page 24.

**Pro Forma  
At March 31,  
2000**

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**(in millions)  
\$ 700**

Cash and cash equivalents



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

**Statement of Income Data:**

Sales:							
Ford and affiliates	\$4,476	\$4,355	\$17,105	\$16,350	\$16,003	\$15,129	\$13,634
Other customers	749	417	2,261	1,412	1,217	1,368	1,481
Total sales	5,225	4,772	19,366	17,762	17,220	16,497	15,115
Costs and expenses:							
Costs of sales	4,795	4,341	17,503	15,969	15,794	15,392	14,234
Selling, administrative and other expenses	177	133	674	659	575	485	483
Total costs and expenses	4,972	4,474	18,177	16,628	16,369	15,877	14,717
Operating income	253	298	1,189	1,134	851	620	398
Interest income	25	22	79	38	17	16	11
Interest expense	48	23	143	82	82	79	69
Net interest expense	(23)	(1)	(64)	(44)	(65)	(63)	(58)
Equity in net income of affiliated companies	7	16	47	26	29	47	30
Income before income taxes	237	313	1,172	1,116	815	604	370
Provision for income taxes	86	112	422	416	305	223	130
Income before minority interests	151	201	750	700	510	381	240
Minority interests in net income (loss) of subsidiaries	4	(4)	15	(3)	(1)	(3)	(5)
Net income	\$ 147	\$ 205	\$ 735	\$ 703	\$ 511	\$ 384	\$ 245
Basic and diluted earnings per share based on 130,000,000 shares outstanding	\$ 1.13	\$ 1.58	\$ 5.65	\$ 5.41	\$ 3.93	\$ 2.95	\$ 1.89
<b>Statement of Cash Flows Data:</b>							
Cash provided by (used in) operating activities	\$ (846)	\$ 432	\$ 2,482	\$ 1,376	\$ 1,411	\$ 1,178	n/a
Cash (used in) investing activities	(125)	(307)	(1,453)	(940)	(943)	(996)	n/a
Cash provided by (used in) financing activities	58	(100)	290	(234)	(251)	(189)	n/a
<b>Other Financial Data:</b>							
Depreciation and amortization	\$ 166	\$ 149	\$ 651	\$ 565	\$ 590	\$ 510	\$ 459
EBITDA	419	447	1,840	1,699	1,441	1,130	857
Capital spending	115	196	876	861	917	969	n/a
Capital spending as a percentage of revenue	2.2%	4.1%	4.5%	4.8%	5.3%	5.9%	n/a
After tax return on:							
Sales	2.9%	4.2%	3.9%	3.9%	3.0%	2.3%	1.6%
Average assets	5.0%	8.3%	6.9%	7.8%	6.3%	4.9%	n/a
Sales per employee (in thousands)	n/a	n/a	\$ 244	\$ 235	\$ 237	n/a	n/a

At March 31,

At December 31,

2000

1999

1998

1997

1996

1995

(in millions)

**Balance Sheet Data:**

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

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

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

# UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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## UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME

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

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

	Historical	Adjustments	Notes	Pro Forma
<b>Sales</b>				
Ford and affiliates	\$4,476	—		\$4,476
Other customers	749	—		749
	5,225	—		5,225
Total sales	5,225	—		5,225
<b>Costs and expenses</b>				
Costs of sales	4,795	(2)	(1)	4,793
Selling, administrative and other expenses	177	3	(1)	
		24	(2)	204
Total costs and expenses	4,972	25		4,997
<b>Operating income</b>	253	(25)		228
Interest income	25	(15)	(3)	10
Interest expense	48	(3)	(4)	45
	(23)	(12)		(35)
Net interest expense	(23)	(12)		(35)
Equity in net income of affiliated companies	7	—		7
	237	(37)		200
<b>Income before income taxes</b>	237	(37)		200
Provision for income taxes	86	(14)	(5)	72
	151	(23)		128
<b>Income before minority interests</b>	151	(23)		128
Minority interests in net income of subsidiaries	4	—		4
	\$ 147	\$(23)		\$ 124
<b>Net income</b>	\$ 147	\$(23)		\$ 124
<b>Basic and diluted earnings per share based on 130,000,000 shares outstanding</b>	\$ 1.13			\$ .95

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

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

	Historical	Adjustments	Notes	Pro Forma
<b>Sales</b>				

Ford and affiliates	\$17,105	(681)	(6)	\$16,424
Other customers	2,261	(9)	(6)	2,252
Total sales	19,366	(690)		18,676
<b>Costs and expenses</b>				
Costs of sales	17,503	(146)	(7)	
		4	(1)	17,361
Selling, administrative and other expenses	674	8	(1)	
		94	(2)	776
Total costs and expenses	18,177	(40)		18,137
<b>Operating income</b>	1,189	(650)		539
Interest income	79	(44)	(3)	35
Interest expense	143	33	(4)	176
Net interest expense	(64)	(77)		(141)
Equity in net income of affiliated companies	47	—		47
<b>Income before income taxes</b>	1,172	(727)		445
Provision for income taxes	422	(273)	(5)	149
<b>Income before minority interests</b>	750	(454)		296
Minority interests in net income of subsidiaries	15	—		15
<b>Net income</b>	\$ 735	\$(454)		\$ 281
<b>Basic and diluted earnings per share based on 130,000,000 shares outstanding</b>	\$ 5.65			\$ 2.16

See Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements.

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

**As of March 31, 2000**

**(in millions)**

	<b>Historical</b>	<b>Adjustments</b>	<b>Notes</b>	<b>Pro Forma</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 943	\$ (967)	(8)	
		(791)	(9)	
		1,659	(10)	
		(144)	(11)	\$ 700
Accounts and notes receivable — Ford and affiliates	1,798	252	(8)	2,050
Accounts receivable — other customers	806	—		806
Total receivables	2,604	252		2,856
Inventories	743	—		743
Deferred income taxes	106	(29)	(15)	77
Prepaid expenses and other current assets	276	(174)	(12)	
		(4)	(14)	98
Total current assets	4,672	(198)		4,474
Equity in net assets of affiliated companies	209	—		209
Net property	5,730	—		5,730
Deferred income taxes	189	(189)	(15)	—
Other assets	990	(399)	(12)	
		(118)	(14)	473
Total assets	\$11,790	\$ (904)		\$10,886
<b>Liabilities and Equity</b>				
Trade payables — Ford and affiliates	\$ 983	\$ (715)	(8)	\$ 268
Trade payables — other suppliers	1,747	—		1,747
Total trade payables	2,730	(715)		2,015

Accrued liabilities	1,021	(88)	(14)	933
Income taxes payable	1	—		1
Debt payable within one year — Ford and affiliates	682	(682)	(9)	—
Debt payable within one year — other	344	456	(10)	800
	<u>1,026</u>	<u>(226)</u>		<u>800</u>
Total debt payable within one year				
Total current liabilities	4,778	(1,029)		3,749
Long-term debt — Ford and affiliates	1,229	(109)	(9)	—
		(1,120)	(13)	—
Long-term debt — other	197	1,203	(10)	1,400
	<u>1,426</u>	<u>(26)</u>		<u>1,400</u>
Total long-term debt				
Other liabilities	4,034	(1,511)	(14)	2,523
Deferred income taxes	12	287	(15)	299
	<u>10,250</u>	<u>(2,279)</u>		<u>7,971</u>
Total liabilities				
<b>Equity</b>				
Common stock and additional paid in capital	—	3,019	(16)	3,019
Ford's net investment	1,644	(144)	(11)	—
		(573)	(12)	—
		1,120	(13)	—
		1,477	(14)	—
		(505)	(15)	—
		(3,019)	(16)	—
Accumulated other comprehensive income	(104)	—		(104)
	<u>1,540</u>	<u>1,375</u>		<u>2,915</u>
Total equity				
<b>Total liabilities and equity</b>	<u>\$11,790</u>	<u>\$ (904)</u>		<u>\$10,886</u>

See Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

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

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

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

	Three Months Ended March 31, 2000	Year Ended December 31, 1999
	(in millions)	
Pension-related costs	\$ 39	\$ 110
Postretirement benefit other than pensions	(38)	(98)
	<u>\$ 1</u>	<u>\$ 12</u>
Portion attributable to:		
Costs of sales	\$ (2)	\$ 4
Selling, administrative and other expenses	3	8
	<u>\$ 1</u>	<u>\$ 12</u>

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

Although this adjustment is based upon available information and assumptions that management believes are reasonable,

Visteon may incur greater than expected selling, administrative and other expenses in connection with operating as a stand-alone company.

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

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

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

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

- (8) Reflects a \$252 million increase in accounts receivable from Ford, and a \$715 million decrease in payables to Ford, resulting from a change in payment terms for transactions between Visteon and Ford primarily in the United States.
- (9) Reflects the repayment of \$791 million of debt owed by Visteon subsidiaries to Ford subsidiaries through cash payments from those Visteon subsidiaries to the Ford subsidiaries.
- (10) Reflects the short-term and long-term debt Visteon expects to incur in order to finance operations separately from Ford. Visteon initially will finance its operations with short-term financial instruments that Visteon expects to replace with short-term and long-term debt. Visteon expects to have about \$2.2 billion of debt outstanding after the spin-off.
- (11) Reflects a dividend from Visteon to Ford equal to an amount necessary to bring pro forma cash and cash equivalents to \$700 million. The actual adjustment — either a dividend or a capital contribution — will be determined based on cash and cash equivalent levels on a date in the second quarter of 2000 which has not yet been determined.
- (12) Reflects retention by Ford of certain prepaid health care amounts.
- (13) Reflects conversion to equity of \$1,120 million of debt owed to Ford under an intracompany revolving loan arrangement.
- (14) Reflects the pro forma effect of:

**March 31,  
2000**

**(in millions)**

- Ford's retention of postretirement health care and retiree life insurance obligations for certain Visteon-designated employees of Ford who retired by April 1, 2000 and Ford's retention of related Voluntary Employees' Beneficiary Association ("VEBA") SFAS 106 assets as of March 31, 2000
- Ford's retention of pension obligations for certain Visteon-designated employees of Ford who retired by April 1, 2000 and the pro forma effect of planned asset/liability

\$1,755  
(278)

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

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

**Overview**

Our worldwide sales were \$19.4 billion in 1999, compared with \$17.8 billion in 1998 and \$17.2 billion in 1997. Our 1999 sales include six months of sales resulting from the June 1999 acquisition of the automotive interiors division of Compagnie Plastic Omnium.

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

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

**Sources of Revenue**

We derive our revenue from the sale of automotive vehicle systems, modules and components. The majority of our sales are directly to VMs — 18 of the largest 20 VMs are Visteon customers. Sales directly to Ford accounted for 88% of our total sales in 1999. This percentage has declined since 1997, reflecting an increase in non-Ford business. We expect this trend to continue. Aftermarket sales accounted for 4.6% of our total sales in 1999. We have increased our focus on this area and expect these sales to increase in the future. Our largest market is in North America, which accounted for 82.1% of our 1999 total sales. Generally, we enter into contracts with our customers that tend to average three to five years in length and provide for annual price reviews.

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

	Three Months Ended March 31,		Year Ended December 31,		
	2000	1999	1999	1998	1997
<b>By customer:</b>					
Ford VM	83.7%	89.2%	86.4%	90.2%	91.1%
Non-Ford VM	11.8	5.9	9.0	5.8	5.0
Ford Aftermarket	1.9	2.1	1.9	1.9	1.8
Non-Ford Aftermarket	2.6	2.8	2.7	2.1	2.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
<b>By geographic region:</b>					
North America	82.9%	84.4%	82.1%	83.2%	82.4%
Europe	13.7	14.5	14.5	15.1	15.4
Other (rest of world)	3.4	1.1	3.4	1.7	2.2

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

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

	Three Months Ended March 31,		Year Ended December 31,		
	2000	1999	1999	1998	1997
			(in millions)		
Comfort, Communication & Safety	\$2,603	\$2,203	\$ 9,377	\$ 8,337	\$ 8,545
Dynamics & Energy Conversion	2,425	2,369	9,216	8,673	7,918
Glass	197	200	773	752	757
Total sales	\$5,225	\$4,772	\$19,366	\$17,762	\$17,220

### Components of Costs and Expenses

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

### Pro Forma Results

**General.** We have prepared unaudited pro forma condensed consolidated financial statements of Visteon, which give effect to the spin-off and the terms of our separation from Ford. We have prepared the pro forma condensed consolidated statement of income for the first quarter of 2000 and for the full year 1999 to provide additional information on our operations as if the spin-off and our separation from Ford had occurred as of January 1, 1999. The pro forma condensed consolidated statements of income does not purport to be indicative of what our operations actually would have been had these events occurred as of that date.

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

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

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

- Our sales in 1999 would have decreased by about \$690 million, to \$18.7 billion, had the one-time 5% price reduction effective as of January 1, 2000 been in effect for 1999. The one-time 5% reduction, which is based on a market pricing review conducted by Ford and us, is designed to make Visteon's prices more competitive with third party competitors.
- Our costs of sales in 1999 would have decreased by about \$142 million, to about \$17.4 billion, primarily as a result of a \$146 million adjustment to profit sharing expense incurred in 1999. This adjustment is due to our agreement with Ford that our liability, for profit sharing payments based on Ford's profits made to Ford workers that are assigned to us, will be limited to \$50 million per year in each of 2000-2004.
- Our selling, administrative and other expenses in 1999 would have increased by about \$102 million, to about \$776 million, principally as a result of operating Visteon as a stand-alone company. These added costs are comprised of incremental corporate costs and, to a lesser extent, incremental insurance and risk management costs.
- Our interest income in 1999 would have decreased by about \$44 million, to \$35 million, as a result of reductions in Visteon's pro forma cash balances. Because of an increase in our average outstanding debt levels, our interest expense would have increased by about \$33 million to \$176 million.
- As a result of these and other adjustments, our net income would have decreased from \$735 million to \$281 million.

See "Unaudited Pro Forma Condensed Consolidated Financial Statements."

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**Results of Operations**

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

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

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

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

	Quarter Ended March 31,		over/(under) First Quarter 1999	
	2000	1999	Amount	Percent
	(in millions, except percentages)			
Comfort, Communication & Safety	\$2,603	\$2,203	\$400	18.2%
Dynamics & Energy Conversion	2,425	2,369	56	2.4
Glass	197	200	(3)	(1.5)
	\$5,225	\$4,772	\$453	9.5%

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

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as a result of higher sales volumes to Ford and our other customers. Sales for our Comfort, Communication & Safety segment also increased by \$260 million, reflecting the consolidation of Halla Climate Control (in which we increased our ownership interest from 35% to 70% during 1999) and our acquisition of the automotive interiors division of Compagnie Plastic Omnium. The increase in sales for our Dynamics & Energy Conversion segment reflects primarily higher sales volume to Ford and our other customers. The increases for both segments were offset partially by price reductions totaling about \$350 million granted to Ford and our other customers. The decrease in sales for our Glass segment reflects price reductions granted to Ford and our other customers.

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

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

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

Net income for our Comfort, Communication & Safety segment was \$114 million in the first quarter of 2000, down \$7 million from the first quarter of 1999. The reduction was primarily a result of price reductions (\$110 million impact on net income), offset partially by higher sales volume, primarily in North America (\$95 million). Net income for our Dynamics & Energy Conversion segment was \$50 million in the first quarter of 2000, a decrease of \$29 million. This decrease was primarily a result of price reductions (\$105 million), partially offset by higher sales volume, primarily in North America (\$45 million), and, lower costs. Net loss for Glass was \$4 million as compared with net income of \$5 million in the first quarter of 1999, a decline of \$9 million. The decrease reflected primarily price reductions.

[Table of Contents](#)**1999 Compared with 1998**

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

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

Sales in 1999 totaled \$19.4 billion compared with \$17.8 billion in 1998, an increase of \$1.6 billion or 9%. Sales for our Comfort, Communication & Safety segment were \$9.4 billion compared with \$8.3 billion in 1998, an increase of 12.5%. Sales for our Dynamics & Energy Conversion segment were \$9.2 billion, up \$543 million or 6.3% from 1998. Glass sales were \$773 million in 1999 compared with \$752 million in 1998, an increase of 2.8%. The increase in sales for each segment reflects primarily higher sales to Ford and our other customers. In addition, sales for our Comfort Communication & Safety segment increased by \$415 million due to the consolidation of Halla Climate Control and by \$260 million as a result of our June 1999 acquisition of the automotive interiors division of Compagnie Plastic Omnium. These increases were offset partially by price reductions granted to Ford and our other customers.

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

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

Net income for our Comfort, Communication & Safety segment was \$422 million in 1999, down \$30 million from 1998. The reduction was primarily a result of price reductions (\$250 million impact on net income) and increased costs associated with engineering future products, offset to a large extent by material and manufacturing cost reductions and, to a lesser extent, by higher sales volume. Net income for our Dynamics & Energy Conversion segment was \$344 million in 1999, an increase of \$50 million, reflecting primarily lower costs (\$190 million) and higher sales volume (\$85 million), offset partially by price reductions (\$200 million). Net income for our Glass segment was \$3 million, an improvement of \$18 million from 1998. The improvement was primarily accounted for by lower costs (\$30 million) and higher sales volume (\$10 million), offset partially by reduced prices (\$18 million).

[Table of Contents](#)**1998 Compared with 1997**

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

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

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

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

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

Net income for our Comfort, Communication & Safety segment increased to \$452 million in 1998 from \$439 million in 1997, an increase of 3.0%, is more than accounted for by reductions in material and manufacturing costs (\$230 million impact on net income), partially offset by price reductions to our customers (\$175 million) and, to a lesser extent, higher costs associated with engineering future products. Net income for our Dynamics & Energy Conversion segment increased to \$294 million in 1998 from \$136 million in 1997. This increase was primarily a result of material and manufacturing cost reductions (\$190 million), partially offset by increased costs associated with engineering future products. Net losses at Glass were \$15 million in 1998, an improvement of \$10 million from 1997. The improvement was primarily a result of the non-recurrence of a Glass restructuring charge of about \$60 million before taxes in 1997, largely offset by price reductions to our customers.

### Quarterly Data

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

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

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

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

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

## **Liquidity and Capital Resources**

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

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

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

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

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

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

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

## **Cash Flows**

### ***Operating Activities***

Cash flows used in operating activities during the first three months of 2000 totaled \$846 million compared to cash flows provided by operating activities of \$432 million for the same period in 1999. The decrease in 2000 was impacted by payments totaling approximately \$570 million to Ford to prepay certain healthcare costs, of which approximately \$500 million was accrued for at December 31, 1999. The remainder of the decrease was caused primarily by changes in receivables, payables and other working capital items. Cash flows from operating activities were \$2.48 billion, \$1.38 billion and \$1.41 billion in 1999, 1998 and 1997, respectively. The primary components of our operating cash flows are net income, depreciation and amortization, and

changes in various payables and receivables balances with Ford. Cash flow from 1999 was positively affected because of an increase in our payable balance to Ford. The historical operating cash flows may not be representative of our results had we operated as a separate stand-alone entity.

### ***Investing Activities***

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

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

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

### ***Financing Activities***

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

### **Pension and Postretirement Benefits**

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

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

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

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

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

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

***Foreign Currency Risk***

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

Our primary foreign exchange exposure includes the euro, Brazilian Real, Mexican Peso and Canadian Dollar. Because of the mix between our costs and revenues in various regions, we are generally exposed to weakening of the euro and to strengthening of the Brazilian Real, Mexican Peso and Canadian Dollar. For transactions in these currencies, we utilize a strategy of partial coverage. As of March 31, 2000, our coverage for projected transactions in these currencies for the remainder of 2000 ranged from 0% to about 60%. As of March 31, 2000, a 10% adverse change in exchange rates from prevailing rates for all of these currencies would result in an adverse impact on net income of about \$15 million on an annual basis.

***Interest Rate Risk***

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

***Commodity Risk***

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

***New Accounting Standards and Changes***

***New Standards***

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

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

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

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***Accounting Changes***

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

Also beginning in 1999, we modified our plant and equipment retirement policy to reflect gains and losses in income in the year of retirement. Previously, the cost of retired assets, net of salvage proceeds, was charged to accumulated depreciation. The change

in accounting principle for plant and equipment retirement is being made to better reflect the results of asset disposal/ sale decisions.

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

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## BUSINESS

### Overview

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

We have been the largest supplier of automotive parts to Ford for most of Ford's history. Ford produces cars and trucks that are marketed and sold under the Ford, Lincoln, Mercury, Volvo, Jaguar and Aston Martin brands. We began using the Visteon name in 1997. Visteon has been responsible for the introduction of a number of innovations in the automotive industry such as integrated voice activated control of the cellular phone, audio system and climate control system, currently available in the Jaguar S-Type. We have developed extensive experience and expertise in all areas of automotive integrated system, module and component design. Before the spin-off, we have been a division of Ford and, more recently, a wholly-owned subsidiary of Ford. After our spin-off from Ford, we will be an independent supplier. We believe that our independence will enhance our ability to increase sales to non-Ford VMs over time.

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

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

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

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

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

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

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

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

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

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

- *Glass*, composed of our vehicle glazing product group, which produces glass products for Ford and aftermarket customers, and our commercial glass product group, which produces float glass for commercial architecture.

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

### **Automotive Parts Industry**

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

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

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

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

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

Our industry is generally divided into two tiers:

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

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

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

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

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

**Automotive Electronics**

(dollars per vehicle, by model year)

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

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

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

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

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

### Strategy

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

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

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

We have a substantial base of awarded business with Ford and we have also entered into a supply agreement with Ford that allows us to secure additional business. In addition, because we have been integrally involved in the design and development of many of Ford’s vehicles and we understand Ford’s needs, we believe that we are uniquely positioned to work with Ford on future models. Many of our engineers work closely with Ford engineers at Ford facilities, ensuring maximum cooperation and

attentiveness to customer needs. We believe that this combination will provide us with substantial future business. We expect that Ford will remain our largest customer for a significant period of time. As of December 31, 1999, we had been awarded Ford business of \$16.3 billion for 2000, \$16.0 billion for 2001, \$16.5 billion for 2002, \$15.3 billion for 2003 and \$13.9 billion for 2004, with additional Ford business for the later years still expected to be awarded. Although this business provides an important base, our sales to Ford may decline over time.

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

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

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

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

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

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price, terms and quality for all materials and supplies. As an independent company, we will control our \$10 billion material buy through increased focus on purchases key to Visteon. Accordingly, we believe that we will be able to derive significant cost savings through this increased focus on reducing our supply costs. We plan to achieve this through the following:

- *Re-sourcing supply contracts from our least competitive suppliers:* We believe that this re-sourcing will help us cut procurement costs by moving contracts from high cost suppliers to lower cost suppliers. In 1999, we enhanced our prior efforts with the implementation of a formal commodity strategy, which analyzes particular commodities and highlights opportunities to improve our terms with current sources or identifies new alternative sources. We believe that our updated re-sourcing program will create a competitive environment among our suppliers and lead to lower costs throughout the entire system.
- *Increased use of Internet procurement:* We plan on leveraging the Internet to minimize procurement costs. We believe that these savings will come primarily through the use of online auctions. These auctions allow suppliers to bid on Visteon contracts online and in real time. Our 1999 controlled experiment in Internet sourcing and auctioning resulted in significant savings — on the \$189 million worth of products we sourced on the Internet, we experienced double-digit percent reductions. We will substantially increase our use of Internet sourcing and auctioning. Additionally, we save time and effort with the new online process.
- *Leveraging scale:* As the third largest auto parts supplier, we are a major source of revenue to many of our suppliers. We have experienced no detrimental effects from disaggregating our volumes from Ford volumes and do not expect any adverse effects in the future (in fact, we believe the shift in purchasing focus from Ford to Visteon priorities will provide positive effects). We believe we have purchasing leverage that can provide us with significant strength in negotiating and, as a separate company, we plan to fully utilize this leverage in order to obtain lower supply costs from our suppliers.
- *Production.* In 1995, we developed and began the process of implementing the Visteon Production System (VPS) throughout our global operations. VPS is designed to optimize material flow and inventory while creating a flexible and predictable common production system. A key part of our production strategy is “lean” cell-based manufacturing for new programs and converting existing production facilities to “lean” where feasible. The “lean” methodology relies on smaller

manufacturing units rather than dedicated large assembly lines and leads to a number of operational improvements. This approach allows greater flexibility and lower floor space, inventory and investment. As of March 31, 2000, Visteon had completed 129 lean cells, had 128 more lean cells under way, expected to be completed by December 2000, and had 329 additional lean cells planned, expected to be completed in the next few years. Impressive results have been achieved from our first round of implementation and have partially offset increased labor costs: while results vary from project to project, an example is the Sheldon Road climate control lean cell, in Plymouth, Michigan, which resulted in a 58% reduction in floor space required, a 76% reduction in inventory and capital expenditure avoidance equal to 66% of the project's initial estimated cost. In deciding on which projects to apply lean processes, we consider a number of variables, including labor intensity, prior investments of capital and required new investments of capital.

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

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

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

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

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

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

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

- *Lower procurement costs:* As discussed above, we are focusing efforts on bringing more of our procurement online in an

effort to remove barriers to bidding and increase our global reach. We expect this to lead to substantial savings over the next several years.

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

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

Finally, we believe that by manufacturing innovative products, especially those that are technologically advanced or that have regulatory or safety impacts, we provide products that are not purchased solely on the basis of price and which distinguish us in the Tier 1 arena.

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

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

- We have developed innovative electronics-based, consumer products such as dual staged air bag crash sensors, navigation systems, voice-activated control systems, Internet-linked in-car computer systems and rear seat entertainment systems, demonstrating our ability to utilize the latest technology and provide consumers added convenience, pleasure and safety. Examples of sales to VMs in these high growth areas include voice activation, included in the 2000 Jaguar S-Type, and an adaptive restraint module with crash severity algorithm and crash sensors, included in the 2000 Taurus. Our rear seat entertainment systems were first introduced in the aftermarket in mid-1999 and quickly resulted in awarded VM business that will reach \$40 million annually. We have product development relationships with leaders in the consumer electronics arena, such as Nintendo Co., Ltd., Bang & Olufsen Holding A/S and Boston Acoustics, Inc.
- We are developing Superintegration, a technology that integrates electronics into the surrounding environment in a highly flexible, cost and space-efficient manner and provides the VM with significant advantages in assembly, service and function. For example, our superintegrated cockpit, which we have begun to market to VMs, incorporates all the standard cockpit functions at a substantial cost reduction and improves service, quality and reliability while increasing the ease of upgrade. The superintegrated cockpit program has showcased our technical abilities with key new customers and allowed us to win more conventional systems and module business. The superintegrated cockpit revolutionizes the design and manufacturing process for what used to be a number of separately designed systems. For example, instead of having separate power supplies for the instrument cluster, the radio and the electronic climate control system, the superintegrated cockpit would have one power supply, and instead of having separate tone generators to signal that the car doors are open or that the keys have been left in the ignition, the audio system's speakers would be used. The superintegrated cockpit is designed to reduce weight by 20% and deliver cost reductions in the range of 14% to 20%. We also believe it will deliver a 27% improvement in service time and a

30% increase in quality versus traditional designs. We believe that Superintegration will be a key competitive advantage for us.

- We use advanced engineering tools to create a virtual design and testing environment. The use of these tools enables fast product development cycles, minimizes cost and optimizes product performance. For example, Visteon utilizes a proprietary technology to efficiently explore alternative vehicle interiors to satisfy ergonomic and other functions important to consumers. This three dimensional computer-based tool creates occupant parameters inside a virtual vehicle to investigate the ideal relationship between passengers and the vehicle interior at the concept design stage. Once modeled, this analysis can be done in minutes instead of weeks, without the need for prototypes.

**Grow Our Aftermarket Business.** The aftermarket represents a major opportunity for revenue and earnings growth. The time between design and launch is only a matter of months, as compared to years in the case of new vehicle production, allowing us to increase revenues more quickly. The aftermarket also offers an opportunity to sell higher margin products and improve Visteon's overall returns by leveraging our existing investments in engineering and production. Importantly, the aftermarket serves as a forum for proving consumer acceptance and commercial viability of new high technology product concepts, leading to introduction in the new vehicle market. For example, the success of our rear seat entertainment system in the aftermarket was a key factor in influencing VMs to include it in their new vehicle programs. As we develop our brands and introduce products in conjunction with leading brands, we expect consumers to increasingly demand our products from VMs and "pull" these products through the supply chain. The aftermarket also serves as a partial diversification of our VM business.

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

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

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

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

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

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

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

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

**Description of Business**

**Sales and Awarded Business**

We sell to four principal types of customers:

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

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

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

We sell our products globally. Of our 1999 total sales, about 82.1% were in North America, 14.5% were in Europe and 3.4% were in the rest of the world, primarily Latin America and Asia-Pacific.

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

	Three Months Ended March 31,		Year Ended December 31,		
	2000	1999	1999	1998	1997
<b>By customer:</b>					
Ford VM	83.7%	89.2%	86.4%	90.2%	91.1%
Non-Ford VM	11.8	5.9	9.0	5.8	5.0
Ford Aftermarket	1.9	2.1	1.9	1.9	1.8
Non-Ford Aftermarket	2.6	2.8	2.7	2.1	2.1

Total	100.0%	100.0%	100.0%	100.0%	100.0%
<b>By geographic region:</b>					
North America	82.9%	84.4%	82.1%	83.2%	82.4%
Europe	13.7	14.5	14.5	15.1	15.4
Other (rest of world)	3.4	1.1	3.4	1.7	2.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%

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

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

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

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

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

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

Subject to these and other risks and uncertainties, as of December 31, 1999, we estimated sales from our existing awarded business as follows:

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

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

## Products

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

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

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

### *Comfort, Communication & Safety*

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

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

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

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

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

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

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

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

Because of its critical role in the sensitive design phase for a new vehicle platform, interior/exterior systems has been limited in its ability to bid on non-Ford business. Despite this difficulty, interior/exterior systems has recently won several significant new

contracts with General Motors, DaimlerChrysler, Honda, Renault, Fiat and Peugeot. By being spun-off from Ford, we expect to be able to substantially increase our non-Ford sales.

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

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

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Product Line	Description
Advance Communication Systems	This unit produces products such as wireless portable cellular phone docking units, satellite digital audio radio, ICES™ (which is electronic hardware and software architecture that supports information, communication, entertainment, safety and security features) vehicle emergency messaging and NavMate® (which is an in-vehicle, turn-by-turn navigation system with route guidance provided through a color display screen, turn icons and voice directions). These systems are able to move information into, out of, and around the vehicle utilizing technologies like the Global Positioning System, the Internet, cellular, voice activated control, the Microsoft Windows CE™ operating system and the Palm™ interface.
Vehicle Body Electronics	This unit produces electronic products that can control or sense various functions within the vehicle, including safety, switching, security and control. Examples include remote keyless entry, anti-theft and multiplexing modules, which reduce electrical wires and connectors.
Cockpit Modules and Instrument Panels	These units produce fully integrated instrument panels which incorporate the latest safety, driver information, electrical distribution, multimedia, advance communication and climate control systems. These functional instrument panels are styled to correspond to

vehicle brand image. They can be hard, soft or 100% recyclable panels. Soft panels can utilize a cast skin process or an environmentally friendly vacuum formed process.

Safety/Security Systems

This unit produces products for occupant protection through crash deployment electronics, crash detection electronics, emergency messaging systems, remote keyless vehicle entry, engine immobilizers, airbag cutoff sub-systems, occupant position/weight sensing systems, energy absorbing materials and energy management electronics.

Driver Information Systems

This unit produces information displays using projected imaging systems to analog/digital instrumentation. Information systems and components provide vehicle information and include analog, electronic and high impact instrument clusters, message centers, fuel computers, clocks and warning modules. Future technologies such as virtual and re-configurable projected image displays/message systems are under development.

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

**Dynamics & Energy Conversion**

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

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

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

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

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

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

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

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

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

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

Product Line	Description
<b>Energy Transformation Systems</b>	
Energy Management	Some of the products produced by this division include: electronic engine controls, throttle body valves, fuel pressure regulators/ dampers, speed control systems, sensors, injectors/ fuel rails and plastic intake manifolds.
Electrical Conversion	This unit produces alternators, starters, ignition coils, poly-gel mitigators, which aid the production of efficient bumper energy absorbers lowering collision damage at low speeds, and custom designed front and rear wiper/ washer systems. For future needs, we are developing a 42-volt electrical system.
Fuel Storage and Delivery	This unit produces fuel tanks, delivery modules, oil and water pumps and carbon canisters, which control evaporative emissions.
Distributed Power	This unit produces power conditioning systems that provide stand-alone electricity generation capacity to non-automotive customers.
<b>Chassis Systems</b>	
Suspension and Fully Integrated Chassis Systems	This unit produces front and rear modules, corner modules, suspension electronic modules, springs, stabilizer bars, knuckles and spindles. In addition, this unit is developing superintegrated chassis systems for optimal performance.
Axle/driveline	This unit produces all wheel drive systems, hypoid rear axles, independent suspension axles, driveshafts, halfshafts, power take-off units (which send power to both the front and rear wheels in 4 wheel drive and all wheel drive vehicles), brake discs and brake drums.
Steering Systems	This unit produces hydraulic power assisted steering systems, rack and pinion steering gears, recirculating ball nut steering gears, power steering pumps, steering columns, electric and electro-hydraulic systems and manual steering gears.
Exhaust Systems	This unit produces a full range of catalytic converters which treats the vehicle’s tailpipe exhaust in order for it to comply with the clean air requirements.

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

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

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

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

### Product Technology and Development

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

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

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

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

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

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

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

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

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

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

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

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

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

- **Environmental.** New legislation for environment-friendly products provides growth opportunity for those companies that can use technology to introduce environment-friendly products with few value trade-offs. One example is Visteon's next generation air-conditioning system that uses high pressure CO<sub>2</sub> as its refrigerant. This solution makes economic sense and does not represent the leakage or disposal hazard of current refrigerants.
- **Safety.** As highway speeds, vehicle size and traffic congestion increase, the risk associated with a vehicle fatality increases. To address this concern, Visteon is developing passive as well as active safety systems — the latter capable of supporting intelligent transportation systems. Collision avoidance systems, occupant protection systems and adaptive cruise control are a few examples of the products that Visteon has in its product pipeline to support its vision of tomorrow's transportation network.
- **Human-Machine Interface.** Our researchers believe that the next major area of electronics growth in the vehicle is the human-machine interface. Visteon has introduced leading-edge voice technology that controls audio, climate, and communication systems. The opportunity for the proliferation of voice technology throughout the vehicle and beyond is significant and Visteon expects to participate in that growth through its leadership position in this technology. We recently announced our intention to create a joint venture with Lernout & Hauspie, which is a global leader in advanced speech and language solutions across several applications. The objective of the venture is to advance and accelerate the speech interface in automotive applications.
- **Passenger Comfort and Convenience.** As consumers spend more time in their automobiles, systems that provide heightened

levels of comfort and convenience become a prerequisite for their vehicle purchase decision. Visteon's anticipation of consumer needs, combined with our considerable electronics integration capability, have resulted in a stream of products that enhance vehicle comfort and convenience from navigation to wireless communication systems.

- **Process Enablers.** Visteon believes its proprietary computer modeling capabilities are key to achieving world-class speed-to-market with new products and systems, and gaining access to new customers. For example, a new modeling tool that allows us to assess occupant ergonomic, comfort, and convenience factors in a virtual environment significantly shortens development times and reduces prototype tooling costs.

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

## Production

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

*Visteon Production System (VPS).* In 1995, we developed and began the process of implementing the Visteon Production System (VPS) throughout our global operations. VPS is designed to optimize material flow and inventory while creating a flexible and predictable common production system. It integrates processes for human resources, industrial materials, material flow, in-station process control, total productive maintenance, engineering and our quality operating system. We are able to leverage our skill base, a key element of the process by engaging the people on the shop floor who have direct involvement in how operations are set up and run on a day-to-day basis. Through the implementation of VPS we expect to continue to reduce our manufacturing investments, costs and floor space utilization, while increasing our productivity and improving our inventory management. VPS has allowed us to:

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

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

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

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Our in-line vehicle sequencing process takes just-in-time delivery one step further by providing our products not only when the VM needs them, but also in the correct assembly sequence. For example, we supply to in-line sequenced Ford vehicle assembly plants in both North America and Europe. Currently, we assemble and deliver instrument panels for the Expedition vehicle that are

sequentially unloaded from the container, with the correct color and options, for attachment directly onto the vehicle as it moves down the VM's assembly line. Our in-line vehicle sequencing process enables us to better service our VM customers' needs through the coordination of our own manufacturing processes with those of our customers. We currently supply in-sequence cockpits for the Ford Expedition and the Lincoln Navigator, as well as for the Ford Focus in Europe, and bumpers for the Navigator, the Focus and other Lincoln vehicles.

## Procurement

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

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

- *Re-sourcing:* We will re-source supply contracts from our least competitive suppliers. We believe that this re-sourcing will help us cut procurement costs by moving contracts from high cost suppliers to lower cost suppliers. In 1999, we enhanced our prior efforts with the implementation of a formal commodity strategy. This strategy analyzes particular commodities and highlights opportunities to improve our terms with current sources or identifies new alternative sources. We believe that our updated re-sourcing program will create a competitive environment among our suppliers and lead to lower costs throughout the entire system. Historically, we have been able to achieve annual material reductions of 3% to 3.5%. However, a recent analysis indicates that out of about 1,600 suppliers, 142 accounted for 80% of our negotiated material cost reductions in 1999. These suppliers accounted for 47% of our 1999 material purchases. We expect that through our commodity strategy, e-commerce initiatives and Internet bidding, a significant portion of our purchased materials can be re-sourced over several years, with significant annual percentage reductions realized.
- *Increased use of Internet procurement:* We plan on leveraging the Internet to minimize procurement costs. We believe that these savings will come primarily through the use of online auctions. These auctions allow suppliers to bid on Visteon contracts online and in real time. By leveraging the Internet, Visteon can improve its global reach and drive more quickly to market pricing and away from the current practice of target pricing. For example, in 1999 we initiated Internet sourcing and auctioning by conducting a controlled experiment with auctions for certain commodity groups (*e.g.*, printed wiring boards, plastics, semiconductors, exhaust, stampings and hoses). The use of on-line auctioning provides a global forum and includes more suppliers in the bidding process (in our experiment we had up to 12 pre-qualified participants per auction, versus three to four participants in a typical manual sourcing process). These efforts have resulted in significant savings — on the \$189 million worth of products we sourced on the Internet, we

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

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

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

## Workforce

*General.* As of December 31, 1999, we had a workforce of 81,449 persons, including 17,260 salaried workers and 64,189 hourly workers. 2,787 of our salaried workers were unionized, mostly in Europe. Our weighted average hourly

compensation cost per employee has dropped from \$25.32 in 1996 to \$23.05 in 1999.

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

Region	Hourly Workforce		Salaried Workforce		Facilities		Number of Unions
	Union	Non-Union	Union	Non-Union	Union	Non-Union	
United States	29,641	97	50	9,592	21	1	4
Canada	1,392	345	129	171	1	2	2
Mexico	2,600	9,400	0	1,200	4	7	2
Total North America	33,633	9,842	179	10,963	26	10	8
Europe	10,532	5,948	2,230	2,300	25	2	26
South America	2,430	0	378	0	6	0	2
Asia-Pacific	1,288	516	0	1,210	6	9	3
Total	47,883	16,306	2,787	14,473	63	21	39

Union Breakdown	Facilities*	Workforce
United States (hourly & salaried)		
Ford UAW agreement	16	24,513
UAW non-master agreement	3	1,540
IUE	2	3,588
Other unions	2	50
Total		29,691

\* Some facilities have multiple unions.

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

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

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

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

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

competitive advantage as we work with our unions to make our workforce one of the most productive in the automotive supplier business.

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

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

**Customers**

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

Customer	Percentage of 1999 Total Sales
Ford-North America	73.5%
Ford-Europe	12.2
Ford-South America	0.5
Ford-Asia-Pacific	0.2
Ford's Automotive Consumer Services Group	1.9
Total Ford	88.3%

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

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

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

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

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

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

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

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

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

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

### **Sales and Marketing**

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

	North America	South America	Europe	Pacific	Total
Ford sales	257	6	83	12	358

Non-Ford VM sales	52	6	27	12	97
Aftermarket sales	167	14	28	—	209
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	476	26	138	24	664
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

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

## Competition

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

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

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

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

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

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

## Properties

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

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

Region	Number of Manufacturing Sites	Total Manufacturing Sites Square Footage
		(in millions)

North America	36	29.5
Europe	27	8.7
South America	6	1.3
Asia-Pacific	15	2.6
	84	42.1
Total	84	42.1

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

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

We are currently evaluating long-term plans to consolidate our worldwide engineering and technical resources, including our technical centers, into a more efficient, customer-focused global engineering support network. While we believe that this consolidation will enhance our ability to provide engineering and technical support to our customers around the world, we also expect that it will have the effect of reducing the overall number of our technical centers.

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

**Environmental Matters**

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

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

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

**Legal Proceedings**

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

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

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

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

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

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

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

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

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## **RELATIONSHIP WITH FORD**

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

The following is a summary of the terms of the material agreements we have entered into with Ford. This summary is qualified by reference to the full text of the agreements filed as exhibits to the Form S-1 of which this prospectus is a part. References to the “Visteon business” are to the activities conducted under the name Visteon Automotive Systems, an enterprise of Ford Motor Company, including (i) those activities conducted by subsidiaries and affiliates aligned with that enterprise and (ii) all historical operations.

## Master Transfer Agreement

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

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

- **General.** Except for any liabilities that Ford may specifically agree in writing to retain, we will assume all debts, liabilities, guarantees, contingencies and obligations of the Visteon business, whether asserted or unasserted, fixed or contingent, accrued or unaccrued, known or unknown.
- **Product Liability, Warranty and Recall Claims.** Ford will retain liability for all product liability, warranty or recall claims that involve parts made or sold by the Visteon business for 1996 or earlier model year Ford vehicles. Our liability for these types of claims relating to 1997 or later model year Ford vehicles will be governed by Ford’s global terms and conditions, with the understanding that we will be treated by Ford as any other third party supplier, and in accordance with Ford’s customary treatment of other suppliers. We have assumed liability for all product liability, warranty or recall claims relating to parts made by the Visteon business and delivered to third parties at any time.
- **Environmental Claims.** We and Ford have agreed on a division of liability for, and responsibility for management and remediation of, existing environmental claims. Future environmental claims arising out of the sites that have been transferred to us and our operation of those sites will be our liability. Ford will retain liability for environmental claims relating to sites not transferred to us or currently operated by us.

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

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

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

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

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

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

## Supply Agreement and Related Pricing Letter

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

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

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

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

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

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

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

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

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

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

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

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

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## Master Separation Agreement

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

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

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

**Indemnification.** We and Ford have generally agreed to indemnify each other and the other's affiliates and controlling persons from specified liabilities under the securities laws relating to the Form S-1 and this prospectus or to contribute under specified circumstances to the amount paid or payable by the other in respect of those liabilities.

## Aftermarket Relationship Agreement

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

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

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

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

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

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

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

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

### **Hourly Employee Assignment Agreement**

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

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

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

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

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

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

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

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

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

## **Employee Transition Agreement**

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

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

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

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

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

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

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

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

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

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

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

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

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

**Tax Sharing Agreement**

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

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

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

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

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

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

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

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

## **Cross-Licenses**

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

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

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

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## **MANAGEMENT**

### **Directors and Executive Officers of Visteon**

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

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

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

*Robert J. Womac* has been Executive Vice President of Operations since September 1997, responsible for Visteon's technology, product development, manufacturing, supply, information technology and quality. Prior to joining Visteon, Mr. Womac was a vice president of Ford and general manager of the Automotive Components Division beginning in November 1996. Previously, Mr. Womac was named manager, business strategy development and sales, Electrical and Electronics Division at Ford followed by assignments as director of business strategy, Corporate Strategy Staff, and president of Ford Electronics and Refrigeration Corp., a Ford subsidiary and beginning in July 1988, General Manager of the Electrical and Fuel Handling Division through October 1996. Earlier in his career, Mr. Womac was an electrical engineer at the Ford Rawsonville Plant, an electrical and fuel-handling manufacturer. After holding several supervisory roles there, he became plant engineering manager in 1973 at another electrical and fuel handling plant and became plant manager in 1979. Mr. Womac holds a bachelor's degree in Electrical Engineering from the University of Detroit and a master's degree in business administration from the University of Michigan.

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

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

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

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

Mr. Marcin holds a bachelor's degree from State University of New York and an MBA from California State University at Hayward.

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

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

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

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

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

## **Board of Directors**

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

Our board will hold eight regularly scheduled meetings each year.

## **Committees of the Board of Directors**

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

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

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

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

### Compensation of Directors

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

### Stock Ownership of Directors and Executive Officers

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

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

Name	Ford Common Stock(1)(2)	Ford Common Stock Units(3)	Hertz Class A Common Stock
Peter J. Pestillo	152,148	298,951	5,000
Robert J. Womac	75,183	—	—
Daniel R. Coulson	16,097	—	—
Stacy L. Fox	—	—	—
Robert H. Marcin	19,308	—	—
Susan F. Skerker	10,036	—	—
W. Wayne Booker	232,463	—	5,000
John M. Rintamaki	7,124	—	500
Henry D.G. Wallace	24,272	—	—
All directors and executive officers as a group (9 persons)	536,631	298,951	10,500

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

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

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

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

## Executive Compensation

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

### Summary Compensation Table

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

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

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

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### Long-Term Incentive Plan

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

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

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

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

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

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- (1) The shares of restricted stock will vest on the fifth anniversary of the date of grant.
- (2) We intend to grant these nonqualified options with an exercise price equal to the average of the highest and lowest prices at which Visteon common stock was traded on the New York Stock Exchange on the date of the spin-off. The options will vest 33% on the anniversary of the date of grant, an additional 33% on the second anniversary of the date of grant and in full on the third anniversary of the date of grant.

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

*Stock Options.* Options (each an “Option”) to purchase shares of our common stock, which may be incentive or nonqualified stock options, may be granted under our LTIP at an exercise price (the “Option Price”) at least equal to the average of the highest and lowest prices at which Visteon common stock was traded on the New York Stock Exchange on the date of grant. Each Option represents the right to purchase one share of common stock at the specified Option Price.

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

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

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

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

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

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cash dividends on the shares subject to the Award. Stock dividends issued with respect to a Restricted Stock Award may be treated as additional shares under the Award and may be subject to the same restrictions and other terms and conditions that apply to the shares under the same Award.

*Termination of Employment.* The Committee will determine at the time the award is granted the terms of forfeiture. In general, outstanding Options and Restricted Stock Awards are forfeited in the event the participant terminates employment due to voluntary quit, discharge or release in the best interest of Visteon.

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

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

An employee to whom an Option which is a nonqualified stock option (“NSO”) is granted will not recognize income at the time of grant of such Option. In general, when the employee exercises such NSO, the employee will recognize ordinary compensation income equal to the difference, if any, between the Option Price paid and the fair market value, as of the date of Option exercise, of the shares of common stock the employee receives. The tax basis of such shares to such employee will be equal to the Option Price paid plus the amount includible in the employee’s gross income, and the employee’s holding period for such shares will commence on the date of exercise. Subject to the Code, we will generally be entitled to a federal income tax deduction in respect of an NSO in an amount equal to the ordinary compensation income recognized by the employee upon the exercise of the NSO.

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

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

Within 90 days of the beginning of a performance period, the compensation committee decides the targeted performance level at which a target award may be earned. The compensation committee decides the target award based on the employee’s level of responsibility and other factors. The target award, designated as a number of shares, is based on achieving 100% of the performance goals established by the compensation committee for the

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performance period. The compensation committee also decides any minimum performance level below which no stock award would be paid, and a maximum which cannot exceed 150% of the target award.

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

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

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

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

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

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

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

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

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

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*Additional Information.* Under the LTIP, in the event of a merger, consolidation, reorganization, stock split, stock dividend or other event affecting our common stock, such adjustments as may be necessary (as determined by the compensation committee) to reflect such change will be made to prevent dilution or enlargement of the rights with respect to the Overall Limit, the Option Limit, the Stock Right Limit, the number of shares of common stock covered by each outstanding Award, any other references in the LTIP to a number of shares and the price per share in respect thereof. Unless otherwise determined by the compensation committee, an individual's rights under the LTIP may not be assigned or transferred (except in the event of death). An individual's rights under the LTIP are subject to forfeiture for competitive activity or activity that is not in our best interest.

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

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

## **Ownership Goals**

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

## **Annual Incentive Compensation Plan**

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

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

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

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

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The percentage of each annual target award earned will be determined by the compensation committee and will be based on actual performance results relative to the goals. Discretion to increase award amounts based on individual performance is permitted for employees who are not covered employees. Awards may be decreased, on the other hand, based on individual performance. Final awards actually paid to an employee may be less than or greater than 100% of the target award. Final awards may be paid in cash, common stock, restricted stock or a combination, or deferred under a Deferred Compensation Plan to be adopted by Visteon. A Visteon Stock Fund will be one of the investment options for purposes of measuring the value of the deferral.

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

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

## **Change in Control Agreements**

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

The Change in Control Agreements specify two triggering events:

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

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

“Change in Control” means:

- acquisition by any individual, entity or group, other than the company or any subsidiary of the company, of the beneficial ownership of 40% or more of the outstanding common stock; or
- a change in the majority of the board within any twelve month period without approval of the board; or

- major corporate transaction, such as a merger, sale of greater than 50% of Visteon's assets or a liquidation, which results in a change in the majority of the board or a majority of stockholders; or
- discretionary determination by the board.

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

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

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

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

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

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

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

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

*Restrictive Covenants.* The Change in Control Agreements provide that, for the executive officers, for a period of two years (one and one-half years for other officers) immediately following the Participant's termination of employment resulting from a Change in Control with us or any of our subsidiaries, the Participant agrees not to, without the prior written consent of our chairman and chief executive officer, engage in or perform any services of a similar nature to those performed at Visteon for any other corporation or business engaged in the design, manufacture, development, promotion, sale or financing of automobile or truck components as well as any other products or services for which Visteon offers, within North America, Latin America, Asia, Australia or Europe in competition with us, any of our subsidiaries or affiliates, or any joint ventures to which we or any of our subsidiaries are a party. The Change in Control Agreements also provide that the Participant, in perpetuity, shall not disclose any knowledge, information or materials, whether tangible or intangible, regarding proprietary matters relating to Visteon.

[Table of Contents](#)**SECURITY OWNERSHIP OF FORD AND VISTEON**

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

[Table of Contents](#)**DESCRIPTION OF CAPITAL STOCK****General**

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

**Common Stock***Voting Rights*

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

*Dividends*

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

*Other Rights*

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

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

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

**Preferred Stock**

Preferred stock is issuable from time to time in one or more classes or series and with such voting powers, if any, designations and preferences for each series as shall be stated in the resolutions providing for the designation and issue of each such class or series adopted by the board of directors of Visteon. The board of directors is authorized by Visteon’s charter to determine, among

other things, the voting, dividend, redemption, conversion and liquidation powers, rights and preferences and the limitations thereon pertaining to such class or series. The board of directors, without stockholder approval, may issue preferred stock with voting and other

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

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

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

Visteon's charter will provide that, subject to any rights of holders of preferred stock to elect additional directors under specified circumstances, the number of directors of Visteon shall consist of not less than one nor more than 15 members, the exact number of which shall be fixed from time to time by resolution adopted by the affirmative vote of a majority of the board of directors. The directors shall be divided into three classes, as nearly equal in number as possible, serving staggered three year terms so that the directors' initial term will expire on the date of the annual meeting of stockholders held in 2001, 2002 and 2003. At each succeeding annual meeting of stockholders, beginning in 2001, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. With a classified board, at least two annual meetings of stockholders will generally be required to effect a change in a majority of the members of the board; this has the effect of delaying any attempt by a stockholder seeking a takeover of Visteon to elect a majority of directors to our board. The charter and by-laws will provide that, subject to any rights of holders of preferred stock to elect directors under specified circumstances, the number of directors will be fixed from time to time exclusively by resolution of the board of directors. In addition, the charter and by-laws will provide that, subject to any rights of holders of preferred stock, and unless Visteon's board of directors otherwise determines, any vacancy on the board of directors that results from an increase in the number of directors may be filled by a majority of the directors then in office, provided that a quorum is present, and any other vacancy occurring on the board of directors may be filled by a majority of the board of directors then in office, even if less than a quorum, or by a sole remaining director; except as otherwise provided by law, any such vacancy may not be filled by the stockholders.

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

The charter and by-laws provide that the by-laws may be altered, amended or repealed by Visteon's board of directors or by the affirmative vote of the holders of at least 50% of the common stock.

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

Visteon is a Delaware corporation subject to Section 203 of the Delaware General Corporation Law. Section 203 provides that, subject to certain exceptions, a corporation shall not engage in any business combination with any "interested stockholder" for a three-year period following the time that such stockholder becomes an interested stockholder unless (i) prior to such time, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder, (ii) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced (excluding certain shares) or (iii) at or subsequent to such time, the business combination is approved by the board of directors of the corporation and by the affirmative vote of at least 66- 2/3% of the outstanding voting stock which is not owned by the interested stockholder. Except as specified in Section 203, an interested stockholder is generally defined as (x) any person that is the owner of 15% or more of the outstanding voting stock of the corporation, or is an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation, at any time within the three-

year period immediately prior to the relevant date and (y) the affiliates and associates of any such person. Under certain circumstances, Section 203 makes it more difficult for an “interested stockholder” to effect various business combinations with a corporation for a three-year period, although the stockholders may elect to exclude a corporation from the restrictions imposed thereunder.

### **Limitation on Directors’ Liability**

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

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

### **Transfer Agent and Registrar**

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

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## **EXPERTS**

Our financial statements as of December 31, 1999 and 1998 and for each of the three years in the period ended December 31, 1999 included in this prospectus have been included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of that firm as experts in auditing and accounting.

## **LEGAL MATTERS**

Davis Polk & Wardwell will pass on the validity of the common stock offered and certain other legal matters for us.

## **WHERE YOU CAN FIND MORE INFORMATION**

We have filed a registration statement on Form S-1 with the SEC with respect to the shares of our common stock that Ford stockholders will receive in the spin-off. This prospectus is a part of that registration statement and, as allowed by SEC rules, does not include all of the information you can find in the registration statement or the exhibits to the registration statement. For additional information relating to us and the spin-off, reference is made to the registration statement and the exhibits to the registration statement. Statements contained in this preliminary prospectus as to the contents of any contract or document referred to are not necessarily complete and in each instance, if the contract or document is filed as an exhibit to the registration statement, reference is made to the copy of the contract or other document filed as an exhibit to the registration statement. Each statement is qualified in all respects by the relevant reference.

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

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

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## Visteon Corporation and Subsidiaries

### CONSOLIDATED STATEMENT OF INCOME (Unaudited)

	For the Three Months Ended March 31,	
	2000	1999
	(in millions, except per share amounts)	
<b>Sales</b>		
Ford and affiliates	\$4,476	\$4,355
Other customers	749	417
	5,225	4,772
<b>Costs and expenses (Note 2)</b>		
Costs of sales	4,795	4,341
Selling, administrative and other expenses	177	133
	4,972	4,474
<b>Operating income</b>	253	298
Interest income	25	22
Interest expense	48	23
	(23)	(1)
Net interest expense	7	16
Equity in net income of affiliated companies		
	237	313
<b>Income before income taxes</b>	86	112
Provision for income taxes		
	151	201
<b>Income before minority interests</b>	4	(4)
Minority interests in net income/(loss) of subsidiaries		
	\$ 147	\$ 205
<b>Net income</b>		
<b>Earnings per share (Note 1)</b>		
Basic and diluted	\$ 1.13	\$ 1.58

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

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

The accompanying notes are part of the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(Unaudited)

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

The accompanying notes are part of the interim financial statements.

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Visteon Corporation and Subsidiaries

NOTES TO INTERIM FINANCIAL STATEMENTS  
(Unaudited)

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

Ford Motor Company (“Ford”) established Visteon Corporation (“Visteon”) as a wholly-owned subsidiary of Ford. Ford has contributed or otherwise transferred to Visteon the assets and liabilities comprising Ford’s automotive components and systems business. For purposes of Notes to Interim Financial Statements, Visteon means Ford’s global automotive components and systems business, regardless of the form of legal ownership, which has been treated by Ford as a separate operating segment, unless the context requires otherwise.

Through an amendment to its certificate of incorporation, the number of common shares authorized and outstanding was increased to 500,000,000 and 130,000,000, respectively. In addition, 50,000,000 shares of preferred stock, par value \$1.00 per share, were authorized, none of which were issued. For purposes of the earnings per share calculation, the 130,000,000 shares outstanding are treated as outstanding for all periods presented. There were no potentially dilutive securities outstanding during the periods presented.

2. **Selected costs and expenses** are summarized as follows:

Three Months Ended

	March 31,	
	2000	1999
	(in millions)	
Depreciation	\$144	\$131
Amortization	22	18
Total	\$166	\$149

3. Inventories are summarized as follows:

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

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

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

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## Visteon Corporation and Subsidiaries

### NOTES TO INTERIM FINANCIAL STATEMENTS — Continued

(Unaudited)

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

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

	First Quarter			
	Dynamics & Energy Conversion	Comfort, Communication & Safety	Glass	Total Visteon
<b>2000</b>				
Sales	\$2,425	\$2,603	\$197	\$ 5,225
Income/(loss) before taxes	79	184	(6)	237
Net income (loss)	50	114	(4)	147
Average Assets	5,304	6,088	728	12,120
	<b>Dynamics</b>	<b>Comfort,</b>		

	& Energy Conversion	Communication & Safety	Glass	Total Visteon
<b>1999</b>				
Sales	\$2,369	\$2,203	\$200	\$4,772
Income/(loss) before taxes	125	182	7	313
Net income (loss)	79	121	5	205
Average Assets	4,462	4,408	616	9,686

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

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**REPORT OF INDEPENDENT ACCOUNTANTS**

To the Board of Directors and Stockholders

Ford Motor Company

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

/s/ PricewaterhouseCoopers LLP

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

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**Visteon Corporation and Subsidiaries**

**CONSOLIDATED STATEMENT OF INCOME**

	For the Years Ended December 31,		
	1999	1998	1997
	(in millions, except per share amounts)		
<b>Sales (Notes 3 and 14)</b>			
Ford and affiliates	\$17,105	\$16,350	\$16,003
Other customers	2,261	1,412	1,217
Total sales	19,366	17,762	17,220
<b>Costs and expenses (Notes 2, 3, 13 and 14)</b>			
Costs of sales	17,503	15,969	15,794
Selling, administrative and other expenses	674	659	575
Total costs and expenses	18,177	16,628	16,369
<b>Operating income</b>	1,189	1,134	851
Interest income	79	38	17

Interest expense	143	82	82
Net interest expense	(64)	(44)	(65)
Equity in net income of affiliated companies (Note 2)	47	26	29
<b>Income before income taxes</b>	1,172	1,116	815
Provision for income taxes (Note 7)	422	416	305
<b>Income before minority interests</b>	750	700	510
Minority interests in net income/(loss) of subsidiaries	15	(3)	(1)
<b>Net income</b>	<u>\$ 735</u>	<u>\$ 703</u>	<u>\$ 511</u>
<b>Earnings per share (Note 1)</b>			
Basic and diluted	<u>\$ 5.65</u>	<u>\$ 5.41</u>	<u>\$ 3.93</u>

The accompanying notes are part of the financial statements.

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**Visteon Corporation and Subsidiaries**

**CONSOLIDATED BALANCE SHEET**

	<b>December 31,</b>	
	<b>1999</b>	<b>1998</b>
	<b>(in millions)</b>	
<b>Assets</b>		
Cash and cash equivalents (Note 4)	\$ 1,849	\$ 542
Accounts and notes receivable — Ford and affiliates	1,578	1,429
Accounts receivable — other customers	613	332
Total receivables	2,191	1,761
Inventories (Note 5)	751	606
Deferred income taxes	110	139
Prepaid expenses and other current assets	295	143
Total current assets	5,196	3,191
Equity in net assets of affiliated companies (Note 2)	205	214
Net property (Note 6)	5,789	5,391
Deferred income taxes	362	356
Other assets	897	221
<b>Total assets</b>	<u>\$12,449</u>	<u>\$9,373</u>
<b>Liabilities and Equity</b>		
Trade payables — Ford and affiliates	\$ 1,414	\$ 544
Trade payables — other suppliers	1,736	1,319
Total trade payables	3,150	1,863
Accrued liabilities (Note 8)	1,211	960
Income taxes payable	153	32
Debt payable within one year — Ford and affiliates (Note 11)	697	142
Debt payable within one year — other (Note 11)	264	167
Total debt payable within one year	961	309
Total current liabilities	5,475	3,164
Long-term debt — Ford and affiliates (Note 11)	1,214	745
Long-term debt — other (Note 11)	144	71
Total long-term debt	1,358	816
Other liabilities (Note 8)	3,964	3,586
Deferred income taxes	153	152
Total liabilities	<u>10,950</u>	<u>7,718</u>

<b>Equity</b>		
Ford's net investment	1,566	1,680
Accumulated other comprehensive income	(67)	(25)
	<hr/>	<hr/>
Total equity	1,499	1,655
	<hr/>	<hr/>
<b>Total liabilities and equity</b>	<b>\$12,449</b>	<b>\$9,373</b>
	<hr/>	<hr/>

The accompanying notes are part of the financial statements.

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## Visteon Corporation and Subsidiaries

### CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Years Ended December 31,		
	1999	1998	1997
		(in millions)	
<b>Cash and cash equivalents at January 1</b>	\$ 542	\$ 344	\$ 137
Cash flows from operating activities (Note 15)	2,482	1,376	1,411
Cash flows from investing activities			
Capital expenditures	(876)	(861)	(917)
Acquisitions and investments in joint ventures, net	(579)	(108)	—
Other	2	29	(26)
	<hr/>	<hr/>	<hr/>
Net cash used in investing activities	(1,453)	(940)	(943)
Cash flows from financing activities			
Cash distributions to Ford	(775)	(267)	(194)
Cash contributions from Ford	217	—	—
Changes in short-term debt	493	34	29
Proceeds from issuance of other term debt	285	96	154
Principal payments on other term debt	(361)	(149)	(66)
Net changes in revolving loan with Ford	531	—	(128)
Other	(100)	52	(46)
	<hr/>	<hr/>	<hr/>
Net cash provided by/(used in) financing activities	290	(234)	(251)
Effect of exchange rate changes on cash	(12)	(4)	(10)
	<hr/>	<hr/>	<hr/>
Net increase in cash and cash equivalents	1,307	198	207
	<hr/>	<hr/>	<hr/>
<b>Cash and cash equivalents at December 31</b>	<b>\$ 1,849</b>	<b>\$ 542</b>	<b>\$ 344</b>
	<hr/>	<hr/>	<hr/>

The accompanying notes are part of the financial statements.

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## Visteon Corporation and Subsidiaries

### CONSOLIDATED STATEMENT OF EQUITY

	Ford's Net Investment	Other Comprehensive Income	Total
		(in millions)	
<b>Year Ended December 31, 1997</b>			
Balance at beginning of year	\$ 986	\$ (3)	\$ 983
Comprehensive income			

Net income	511	—	511
Foreign currency translation	—	(50)	(50)
Comprehensive income			461
Net transfers to Ford	(240)	—	(240)
Balance at end of year	\$1,257	\$(53)	\$1,204
<b>Year Ended December 31, 1998</b>			
Balance at beginning of year	\$1,257	\$(53)	\$1,204
Comprehensive income			
Net income	703	—	703
Foreign currency translation	—	28	28
Comprehensive income			731
Net transfers to Ford	(280)	—	(280)
Balance at end of year	\$1,680	\$(25)	\$1,655
<b>Year Ended December 31, 1999</b>			
Balance at beginning of year	\$1,680	\$(25)	\$1,655
Comprehensive income			
Net income	735	—	735
Foreign currency translation	—	(42)	(42)
Comprehensive income			693
Net transfers to Ford	(849)	—	(849)
Balance at end of year	\$1,566	\$(67)	\$1,499

The accompanying notes are part of the financial statements.

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## Visteon Corporation and Subsidiaries

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1. General Information and Background

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

Visteon was incorporated in Delaware as of January 1, 2000 with an initial capitalization of 10,000 shares of \$1.00 par value common stock authorized and 1,000 shares of common stock outstanding. Through an amendment to its certificate of incorporation, the number of common shares authorized and outstanding was increased to 500,000,000 and 130,000,000, respectively. In addition, 50,000,000 shares of preferred stock, par value \$1.00 per share, were authorized, none of which were issued.

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

#### NOTE 2. Basis of Presentation

*Principles of Consolidation*

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

#### *Visteon-designated Employee Costs and Benefit Plans*

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

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

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### **Visteon Corporation and Subsidiaries**

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

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

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

##### *Operating Costs*

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

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

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

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

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

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

##### *Revenue Recognition*

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

##### *Other Costs*

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

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

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**Visteon Corporation and Subsidiaries**

**NOTES TO FINANCIAL STATEMENTS — Continued**

**NOTE 3. Accounting Policies — Continued**

*Derivative Financial Instruments*

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

Gains and losses on derivative financial instruments are deferred and recognized in cost of sales during the settlement period of the related transactions. Commodity exposures are managed substantially through fixed-price contracts with suppliers. After consideration of the amounts of currency exposures, Visteon management, in consultation with Ford treasury management, did not place any significant Visteon specific hedges of non-U.S. currency exposures in 1997 or 1998. During 1999, Visteon entered into certain transactions to hedge foreign currency exposures in foreign countries. The fair value of foreign currency instruments were estimated using current market rates provided by outside quotation services. The estimated notional amount and fair value of foreign currency instruments at December 31, 1999 were \$410 million and \$16 million, respectively.

*Foreign Currency Translation*

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

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

Visteon evaluates the carrying value of goodwill for potential impairment on an ongoing basis. Such evaluations compare operating income before amortization of goodwill to the amortization recorded for the operations to which the goodwill relates. Visteon also periodically evaluates the carrying value of long-lived assets and long-lived assets to be disposed of for potential impairment. Visteon considers projected future operating results, cash flows, trends and other circumstances in making such estimates and evaluations.

*Goodwill*

Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies and is amortized using the straight-line method for periods up to 20 years.

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**Visteon Corporation and Subsidiaries**

**NOTES TO FINANCIAL STATEMENTS — Continued**

### NOTE 3. Accounting Policies — Continued

Total goodwill included in other assets was \$409 million at December 31, 1999. Goodwill is primarily related to the 1999 acquisition of the automotive interior division of Compagnie Plastic Omnium.

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

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

### NOTE 4. Cash and Cash Equivalents

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

### NOTE 5. Inventories

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

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

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

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

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

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

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

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

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

#### NOTE 7. Income Taxes

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

Income before income taxes for U.S. and non-U.S. operations, excluding equity in net income of affiliated companies, was as follows:

	1999	1998	1997
	(in millions)		
U.S.	\$ 974	\$ 746	\$471
Non-U.S.	151	344	315
	—	—	—
Total income before income taxes	\$1,125	\$1,090	\$786

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### Visteon Corporation and Subsidiaries

#### NOTES TO FINANCIAL STATEMENTS — Continued

#### NOTE 7. Income Taxes — Continued

The provision for income taxes was calculated as follows:

	1999	1998	1997
	(in millions)		
Current tax provision			
U.S. federal	\$264	\$165	\$(40)
Non-U.S.	112	149	80
State and local	26	26	17
	—	—	—
Total current	402	340	57



Included in accrued liabilities at December 31 were the following:

	1999	1998
	(in millions)	
Salaries, wages and employer taxes	\$ 514	\$329
Employee benefit plans	239	315
Postretirement benefits other than pensions	186	30
Other	272	286
Total accrued liabilities	<u>\$1,211</u>	<u>\$960</u>

#### Noncurrent Liabilities

Included in other liabilities at December 31 were the following:

	1999	1998
	(in millions)	
Postretirement benefits other than pensions	\$3,300	\$3,220
Employee benefit plans	331	119
Minority interests in net assets of subsidiaries	91	16
Other	242	231
Total other liabilities	<u>\$3,964</u>	<u>\$3,586</u>

#### NOTE 9. Employee Retirement Plans

In the U.S., Visteon-designated employees of Ford participate in two principal retirement plans, the Ford-UAW Retirement Plan and the General Retirement Plan, both sponsored by Ford, and also in pension plans sponsored by Ford Electronics and Refrigeration LLC. The hourly plans provide noncontributory benefits related to employee service. The salaried plans provide similar

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### Visteon Corporation and Subsidiaries

#### NOTES TO FINANCIAL STATEMENTS — Continued

#### NOTE 9. Employee Retirement Plans — Continued

noncontributory and contributory benefits related to pay and service. In addition, certain Visteon-designated executives participate in unfunded defined benefit plans, also sponsored by Ford.

Visteon-designated employees of Ford also participate in pension plans outside the U.S.; these generally are funded by Ford, except in Germany, where an unfunded liability exists. Also outside the U.S., Visteon activities either sponsor pension plans or participate in pension plans sponsored by subsidiaries of Ford.

The employee benefit plan expense allocated from Ford and charged to Visteon was as follows:

	U.S. Plans			Non-U.S. Plans		
	1999	1998	1997	1999	1998	1997
	(in millions)					
<b>Costs Recognized in Income</b>						
Service cost	\$ 140	\$ 121	\$ 119	\$ 34	\$ 30	\$ 28
Interest cost	418	390	402	67	65	62
Expected return on plan assets	(611)	(539)	(514)	(95)	(88)	(80)
Amortization of:						
Transition (asset)/obligation	1	1	2	(1)	(2)	(2)
Plan amendments	104	133	110	13	11	10
(Gains)/losses and other	5	3	5	12	2	(2)

Net pension expense	\$ 57	\$ 109	\$ 124	\$ 30	\$ 18	\$ 16
Discount rate for expense	6.25%	6.75%	7.25%	5.70%	6.50%	7.10%
Assumed long-term rate of return on assets	9.00%	9.00%	9.00%	9.30%	9.20%	9.20%

Pension expense in 1999 and 1998 decreased for U.S. plans primarily as a result of increased return on plan assets partially offset by lower discount rates and the year-to-year change in the cost of certain employee separation programs.

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**Visteon Corporation and Subsidiaries**

**NOTES TO FINANCIAL STATEMENTS — Continued**

**NOTE 9. Employee Retirement Plans — Continued**

The retirement obligations of Ford Electronics and Refrigeration LLC and Ford Electronics and Manufacturing Company, Inc. are entirely the responsibility of Visteon. The summarized funded status of these plans at December 31 was as follows:

	1999	1998
	(in millions)	
Plan assets at fair value	\$ 786	\$ 725
Projected benefit obligation	501	556
Plan assets in excess of projected benefit obligation	285	169
Unrecognized amounts for transition and prior service	33	27
Unamortized net gain	(210)	(99)
Net prepaid asset recognized and included in Visteon's balance sheet	\$ 108	\$ 97
<b>Assumptions as of December 31</b>		
Discount rate	7.75%	6.25%
Expected return on assets	9.00%	9.00%
Average rate of increase in compensation	5.00%	5.00%

**NOTE 10. Postretirement Health Care and Life Insurance Benefits**

Ford and certain of its subsidiaries sponsor unfunded plans to provide selected health care and life insurance benefits for retired employees. Visteon-designated employees in the U.S. may become eligible for these benefits if they retire; benefits and eligibility rules may be modified from time to time.

The estimated cost for these benefits is accrued over periods of employee service on an actuarially determined basis. Ford has prepaid a portion of hourly U.S. retiree health benefits by contributing to a Voluntary Employees' Beneficiary Association ("VEBA"). At December 31, 1999, \$419 million of VEBA assets were allocated to Visteon.

Increasing the assumed health care cost trend rates by one percentage point is estimated to increase the aggregate service and interest cost components of Visteon's net postretirement benefit expense for 1999 by \$57 million and the accumulated postretirement benefit obligation at December 31, 1999 by \$508 million. A decrease of one percentage point would reduce service and interest costs by \$44 million and decrease the December 31, 1999 obligation by \$423 million.

The amounts primarily allocated from Ford and charged to Visteon expense for postretirement health care and life insurance benefits were as follows:

	1999	1998	1997
	(in millions)		
<b>Costs Recognized in Income</b>			
Service cost	\$ 81	\$ 59	\$ 54
Interest cost	261	245	266
Expected return on plan assets	(27)	(11)	—
Amortization of:			
Plan amendments	(9)	(10)	(11)
Losses and other	9	10	1

[Table of Contents](#)**Visteon Corporation and Subsidiaries****NOTES TO FINANCIAL STATEMENTS — Continued****NOTE 10. Postretirement Health Care and Life Insurance Benefits — Continued**

The year-end status of these plans was as follows:

	1999	1998
	(in millions)	
<b>Change in Benefit Obligation</b>		
Benefit obligation at January 1	\$ 4,203	\$ 3,665
Service cost	81	59
Interest cost	261	245
Termination programs	6	7
Benefits paid	(179)	(179)
Actuarial loss/(gain)	(231)	406
Benefit obligation at December 31	<u>\$ 4,141</u>	<u>\$ 4,203</u>
<b>Change in Plan Assets</b>		
Fair value of plan assets at January 1	\$ 500	\$ 171
Actual return on plan assets	18	10
Company contributions	33	425
Benefits paid	(132)	(106)
Fair value of plan assets at December 31	<u>\$ 419</u>	<u>\$ 500</u>
<b>Funded Status of the Plans</b>		
Plan assets less than projected benefits	\$(3,722)	\$(3,703)
Unamortized amendments	8	(30)
Unamortized net losses	228	483
Net amount recognized as an accrued liability in the balance sheet	<u>\$(3,486)</u>	<u>\$(3,250)</u>
<b>Assumptions as of December 31</b>		
Discount rate	7.75%	6.50%
Expected return on assets	6.00%	6.00%
Initial health care cost trend rate	8.75%	7.00%
Ultimate health care cost trend rate	5.14%	5.00%
Number of years to ultimate trend rate	8	9

[Table of Contents](#)**Visteon Corporation and Subsidiaries****NOTES TO FINANCIAL STATEMENTS — Continued****NOTE 11. Debt**

Debt at December 31, 1999 and 1998 was as follows:

Weighted- Average Interest Rate	Book Value
---------------------------------------	------------

	Maturity	1999	1998	1999	1998
(in millions)					
<b>Term debt payable within one year</b>					
Ford and affiliates		4.8%	5.5%	\$ 697	\$ 142
Other		7.6%	8.0%	264	167
Total debt payable within one year				961	309
<b>Long-term debt</b>					
Ford and affiliates	2001-2007	6.9%	5.0%	115	177
Other	2001-2005	8.3%	6.6%	144	71
Total term debt				1,220	557
Borrowings under revolving loan arrangement with Ford	2001	7.9%	8.0%	1,099	568
Total debt				<u>\$2,319</u>	<u>\$1,125</u>

Term debt consists of various arrangements. The portion of these loans payable in non-U.S. currencies at December 31, 1999 and 1998, was \$147 million and \$183 million, respectively. The fair value of term debt approximated book value at December 31, 1999 and 1998 and was estimated based on quoted market prices or current rates for similar debt with the same remaining maturities.

Debt also includes borrowings under an intracompany revolving loan arrangement with Ford. Under this arrangement, Visteon may borrow up to \$1,250 million. Borrowings under this revolving loan arrangement are due on the first business day following the first anniversary of the date demand for repayment is made by Ford. Interest on this debt is determined quarterly based on Ford's average interest rate on its U.S. Dollar denominated, publicly traded automotive debt. No fair value has been estimated on this debt.

Debt at December 31, 1999 included maturities as follows (in millions): 2000 — \$961; 2001 — \$1,185; 2002 — \$53; 2003 — \$44; 2004 — \$4; thereafter — \$72.

#### *Additional Support Facilities*

Certain Visteon receivables are sold to Ford Motor Credit Company ("Ford Credit"), a wholly owned subsidiary of Ford. Under the terms of this agreement, Visteon provides loss protection to Ford Credit up to twelve percent of the average amount of receivables sold. The amount of such receivables sold was \$89 million and \$91 million at December 31, 1999 and 1998, respectively.

#### **NOTE 12. Litigation and Claims**

Various legal actions, governmental investigations and proceedings and claims are pending or may be instituted or asserted in the future against Visteon, including those arising out of alleged defects in Visteon's products; governmental regulations relating to safety; employment-related matters; customer, supplier and other contractual relationships; intellectual property rights; product warranties; and environmental matters. Some of the foregoing matters involve or

### **Visteon Corporation and Subsidiaries**

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

#### **NOTE 12. Litigation and Claims — Continued**

may involve compensatory, punitive, or antitrust or other treble damage claims in very large amounts, or demands for recall campaigns, environmental remediation programs, sanctions, or other relief which, if granted, would require very large expenditures.

Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. Reserves have been established by Visteon for certain matters discussed in the foregoing paragraph where losses are deemed probable. It is reasonably possible, however, that some of the matters discussed in the foregoing paragraph for which reserves have not been established could be decided unfavorably to the Visteon business involved and could require Visteon to pay damages or make other expenditures in amounts, or a range of amounts that cannot be estimated at December 31, 1999. Visteon does not reasonably expect, based on its analysis, that any adverse outcome from such matters would have a material effect on future Visteon consolidated financial statements for a particular year, although such an outcome is possible.

#### **NOTE 13. Acquisitions and Restructuring**

In June 1999, Visteon acquired the automotive interiors division of Compagnie Plastic Omnium for approximately 2.9 billion French Francs, net of cash acquired. This business has 14 facilities located in four countries: France, Spain, Italy and the United Kingdom, and generated 1998 revenues of approximately 2.8 billion French Francs. The acquisition has been accounted for as a purchase. The purchase price has been allocated to the assets acquired and liabilities assumed based on estimated fair values as of the acquisition date. The excess of the purchase price over the estimated fair value of the net assets acquired is approximately \$300 million and is being amortized on a straight-line basis over 20 years. The assets purchased, liabilities assumed and the results of operations, since the date of acquisition, are included in the financial statements on a consolidated basis. Assuming the acquisition had taken place January 1, 1999 and 1998, Visteon's pro forma revenue and net income for the related periods would not be materially affected.

Visteon recorded a pre-tax charge of approximately \$40 million in fourth quarter 1998 for Visteon-designated employees that were part of special voluntary and involuntary retirement and separation programs announced by Ford.

During fourth quarter 1997, Visteon recorded a pre-tax expense totaling approximately \$60 million reflecting the restructuring and rationalization of Glass Division in the U.S. These actions are related to the windshield manufacturing facilities in the U.S. and the closure of the Dearborn Glass Plant.

#### NOTE 14. Transactions with Ford and its Affiliates

Revenues from Ford and its affiliates approximated 88% in 1999, 92% in 1998, and 93% in 1997. The majority of significant transactions regarding employee matters, financing, warranty and product liability, environmental costs, litigation claims and tax sharing with Ford and its affiliates are disclosed throughout these financial statements. In addition, Ford has provided Visteon with various corporate and administrative services, the most significant of which include information technology, product development, accounting and finance, corporate insurance programs, treasury, facilities, legal and human resources. For 1999 and 1998, assessments for these services totaled approximately \$211 million and \$185 million, respectively. For 1997, data are not readily available to determine the assessments related to these services.

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### Visteon Corporation and Subsidiaries

#### NOTES TO FINANCIAL STATEMENTS — Continued

#### NOTE 15. Cash Flows

The reconciliation of net income to cash flows from operating activities is as follows:

	1999	1998	1997
		(in millions)	
Net income	\$ 735	\$ 703	\$ 511
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation and amortization	651	565	590
Earnings of affiliated companies in excess of dividends remitted	(23)	(9)	(13)
Foreign currency adjustments	32	(16)	32
Provision for deferred income taxes	20	76	248
Changes in assets and liabilities:			
Increases in accounts receivable and other current assets	(285)	(137)	(211)
(Increase)/decrease in inventory	(62)	(81)	27
Increases in accounts payable, accrued and other liabilities	1,494	436	278
Other	(80)	(161)	(51)
Cash flows from operating activities	<u>\$2,482</u>	<u>\$1,376</u>	<u>\$1,411</u>

Cash paid for interest and income taxes was as follows:

	1999	1998	1997
		(in millions)	
Interest	\$143	\$ 81	\$ 95
Income taxes	281	308	84

#### NOTE 16. Stock Options

Visteon-designated employees participate in the stock option plans of Ford and have stock options outstanding under Ford's 1990 Long-Term Incentive Plan and the 1998 Long-Term Incentive Plan. Options granted in 1997 under the 1990 Plan and options granted under the 1998 Plan become exercisable 33% after one year from the date of grant, an additional 33% after two years and in full after three years. In general, options granted prior to 1997 under the 1990 Plan become exercisable 25% after one year from the date of grant, 50% after two years, 75% after three years, and in full after four years. Options under both Plans expire no later than 10 years from the date of grant.

The estimated fair value as of date of grant of options granted in 1999, 1998, and 1997, using the Black-Scholes option-pricing model, was as follows:

	1999	1998	1997
Estimated fair value per share of options granted during the year	\$17.53	\$9.25	\$5.76
Assumptions:			
Annualized dividend yield	3.2%	4.1%	4.8%
Common Stock price volatility	36.5%	28.1%	22.1%
Risk-free rate of return	5.2%	5.7%	6.7%
Expected option term (in years)	5	5	5

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**Visteon Corporation and Subsidiaries**

**NOTES TO FINANCIAL STATEMENTS — Continued**

**NOTE 16. Stock Options — Continued**

Visteon measures compensation cost using the intrinsic value method. Accordingly, no compensation cost for stock options has been recognized. If compensation cost had been determined based on the estimated fair value of options granted since 1995, the pro forma effects on Visteon's net income would not have been material.

**NOTE 17. Segment Information**

Statement of Financial Accounting Standards No. 131 ("SFAS 131"), "Disclosures about Segments of an Enterprise and Related Information" establishes standards for reporting information about operating segments in annual financial statements and requires reporting selected information about operating segments in interim financial reports. It also establishes standards for related disclosures about products and services and geographic operations.

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision makers, or a decision making group, in deciding how to allocate resources and in assessing performance. Visteon's chief operating decision-making group is the Strategy Council, which is comprised of the Chairman and Chief Executive Officer and five other senior executives.

Visteon's reportable operating segments are Dynamics & Energy Conversion; Comfort, Communication & Safety; and Glass. The Dynamics & Energy Conversion segment supplies various chassis and energy transformation components and systems mainly to OEM customers. The Comfort, Communication & Safety segment supplies various interior, exterior, and climate control components and systems mainly to OEM customers. The Glass segment supplies architectural and flat glass to a broad customer base, including OEMs.

The accounting policies for the operating segments are the same as those described in Note 3, "Accounting Policies". Visteon evaluates the performance of its operating segments based primarily on sales, profit before taxes and net income.

Financial information for the reportable operating segments is summarized as follows (in millions):

	Dynamics & Energy Conversion	Comfort, Communication & Safety	Glass	Total Visteon
<b>1999</b>				
Sales	\$9,216	\$9,377	\$773	\$19,366
Income/(loss) before taxes	549	676	2	1,172
Net income	344	422	3	735
Depreciation/amortization	278	338	35	651
Capital expenditures	388	444	44	876
Unconsolidated affiliates:				

Equity in net income	—	39	8	47
Investments in	—	184	21	205
Average assets	5,048	5,204	682	10,934

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**Visteon Corporation and Subsidiaries**

**NOTES TO FINANCIAL STATEMENTS — Continued**

**NOTE 17. Segment Information — Continued**

	<b>Dynamics &amp; Energy Conversion</b>	<b>Comfort, Communication &amp; Safety</b>	<b>Glass</b>	<b>Total Visteon</b>
<b>1998</b>				
Sales	\$8,673	\$8,337	\$752	\$17,762
Income/(loss) before taxes	473	716	(29)	1,116
Net income	294	452	(15)	703
Depreciation/amortization	263	268	34	565
Capital expenditures	399	378	84	861
Unconsolidated affiliates:				
Equity in net income	—	17	9	26
Investments in	—	190	24	214
Average assets	4,306	4,070	548	8,924
	<b>Dynamics &amp; Energy Conversion</b>	<b>Comfort, Communication &amp; Safety</b>	<b>Glass</b>	<b>Total Visteon</b>
<b>1997</b>				
Sales	\$7,918	\$8,545	\$757	\$17,220
Income/(loss) before taxes	223	704	(47)	815
Net income	136	439	(25)	511
Depreciation/amortization	295	247	48	590
Capital expenditures	414	451	52	917
Unconsolidated affiliates:				
Equity in net income	—	20	9	29
Investments in	—	172	23	195
Average assets	3,936	3,747	507	8,190

Total income/(loss) before taxes in the table above includes \$55 million, \$44 million and \$65 million of net interest expense not allocated to the reportable operating segments for 1999, 1998 and 1997, respectively. Total net income in the table above includes \$34 million, \$28 million and \$39 million of expense related to net interest expense not allocated to the reportable operating segments for 1999, 1998 and 1997, respectively.

Visteon's major geographic areas are the United States and Europe. Other geographic areas (primarily Canada, Mexico, South America and Asia Pacific) individually are not material. Financial information segregated by geographic area is as follows (in millions).

<b>Geographic Areas</b>	<b>United States</b>	<b>Europe</b>	<b>All Other</b>	<b>Total Company</b>
<b>1999</b>				
Sales	\$14,814	\$2,732	\$1,820	\$19,366
Net property	3,592	1,274	923	5,789
<b>1998</b>				
Sales	\$13,543	\$2,638	\$1,581	\$17,762
Net property	3,494	1,244	653	5,391
<b>1997</b>				
Sales	\$12,960	\$2,627	\$1,633	\$17,220
Net property	3,324	1,075	517	4,916

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## NOTES TO FINANCIAL STATEMENTS — Continued

## NOTE 18. Summary Quarterly Financial Data (Unaudited)

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

## NOTE 19. Subsequent Events (Unaudited)

In connection with Visteon's separation from Ford, Visteon and Ford have entered into, or expect to enter into, a series of agreements. These agreements include a master transfer agreement and certain related ancillary agreements. The following summary is qualified in all respects by the terms of the master transfer agreement and other related agreements.

*Master Transfer Agreement*

The master transfer agreement, effective as of April 1, 2000, provides for Ford to transfer to Visteon and/or its subsidiaries, prior to its spin-off, generally, all assets used exclusively in the Visteon business, including but not limited to real property interests, personal property and ownership interests in subsidiaries and joint ventures. Visteon and Ford have agreed to transfer legal title to any remaining assets and any remaining liabilities of the Visteon business not transferred prior to the spin-off, most of which are foreign assets and liabilities subject to regulatory and other delays, as soon as practicable. In the interim, Visteon will operate and receive the economic benefit of (and bear the economic burdens of) these assets.

In addition, Visteon and Ford have agreed to a division of certain liabilities including liabilities related to product liability, warranty and recall, environmental, intellectual property claims and other general litigation claims.

*Supply Agreement and Pricing Letter Agreement*

The supply agreement provides that Visteon's existing purchase orders with Ford as of January 1, 2000 will generally remain in effect at least through the end of 2003, subject to Ford's right to terminate any particular purchase order for quality or certain other reasons. In addition, the pricing letter requires a one-time 5% price reduction on products that Visteon was supplying to Ford as of January 1, 2000 based on a market pricing review conducted by Ford and Visteon. The pricing letter also requires productivity price adjustments in each of 2000, 2001, 2002 and 2003 to reflect competitive price reductions obtained each year by Ford from its other Tier 1 suppliers. Visteon and Ford have agreed on a 3.5% productivity price reduction for 2000 on such products, which is consistent with (i) price reductions between Visteon and Ford in prior years and (ii) the amount of annual productivity improvement that Ford generally expects from its other Tier 1 suppliers.

Until May 2003, Visteon has the right of last refusal to meet competitive terms, including with respect to price, on replacement products that (i) Visteon produces in the United States, Canada, Europe and Mexico, and (ii) Visteon supplied to Ford on January 1, 2000, subject to certain conditions and exceptions.

## NOTE 19. Subsequent Events (Unaudited) — Continued

*Master Separation Agreement*

The master separation agreement provides for Ford to provide certain transitional services to Visteon until December 31, 2001. These services include information technology, human resources, accounting, customs, product development technology and real estate services which have been historically provided to Visteon by Ford. Visteon has agreed to pay Ford amounts which reflect its fully accounted cost for these services, including a reasonable allocation of internal overhead costs, as well as any direct costs

incurred from outside suppliers. Visteon may terminate any transitional service upon six months' written notice. Transitional services may be extended an additional six months to June 30, 2002, provided Visteon notifies Ford by June 30, 2001.

#### *Aftermarket Relationship Agreement*

The aftermarket relationship agreement covers components supplied by Visteon to Ford's aftermarket business. The agreement addresses pricing, tooling and other matters, and provides that any components purchased by Ford's aftermarket business from Visteon for vehicles currently in production will be governed by the supply agreement and pricing letter agreements discussed above.

#### *Hourly Employee Assignment Agreement*

The hourly employee assignment agreement sets forth certain rights and obligations with respect to about 23,580 United States hourly employees of Ford who (i) are represented by the UAW, (ii) are covered by the Ford UAW Master Collective Bargaining Agreement dated as of September 30, 1999, (iii) are employed in one of Visteon's facilities as of a date that will be no later than the date of the spin-off, and (iv) after Visteon's spin-off will remain Ford employees indefinitely but will be assigned to work for Visteon.

Under this agreement, Visteon will exercise day-to-day supervision over the covered individuals and Ford will continue to provide the same employee benefits generally offered to other hourly employees of Ford who are represented by the UAW. Visteon will reimburse Ford for the wage, benefit and other costs incurred by Ford related to these individuals. However, Visteon's liability for profit sharing based on Ford's profits is limited to \$50 million per year in each of 2000-2004. After 2004, Visteon will be liable for the full amount of profit sharing based on Ford's profits.

#### *Employee Transition Agreement*

The employee transition agreement covers the transfer of employment to Visteon of all the employees engaged in the Visteon business, other than the employees covered by the hourly employee assignment agreement discussed above. This agreement provides for the transition of employee benefit plans and programs. Visteon has agreed to adopt substantially comparable benefit plans and programs as were in effect at Ford and to continue such programs for at least four years after the spin-off, subject to certain conditions.

With respect to pensions, Visteon will provide the pension related to future service for all such employees. Ford will retain the pension obligations for those employees who had worked in the Visteon business and had retired prior to the spin-off. Ford also will retain the pension obligations for the past service of two groups of transferred employees: (a) those active

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### **Visteon Corporation and Subsidiaries**

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

#### **NOTE 19. Subsequent Events (Unaudited) — Continued**

employees who are eligible to retire under Ford's pension plan, and (b) those active employees that meet certain minimum age and years of service requirements.

Ford will retain the liability to provide postretirement health and life insurance benefits for those employees who had worked in the Visteon business and had retired prior to the spin-off. For all continuing active employees, Visteon will be responsible for these postretirement benefits.

In addition, the employee transition agreement addresses certain matters related to other non-qualified retirement plans sponsored by Ford.

#### *Tax Sharing Agreement*

The tax sharing agreement provides, among other things, for the allocation of tax liabilities arising prior to, as a result of, and subsequent to the spin-off. Generally, Visteon will be liable for taxes attributable to the Visteon business determined as though Visteon were to file separate federal, state and local income tax returns as the common parent of an affiliated group of corporations filing consolidated or combined federal state or local returns.

Visteon has agreed, within two years after completion of the spin-off, not to take any actions or enter into any transactions that would cause the spin-off not to qualify as tax-free. Visteon also has agreed to indemnify Ford to the extent that any action Visteon takes gives rise to a tax incurred by Ford with respect to the spin-off.

Management intends to sponsor a stock-based incentive plan (“Long-Term Incentive Compensation Plan” or “LTIP”) contingent upon the successful completion of the spin-off. The LTIP will be administered by a compensation committee. The LTIP provides for the grant of incentive and nonqualified stock options, stock appreciation rights, performance stock rights, and stock and various other rights based on stock (collectively referred to as “Awards”). The total number of shares of Visteon common stock that may be subject to Awards under the LTIP is 13,000,000 shares, including Awards granted subject to completion of the spin-off.

Visteon intends to grant to certain employees contingent on the successful completion of the spin-off about 958,000 shares of restricted stock and about 1,862,000 stock options with an exercise price equal to the average of the highest and lowest prices at which Visteon common stock was traded on the New York Stock Exchange on the date of the spin-off. The restricted stock will vest on the fifth anniversary of the date of grant. Stock options will become exercisable 33% after one year from the date of grant, an additional 33% after two years and in full after three years, and expire after 10 years from the date of grant. These awards will be subject to approval by our shareholders after the spin-off.

*Other*

Effective April 1, 2000, Ford converted \$1,120 million of debt owed to it by Visteon under an intracompany revolving loan arrangement into an equity investment in Visteon.

Visteon will record a pre-tax charge of approximately \$30 million to \$50 million in the second and third quarters of 2000 for Visteon-designated employees that are part of special voluntary retirement and separation programs that have been or will be announced by Visteon.

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**ANNEX A — SUPPLEMENTAL FINANCIAL DATA**

**THIS ANNEX A IS NOT A PART OF VISTEON CORPORATION AND ITS SUBSIDIARIES’ CONSOLIDATED FINANCIAL STATEMENTS**

**Visteon Corporation and Subsidiaries**

**STATEMENT OF INCOME  
For the Year Ended December 31, 1999  
(In Millions)**

ACTUAL	First Quarter 1999	Second Quarter 1999	Third Quarter 1999	Fourth Quarter 1999	1999
	(unaudited)				
Sales	\$4,772	\$5,063	\$4,600	\$4,931	\$19,366
<b>Costs and expenses</b>					
Costs of sales	4,341	4,430	4,146	4,586	17,503
Selling, administrative, and other expenses	133	172	174	195	674
Total costs and expenses	4,474	4,602	4,320	4,781	18,177
<b>Operating income</b>	298	461	280	150	1,189
Interest income	22	2	26	29	79
Interest expense	23	26	50	44	143
Net interest expense	(1)	(24)	(24)	(15)	(64)
Equity in net income of affiliated companies	16	12	4	15	47
<b>Income before income taxes</b>	313	449	260	150	1,172
Provision for income taxes	112	164	96	50	422
<b>Income before minority interests</b>	201	285	164	100	750
Minority interests in net income of subsidiaries	(4)	5	9	5	15
<b>Net Income</b>	\$ 205	\$ 280	\$ 155	\$ 95	\$ 735
	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>	

PRO FORMA	1999	1999	1999	1999	1999
	(unaudited)				
Sales	\$4,597	\$4,877	\$4,445	\$4,757	\$18,676
<b>Costs and expenses</b>					
Costs of sales	4,304	4,383	4,129	4,545	17,361
Selling, administrative, and other expenses	158	198	198	222	776
Total costs and expenses	4,462	4,581	4,327	4,767	18,137
<b>Operating income</b>	135	296	118	(10)	539
Interest income	9	9	8	9	35
Interest expense	44	44	44	44	176
Net interest expense	(35)	(35)	(36)	(35)	(141)
Equity in net income of affiliated companies	16	12	4	15	47
<b>Income before income taxes</b>	116	273	86	(30)	445
Provision for income taxes	38	98	31	(18)	149
<b>Income before minority interests</b>	78	175	55	(12)	296
Minority interests in net income of subsidiaries	(4)	5	9	5	15
<b>Net Income</b>	\$ 82	\$ 170	\$ 46	\$ (17)	\$ 281

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**Visteon Corporation and Subsidiaries**

**SUPPLEMENTAL FINANCIAL DATA**

	1999 Actual						1999 Pro Forma			
	1997	1998	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year	First Quarter	Second Quarter	Third Quarter
	(unaudited)						(unaudited)			
<b>Sales (In Millions)</b>										
Comfort, Communication & Safety	\$ 8,545	\$ 8,337	\$2,203	\$2,405	\$2,344	\$2,425	\$ 9,377	\$2,130	\$2,328	\$2,280
Dynamics & Energy										
Conversion	7,918	8,673	2,369	2,456	2,075	2,317	9,216	2,276	2,357	1,992
Glass	757	752	200	202	182	189	773	190	192	173
Total	\$17,220	\$17,762	\$4,772	\$5,063	\$4,600	\$4,931	\$19,366	\$4,597	\$4,877	\$4,445
<b>Profit Before Tax (In Millions)</b>										
Comfort, Communication & Safety	\$ 704	\$ 716	\$ 182	\$ 294	\$ 181	\$ 20	\$ 676	\$ 113	\$ 223	\$ 113
Dynamics & Energy										
Conversion	223	473	125	169	97	157	549	38	81	12
Glass	(47)	(29)	7	10	(1)	(14)	2	—	4	(9)
Total (Incl. Other) (a)	\$ 815	\$ 1,116	\$ 313	\$ 449	\$ 260	\$ 150	\$ 1,172	\$ 116	\$ 273	\$ 86
<b>Net Income (In Millions)</b>										
Comfort, Communication & Safety	\$ 439	\$ 452	\$ 121	\$ 182	\$ 105	\$ 14	\$ 422	\$ 78	\$ 138	\$ 63
Dynamics & Energy										
Conversion	136	294	79	106	61	99	344	25	50	8
Glass	(25)	(15)	5	8	(1)	(10)	3	1	4	(5)

Total (Incl. Other) (a)	\$ 511	\$ 703	\$ 205	\$ 280	\$ 155	\$ 95	\$ 735	\$ 82	\$ 170	\$ 46
<b>Operating Margin(b)</b>										
Comfort, Communication & Safety	8.0%	8.4%	7.6%	11.8%	7.9%	0.4%	6.9%	4.6%	9.1%	5.2%
Dynamics & Energy Conversion	2.8	5.5	5.3	6.9	4.7	6.8	6.0	1.7	3.4	0.6
Glass	Loss	Loss	2.5	4.0	Loss	Loss	Loss	Loss	1.0	Loss
Total	4.9	6.4	6.2	9.1	6.1	3.0	6.1	2.9	6.1	2.7
<b>Depreciation &amp; Amortization (In Millions)</b>	\$ 590	\$ 565	\$ 149	\$ 151	\$ 186	\$ 165	\$ 651	\$ 149	\$ 151	\$ 186
<b>R&amp;D as a Percent of Sales</b>	5.0%	5.6%	5.6%	5.8%	5.6%	6.0%	5.8%	5.8%	6.1%	5.8%

[Additional columns below]

[Continued from above table, first column(s) repeated]

	1999 Pro Forma		2000
	Fourth Quarter	Full Year	First Quarter
(unaudited)			
<b>Sales (In Millions)</b>			
Comfort, Communication & Safety	\$2,354	\$ 9,092	\$2,603
Dynamics & Energy Conversion	2,225	8,849	2,425
Glass	179	735	197
Total	\$4,757	\$18,676	\$5,225
<b>Profit Before Tax (In Millions)</b>			
Comfort, Communication & Safety	\$ (47)	\$ 399	\$ 184
Dynamics & Energy Conversion	72	203	79
Glass	(21)	(26)	(6)
Total (Incl. Other) (a)	\$ (30)	\$ 445	\$ 237
<b>Net Income (In Millions)</b>			
Comfort, Communication & Safety	\$ (28)	\$ 249	\$ 114
Dynamics & Energy Conversion	46	128	50
Glass	(14)	(14)	(4)
Total (Incl. Other) (a)	\$ (17)	\$ 281	\$ 147
<b>Operating Margin(b)</b>			
Comfort, Communication & Safety	Loss	4.1%	6.9%
Dynamics & Energy Conversion	3.2	2.3	3.3
Glass	Loss	Loss	Loss
Total	Loss	2.9	4.8
<b>Depreciation &amp; Amortization (In Millions)</b>	\$ 165	\$ 651	\$ 166
<b>R&amp;D as a Percent of</b>	6.2%	6.0%	5.5%

- (a) Incl. Other represents net interest expense not allocated to reportable operating segments.
- (b) Reflects operating income (income before interest, taxes and minority interest) divided by sales.

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## Part II

### Information Not Required in Prospectus

#### ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses payable in connection with the distribution of the securities being registered. All amounts are estimated except the Securities and Exchange Commission registration fee.

Item	Amount
Securities and Exchange Commission registration fee	\$406,560
NYSE original and continued listing fees	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees	*
Printing and engraving expenses	*
Miscellaneous expenses	*
Total	\$ *

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\* To be filed by amendment.

#### ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

##### General Corporation Law

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

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Section 145 further authorizes a corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or enterprise, against any liability asserted against him or her and incurred by him or her

in any such capacity, arising out of his or her status as such, whether or not the corporation would otherwise have the power to indemnify him or her under Section 145.

## Certificate of Incorporation

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

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

## ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

In connection with its incorporation and organization, effective as of January 1, 2000, Visteon issued 1,000 shares of common stock to Ford Motor Company. Visteon believes that this issuance was exempt from registration under Section 4(2) of the Securities Act as a transaction not involving any public offering. On June 1, 2000, Visteon, pursuant to an amendment to its certificate of incorporation, reclassified and changed each issued and outstanding share into 130,000 shares of common stock (leaving Ford with 130,000,000 shares).

## ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

### (a) Exhibits

Exhibit Number	Description
3.1	Form of Amended and Restated Certificate of Incorporation.
3.2	Form of Amended and Restated By-laws.
4.1	Form of Visteon Common Stock certificate.**
5.1	Opinion of Davis Polk & Wardwell.*
10.1	[Reserved].
10.2	Master Transfer Agreement.
10.3	Purchase and Supply Agreement.
10.3.1	Letter Relating to Price Reductions.
10.4	Master Separation Agreement.*
10.5	Aftermarket Relationship Agreement.**
10.6	Hourly Employee Assignment Agreement.**
10.7	Employee Transition Agreement.**
10.8	Tax Sharing Agreement.
10.9	Long-Term Incentive Plan.
10.10	Form of Change in Control Agreement.
21.1	Subsidiaries of Visteon.**
23.1	Consent of PricewaterhouseCoopers LLP.
23.2	Consent of Davis Polk & Wardwell (see Exhibit 5.1).
27.1	Financial Data Schedule (1997).**

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Exhibit Number	Description
27.2	Financial Data Schedule (1998).**
27.3	Financial Data Schedule (1999).**
27.4	Financial Data Schedule (First Quarter 1999).**
27.5	Financial Data Schedule (First Quarter 2000).**

\* To be filed by amendment.

\*\* Incorporated by reference to the exhibits filed with Visteon's Amendment No. 1 to its Registration Statement on Form 10, filed May 19, 2000 (File No. 001-15827).

## ITEM 17. UNDERTAKINGS

The registrant hereby undertakes to provide to the Distribution Agent, at the time of the spin-off, certificates in such denominations and registered in such names as required to permit prompt delivery to each recipient.

Insofar as the indemnification for liabilities arising under the Securities Act of 1933 may be permitted as to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 14, or otherwise, the registrant has been advised that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payments by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

- (1) for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective; and
- (2) for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Dearborn, State of Michigan, on June 2, 2000.

VISTEON CORPORATION

By: /s/ PETER J. PESTILLO

Peter J. Pestillo  
Chairman of the Board of Directors and Chief Executive Officer

We, the undersigned officers and directors of Visteon Corporation, hereby severally constitute and appoint Peter J. Pestillo, Stacy Fox and Daniel R. Coulson, and each of them acting alone, our true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution in each of them for him and in his name, place and stead, and in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement (or any other registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933) and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission and any applicable securities exchange or securities self-regulatory body, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated on June 2, 2000.

<b>Signature</b>	<b>Title</b>
/s/ PETER J. PESTILLO	<i>Chairman of the Board of Directors, Chief Executive Officer and President</i>
Peter J. Pestillo /s/ DANIEL R. COULSON	<i>Executive Vice President and Chief Financial Officer (Principal Financial Officer)</i>
Daniel R. Coulson /s/ PHILLIP G. PFEFFERLE	<i>Vice President, Controller and Chief Accounting Officer</i>
Phillip G. Pfeffeler	<i>Director</i>
W. Wayne Booker /s/ JOHN M. RINTAMAKI	<i>Director</i>
John M. Rintamaki	

Henry D.G. Wallace

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<b>Exhibit Number</b>	<b>Description</b>
3.1	Form of Amended and Restated Certificate of Incorporation.
3.2	Form of Amended and Restated By-laws.
4.1	Form of Visteon Common Stock certificate.**
5.1	Opinion of Davis Polk & Wardwell.*
10.1	[Reserved].
10.2	Master Transfer Agreement.
10.3	Purchase and Supply Agreement.
10.3.1	Letter Relating to Price Reductions.
10.4	Master Separation Agreement.*
10.5	Aftermarket Relationship Agreement.**
10.6	Hourly Employee Assignment Agreement.**
10.7	Employee Transition Agreement.**
10.8	Tax Sharing Agreement.
10.9	Long-Term Incentive Plan.
10.10	Form of Change in Control Agreement.
21.1	Subsidiaries of Visteon.**
23.1	Consent of PricewaterhouseCoopers LLP.
23.2	Consent of Davis Polk & Wardwell (see Exhibit 5.1).
27.1	Financial Data Schedule (1997).**
27.2	Financial Data Schedule (1998).**
27.3	Financial Data Schedule (1999).**
27.4	Financial Data Schedule (First Quarter 1999).**
27.5	Financial Data Schedule (First Quarter 2000).**

\* To be filed by amendment.

\*\* Incorporated by reference to the exhibits filed with Visteon's Amendment No. 1 to its Registration Statement on Form 10, filed May 19, 2000 (File No. 001-15827).

[Table of Contents](#)**INDEMNIFICATION OF DIRECTORS AND OFFICERS****General Corporation Law**

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

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

### **Certificate of Incorporation**

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

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

FORM OF AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION

-----  
Pursuant to Sections 242 and 245 of the  
Delaware General Corporation Law  
-----

Visteon Corporation (the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware (the "GCL"), does hereby certify as follows:

(1) The name of the Corporation is Visteon Corporation. The Corporation was originally incorporated under the name Visteon Automotive Systems, Inc. The original certificate of incorporation of the Corporation was filed with the office of the Secretary of State of the State of Delaware on January 5, 2000.

(2) This Amended and Restated Certificate of Incorporation was duly adopted by the Board of Directors of the Corporation (the "Board of Directors") and by the stockholder of the Corporation in accordance with Sections 228, 242 and 245 of the GCL.

(3) This Amended and Restated Certificate of Incorporation restates and integrates and further amends the certificate of incorporation of the Corporation, as heretofore amended or supplemented.

(4) The text of the Certificate of Incorporation is amended and restated in its entirety as follows:

FIRST: The name of the Corporation is Visteon Corporation (the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at that address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware (the "GCL").

FOURTH: (a) Authorized Capital Stock. The total number of shares of stock which the Corporation shall have authority to issue is five hundred fifty million (550,000,000) shares of capital stock, consisting of (i) five hundred million (500,000,000) shares of common stock, par value \$1.00 per share (the "Common Stock") and (ii) fifty million (50,000,000) shares of preferred stock, par value \$1.00 per share (the "Preferred Stock"). The holders of shares of Common Stock shall not have cumulative voting rights. No holder of shares of Common Stock shall be

entitled to preemptive or subscription rights.

(b) Preferred Stock. The Board of Directors is hereby expressly authorized to provide for the issuance of all or any shares of the Preferred Stock in one or more classes or series, and to fix for each such class or series such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such class or series, including, without limitation, the authority to provide that any such class or series may be (i) subject to redemption at such time or times and at such price or prices; (ii) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (iii) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; or (iv) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any other class or classes of stock, of the Corporation at such price or prices or at such rates of exchange and with such adjustments; all as may be stated in such resolution or

resolutions.

(c) Power to Sell and Purchase Shares. Subject to the requirements of applicable law, the Corporation shall have the power to issue and sell all or any part of any shares of any class of stock herein or hereafter authorized to such persons, and for such consideration, as the Board of Directors shall from time to time, in its discretion, determine, whether or not greater consideration could be received upon the issue or sale of the same number of shares of another class, and as otherwise permitted by law. Subject to the requirements of applicable law, the Corporation shall have the power to purchase any shares of any class of stock herein or hereafter authorized from such persons, and for such consideration, as the Board of Directors shall from time to time, in its discretion, determine, whether or not less consideration could be paid upon the purchase of the same number of shares of another class, and as otherwise permitted by law.

FIFTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

(a) The business and affairs of the Corporation shall be managed

by or under the direction of the Board of Directors.

(b) The Board of Directors shall consist of not less than one nor more than fifteen members, the exact number of which shall be fixed from time to time by resolution adopted by the affirmative vote of a majority of the active Board of Directors.

(c) The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. The initial division of the Board of Directors into classes shall be made by the decision of the affirmative vote of a majority of the entire Board of Directors. The term of the initial Class I directors shall terminate on the date of the 2001 annual meeting; the term of the initial Class II directors shall terminate on the date of the 2002 annual meeting; and the term of the initial Class III directors shall terminate on the date of the 2003 annual meeting. At each succeeding annual meeting of stockholders beginning in 2001, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and

any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director.

(d) A director shall hold office until the annual meeting for the year in which his or her term expires and until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

(e) Subject to the terms of any one or more classes or series of Preferred Stock, any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy occurring on the Board of Directors may be filled by a majority of the Board of Directors then in office, even if less than a quorum, or by a sole remaining director. Any director of any class elected to fill a vacancy resulting from an increase in the number of directors of such class shall hold office for a term that shall coincide with the remaining term of

that class. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his predecessor. Subject to the rights, if any, of the holders of shares of Preferred Stock then outstanding, any or all of the directors of the Corporation may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least a majority of the voting power of the Corporation's then outstanding capital stock entitled to vote generally in the election of directors. Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Amended and Restated Certificate of Incorporation applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Article FIFTH unless expressly provided by such terms.

(f) In addition to the powers and authority hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done

by the Corporation, subject, nevertheless, to the provisions of the GCL, this Amended and Restated Certificate of Incorporation, and any By-Laws adopted by the stockholders; provided, however, that no By-Laws hereafter adopted by the stockholders shall invalidate any prior act of the directors which would have been valid if such By-Laws had not been adopted.

SIXTH: No director shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the GCL as the same exists or may hereafter be amended. If the GCL is amended hereafter to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent authorized by the GCL, as so amended. Any repeal or modification of this Article SIXTH by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

SEVENTH: The Corporation shall indemnify its directors and officers

to the fullest extent authorized or permitted by law, as now or hereafter in effect, and such right to indemnification shall continue as to a person who has ceased to be a director or officer of the Corporation and shall inure to the benefit of his or her heirs, executors and personal and legal representatives; provided, however, that, except for proceedings to enforce rights to indemnification, the Corporation shall not be obligated to indemnify any director or officer (or his or her heirs, executors or personal or legal representatives) in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors. The right to indemnification conferred by this Article SEVENTH shall include the right to be paid by the Corporation the expenses incurred in defending or otherwise participating in any proceeding in advance of its final disposition.

The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article SEVENTH to directors and officers of the Corporation.

The rights to indemnification and to the advance of expenses  
conferred

in this Article SEVENTH shall not be exclusive of any other right which any person may have or hereafter acquire under this Amended and Restated Certificate of Incorporation, the By-Laws of the Corporation, any statute, agreement, vote of stockholders or disinterested directors or otherwise.

Any repeal or modification of this Article SEVENTH by the stockholders of the Corporation shall not adversely affect any rights to indemnification and to the advancement of expenses of a director or officer of the Corporation existing at the time of such repeal or modification with respect to any acts or omissions occurring prior to such repeal or modification.

EIGHTH: Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation, and the ability of the stockholders to consent in writing to the taking of any action is hereby specifically denied.

NINTH: Meetings of stockholders may be held within or without the State of Delaware, as the By-Laws may provide. The books of the Corporation may be kept (subject to any provision contained in the GCL) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the By-Laws of the Corporation.

TENTH: In furtherance and not in limitation of the powers conferred upon it by the laws of the State of Delaware, the Board of Directors shall have the power to adopt, amend, alter or repeal the Corporation's By-Laws. The affirmative vote of at least a majority of the entire Board of Directors shall be required to adopt, amend, alter or repeal the Corporation's By-Laws. The Corporation's By-Laws also may be adopted, amended, altered or repealed by the affirmative vote of the holders of at least fifty percent (50%) of the voting power of the shares entitled to vote at an election of directors.

ELEVENTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation in the manner now or hereafter prescribed in this Amended and Restated Certificate of Incorporation, the Corporation's By-Laws or the GCL, and all rights herein conferred upon stockholders are granted subject to such reservation.

IN WITNESS WHEREOF, the Corporation has caused this Amended and Restated Certificate of Incorporation to be executed on its behalf this day of June, 2000.

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VISTEON CORPORATION

By:

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Name:

Title:

FORM OF  
AMENDED AND RESTATED  
BY-LAWS  
of  
VISTEON CORPORATION  
A Delaware Corporation  
Effective June , 2000

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FORM OF  
AMENDED AND RESTATED  
BY-LAWS  
OF  
VISTEON CORPORATION  
(hereinafter called the "Corporation")

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office of the Corporation shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. Other Offices. The Corporation may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Place of Meetings. Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place,

either within or without the State of Delaware, as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meetings. The annual meetings of stockholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which meetings the stockholders shall elect directors, and transact such other business as may properly be brought before the meeting. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

Section 3. Special Meetings. Unless otherwise prescribed by law or by the certificate of incorporation of the Corporation, as amended and restated from time to time (the "Certificate of Incorporation"), special meetings of stockholders, for any purpose or purposes, may be called by either (i) the Chairman of the Board of Directors, (ii) the President, or (iii) the Board of

Directors. Such request shall state the purpose or purposes of the proposed meeting. At a special meeting of the stockholders, only such business shall be conducted as shall be specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors. Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting.

Section 4. Quorum. Except as otherwise required by law or by the Certificate of Incorporation, the holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. A quorum, once established, shall not be broken by the withdrawal of enough votes to leave less than a quorum. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat,

present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting not less than ten nor more than sixty days before the date of the meeting.

Section 5. Proxies. Any stockholder entitled to vote may do so in person or by his or her proxy appointed by an instrument in writing subscribed by such stockholder or by his or her attorney thereunto authorized, delivered to the Secretary of the meeting; provided, however, that no proxy shall be voted or acted upon after three years from its date, unless said proxy provides for a longer period. Without limiting the manner in which a stockholder may authorize another person or persons to act for him or her as proxy, either

of the following shall constitute a valid means by which a stockholder may grant such authority:

(i) A stockholder may execute a writing authorizing another person or persons to act for him or her as proxy. Execution may be accomplished by the stockholder or his or her authorized officer, director, employee or agent signing such writing or causing his or her signature to be affixed to such writing by any reasonable means, including, but not limited to, by facsimile signature.

(ii) A stockholder may authorize another person or persons to act for him or her as proxy by transmitting or authorizing the transmission of a telegram or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that any such telegram or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the

telegram or other electronic transmission was authorized by the stockholder.

Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission authorizing another person or persons to act as proxy for a stockholder may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used; provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

Section 6. Voting. At all meetings of the stockholders at which a quorum is present, except as otherwise required by law, the Certificate of Incorporation or these By-Laws, any question brought before any meeting of stockholders shall be decided by the affirmative vote of the holders of a majority of the total number of votes of the capital stock present in person or represented by proxy and entitled to vote on such question, voting as a single class. The Board of Directors, in its discretion, or the officer of the

Corporation presiding at a meeting of stockholders, in his or her discretion, may require that any votes cast at such meeting shall be cast by written ballot.

Section 7. Nature of Business at Meetings of Stockholders. No business may be transacted at an annual meeting of stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any stockholder of the Company (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 7 and on the record date for the determination of stockholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 7.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, such stockholder must

have given timely notice thereof in proper written form to the Secretary of the Company.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Company not less than sixty (60) days nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii)

the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by such stockholder, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

No business shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 7, provided, however, that, once business has been properly brought before the annual meeting in accordance with such procedures, nothing in this Section 7 shall be deemed to preclude discussion by any stockholder of any such business. If the Chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance

with the foregoing procedures, the Chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

Section 8. List of Stockholders Entitled to Vote. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of

the Corporation who is present.

Section 9. Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 8 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 10. Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and which record date: (1) in the case of determination of stockholders entitled to vote at any meeting of stockholders or adjournment thereof, shall not be more than sixty nor less than ten days before the date of such

meeting; and (2) in the case of any other action, shall not be more than sixty days prior to such other action. If no record date is fixed: (1) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; and (2) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 11. Inspectors of Election. In advance of any meeting of stockholders, the Board by resolution or the Chairman or President shall appoint one or more inspectors of election to act at the meeting and make a written report thereof. One or more other persons

may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is present, ready and willing to act at a meeting of stockholders, the Chairman of the meeting shall appoint one or more inspectors to act at the meeting. Unless otherwise required by law, inspectors may be officers, employees or agents of the Corporation. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector shall have the duties prescribed by law and shall take charge of the polls and, when the vote is completed, shall make a certificate of the result of the vote taken and of such other facts as may be required by law.

ARTICLE III  
DIRECTORS

Section 1. Number and Election of Directors. The Board of Directors shall consist of not less than one nor more than fifteen members, the exact number of which

shall be determined from time to time by resolution adopted by the Board of Directors. Except as provided in Section 3 of this Article III, directors shall be elected by the stockholders at the annual meetings of stockholders, and each director so elected shall hold office until such director's successor is duly elected and qualified, or until such director's death, or until such director's earlier resignation or removal. Directors need not be stockholders.

Section 2. Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Company, except as may be otherwise provided in the Certificate of Incorporation with respect to the right of holders of preferred stock of the Corporation to nominate and elect a specified number of directors in certain circumstances. Nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders, or at any special meeting of stockholders called for the purpose of electing directors, (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any stockholder of the Company (i) who

is a stockholder of record on the date of the giving of the notice provided for in this Section 2 and on the record date for the determination of stockholders entitled to vote at such meeting and (ii) who complies with the notice procedures set forth in this Section 2.

In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Company.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Company (a) in the case of an annual meeting, not less than sixty (60) days nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business

on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs; and (b) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of

directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice (i) the name and record address of such stockholder, (ii) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by such stockholder, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

No person shall be eligible for election as a director of the Company unless nominated in accordance with the procedures set forth in this Section 2. If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

Section 3. Vacancies. Subject to the terms of any one or more classes or series of preferred stock, any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the directors then in office, provided that a quorum is present, and any other vacancy occurring on the Board of Directors may be filled by a majority of the Board of Directors then in office, even if less than a quorum, or by a sole remaining director. Notwithstanding the foregoing, whenever the holders of any one or more class or classes or series of preferred stock of the Corporation shall have the right, voting separately as a class, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of

vacancies and other features of such directorships shall be governed by the Certificate of Incorporation.

Section 4. Duties and Powers. The business of the Corporation shall be managed by or under the direction of the Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws required to be exercised or done by the stockholders.

Section 5. Organization. At each meeting of the Board of Directors, the Chairman of the Board of Directors, or, in his or her absence, a director chosen by a majority of the directors present, shall act as Chairman. The Secretary of the Corporation shall act as Secretary at each meeting of the Board of Directors. In case the Secretary shall be absent from any meeting of the Board of Directors, an Assistant Secretary shall perform the duties of Secretary at such meeting; and in the absence from any such meeting of the Secretary and all the Assistant Secretaries, the Chairman of the meeting may appoint any person to act as Secretary of the meeting.

Section 6. Resignations and Removals of Directors. Any director of the Corporation may resign at any time, by giving written notice to the Chairman of the Board of Directors, the President or the Secretary of the Corporation. Such resignation shall take effect at the time therein specified or, if no time is specified, immediately; and, unless otherwise specified in such notice, the acceptance of such resignation shall not be necessary to make it effective. Except as otherwise required by law and subject to the rights, if any, of the holders of shares of preferred stock then outstanding, any director or the entire Board of Directors may be removed from office at any time, but only for cause, and only by the affirmative vote of the holders of at least a majority in voting power of the issued and outstanding capital stock of the Corporation entitled to vote in the election of directors.

Section 7. Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors may be held at such time and at such place as may from time to time be

determined by the Board of Directors and, unless required by resolution of the Board of Directors, without notice. Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors, the Vice Chairman, if there be one, or a majority of the directors then in office. Notice thereof stating the place, date and hour of the meeting shall be given to each director either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone, facsimile or telegram on twenty-four (24) hours' notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

Section 8. Quorum. Except as may be otherwise required by law, the Certificate of Incorporation or these By-Laws, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors

present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting of the time and place of the adjourned meeting, until a quorum shall be present.

Section 9. Actions of Board. Unless otherwise provided by the Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Section 10. Meetings by Means of Conference Telephone. Unless otherwise provided by the Certificate of Incorporation or these By-Laws, members of the Board of Directors of the Corporation, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a

meeting pursuant to this Section 10 shall constitute presence in person at such meeting.

Section 11. Committees. The Board of Directors may, by resolution passed by a majority of the entire Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent permitted by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in

the management of the business and affairs of the Corporation. Each committee shall keep regular minutes and report to the Board of Directors when required.

Section 12. Compensation. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary, or such other emoluments as the Board of Directors shall from time to time determine. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 13. Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is

present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because such person's or their votes are counted for such purpose if (i) the material facts as to such person's or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to such person's or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the

contract or transaction.

#### ARTICLE IV

##### OFFICERS

Section 1. General. The officers of the Corporation shall be chosen by the Board of Directors and shall be a President, a Secretary and a Treasurer. The Board of Directors, in its discretion, may also choose a Chairman of the Board of Directors (who must be a director) and one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Certificate of Incorporation or these By-Laws. The officers of the Corporation need not be stockholders of the Corporation nor, except in the case of the Chairman of the Board of Directors, need such officers be directors of the Corporation.

Section 2. Election. The Board of Directors at its first meeting held after each Annual Meeting of Stockholders shall elect the officers of the Corporation

who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier resignation or removal. Any officer elected by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors.

Section 3. Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the President or any Vice President and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities

and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

Section 4. Chairman of the Board of Directors. The Chairman of the Board of Directors, if there be one, shall preside at all meetings of the stockholders and of the Board of Directors. Except where by law the signature of the President is required, the Chairman of the Board of Directors shall possess the same power as the President to sign all contracts, certificates and other instruments of the Corporation which may be authorized by the Board of Directors. During the absence or disability of the President, the Chairman of the Board of Directors shall exercise all the powers and discharge all the duties of the President. The Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him or her by these By-Laws or by the Board of Directors.

Section 5. President. The President shall,

subject to the control of the Board of Directors and, if there be one, the Chairman of the Board of Directors, have general supervision of the business of the Corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. The President shall execute all bonds, mortgages, contracts and other instruments of the Corporation requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except that the other officers of the Corporation may sign and execute documents when so authorized by these By-Laws, the Board of Directors or the President. In the absence or disability of the Chairman of the Board of Directors, or if there be none, the President shall preside at all meetings of the stockholders and the Board of Directors. The President shall be the Chief Executive Officer of the Corporation. The President shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him or her by these By-Laws or by the Board of Directors.

Section 6. Vice Presidents. At the request of

the President or in his or her absence or in the event of his or her inability or refusal to act (and if there be no Chairman of the Board of Directors), the Vice President or the Vice Presidents if there is more than one (in the order designated by the Board of Directors) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Each Vice President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe. If there be no Chairman of the Board of Directors and no Vice President, the Board of Directors shall designate the officer of the Corporation who, in the absence of the President or in the event of the inability or refusal of the President to act, shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

Section 7. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings thereat in a book or books to be kept for that purpose;

the Secretary shall also perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or President, under whose supervision the Secretary shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the Board of Directors or the President may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his or her signature. The Secretary shall see that all books, reports, statements, certificates and other

documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

Section 8. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the office of Treasurer and for the restoration to the Corporation, in case of the Treasurer's death,

resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in the Treasurer's possession or under control of the Treasurer belonging to the Corporation.

Section 9. Assistant Secretaries. Except as may be otherwise provided in these By-Laws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, any Vice President, if there be one, or the Secretary, and in the absence of the Secretary or in the event of his or her disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

Section 10. Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, any Vice President, if there be one, or the Treasurer, and in the absence of the Treasurer or in the event of the Treasurer's disability or refusal to act, shall perform

the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the office of Assistant Treasurer and for the restoration to the Corporation, in case of the Assistant Treasurer's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in the Assistant Treasurer's possession or under control of the Assistant Treasurer belonging to the Corporation.

Section 11. Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

## ARTICLE V

## STOCK

Section 1. Form of Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed, in the name of the Corporation, (i) by the Chairman of the Board of Directors, the President or a Vice President and (ii) by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by such holder of stock in the Corporation.

Section 2. Signatures. Any or all of the signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 3. Lost, Destroyed, Stolen or Mutilated Certificates. The Board of Directors may

direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or such person's legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 4. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by law and in these By-Laws. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by such person's attorney lawfully constituted in writing and

upon the surrender of the certificate therefor, properly endorsed for transfer and payment of all necessary transfer taxes; provided, however, that such surrender and endorsement or payment of taxes shall not be required in any case in which the officers of the Corporation shall determine to waive such requirement. Every certificate exchanged, returned or surrendered to the Corporation shall be marked "Cancelled," with the date of cancellation, by the Secretary or Assistant Secretary of the Corporation or the transfer agent thereof. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred.

Section 5. Transfer and Registry Agents. The Corporation may from time to time maintain one or more transfer offices or agencies and registry offices or agencies at such place or places as may be determined from time to time by the Board of Directors.

Section 6. Beneficial Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to

receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

## ARTICLE VI

### NOTICES

Section 1. Notices. Whenever written notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, such notice may be given by mail, addressed to such director, member of a committee or stockholder, at such person's address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by telegram, facsimile, telex or cable.

Section 2. Waivers of Notice.

(a) Whenever any notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed, by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting, present by person or represented by proxy, shall constitute a waiver of notice of such meeting, except where the person attends the meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

(b) Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors or members of a committee of directors need be specified in any written waiver of notice unless so required by law, the Certificate of Incorporation or these By-Laws.

#### ARTICLE VII

#### GENERAL PROVISIONS

Section 1. Dividends. Subject to the requirements of the GCL and the provisions of the Certificate of Incorporation, dividends upon the capital stock of the Corporation may be declared by the Board of Directors at any regular or special meeting of the Board of Directors, and may be paid in cash, in property, or in shares of the Corporation's capital stock. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for purchasing any of the shares of capital stock, warrants, rights, options, bonds, debentures, notes, scrip or other securities or evidences of indebtedness of the Corporation, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any other proper purpose, and the Board of Directors may modify or abolish any such reserve.

Section 2. Disbursements. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to

time designate.

Section 3. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 4. Corporate Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

#### ARTICLE VIII

##### INDEMNIFICATION

Section 1. Power to Indemnify in Actions, Suits or Proceedings Other than Those by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that such person

is or was a director, officer or employee of the Corporation, or is or was a director, officer or employee of the Corporation serving at the request of the Corporation as a director or officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, such person had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that such person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct

was unlawful.

Section 2. Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director, officer or employee of the Corporation, or is or was a director, officer or employee of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person

shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 3. Authorization of Indemnification. Any indemnification under this Article VIII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer or employee is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be. Such determination shall be made (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) if there are no such directors, or if such directors so direct, by independent legal counsel in

a written opinion, or (iii) by the stockholders. To the extent, however, that a director, officer or employee of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith, without the necessity of authorization in the specific case.

Section 4. Good Faith Defined. For purposes of any determination under Section 3 of this Article VIII, a person shall be deemed to have acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe his or her conduct was unlawful, if such person's action is based on the records or books of account of the Corporation or another enterprise, or on information supplied to such person by the officers of the Corporation or another enterprise in the course of their

duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The term "another enterprise" as used in this Section 4 shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section 4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Section 1 or 2 of this Article VIII, as the case may be.

Section 5. Indemnification by a Court. Notwithstanding any contrary determination in the specific case under Section 3 of this Article VIII, and notwithstanding the absence of any determination thereunder, any director, officer or employee may apply

to the Court of Chancery of the State of Delaware or any other court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Sections 1 and 2 of this Article VIII. The basis of such indemnification by a court shall be a determination by such court that indemnification of the director, officer or employee is proper in the circumstances because such person has met the applicable standards of conduct set forth in Section 1 or 2 of this Article VIII, as the case may be. Neither a contrary determination in the specific case under Section 3 of this Article VIII nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the director, officer or employee seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 5 shall be given to the Corporation promptly upon the filing of such application. If successful, in whole or in part, the director or officer seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

Section 6. Expenses Payable in Advance. Expenses incurred by a director, officer or employee in defending or investigating a threatened or pending action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director, officer or employee to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article VIII.

Section 7. Nonexclusivity of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by or granted pursuant to this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Certificate of Incorporation or any By-Law, agreement, contract, vote of stockholders or disinterested directors or pursuant to the direction (howsoever embodied) of any court of competent jurisdiction or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, it

being the policy of the Corporation that indemnification of the persons specified in Section 1 and 2 of this Article VIII shall be made to the fullest extent permitted by law. The provisions of this Article VIII shall not be deemed to preclude the indemnification of any person who is not specified in Section 1 or 2 of this Article VIII but whom the Corporation has the power or obligation to indemnify under the provisions of the GCL, or otherwise.

Section 8. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer or employee of the Corporation, or is or was a director, officer or employee of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power or the obligation to indemnify such person against such liability under the provisions of this Article VIII.

Section 9. Certain Definitions. For purposes of this Article VIII, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers or employees, so that any person who is or was a director, officer or employee of such constituent corporation, or is or was a director, officer or employee of such constituent corporation serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VIII, references to "fines" shall include any excise taxes assessed on a person with respect to an

employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer or employee with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VIII.

Section 10. Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 11. Limitation on Indemnification. Notwithstanding anything contained in this Article VIII to the contrary, except for proceedings to enforce rights

to indemnification (which shall be governed by Section 5 hereof), the Corporation shall not be obligated to indemnify any director, officer or employee (or his or her heirs, executors or personal or legal representatives) or advance expenses in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

Section 12. Indemnification of Agents. The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to agents of the Corporation similar to those conferred in this Article VIII to directors, officers and employees of the Corporation.

#### ARTICLE IX

#### AMENDMENTS

Section 1. Amendments. These By-Laws may be altered, amended or repealed, in whole or in part, or new By-Laws may be adopted by the Board of Directors or by

the stockholders as provided in the Certificate of Incorporation.

Section 2. Entire Board of Directors. As used in this Article IX and in these By-Laws generally, the term "entire Board of Directors" means the total number of directors which the Corporation would have if there were no vacancies.

## MASTER TRANSFER AGREEMENT

THIS MASTER TRANSFER AGREEMENT is entered into as of the 30th day of March, 2000, by and among VISTEON CORPORATION, a corporation organized under the laws of Delaware, U.S.A., with offices at 5500 Auto Club Drive, Dearborn, Michigan 48126 ("Visteon"), and FORD MOTOR COMPANY, a corporation organized under the laws of Delaware, U.S.A., with offices at The American Road, Dearborn, Michigan 48121 ("Ford").

## R E C I T A L S

WHEREAS, Ford has determined it would be appropriate and beneficial to separate the activities now being conducted under the name "Visteon Automotive Systems, an enterprise of Ford Motor Company", including those activities conducted by any entity in which Ford, directly or indirectly, owns or controls 50% or more of its stock or other equity interests (a "Subsidiary") and by any entity in which Ford, directly or indirectly, owns or controls less than 50% but more than 20% of its stock or other equity interests (an "Affiliate") which is aligned with such enterprise, which presently includes the Chassis Systems, Climate Control Systems, Interior and Exterior Systems, Energy Transformation Systems, Glass Division, and the Visteon Technology Office (collectively, with historic operations, including the former Automotive Products Operations, Automotive Components Division, Electronics, Plastics and Trim, Climate Control, Chassis, Electrical and Fuel Handling, and Glass Divisions, the "Business");

WHEREAS, Ford has concluded that the separation of the Business from its automaking business would (i) alleviate competitive barriers to expanding the Business beyond sales to Ford, Ford Subsidiaries and Ford Affiliates, (ii) allow Ford to overcome competitive barriers to making purchases from third-party automotive suppliers, and (iii) enhance the Business' ability to attract employees and permit the Business to offer employee incentives more directly tied to the performance of the Business;

WHEREAS, Ford has caused Visteon to be formed for the purpose of carrying on and conducting the Business;

WHEREAS, Ford desires to transfer to Visteon certain entities and assets of Ford (or its Subsidiaries) now devoted to the Business and to have Visteon assume certain liabilities associated with the Business, as are more particularly described below (the "Transfer");

WHEREAS, Visteon wishes to acquire such entities and assets from Ford and is therefore willing to assume said liabilities;

WHEREAS, after the Transfer, the parties intend to either (i) effect an initial public offering of shares of common stock of Visteon ("IPO"), have Visteon distribute the proceeds of such offering to Ford, and use the proceeds of such offering to pay Ford's creditors or

shareholders, or (ii) not effect an IPO, but in either case, Ford intends to effect a distribution of all of the shares of Visteon stock then owned by Ford to Ford's shareholders (the "Distribution");

WHEREAS, the parties intend that the transactions contemplated by this Agreement (including the intended Distribution) shall be treated as tax-free transactions under Sections 351, 368(a) and 355 of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, in connection with the transactions contemplated by the parties, and in order to support the purposes contemplated thereby, Ford and certain of its Subsidiaries and Affiliates are entering into several ancillary agreements with Visteon and its Subsidiaries and Affiliates, including, without limitation, a Master Separation Agreement between Ford and Visteon, a Tax Sharing Agreement between Ford and Visteon, an Hourly Employee Assignment Agreement between Ford and Visteon, an Employee Transition Agreement between Ford and Visteon, Information Technology Services Agreement between Ford and Visteon, a Purchase and Supply Agreement between Ford and Visteon, an Aftermarket Relationship Agreement between Visteon and the Automotive Consumer Services Group of Ford, a Patent Cross-License Agreement, between Visteon Global Technologies, Inc. ("VGTI") and Ford Global Technologies, Inc. ("FGTI"), a Technology Cross-License Agreement between VGTI and FGTI and various real estate leases. (The foregoing agreements described above are collectively referred to as the "Ancillary Agreements.")

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, the parties agree as follows:

1. TRANSFERS TO VISTEON.

Ford shall assign, transfer, and convey to Visteon all of Ford's right, title and interest in and to the following properties and assets relating to the Business as a capital contribution (collectively, the items listed in Section 1 (a) through (l) are referred to as the "Visteon Assets"):

(a) Capital Stock. All of the capital stock owned by Ford in the entities listed in Exhibit 1(a) attached hereto, to be effective as of the dates specified on such Exhibit 1(a).

(b) Membership Interests. Ford's entire membership interest in the entities listed in Exhibit 1(b) attached hereto, to be effective as of the date specified on such Exhibit 1(b).

(c) Joint Ventures. Effective as of 12:01 a.m., Eastern Standard Time, on April 1, 2000, (the "US Transfer Date"), Ford's equity interest (including Ford's membership interest or capital stock and Ford's interest in all related joint venture agreements) in the entities listed in Exhibit 1(c) attached hereto.

(d) Owned Real Property. Effective as of 12:01 a.m., Eastern Standard Time, on the US Transfer Date, all of Ford's right, title and interest in and to the real property located and identified in Schedule A, attached hereto, and all buildings, improvements and appurtenances thereto.

(e) Leased Real Property. Effective as of 12:01 a.m., Eastern Standard Time, on the US Transfer Date, the leasehold interests in real property held by Ford under leases identified in Schedule B, attached hereto.

(f) Owned Tangible Personal Property. Effective as of 12:01 a.m., Eastern Standard Time, on the US Transfer Date, except as otherwise provided herein, all tangible personal property, including all equipment, machinery, vehicles, leasehold improvements, furniture, fixtures, signs, inventories, tools (other than customer owned tools) and other personal property owned by Ford and (i) reflected on the combined balance sheet for the Business as of March 31, 2000, as prepared by Ford (the "Balance Sheet"), including assets written off or expensed but still used exclusively by the Business, or (ii) which are located on the properties referred to in Schedules A and B and used exclusively in the Business, provided, however, with respect to inventories, including raw materials, stores, spare parts, containers, work in process, finished goods and other supplies and materials, those (A) located on the properties referred to in Schedules A and B or in transit to or from such locations or in the possession of the suppliers of the Business as of the US Transfer Date and (B) either reflected on the Balance Sheet or used exclusively in the Business, are included, or (iii) used exclusively in the Business, wherever located, to the extent that Visteon identifies and requests, in writing prior to October 1, 2000, such assets from Ford and Ford determines such assets are not useful to Ford for its operations. In the event Visteon requests assets pursuant to clause (iii) immediately above, and Ford determines not to transfer any such assets, Visteon will be provided with the use of such assets under the terms of the Master Separation Agreement for the provision of transitional services. The Balance Sheet will be prepared using the same accounting principles under which the balance sheet of the Business, at December 31, 1999, was prepared.

(g) Leased Personal Property. Effective as of 12:01 a.m., Eastern Standard Time, on the US Transfer Date, except as otherwise provided herein, all leasehold interests in equipment, vehicles, machinery, furniture, fixtures, signs and other tangible personal property held by Ford and used exclusively in the Business as of the US Transfer Date.

(h) Contract Rights and Other Intangible Property. Effective as of 12:01 a.m., Eastern Standard Time, on the US Transfer Date, except as otherwise provided herein, (i) cash, accounts receivable, accruals, interests as beneficiary under letters of credit, prepaid expenses, deposits and other retentions held by third parties owned by Ford and reflected on the Balance Sheet, and (ii) Ford's rights under all contracts, agreements, licenses, equipment leases, sales orders, purchase orders, understandings, arrangements, plans and documents relating to the Business and existing on the US Transfer Date, together with the right to purchase goods and services under existing blanket purchase orders of Ford relating to the Business.

(i) Claims. Effective as of 12:01 a.m., Eastern Standard Time, on the US Transfer Date, claims, causes of action, rights of recovery, rights of set off and rights of subrogation to the extent they are related to the Visteon Assets, the Visteon Liabilities or the Business. Visteon acknowledges that Ford has entered into settlements with its insurance carriers with respect to existing and future environmental conditions and claims and Visteon has been allocated \$15

million of the proceeds of such settlements. Neither Ford nor Visteon have any remaining rights under those policies to make claims and Visteon agrees that it will not attempt to make any claims under such policies.

(j) Permits. Effective as of 12:01 a.m., Eastern Standard Time, on the US Transfer Date, except as otherwise provided herein, and the rights of Ford under all licenses, franchises, permits, authorizations and approvals used exclusively in the Business.

(k) Intellectual Property. Effective as of 12:01 a.m., Eastern Standard Time, on the US Transfer Date, the name "Visteon" and associated logo, and all the trademarks (including the applications and registrations for trademarks) listed on the attached Schedule D, together with all goodwill and going concern value of the Business.

(l) Records. Financial, accounting and operating data and records relating exclusively to the Business and located in the locations listed on Schedules A or B, or at the Dearborn Glass Plant, or located in record storage locations maintained by Ford and sent to storage by personnel associated with the Business, including, without limitation, books, records, electronic data, financial and corporate systems manuals, notes, sales and sales product data, advertising materials, credit information, cost and pricing information, customer and supplier lists, facility blueprints and plant layouts. Additionally, Ford shall transfer to Visteon all minute books, stock ledgers, and other corporate documents of Visteon Subsidiaries and Visteon Affiliates, to the extent in the possession of Ford. In addition, Visteon may copy any other records relating to the Business in the possession of Ford, at Visteon's expense.

## 2. OTHER TRANSFERS AND ACTIONS.

(a) Ford has or will assign, transfer, and convey the properties and assets listed on Exhibit 2(a), attached hereto, to the applicable Visteon Subsidiaries by the dates specified on such exhibit;

(b) In addition, Ford has caused or will cause the actions listed on Exhibit 2(b), attached hereto, to be taken by its Subsidiaries by the dates specified on such exhibit;

(c) As a result of the transfers described in this Agreement, the parties acknowledge and agree that Visteon will also have an indirect interest in the entities listed on Exhibit 2(c) attached hereto.

(d) Each entity that is to be transferred under Section 1 above or is described in Exhibits 2(a), 2(b) or 2(c) will be operated for the benefit of Visteon on and after the US Transfer Date.

### 3. EXCLUDED ASSETS.

Notwithstanding anything, express or implied, to the contrary contained herein, the following properties, assets and rights used in, or related to, the Business are excluded from the Transfer:

(a) Certain real property and related improvements thereon known as the Dearborn Glass Plant (provided Visteon will be given the right to continue to occupy such plant until July 31, 2000 as it winds up operations in accordance with the applicable lease agreement) and the Canton Forge Plant and the vacant land associated therewith;

(b) All of the assets primarily associated with Ford's telecommunications network, such as the Ford Communications Network, that are located at any of the Visteon facilities;

(c) Tooling which is owned by Ford or other third party customers and is not carried on the Balance Sheet, wherever located;

(d) Vehicles provided by Ford or Ford Motor Credit Company for use by the Business and not carried on the Balance Sheet, including management lease, executive, commercial, sales, pool, prototype and quality focus test fleet vehicles;

(e) All blanket purchase orders issued by Ford with respect to goods and services purchased both for the Business and for other operations at Ford (with the understanding that Ford will continue to provide the benefit of existing blanket purchase orders to the Business, at the cost of Visteon with respect to such goods and services); and

(f) All contracts and agreements of Ford relating to employees of the Business, including, without limitation, collective bargaining agreements, employee benefit plans, and other commitments to such employees, subject to the terms of the Hourly Employee Assignment Agreement and the Employee Transition Agreement.

### 4. ASSUMED LIABILITIES.

(a) General Assumption. Except as otherwise specifically retained by Ford in writing, including those retained in this Section 4, Section 5 below and in any Ancillary Agreement, Visteon will, as of the US Transfer Date, assume, and agrees to perform, the debts, liabilities, guarantees, indemnities, contingencies, and obligations of Ford, whether asserted or unasserted, fixed or contingent, accrued or unaccrued, known or unknown, and howsoever arising, relating to the Business, that are (i) reflected in the Balance Sheet and which remain outstanding on the US Transfer Date, (ii) arise in connection with the Business between the date of the Balance Sheet and the US Transfer Date and would be reflected on the financial statements of Visteon as of the US Transfer Date if such statements were prepared as of the US Transfer Date in accordance with the same accounting principles on which the Balance Sheet was prepared, (iii) are expressly provided by this Agreement, any Ancillary Agreement or other written agreement signed by Visteon in connection with the Separation (as hereafter defined) to be transferred to and assumed

by Visteon, or (iv) are related to or arise out of or in connection with the Visteon Assets or the Business, whether before or after the date of the Balance Sheet (collectively referred to as the "Visteon Liabilities").

(b) Limitations on General Assumption. Notwithstanding the foregoing, the Visteon Liabilities are subject to and shall not be deemed to include any item specifically excluded or retained by Ford pursuant to this Section 4(b).

(i) Product Liability. All liabilities for any causes of action, however presented, alleging that parts, components or systems that have been (i) manufactured by the Business or (ii) manufactured by a third party, whether sold or otherwise supplied separately, or incorporated into components or systems of the Business ("Visteon Products"), in each case, which have been sold or otherwise supplied by the Business, have caused personal injuries, injuries to property or other damages regardless of the theory of liability on which the claim is based ("Visteon Product Claims") to the extent that such parts, components or systems were provided to Ford or Ford Subsidiaries for model year 1996 and before, will be retained by Ford. Visteon's liability for all other Visteon Product Claims for parts, components or systems supplied to Ford or Ford Subsidiaries for vehicles in model year 1997 and thereafter will be governed in accordance with the terms of Ford's global purchase order terms and conditions promulgated by Ford with respect to its supply contracts with third parties as in effect at the time such parts, components or systems were delivered, as customarily applied to Tier 1 suppliers in the automotive parts industry by Ford.

(ii) Warranty and Recall. All Visteon Products, in each case, which have been sold or otherwise supplied by the Business for use in model year 1997 vehicles (or later model years) manufactured or sold by Ford or Ford Subsidiaries are deemed to be subject to the warranty provisions of the global purchase order terms and conditions promulgated by Ford with respect to its supply contracts with third parties as in effect at the time such parts, components or systems were delivered. Visteon agrees it will be liable to Ford and the Ford Subsidiaries for all warranty claims for such parts, components or systems to the same extent as another Tier 1 supplier would be liable if it had supplied such parts, components or systems, and Ford agrees it will apply the same customary practices to Visteon as Ford applies to other Tier 1 suppliers in the automotive parts industry.

(iii) Environmental Claims. The Visteon Liabilities include any existing or future Environmental Claims to the extent they relate to or arise from the ownership of or operations on (at any time) the sites listed on Schedules A and B (other than the Monroe Plant, which is treated separately below). In addition, the Visteon Liabilities include the Environmental Claims listed on the attached Schedule E, to the extent of the allocation of such claim to Visteon reflected on such Schedule. Notwithstanding anything to the contrary herein, Ford shall retain, and Visteon will have no liability for, any Environmental Claims which relate to or arise from (A) the ownership of or operations on (at any time) the sites listed on the attached Schedule C or (B) Ford's allocation of liability as reflected on Schedule E. Each party shall have the control over any investigation, remediation

activities, litigation or claim process relating to the sites for which it has full responsibility hereunder. For sites with shared liability, control will be given to the party with the majority of the liability. For purposes of this Agreement, the following definitions apply:

"Environmental Claims" shall mean any cleanup, response or removal activities or any claim, action, cause of action, investigation or notice (written or oral) by any person or entity alleging potential liability (including, without limitation, potential liability for investigation costs, cleanup costs, governmental response costs, natural resource damages, property damages, personal injuries, or penalties) arising out of or resulting from: (i) the presence or release, or threatened release, of any Hazardous Substance; (ii) circumstances forming the basis of any violation or alleged violation of any Environmental Law; or (iii) on-site or off-site disposal or dumping activities.

"Environmental Law" shall mean any and all applicable laws (including all common law, consents, licenses, permits, certificates, variances, exemptions, franchises and other approvals issued, granted, given, required or otherwise made available by any governmental authority) issued, promulgated or entered into by any governmental authority relating to the environment or the protection or preservation of human health or safety.

"Hazardous Substance" shall mean any pollutant, hazardous, acutely hazardous, or toxic substance, waste or contaminant, or any other material, including, without limitation, petroleum hydrocarbons and asbestos, regulated under any Environmental Law.

(iv) Monroe Environmental Claims. All liability for Environmental Claims relating to the ownership or operations of the Monroe, Michigan plant will be subject to the agreement of the parties set forth on the attached Schedule F.

(v) Current Claims. The Visteon Liabilities specifically include, without limitation, the existing litigation identified on Schedule G, attached hereto.

(vi) Intellectual Property. Except as provided on the attached Exhibit I, for any causes of action, however presented, alleging that Visteon Products infringe or otherwise violate the intellectual property interests of others ("IP Claims"), (A) for Visteon Products sold or supplied to Ford or Ford Subsidiaries on or prior to July 31, 1999, liability shall be retained by Ford, (B) Visteon will be liable for such IP Claims related to Visteon Products sold or supplied to Ford or Ford Subsidiaries after July 31, 1999, to the same extent as other Tier 1 suppliers would be liable if they had supplied such parts, components or systems to Ford, and (C) for Visteon Products sold to third parties at any time, any liability will be included in the Visteon Liabilities. Ford and Visteon agree to cooperate to establish defenses against liabilities arising from sales to Ford and identify any licenses to Ford or Visteon which would be useful in such defenses.

(vii) Topics Not Covered. The parties have reached agreement with respect to certain Visteon Liabilities in the area of employee matters which are covered in the Hourly

Employee Assignment Agreement and the Employee Transition Agreement. They have also entered into certain other agreements with respect to taxes which are covered in the Tax Sharing Agreement.

(c) The parties acknowledge and agree that they have undertaken a good faith effort to identify all material outstanding liabilities of the Business pertaining to the substantive areas identified in Section 4(b) above. To the extent that, subsequent to the US Transfer Date, and prior to December 31, 2001, the parties discover additional material liabilities or potential material liabilities of the Business relating to pre-Transfer events, actions or occurrences, in the areas governed by subsections (iii), (v), (vi) or (vii) of Section 4(b), or the business operations of the Business, the parties undertake that they will consider a mutually agreeable allocation of responsibility for such items. However, nothing herein obligates Ford to accept any such liability and Ford will only be liable to the extent it signs a written agreement accepting all or a portion of the liabilities. The parties agree that they will consider such allocation through meetings of persons with appropriate decision making authority, and in no event will the parties be required to pursue the matter beyond the Vice President level of authority. For purposes of this section, a claim (or series of related claims) must have a potential exposure exceeding \$50,000,000 (including defense costs) to be considered material.

#### 5. RETAINED LIABILITIES/CONFLICTS.

(a) Retained Liabilities. Notwithstanding anything to the contrary contained in Section 4 hereof, Visteon shall not assume any obligation or liability of Ford with respect to the following (collectively referred to as the "Retained Liabilities"): (i) cases or claims arising out of the production or sale of thick film ignition modules which were sold prior to the US Transfer Date, including, without limitation, those listed on Schedule H hereto, (ii) Michael Jones, et al. v Ford Motor Company, filed on June 9, 1993 in U.S. District Court, District of Minnesota, alleging race discrimination, (iii) J. A. Jones Co. v Ford, filed in July, 1999 in U.S. District Court, Eastern Division, Michigan regarding construction litigation arising out of environmental remediation of environmental site at Monroe, Michigan, and (iv) liabilities of the Business explicitly retained by Ford with respect to such matters as are identified in Section 4(b) above, in any Ancillary Agreement or in any other writing between the parties.

(b) Conflicts. The parties acknowledge and agree that, except to the extent this Agreement specifically provides that other agreements control (such as employment and tax matters), the allocation of liabilities between the parties and their respective Subsidiaries and Affiliates in connection with the transfer of the various parts of the Business as contemplated in Sections 1 and 2 above, will be governed and controlled by the principles of allocation set forth in Section 4 hereof, with appropriate changes for fact specific differences, as agreed to by the parties, such as the applicable locations of the Business, and any specific litigation or other claims identified in the agreement which are peculiar to that Subsidiary or Affiliate or the laws of the applicable jurisdiction. In that regard, that parties acknowledge that Exhibit E contains a description of existing global environmental liabilities that apply to certain Visteon Subsidiaries as well as to Visteon itself and this list will control over general assumption language in any other

agreements. In accordance with the foregoing, this Agreement supersedes any prior or subsequent agreements executed in connection with the Transfer to the contrary and Ford and Visteon agree that they will each cause their respective Subsidiaries to abide by these allocation principles, regardless of the actual wording of the operative transfer documents.

## 6. COVENANTS.

(a) Ford agrees that to the extent that Ford has not transferred to Visteon all of the assets needed to conduct the Business as conducted immediately prior to the US Transfer Date, Ford will provided transitional services to Visteon which are necessary for the conduct of the Business on such date, with the exception of services which Ford would not be legally permitted to provide to Visteon (or its Affiliates) from time to time. The terms under which such transitional services will be provided are to be set forth in the Master Separation Agreement between Ford and Visteon. Visteon further agrees that to the extent Ford or a Ford Subsidiary or Ford Affiliate has guaranteed any obligations of a Visteon Subsidiary or Visteon Affiliate ("Ford Guaranty"), (i) Visteon will execute a guaranty of such obligations as requested by Ford, (ii) Visteon will take reasonable steps to release Ford (or the applicable Ford Subsidiary or Ford Affiliate) from any Ford Guaranty, and (iii) Visteon indemnifies Ford and any applicable Ford Subsidiary or Ford Affiliate for any claims made on a Ford Guaranty.

(b) Visteon agrees to take such steps to replace any indemnities, bonds or other assurances given by Ford (or Ford Subsidiaries that are not Visteon Subsidiaries) to any governmental authorities for the Business, including those issued in connection with environmental permits and licenses, and customs and import/export laws, as soon as practicable, but in any event, on or before December 31, 2000, and will be liable to Ford for any claims made against such indemnities, bonds or assurances by such authorities relating to the Business. Ford acknowledges that until such indemnities, bonds or other assurances are replaced, it will continue to honor them subject to Visteon's foregoing agreement.

(c) Ford agrees that it will, and will cause its Subsidiaries to, not pursue any product liability and warranty and recall claims against Visteon, the Visteon Subsidiaries and Visteon Affiliates transferred to Visteon as part of the Transfer to the extent Ford would have no claim against Visteon under the allocation of liabilities set forth in Sections 4(b)(i) and (ii) if Visteon had supplied the parts, components or systems.

(d) It is anticipated by the parties that Ford and Visteon, either directly or indirectly through their respective Subsidiaries or Affiliates, may provide services to the other which involve the discharge of waste (i) generated by Visteon, Visteon Subsidiaries or Visteon Affiliates from Ford controlled facilities under environmental permits issued to Ford or (ii) generated by Ford, Ford Subsidiaries or Ford Affiliates from Visteon controlled facilities under environmental permits issued to Visteon, Visteon Subsidiaries or Visteon Affiliates. Visteon agrees that it will reimburse Ford for any Losses (defined in Section 7 below) resulting from any violations of such environmental permits issued to Ford, a Ford Subsidiary or a Ford Affiliate caused by changes in the discharge of waste associated with the operations of Visteon, any Visteon Subsidiary or any Visteon Affiliate, as applicable, to the extent the violation is caused by such discharge. Ford

agrees that it will reimburse Visteon for any Losses resulting from any violations of such environmental permits issued to Visteon, a Visteon Subsidiary or a Visteon Affiliate caused by changes in the discharge of waste associated with the operations of Ford, any Ford Subsidiary or any Ford Affiliate, as applicable, to the extent the violation is caused by such discharge. To the extent a violation is caused by actions of both parties, the liability will be split proportionally to the amount of changes made by the parties. The parties intend to investigate and identify sites that this will apply to and enter into an agreement to cover these situations in more detail.

(e) A certain press located at the Monroe, Michigan plant ("Monroe Facility") and identified as TLSE 3000 Transfer Press, Vendor/Mfg.: Verson, Tag No. F733872 (the "Monroe Press") is leased by Ford pursuant to a Lease dated as of August 15, 1991, between Ford, as Lessee, and Wilmington Trust Company and William J. Wade, as Owner Trustees for AT&T Capital Holdings International Inc. [Equipment Trust No. 1991 F] (the "ATT Lease"). The ATT Lease covers various equipment used by Ford at other locations as well as the Monroe Press. Ford will retain its leasehold interest in the Monroe Press and the Monroe Press will be located at its present location at the Monroe Facility. If Ford becomes the legal owner of the Monroe Press in the future, Ford will be deemed to automatically transfer title to the Monroe Press to Visteon, all at no charge to Visteon. Visteon, as transferee of legal title to the Monroe Facility, acknowledges and agrees with respect to the Monroe Press: (i) the Monroe Press is subject to the ATT Lease subject to the Lessor Parties' interests, inspection, and other rights, including rights to exercise remedies under the ATT Lease and the Indenture (including the remedy to repossess the Monroe Press), (ii) Visteon will not move the Monroe Press from the Monroe Facility without Ford's written consent, (iii) Visteon has not and will not subject the Monroe Press to any liens, (iv) Visteon will not interfere with the Lessor Parties' rights to the Monroe Press, and (v) Visteon will maintain and repair the Monroe Press, and will otherwise abide by the terms of the ATT Lease that apply to the Monroe Press and its use thereof. Capitalized terms used herein that are not otherwise defined shall have the meanings ascribed to them in the ATT Lease.

(f) Ford is pursuing a license from Bosch for the ETC Microprocessor Monitor (i.e., Quizzer), and Ford agrees to make a license inquiry on behalf of Visteon as well.

## 7. INDEMNIFICATION.

(a) Visteon agrees to indemnify and save and hold harmless Ford, all Ford Subsidiaries and all Ford Affiliates, and the officers, directors, employees, agents, consultants, attorneys, accountants and other representatives thereof (collectively, the "Ford Indemnitees") from and against any damages, liabilities, obligations, losses, investigation and remediation of Environmental Claims, penalties, claims, actions, disputes or settlements (collectively, "Losses"), arising out of or resulting from or in connection with (i) any Visteon Liabilities or other obligations or liabilities assumed by Visteon or any entity controlled by Visteon (collectively, the "Visteon Group") pursuant to this Agreement or any other agreement executed by Visteon or any member of the Visteon Group in connection with the legal separation of the Visteon Group as contemplated in this Agreement and the offering and/or distribution of the shares of Visteon (collectively, the "Separation"), (ii) any failure of any of the Visteon Group to perform any

agreement or covenant contained herein or therein, (iii) the costs of operating, maintaining and carrying any Restricted Interests during the Restricted Period (defined below), and (iv) any tax consequences suffered by the Ford Group as a result of the failure of the transfer of any Restricted Interests (defined below) to be treated, for U.S. federal income tax purposes, as transfers to Visteon as of the date on which Visteon International Holdings, Inc. is transferred to Visteon. Visteon agrees to reimburse, or cause a member of the Visteon Group to reimburse, each of the Ford Indemnitees for any reasonable attorneys' fees or any other expenses reasonably incurred by any of them in connection with investigating and/or defending any Loss.

(b) Ford agrees to indemnify and save and hold harmless Visteon, all Visteon Subsidiaries and all Visteon Affiliates, and the officers, directors, employees, agents, consultants, attorneys, accountants and other representatives thereof (collectively, the "Visteon Indemnitees") from and against any Losses, arising out of or resulting from or in connection with (i) any Retained Liabilities or other obligations or liabilities of Ford or any entity controlled by Ford (collectively, the "Ford Group") not assumed by Visteon or any member of the Visteon Group pursuant to the Agreement or any other agreement executed by Visteon or any member of the Visteon Group in connection with the Separation, (ii) any Environmental Claims arising from ownership or operation of the plant in Lansdale, Pennsylvania which has been shut down by Ford Electronics and Refrigeration LLC, or (iii) any failure of any of the Ford Group to perform any agreement or covenant contained herein or therein. Ford agrees to reimburse, or cause a member of the Ford Group to reimburse, each of the Visteon Indemnitees for any reasonable attorneys' fees or any other expenses reasonably incurred by any of them in connection with investigating and/or defending any Loss.

(c) The Ford Indemnitees or the Visteon Indemnitees (in either case, an "Indemnitee"), as applicable, shall promptly give the party giving the indemnification (the "Indemnifying Party") written notification of any third party claim or any other indemnification claim, together with a copy of any legal pleadings or other written demands from such third party, if applicable; provided, however, that the failure to give such notice will not relieve an Indemnifying Party of its obligations hereunder, except to the extent that the Indemnifying Party is actually and materially prejudiced by such failure to give notice. In particular, in case of any investigation or audit, the Indemnitees shall inform the Indemnifying Party at the beginning of such investigation or audit, to the extent practical, so that the Indemnifying Party may participate therein.

(d) Except where a Ford Indemnitee has reserved or been given the right to manage or defend a Loss or claim in a written instrument signed by Visteon (or other member of the Visteon Group involved in such Loss or claim), Visteon shall be entitled, at its own expense, to conduct the defense of any third party claim with counsel of its own choice. However, the respective Ford Indemnitees shall always be entitled to participate in such defense with counsel of their own choice and at their own expense and Visteon will cooperate with the Ford Indemnitees and will consult with the Ford Indemnitees (and give reasonable consideration to all proposals and suggestions made by the Ford Indemnitees in connection with all material matters arising in the conduct of such defense). The Ford Indemnitees shall comply with Visteon's instructions in the defense unless the Ford Indemnitees believe the instruction to be unreasonable. The Ford

Indemnitees will use reasonable efforts to mitigate the amount of any Losses that may give rise to indemnification hereunder. In the event the Ford Indemnitees have the right to manage or defend the Loss, the involved member of the Visteon Group shall always be entitled to participate in such defense with counsel of its own choice and at its own expense and the Ford Indemnitees will cooperate with the Visteon Group and will consult with the Visteon Group (and give reasonable consideration to all proposals and suggestions made by the Visteon Group) in connection with all material matters arising in the management of such Loss or conduct of such defense.

(e) The Visteon Group may not settle any other third party claims covered by this Section without the prior written consent of the Ford Indemnitees involved therein and the Ford Group may not settle any other third party claims covered by this Section without the prior written consent of the Visteon Indemnitees involved therein; except, in either case, if such settlement is solely for money damages and the applicable Indemnitees are reasonably satisfied that the responsible party will directly pay such amount in full.

(f) For tax purposes, the parties agree to treat any payment pursuant to this Section as a capital contribution by Ford to Visteon or a distribution by Visteon to Ford made in the last taxable period beginning before the Distribution and, accordingly, as not includible in the taxable income of the recipient or deductible by the payor.

(g) A party's liability with respect to any Loss for which an Indemnitee actually recovered amounts from third parties (including, without limitation, proceeds under any policy of insurance available for the purpose) shall be reduced to the extent of the amounts actually recovered. A party's Loss shall not include any consequential damages or lost profits that may be suffered by such party. The parties will also take into account the time cost of money (using the then-current LIBOR, or any replacement index, as the applicable rate) in determining amount of the Loss suffered by the any Indemnitee.

(h) The amount of any Loss for which indemnification is provided under this Agreement shall be first reduced by the tax benefit (determined in the reasonable judgment of the Indemnitee) to any Indemnitee of the applicable loss item, and such net loss amount shall then be increased to take account of the net tax cost, including interest and penalties (the "Tax Cost"), if any, incurred by an Indemnitee arising from the receipt or accrual of an indemnity payment hereunder (grossed up for such increase). The computation of such Tax Cost shall reflect the hypothetical tax consequences of the receipt or accrual of any indemnity payment, defined using the maximum statutory rate (or rates, in the case of an item that affects more than one tax) applicable to the Indemnitee for the relevant taxable periods, and reflecting, for example, the effect of the deductions available for interest paid or accrued and for taxes such as state and local income taxes. Any indemnity payment hereunder shall initially be made without regard to this paragraph (h) and shall be increased or reduced to reflect any such Tax Cost (including gross-up) only after the Indemnitee has actually realized or received such cost. The amount of any Tax Cost payment hereunder shall be adjusted to reflect any final determination (which shall include the execution of Form 870-AD or successor form) with respect to the Indemnitee's liability for taxes, and payments between Ford and Visteon to reflect such adjustment shall be made if necessary.

(i) Ford has the right to offset any amounts owed by Visteon, any Visteon Subsidiary or any Visteon Affiliate to any member of the Ford Group against any amounts owed by Ford to Visteon pursuant to this Section 7. Visteon has the right to offset any amounts owed by Ford, any Ford Subsidiary or any Ford Affiliate to any member of the Visteon Group against any amounts owed by Visteon to Ford pursuant to this Section 7.

(j) For purposes of this Agreement, the term "controls" or "controlled" means the possession, directly or indirectly, of the power to direct or cause management to direct the policies of an entity, whether through the ownership of equity, by contract or otherwise. "Visteon Subsidiary" means any entity that is or would be a subsidiary of Visteon after the completion of the transactions described in Section 1 or described on Exhibits 2(a), 2(b) or 2(c). "Visteon Affiliate" means any entity that is or would be an Affiliate of Visteon after the completion of the transactions described in Section 1 or described on Exhibits 2(a), 2(b) or 2(c). "Ford Subsidiary" means any Subsidiary of Ford, other than Visteon or a Visteon Subsidiary. "Ford Affiliate" means any Affiliate of Ford other than a Visteon Affiliate.

#### 8. FURTHER ASSURANCES/EFFECT OF ASSIGNMENTS.

(a) Each party shall execute and deliver to the other such undertakings, assumption agreements, assignments, deeds, leases, bills of sale, stock certificates, endorsements, notices, consents and other instruments as shall be necessary or appropriate to transfer, convey or assign the those properties, assets and interests of the Business as are described in Sections 1 and 2 hereof to be transferred to Visteon or any Visteon Subsidiary and for Visteon to carry out and perform its obligations under this Agreement. Further, the parties agree that they shall undertake such further actions, consistent with the terms of this Agreement and the Ancillary Agreements, as may be reasonably necessary to assure that Visteon has access to the assets and services needed to conduct the Business in substantially the same manner as conducted on the US Transfer Date, subject to the time limitations in the Master Separation Agreement or other Ancillary Agreement for transitional services. If any assets are transferred to Visteon as part of the Separation which are not part of the Visteon Assets described herein, then Visteon will reconvey such assets to Ford, at the request and expense of Ford.

(b) To the extent that any interest in the shares, equity, interests, contracts, lease permits, or other assets, properties, rights, or interests comprising a part of the Transfer is not capable of being assigned, transferred, or conveyed without the consent, waiver, or authorization of a third party to such transfer or conveyance, or if an attempted assignment, transfer, or conveyance would constitute a breach of any of the contracts, lease permits, or other assets, properties, rights, or interests, or a violation of any law, statute, decree, rule, regulation, or other governmental edict or is not immediately practicable, then this Agreement shall not constitute an assignment, transfer, or conveyance of such interest, or an attempted assignment, transfer, or conveyance of such interest (collectively, the "Restricted Interests"). The entire beneficial interest in any asset or entity subject to a restriction as described above, and any other interest in such asset or entity, which are transferable notwithstanding such restriction, shall be deemed transferred. To the extent that the consents, waivers, and authorizations referred to above are not

obtained by Ford or Visteon, or until the impracticalities of transfer referred to therein are resolved to Visteon's reasonable satisfaction, Ford shall use commercially reasonable efforts, at the expense of Visteon to (i) provide to Visteon the benefits and burdens of any Restricted Interests (including, without limitation, the benefit of all voting rights related to any Restricted Entity, as defined below), and (ii) enforce, at the request of Visteon for the account of Visteon, any rights of Ford arising from any Restricted Interests (including the right to elect to terminate such Restricted Interest in accordance with the terms thereof upon the advice of Visteon). In addition, from the time during the period commencing on the latest date such Restricted Interest was to have been transferred under the terms of this Agreement and terminating at the close of business on the date such Restricted Interests are legally transferred (the "Restricted Period"), Ford will give Visteon exclusive rights to manage the Restricted Interests (including the right to run operations without consultation with Ford) until such time as the Restricted Interests are legally transferred. In the event that prior to the transfer of a Restricted Interest, the legal holder of such Restricted Interest is the subject of any bankruptcy action, assignment for the benefit of creditors or other insolvency proceeding, then such Restricted Interest will be deemed to be legally transferred immediately prior to the onset of such proceeding, regardless of any restrictions.

(c) In the event that a Restricted Interest applies to the transfer of Ford's or a Ford Subsidiary's interest in a legal entity ("Restricted Entity"), then during the Restricted Period, if the Restricted Entity makes any distributions to Ford or a Ford Subsidiary (collectively, the "Ford Entity") with respect to profits, or in liquidation or otherwise, whether in cash or in kind, the Ford Entity shall (i) within 60 days following receipt of the distribution, remit the amount of any such cash distributions by wire transfer in the currency in which such distribution was received to an account designated by Visteon, and (ii) with respect to any in-kind distributions, take all steps reasonably necessary to cause the transfer, by no later than 60 days following the date of such distribution to the Ford Entity, of all of Ford's right and title to and interest in each such distribution to Visteon. Visteon shall bear the costs and expenses incurred in connection with the transfer of such distributions. In the event that, at any time during the Restricted Period, (I) the Ford Entity is obligated to make a capital contribution (whether in cash or in kind) with respect to, or other payment arising out of its ownership of, the Restricted Entity, or (II) any indemnification obligation of Visteon becomes payable because of its management of the Restricted Entity, Visteon shall remit the amount of any such capital contribution or indemnification obligation by wire transfer to an account designated by Ford within 60 days following receipt by Visteon of notice of such obligation from Ford. In the event that any obligation of the Ford Entity arises hereunder with respect to an in-kind capital contribution by the Ford Entity, the amount to be remitted by Visteon hereunder with respect to such capital contribution shall equal the fair market value of such in-kind contribution, and, notwithstanding the foregoing, shall, in the event the parties are unable to agree on the fair market value of the contribution, be remitted within 30 days following the issuance of an appraisal by the independent appraiser mutually agreeable by Ford and Visteon.

## 9. EMPLOYEES.

It is contemplated that certain employees of Ford assigned to the Business shall become employees of Visteon. The transition of such employees to Visteon is provided for in the Employee Transition Agreement. In addition, Ford will provide certain other employees to Visteon under the terms of the Hourly Employee Assignment Agreement.

## 10. MISCELLANEOUS.

(a) This Agreement, including all Exhibits and Schedules attached hereto, constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof. The covenants, representations, and indemnities of the parties herein shall survive the closing and the transfer of the Visteon Assets, and continue in full force and effect.

(b) This Agreement shall be governed by and construed in accordance with the internal laws of the State of Michigan.

(c) This Agreement is for the sole benefit of the Parties hereto and no third party may claim any right, or enforce any obligation of the Parties, hereunder.

(d) All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, by fax with confirmation of receipt, by express or overnight mail delivered by a nationally recognized air courier (delivery charges prepaid), or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties as follows:

## If to Ford:

Ford Motor Company  
The American Road  
Dearborn, MI 48121  
Attention: Secretary  
Fax: (313) 337-9591

## If to Visteon:

Visteon Corporation  
5500 Auto Club Drive  
Dearborn, MI  
Attention: General Counsel  
Fax: (313) 390-2718

or to such other address as the party to whom notice is given may have previously furnished to the others in writing in the manner set forth above. Any notice or communication delivered in person shall be deemed effective on delivery. Any notice or communication sent by fax or by overnight courier shall be deemed effective on the next business day. Any notice or

communication sent by registered or certified mail shall be deemed effective on the fifth business day after such notice or communication was mailed.

(e) This Agreement shall be binding upon and inure to the benefit of each party hereto and the respective successors and assignees of the parties. In no event will a party be released from their indemnity obligations without the written consent of the other party.

(f) If a dispute arises between the Parties relating to this Agreement, the following procedure shall be implemented except that either Party may seek injunctive relief from a court where appropriate in order to maintain the status quo while this procedure is being followed:

- (i) The Parties shall hold a meeting promptly, attended by persons with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute; provided, however, that no such meeting shall be deemed to vitiate or reduce the obligations and liabilities of the Parties or be deemed a waiver by a party hereto of any remedies to which such Party would otherwise be entitled.
- (ii) If within thirty (30) days after such meeting, the Parties have not succeeded in negotiating a resolution of the dispute, they agree to submit the dispute to mediation in accordance with the then-current Model Procedure for Mediation of Business Disputes of the CPR Institute for Dispute Resolution ("CPR") and to bear equally the costs of the mediation. The Parties will jointly appoint a mutually acceptable mediator, seeking assistance in such regard from the CPR if they have been unable to agree upon such appointment within twenty (20) days from the conclusion of the negotiation period.
- (iii) The Parties agree to participate in good faith in the mediation and negotiations related thereto for a period of thirty (30) days. If the Parties are not successful in resolving the dispute through the mediation, then the Parties agree to submit the matter to binding arbitration in accordance with the CPR Rules for Non-Administered Arbitration, by a sole arbitrator.
- (iv) Mediation or arbitration shall take place in the City of Dearborn, Michigan. Equitable remedies shall be available in any arbitration. Punitive or exemplary damages shall not be awarded. This clause is subject to the Federal Arbitration Act, 9 U.S.C.A. Section 1 et seq., or comparable legislation in non-U.S. jurisdictions, and judgment upon the award rendered by the arbitrator, if any, may be entered by any court having jurisdiction thereof.

(g) If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse

to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible.

(h) No failure or delay on the part of any party hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

(i) The descriptive headings herein are for reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

(j) No change or amendment will be made to this Agreement except by an instrument in writing signed on behalf of each of the parties to such agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Master Transfer Agreement to be executed by their fully authorized representatives as of the day and year first above written.

VISTEON CORPORATION

By: /s/ Dan R. Coulson  
-----  
Name: Dan R. Coulson  
Title: Executive Vice President and  
Chief Financial Officer

FORD MOTOR COMPANY

By: /s/ Malcolm Macdonald  
-----  
Name: Malcolm Macdonald  
Title: Vice President and Treasurer

## DEFINED TERMS

Affiliate	Recitals
Ancillary Agreements	Recitals
ATT Lease	Sec. 6(e)
Balance Sheet	Sec. 1(c)
Business	Recitals
Code	Recitals
Controls	Sec. 7(j)
CPR	Sec. 10(f)(i)
Distribution	Recitals
Environmental Claims	Sec. 4(b)(iii)
Environmental Law	Sec. 4(b)(iii)
FGTI	Recitals
Ford	Introduction
Ford Affiliate	Sec. 7(j)
Ford Entity	Sec. 8(c)
Ford Group	Sec. 7(b)
Ford Guaranty	Sec. 6(a)
Ford Indemnitees	Sec. 7(a)
Ford Subsidiary	Sec. 7(j)
Fuchang	Ex. 2(a), Sec. (xii)
Fu Hua	Ex. 2(b), Sec. (vii)
Hazardous Substance	Sec. 4(b)(iii)
Indemnitee	Sec. 7(c)
Indemnifying Party	Sec. 7(c)
IPO	Recitals
Losses	Sec. 7(a)
Monroe Facility	Sec. 6(e)
Monroe Press	Sec. 6(e)
Retained Liabilities	Sec. 5(a)
Restricted Entity	Sec. 8(c)
Restricted Interests	Sec. 8(b)
Restricted Period	Sec. 8(b)
Separation	Sec. 7(a)
Subsidiary	Recitals
Subsidiary Transfer Date	Ex. 1(a), Sec. (i)
Tax Cost	Sec. 7(h)
Transfer	Recitals
UARCO	Ex. 2(a), Sec. (C)(ix)
US Transfer Date	Sec. 1(c)
VDH	Ex. 2(a), Sec. (b)(v)
VGTI	Recitals

VIHI	Ex. 1(a), Sec. (i)
Visteon	Introduction
Visteon Affiliate	Sec. 7(j)
Visteon Assets	Sec. 1
Visteon Group	Sec. 7(a)
Visteon Indemnitees	Sec. 7(b)
Visteon Liabilities	Sec. 4(a)
Visteon Products	Sec. 4(b)(i)
Visteon Product Claims	Sec. 4(b)(i)
Visteon Subsidiary	Sec. 7(j)
VPCSI	Ex. 2(a), Sec. (A)(vi)
Yan Feng	Ex. 2(a), Sec. (C)(viii)

## PURCHASE AND SUPPLY AGREEMENT

This Purchase and Supply Agreement ("Agreement") dated as of January 1 2000 (the Effective Date") is entered into by and between Visteon Corporation., a Delaware corporation ("Visteon"), and FORD MOTOR COMPANY ("FORD "), a Delaware corporation.

## RECITALS

A. Ford and its subsidiaries and affiliates worldwide are engaged in, among other things, the design, manufacture, and sale of motor vehicles and motor vehicle related products. Prior to the Effective Date, all of the business operations which are owned by Visteon were controlled by Ford. As of the Effective Date, Visteon has separated from Ford and become an independent entity.

B. Visteon and its subsidiaries and affiliates worldwide are engaged in among other things, the design, manufacture, and sale of motor vehicle related components and systems on certain Ford vehicles.

C. Following the separation of Visteon from Ford, Visteon wishes to continue to supply and to assure that its subsidiaries and affiliates have the right, under certain circumstances, to continue to supply Ford and certain of its subsidiaries with motor vehicle related components and systems and Ford wishes to continue acquiring such components and systems on a competitive basis from Visteon and its subsidiaries and affiliates. Further, the parties believe that cooperation with respect to restructuring actions during and after the separation of Visteon from Ford is desirable.

D. Ford and Visteon desire to have Visteon positioned as a viable independent supplier, treated in line with other Tier 1 suppliers of Ford with respect to Ford's general purchasing policies and practices.

E. Ford and Visteon acknowledge that in order for Visteon to achieve this objective and to remain competitive with other Tier 1 suppliers, they will need to cooperate with each other to effectively and efficiently implement product, process and design technologies identified and secured by Visteon into components purchased by Ford.

NOW, THEREFORE, in consideration of the mutual promises contained in this Agreement and intending to be legally bound, Visteon and Ford agree:

## 1. PRIOR PURCHASE AND SUPPLY AGREEMENTS

1.1 Subject only to the termination provisions of paragraph 4, Visteon and Ford shall continue to honor the terms and conditions of all Purchase Orders, Long Term Supply Agreements, Target Agreements, and Sourcing Confirmation Letters in existence as of the Effective Date entered into by Ford on behalf of itself and as agent for its affiliated companies ("Existing Agreements") regarding the purchase and supply of motor vehicle related components and systems ("Components"), including all Components that have been awarded to Visteon regardless of whether production for such program has commenced, as if Visteon and Ford were separate legal entities at the time such agreements were made, provided, however that the term of each Existing Agreement shall extend through the later of (i) its stated term, or (ii) December 31, 2003. Ford agrees that such Existing Agreements shall transfer to Visteon and shall issue amendments to such documents as may be required by Ford's accounts payable system to include the Visteon name.

1.2 The terms and conditions of Ford's standard Purchase Order (FGT26 rev. 4/97) are incorporated herein and in the Existing Agreements by this reference; provided, however, that in the event the specific agreed upon terms of an Existing Agreement conflict with the terms of Ford's standard Purchase Order terms, including the express omission of some or all of Ford's standard terms, the specific agreed upon terms (including agreed upon omissions), of the Existing Agreement shall control. In the event of a conflict between the terms of an Existing

Agreement and this Agreement, then the terms of this Agreement shall control. Additionally, the parties agree that in situations where the parties are silent with respect to the applicability of all of the standard Ford Purchase Order terms and conditions, it shall be presumed that such terms and conditions apply.

1.3 The unit prices for each Component produced for each program will be equal to the existing prices already established by Existing Agreements, and the parties have mutually agreed to certain price reductions which are described in a separate side letter agreement entered into contemporaneously with this Agreement.

1.4 Unless otherwise provided in Existing Agreements, no adjustments will be made for changes in economics, including increases in Visteon's costs for labor, material, or overhead. In the event of an unforeseen extraordinary occurrence which is not the fault of either party and which may significantly affect Visteon's cost of manufacturing and supplying Components to Ford or which otherwise may place a significant financial burden on either party, Ford and Visteon will negotiate in good faith an adjustment to the pricing terms, taking into account all of the circumstances, with the view toward ensuring profitability with respect to Components, as well as the vehicles incorporating Components, to both Ford and Visteon.

## 2. NEW BUSINESS

2.1 Ford shall treat Visteon in the same manner as it treats its other Tier 1 suppliers with respect to Ford's general sourcing policies and practices, including new purchasing and sourcing initiatives.

2.2 All new business agreements not constituting Existing Agreements hereunder ("New Business Agreements") awarded to Visteon will be governed by Ford's standard Purchase Order terms and conditions (FGT 26 rev. 4/97 or subsequent revisions), the applicable terms of this Agreement and any other specific terms and conditions under which that business is awarded. During the term of this Agreement, Visteon will continue to be included on Ford's list of suppliers receiving Requests for Proposals, including Requests for Quotations, design competitions and advanced technology development activities.

2.3 Other than business awarded pursuant to Visteon's exercise of its right of last refusal, New Business Agreements awarded to Visteon, if any, will be at Ford's sole discretion.

## 3. PAYMENT TERMS

3.1 The payment terms of all Existing Agreements shall remain unchanged as of the Effective Date, however, Visteon recognizes its need to remain competitive and agrees to participate with Ford, consistent with the participation of Ford's other Tier 1 suppliers, as and when Ford moves to different supply chain models and payment term constructs. Payments will be made to Visteon in the currency of the country of final manufacture or assembly of the Components to the extent consistent with payment terms applied to Ford's other Tier 1 suppliers. The parties will continue the present monthly billing process for material shipments until such time as the accounting functions for Visteon have been sufficiently transitioned so that there is no longer the ability to continue the present billing practices. After Visteon has transitioned from the Ford accounting services necessary for the present billing process, Visteon will be reimbursed based on normal Ford Tier 1 supplier payment terms and practices in effect at that time.

## 4. RIGHT TO TERMINATE FOR NON-COMPETITIVENESS

4.1 If during the term of any Existing Agreement or New Business Agreement relating to a given Component (collectively "Purchase and Supply Agreement"), (a) there is a demonstrable decline in the overall quality of Visteon's products or services, or (b) Visteon does not remain competitive in design, quality, service, technology and delivery on any Component thereunder with other responsible suppliers or potential suppliers, or (c) Ford can substitute supplies of significantly advanced design or processing, Ford may terminate its purchase obligations with respect to such Component in whole or in part without further liability. Ford shall provide

written notice to Visteon which outlines its causes for termination and specifies a termination date at least three months after the date of the notice. If Visteon demonstrates to Ford, at least one month prior to the specified date of termination, that Visteon will correct the causes by the termination date or a subsequent date acceptable to Ford, termination of the Purchase and Supply Agreement with respect to the affected Component will be suspended and that agreement will continue.

4.2 Ford will not be responsible for any supplemental or compensatory payments to Visteon in the event that a Purchase and Supply Agreement is terminated because of non-competitiveness, provided however that this provision shall not vitiate any separate agreement between Ford and Visteon relating to ongoing employee relationships.

## 5. QUALITY/COST IMPROVEMENT INITIATIVES

5.1 To insure a robust quality improvement process, Visteon will participate in Ford quality improvement programs and Ford can require Visteon to achieve reasonable increased quality standards, consistent with the current practice of Ford's other Tier 1 suppliers. All Visteon facilities that produce Components for Ford shall achieve and retain Q1 status and shall also maintain ISO9000 compliance during the terms of any applicable Purchase and Supply Agreement.

5.2 Visteon will participate with Ford on its cost, warranty and customer satisfaction improvement programs on all Components, whether covered by Existing Agreements or New Business Agreements, including sharing the necessary information requested by Ford, consistent with the current practice of Ford's other Tier 1 suppliers.

## 6. RIGHT OF LAST REFUSAL ON REPLACEMENT BUSINESS

6.1 Beginning January 1, 2000 (the "Effective Date") and continuing through May 31, 2003 (the "ROLR Term"), Visteon shall be granted a right of last refusal under competitive purchase order terms for the first replacement cycle of existing product programs (in the United States, Europe, Canada, and Mexico production for export to the United States) for those Components currently provided by Visteon pursuant to Existing Agreements provided that it is competitive in terms of quality, service and delivery on those Components at the time it wishes to exercise the right of last refusal, and further provided that it can demonstrate to Ford's reasonable satisfaction its capability to be competitive in design and technology for the replacement cycle Components. For Visteon's manufacturing operations not covered by the foregoing sentence, Visteon shall be deemed to be the "incumbent" supplier and will be treated by Ford in the same manner as Ford treats its other incumbent suppliers. The parties agree that right of last refusal for those Components produced in Mexico for use in the United States shall not be subject to the Sourcing Council process. The right of last refusal for Components supplied by Visteon facilities in Western Europe will be administered to be consistent with Ford's sourcing obligations described in the Agreement Governing the Separation of the Ford Visteon Organization dated January 25, 2000 as it may be amended from time to time. The mechanics of Visteon's right of last refusal shall operate in accordance with Exhibit I provided, however, that any Visteon manufacturing operation that has not achieved Q1 status, or whose Q1 status has been revoked will be considered to be on New Business Hold and during such period, the right of last refusal may not be invoked for Components that would be produced at that manufacturing operation.

6.2 Except as specifically provided above, the right of last refusal does not apply to Asia, new markets, Mexico (other than production of Components for export for use in the United States and Components assembled into vehicles in Mexico that will be exported to the United States), or South America.

## 7. TOOLING

7.1 The ownership of tooling for the production of Components is governed by the Master Transfer Agreement.

7.2 Use of Ford-owned tooling for the production of service and replacement parts and other aftermarket applications is governed by the Relationship Agreement Between Automotive Consumer Services Group and Visteon Corporation.

7.3 Visteon shall not use Ford-owned tooling to produce products for other customers if such tooling is used to produce products for serial production for Ford; provided, however, that Visteon shall be allowed to continue the use of such tooling to the extent necessary to satisfy already awarded contracts or extensions of such contracts, where Visteon has previously used such tooling to produce such products. Visteon will have the burden of establishing, upon Ford's reasonable request, the existence of a binding contract with other customer(s) and prior use of particular tooling for those specific customer(s) prior to the Effective Date. If Visteon is unable to establish such facts with respect to particular tooling, Visteon will not have the right to use the applicable tooling. Moreover, Visteon agrees that it will not expand the use of any tooling described in this Section to new products, new customers or new contracts, other than for or with Ford.

7.4 In the event that (i) any Excusable Delay (as defined in Ford's standard Purchase Order terms) prevents Visteon from producing or delivering products, or (ii) Ford resources products to another supplier as permitted under this Agreement Visteon will permit Ford to take possession of all Ford-owned tooling which is used to produce serial production parts for Ford in accordance with Ford's Purchase Order Terms and Conditions; provided, however, that in the event such tooling is being used by Visteon to produce products for other customers (as permitted pursuant to Section 7.3 above, it being understood and agreed that Visteon shall have the burden of proving such eligibility), Ford will to the extent practicable, allow the new supplier to use such tooling to produce products for sale to Visteon to permit Visteon to satisfy Visteon's pre-existing contractual commitments to other customers.

7.5 Ford agrees to return to Visteon all tooling of which Ford obtains possession as a result of an event constituting an Excusable Delay as promptly as commercially reasonable under the circumstances, following the cessation of that Excusable Delay event; provided, however, that Ford shall not be required to return any such tooling to Visteon until after Ford has satisfied any contractual commitments that Ford may have made to other suppliers regarding products produced from such tooling.

7.6 Nothing contained in this Article 7 shall be construed to restrict Visteon's use of tooling beyond the specific rights herein granted, to the extent that Ford may in the future, expand such rights with respect to Tier 1 suppliers generally.

## 8. PROCESS FOR VISTEON TO EXIT CERTAIN BUSINESSES

Visteon shall not sell or exit any of its business operations engaged in the production of Components for Ford without first advising Ford of its intent to do so, providing sufficient detail with respect to the means by which Visteon expects to assure Ford of a continued supply of affected Components on the same terms and conditions, through the remaining terms of the affected Purchase Orders and Long Term Supply Agreements. Visteon will reasonably consider Ford's input and concerns and Ford will cooperate in good faith with Visteon in any restructuring actions.

## 9. RAW MATERIALS AND PURCHASED COMPONENTS

To the extent mutually practical and consistent with all applicable laws and regulations and consistent with the terms of all Existing Agreements, Visteon will participate in Ford's raw materials supply system or directed buy programs for raw materials as amended from time to time, in the same manner as Ford's other Tier 1 suppliers

## 10. TERM AND TERMINATION

10.1 The term of this Agreement shall commence on the Effective Date and continue as long as any Existing Agreement is in effect, including any extensions of any Existing Agreement.

10.2 Either Ford or Visteon may terminate this Agreement in the event that (a) the other party materially breaches this Agreement; (b) the other party becomes insolvent or enters bankruptcy, receivership, liquidation, composition of creditors, dissolution or similar proceeding; or (c) a significant portion of the assets of the other party necessary for the performance of this Agreement becomes subject to attachment, embargo or expropriation. In addition, Ford may terminate this Agreement in the following events: (i) thirty-five percent or more of the voting shares of Visteon become owned or controlled, directly or indirectly, by a competitor of Ford in the business of manufacturing motor vehicles; or (ii) all of the Existing Agreements become subject to termination or cancellation pursuant to their terms.

10.3 A party intending to terminate this Agreement pursuant to this Article 10 shall first notify the other party of the grounds for the intended termination. If the other party fails to remedy such grounds for termination within sixty (60) days of such notice (or any longer period of time as mutually agreed by the parties), then the terminating party may terminate this Agreement effective upon notice to the other party without the need for any judicial action.

10.4 The provisions of this Article 10 are without prejudice to any other rights or remedies either party may have by reason of the default of the other party.

10.5 In the event a competitor of Ford in the business of manufacturing motor vehicles acquires a significant interest in Visteon (directly or indirectly) Visteon will provide Ford with reasonable assurances that Visteon will utilize its best efforts to preserve the confidentiality of all information related to products produced for Ford and Ford product programs.

## 11. GENERAL PROVISIONS

11.1 No Agency. This Agreement does not constitute either party the agent or legal representative of the other party. Neither party is authorized to create any obligation on behalf of the other party.

11.2 Notices. Any notice under this Agreement must be in writing (letter, facsimile) and will be effective when received by the addressee at its address indicated below.

(a) Notice sent to Visteon will be addressed as follows:

Visteon:  
Visteon Corporation  
5500 Auto Club Drive  
Dearborn, MI 48126  
Attention: General Counsel  
Fax: (313) 390-2718

(b) Notice sent to Ford will be addressed as follows:

Ford Motor Company  
Office of the Secretary  
One American Road  
12th Floor World Headquarters  
Dearborn, Michigan 48126  
Fax: (313) 248-7036

(c) The parties by notice hereunder may designate other addresses to which notices will be sent.

11.3 Subsidiaries and Affiliates. The following Ford subsidiaries and affiliates are bound to this Agreement: Volvo Car Corporation ("Volvo"), Mazda Motor Corporation ("Mazda"), and Jaguar Cars Ltd. ("Jaguar"); provided, however that neither the Right of Last Refusal as described in Appendix I nor the price reductions referenced in Section 1.3 shall apply to Jaguar, Volvo or Mazda brand sourcing regardless of whether Ford Motor Company is the entity that issued the Existing Agreements on behalf of Volvo or Mazda, and further provided that Ford will use reasonable efforts to secure a similar commitment from Mazda and will use reasonable efforts to ensure that, during the ROLR Term, Visteon is given the opportunity by Jaguar and Volvo to quote for all new business for components that it is able to produce. Ford will not transfer sourcing responsibility to an entity that is not bound by the Right of Last Refusal for the purpose of avoiding such obligation. No other subsidiaries or affiliates of Ford are parties to this Agreement and they are not bound by the provisions herein unless and until they separately agree to be so bound.

11.4 Amendments. No amendment to this Agreement will be binding upon either party unless it is in writing and is signed by a duly authorized representative of each party. This Agreement supersedes any prior agreements between the parties concerning the subject matter herein.

11.5 Assignments. This Agreement shall be binding upon and inure to the benefit of the parties, and their respective successors and permitted assigns, but no rights, interests or obligations of either party herein may be assigned without the prior written consent of the other, which consent shall not be unreasonably withheld.

11.6 Severability. If any provision of this Agreement, or portion thereof, is invalid or unenforceable under any statute, regulation, ordinance, executive order or other rule of law, such provision, or portion thereof, shall be deemed reformed or deleted, but only to the extent necessary to comply with such statute, regulation, ordinance, order or rule, and the remaining provisions of this Agreement shall remain in full force and effect.

11.7 Governing Law. This Agreement will be construed and enforced in accordance with the laws of the State of Michigan, excluding its conflict of laws rules. Each party consents, for purposes of enforcing this Agreement, to personal jurisdiction, service of process and venue in any state or federal court within the State of Michigan having jurisdiction over the subject matter. The parties exclude the application of the 1980 United Nations Convention on Contracts for the International Sale of Goods, if otherwise applicable.

If a dispute arises between the Parties relating to this Agreement, the following procedure shall be implemented except that either Party may seek injunctive relief from a court where appropriate in order to maintain the status quo while this procedure is being followed:

(1) The Parties shall hold a meeting promptly, attended by persons with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute; provided, however, that no such meeting shall be deemed to vitiate or reduce the obligations and liabilities of the Parties or be deemed a waiver by a party hereto of any remedies to which such Party would otherwise be entitled.

(2) If within thirty (30) days after such meeting, the Parties have not succeeded in negotiating a resolution of the dispute, they agree to submit the dispute to mediation in accordance with the then-current Model Procedure for Mediation of Business Disputes of the Center for Public Resources and to bear equally the costs of the mediation. The Parties will jointly appoint a mutually acceptable mediator, seeking assistance in such regard from the Center for Public

Resources if they have been unable to agree upon such appointment within twenty (20) days from the conclusion of the negotiation period.

(3) The Parties agree to participate in good faith in the mediation and negotiations related thereto for a period of thirty (30) days. If the Parties are not successful in resolving the dispute through the mediation, then the Parties agree to submit the matter to binding arbitration in accordance with the Center for Public Resources Rules for Non-Administered Arbitration, by a sole arbitrator.

(4) Mediation or arbitration shall take place in the City of Dearborn, Michigan. Equitable remedies shall be available in any arbitration. Punitive or exemplary damages shall not be awarded. This clause is subject to the Federal Arbitration Act, 9 U.S.C.A. Section 1 et seq., or comparable legislation in non-U.S. jurisdictions, and judgment upon the award rendered by the arbitrator, if any, may be entered by any court having jurisdiction thereof.

11.8 Counterparts. This Agreement may be executed by the parties in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute one and the same instrument.

IN WITNESS WHEREOF, Ford and Visteon have caused this Agreement to be executed in multiple counterparts by their duly authorized representatives.

VISTEON CORPORATION

FORD MOTOR COMPANY

By: /s/ Daniel R. Coulson

/s/ Carlos Mazzorin

-----

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Daniel R. Coulson

Carlos Mazzorin

Title: Executive Vice President and Chief Financial Officer

Group Vice President  
Global Purchasing and South America

Date: April 1, 2000

Date: April 1, 2000

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/s/ Malcolm S. Macdonald

By:

Malcolm S. Macdonald

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Vice President-Treasurer

Title:

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Date: March 30, 2000

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Date:

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## RIGHT OF LAST REFUSAL

In order to invoke the right of last refusal, Visteon must be competitive in terms of quality, service and delivery with respect to the Components for which Visteon is exercising its right of last refusal.

(a) Upon commencement of a product program covered by the right of last refusal specified in Section 6.1 (a "ROLR Product"), Ford will submit to prospective suppliers, including Visteon, a request for proposal in accordance with its customary procedures including but not limited to, the bundling of ROLR Products for any Component with ROLR Products for other Components; provided, however, that the bundling of ROLR Products will involve naturally related components, systems and modules, consistent with Ford's standard commodity sourcing practices.

(b) When such bundled sourcing packages including two or more ROLR Products are offered, Visteon will have the right of last refusal on any such ROLR Product(s) in the bundle. For those products in the bundle not currently provided by Visteon, the right of last refusal shall not apply.

(c) If Visteon wishes to exercise the right of last refusal with regard to a ROLR Product, Visteon must participate in the sourcing process, including developmental work, the advance purchasing/engineering process, and the submission of bids, all on the same basis as other potential suppliers.

(d) In the event Ford determines that a proposal submitted by an entity other than Visteon is the most favorable (the "Favorable Proposal"), Ford will notify Visteon in writing of the material terms (including price, other financial considerations (including, without limitation, the economic impact of price reductions on other current and future products) material content, investment, timing, non-proprietary technology, and the existence of proprietary technology) of the Favorable Proposal (the "Terms Notice"), and will request that Visteon notify Ford in writing whether Visteon wishes to supply such ROLR Product(s) on terms the same as or substantially the same as (as mutually determined by the parties in their reasonable discretion) the terms of the Terms Notice.

(e) Following receipt by Visteon of the Terms Notice from Ford, Visteon must notify Ford in writing of its willingness and ability to supply such ROLR Products on such terms within seven (7) business days if no new technology is included in the Favorable Proposal, or fifteen (15) business days if new technology is included in the Favorable Proposal. Visteon must demonstrate to Ford's reasonable satisfaction that it has the capability to be competitive in design and technology with the Favorable Proposal.

(f) If Visteon so notifies Ford that it is willing and able to supply such ROLR Product(s) on such terms, then Visteon will be awarded the sourcing of such ROLR Product(s) for the relevant Purchase and Supply Agreement term.

(g) If Visteon fails to so notify Ford or notifies Ford that it is unwilling or unable to supply such ROLR Product(s) on such terms, Ford may source the ROLR Product(s) on terms no less favorable to Ford than those set forth in the Terms Notice.

(h) If for any reason Ford determines to source such ROLR Product(s) on terms less favorable to Ford than the terms of the Terms Notice, then Visteon will again have the right of last refusal to supply such ROLR Product(s) in the manner described in this Appendix.

(i) Under no circumstances will Ford be responsible for any supplemental or compensatory payments to Visteon in the event Visteon fails to exercise its right of last refusal or can not provide the Components on a competitive basis. The right of last refusal for those Components produced in Mexico for use in the United

States shall not be subject to the Sourcing Council process. The right of last refusal for Components supplied by Visteon facilities in Western Europe will be administered to be consistent with Ford's sourcing obligations described in the Agreement Governing the Separation of the Ford Visteon Organization dated January 25, 2000 as it may be amended from time to time.

[FORD LOGO]

Lisa Klein  
Executive Director  
Vehicle Procurement Operations

Ford Motor Company  
One American Road  
Dearborn, Michigan  
48126-2798

March 31, 2000

Mr. Dan Coulson  
Chief Financial Officer  
Visteon Corporation  
Auto Club Drive  
Dearborn, Michigan 48126

Dear Dan:

The purpose of this letter is to confirm certain understandings reached by Ford Motor Company (Ford) and Visteon Corporation ("Visteon") regarding a price reduction and productivity improvements to be implemented by Visteon in accordance with the Purchase and Supply Agreement ("Purchase and Supply Agreement") dated January 1, 2000.

Effective January 1, 2000, Ford and Visteon agree that Visteon will deliver a one-time price reduction equal to five percent (5%) to competitively align Visteon with other Ford suppliers which has been calculated as a result of a recently completed analysis of competitiveness. In addition, in connection with Visteon's on-going productivity commitment, Visteon has agreed to a three and one-half percent (3.5%) price reduction that is consistent with the amount of annual productivity that Ford expects from its other major Tier 1 suppliers. The parties acknowledge that reductions to individual commodity prices may differ, subject to the mutual agreement of the parties, to achieve the overall reduction. This price reduction shall apply to existing prices for components in production as of the Effective Date under Existing Agreements, as defined in the Purchase and Supply Agreement. In addition a productivity price reduction factor to be mutually agreed by the parties annually shall be effective for all Existing Agreements and all New Business Agreements that are executed after the Effective Date on January 1, 2001 which productivity factor shall be applied to components in production as of each anniversary thereof through and including January 1, 2003. In October of each year, the productivity price reduction factor will be evaluated, and if appropriate, adjusted upward or downward, for productivity competitiveness based on the competitive market basket (as further described on Appendix I) of productivity reductions obtained by Ford from its suppliers that are competitors of Visteon. Further, Visteon will use its best efforts to develop commercially viable design cost reductions of approximately one and one half to two and one half percent (1.5%-2.5%) annually and Ford will fully cooperate with Visteon in such efforts and consider in good faith the implementation of such design cost reductions.

Visteon and Ford will work together in good faith to continuously identify opportunities to further improve cost and quality and will share such information with each other in a timely manner consistent with current practice of Ford's other Tier 1 suppliers. Ford and Visteon will review market conditions and their impact on these objectives annually.

Please indicate your concurrence with the foregoing by signing below.

Very truly yours,

FORD MOTOR COMPANY

/s/ Lisa Klein

Concur:

VISTEON CORPORATION

By: /s/ Dan R. Coulson

-----  
Dan R. Coulson  
Chief Financial Officer  
Visteon Corporation

## Market Basket Formula and Process

## Application

- 1) This Market Basket Formula and Process will be used pursuant to Purchase and Supply Agreement and Pricing Letter between Visteon and Ford to calculate pricing adjustments for the 2001, 2002 and 2003 calendar years. All Commodities sold to Ford by Visteon will be covered by this agreement.
- 2) Only Commodities in which Visteon represents less than 90% of the total Ford buy will qualify for the market basket study. Those Commodities sold to Ford by Visteon that constitute 90% or more of the Ford buy for that Commodity will receive a price adjustment equal to the weighted average of the market basket study.

## Formula

- 1) The market basket analysis will be conducted on a regional basis (independently for North American and Europe) by Commodity.
- 2) The Ford Frozen Turnover will be the computing base for calculations. For purposes of the Market Basket Formula, the Ford Frozen Turnover Rate is defined as the Ford volume and mix assumptions established each year by Ford on which it bases its financial and budget objectives. Commodity classifications will be based on Ford's commodity-code groupings Ford will review the turnover base with Visteon, including commodity code classification annually. and reasonable revisions to the classifications suggested by Visteon will be considered, provided they are supported by Ford's commodity-code structure.
- 3) The competitive supply base used for each commodity will be comprised of the two largest non-Visteon suppliers. Revisions to this formula (e.g., Stampings) may be made only upon mutual agreement of the parties.
- 4) In conformity with the manner in which Ford treats the rest of its Tier 1 suppliers, the price changes will reflect non-design productivity.
- 5) The revenue base used to apply the price change will exclude any material that Ford buys or is indexed, and will exclude all ESTA (Target Agreement) parts. Price changes calculated pursuant this formula will be effective retroactive to January 1 for each calendar year in which the change is calculated.
- 6) Visteon has the right to have an independent third party (recommend PWC) verify all market basket data each year, including productivity amounts. Such verification shall be completed prior to implementation of the settlement process described below. Visteon and Ford will each bear one-half of the cost of any independent verification.

## Process (Conducted independently for N.A. and Europe)

- 1) During the 1st Quarter of each year, for administrative purposes only, Ford will input a percentage price change into Ford's price files (effective retroactive to January 1 of that year) to represent a placeholder amount for expected supply-base non-design productivity. Texturing will be agreed with Visteon.
- 2) Prior to Dec. 1 of each year Ford and Visteon will verify, including independent audit if so requested by Visteon, and consense on market basket price change versus placeholder amount (including agreed texturing).
- 3) Prior to December 31 of each year -In the event that the placeholder amount is greater than the amount determined by the market basket analysis, multiplied by the actual volume of that Commodity purchased by Ford as of the date of the analysis (annualized), Ford will reimburse Visteon the difference. In the event that the placeholder amount is less than the amount determined by the market basket analysis multiplied by the actual volume of that Commodity purchased by Ford as of the date of the analysis (annualized), Visteon will reimburse Ford the difference. Payment shall be made within 30 days of the reconciliation.
- 4) By December 31 of each year (if possible) -- Ford Purchasing and Visteon Marketing and Sales representatives will agree on the need for and amount of any commodity texturing for the following year, including adjustments to the base identified from the current year (see process step 3 above). Within this timeframe, Ford Buyers and Visteon will have the opportunity to consider further texturing of the agreement within the commodities.

March 31, 2000

## TAX SHARING AGREEMENT

between

FORD MOTOR COMPANY,  
on behalf of itself  
and the FORD AFFILIATES

and

VISTEON CORPORATION  
on behalf of itself  
and the VISTEON AFFILIATES

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## TAX SHARING AGREEMENT

This Agreement is entered into as of the 1st day of June, 2000 between Ford Motor Company ("Ford"), a Delaware corporation, on behalf of itself and the Ford Affiliates, and Visteon Corporation ("Visteon"), a Delaware corporation, on behalf of itself and the Visteon Affiliates.

## W I T N E S S E T H:

WHEREAS, pursuant to the tax laws of various jurisdictions, certain Visteon Affiliates as defined below, presently file certain tax returns on an affiliated, consolidated, combined, unitary, fiscal unit or other group basis (including as permitted by Section 1501 of the Internal Revenue Code of 1986, as amended (the "Code")) with certain Ford Affiliates, as defined below;

WHEREAS, Ford both directly and indirectly through its subsidiaries conducts the automaking business and the automotive supply business;

WHEREAS, Ford has concluded that the separation of its automotive supply business from its automaking business would (i) alleviate competitive barriers to expanding Visteon's automotive supply business beyond sales to the Ford Affiliates, (ii) allow Ford to overcome competitive barriers to making purchases from third-party automotive suppliers, and (iii) enhance Visteon's ability to attract employees and permit Visteon to offer employee incentives more directly tied to the performance of its business;

WHEREAS, to effectuate the separation of these two businesses, Ford considers it appropriate to restructure its assets and liabilities both within and outside the United States (the "RESTRUCTURING") so as to separate Ford's automotive supply business from its automaking business, which Restructuring will include (i) the transfer (the "CONTRIBUTION") of the assets (including stock of subsidiaries) used in connection with the automotive supply business to Visteon, and (ii) a distribution (the "DISTRIBUTION") (A) to the holders of Ford's common stock, par value \$1.00 per share (other than the Ford Motor Company Savings and Stock Investment Plan for Salaried Employees and the Ford Motor Company Tax-Efficient Savings Plan for Hourly Employees (collectively, the "PLANS")) and the holders of Ford's Class B stock, par value \$1.00 per share of all shares of the common stock of Visteon held by Ford immediately prior to the Distribution and (B) to the Plans cash in lieu of shares of common stock of Visteon, on the basis of an amount of cash per share of common stock of Ford held by the Plans equal to the fair market value of the number of shares of common stock of Visteon to be distributed with respect to each share of common stock or Class B stock of Ford

in the Distribution, with the cash to be used to make such distribution being all or a portion of the cash previously received from Visteon as a dividend;

WHEREAS, Ford and Visteon intend that the Contribution and the Distribution qualify as free of Federal Tax to Ford and those of its stockholders who will receive common stock of Visteon under Sections 368(a) and 355 of the Code; and

WHEREAS, the parties wish to (i) provide for the payment of tax liabilities and entitlement to refunds thereof, allocate responsibility for, and cooperation in, the filing of tax returns and provide for certain other matters relating to taxes and (ii) set forth certain covenants and indemnities relating to the preservation of the tax-free status of the Contribution and the Distribution;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, the parties agree as follows:

1. DEFINITIONS.

As used in this Agreement:

"AAA" shall have the meaning ascribed to such term in Section 10(e) of this Agreement.

"AFTER-TAX AMOUNT" means an additional amount necessary to reflect the hypothetical Tax consequences of the receipt or accrual of any payment, using the maximum statutory rate (or rates, in the case of an item that affects more than one Tax) applicable to the recipient of such payment for the relevant tax periods, and reflecting for example, the effect of the deductions available for interest paid or accrued and for Taxes such as state and local income Taxes.

"ASSIGNED EMPLOYEES" means "Ford Employees," as such term is defined in the letter agreement between Ford and the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America dated October 9, 1999.

"COMBINED STATE TAX" means, with respect to each United States state or local taxing jurisdiction, any income, franchise or similar Tax payable to such state or local taxing jurisdiction in which a Visteon Affiliate files Returns with a Ford Affiliate, on a consolidated, combined or unitary basis for purposes of such Tax.

"DETERMINATION" shall have the meaning ascribed to such term in Section 10(f).

"DISPUTED ITEM" shall have the meaning ascribed to such term in Section 10(b)(i).

"DISTRIBUTION DATE" means the date on which the Distribution is effected.

"EMPLOYEE ASSIGNMENT AGREEMENT" shall have the meaning ascribed to such term in Section 2(g).

"EXPENSES" shall have the meaning ascribed to such term in Section 12(b).

"FEDERAL TAX" means any Tax imposed under the Code, including any interest, penalty or other additions to Tax imposed under Subtitle F of the Code.

"FINAL DETERMINATION" means (i) with respect to Federal Taxes, a "determination" as defined in Section 1313(a) of the Code or execution of an Internal Revenue Service Form 870AD and, with respect to Taxes other than Federal Taxes, any final determination of liability in respect of a Tax that, under applicable law, is not subject to further appeal, review or modification through proceedings or otherwise, (ii) the expiration of a statute of limitations or (iii) the payment of or liability for Tax or any other amount where Ford determines that no action should be taken to recoup such payment or contest such liability.

"FINAL NOTICE OF DISAGREEMENT" shall have the meaning ascribed to such term in Section 10(d)(i).

"FORD AFFILIATE" means Ford and any corporation or other entity directly or indirectly controlled by Ford, but excluding any Visteon Affiliate.

"FORD CONSOLIDATED GROUP" means, at any time, Ford and each corporation or other entity that joins with Ford, with respect to Federal Taxes, in the filing of a consolidated Federal Tax Return and with respect to Combined State Taxes, in the filing of a Combined State Tax Return.

"FORD INSTALLMENT PAYMENT" means (i) any estimated Federal Tax installment that Ford is required to pay or (ii) any payment required to be made on the due date, without extensions, of a Return that Ford is required to file under the Code, or in either case, any corresponding provision of state or local law.

"FOREIGN TAX" means any Tax imposed by a Taxing Authority of a jurisdiction outside the United States.

"INDEPENDENT THIRD PARTY" means a nationally recognized tax attorney that is a member of a nationally recognized law firm which firm is independent of both parties.

"INITIAL NOTICE OF DISAGREEMENT" shall have the meaning ascribed to such term in Section 10(b)(ii).

"IRS" means the Internal Revenue Service.

"POST-DISTRIBUTION TAX PERIOD" means (i) any tax period beginning and ending after the Distribution Date and (ii) with respect to a tax period that begins on or before and ends after the Distribution Date, such portion of the tax period that commences on the day immediately after the Distribution Date.

"PRE-DISTRIBUTION TAX PERIOD" means (i) any tax period beginning and ending before or on the Distribution Date and (ii) with respect to a period that begins on or before and ends after the Distribution Date, such portion of the tax period ending on and including the Distribution Date.

"PRIVILEGE" means any privilege or similar evidentiary rule that may be asserted under applicable law including any privilege arising under or relating to the attorney-client relationship (including the attorney-client and work product privileges) and any accountant-client privilege.

"PRO FORMA COMBINED STATE RETURN" shall have the meaning ascribed to such term in Section 3(c)(i).

"PRO FORMA FEDERAL RETURN" shall have the meaning ascribed to such term in Section 3(c)(i).

"PRO FORMA RETURNS" shall have the meaning ascribed to such term in Section 3(c)(i).

"RECIPIENT" shall have the meaning ascribed to such term in Section 10(b)(i).

"REMITTING PARTY" shall have the meaning ascribed to such term in Section 10(b)(ii).

"RESTRUCTURING TAX" shall mean any Tax imposed in connection with the Restructuring on a Ford Affiliate or a Visteon Affiliate that would not have been imposed had the Restructuring not occurred.

"RETURN" means any tax return, statement, report or form (including estimated tax returns and reports, extension requests and forms, information

returns and reports, amended returns and requests for refunds) required to be filed with any Tax Authority.

"RULING DOCUMENTS" means (a) any request for a ruling filed with any Tax Authority together with any supplemental filings or ruling requests or other materials subsequently submitted on behalf of Ford, its subsidiaries and/or its shareholders to such Tax Authority, the appendices and exhibits thereto, and any rulings issued by a Tax Authority to any Ford Affiliate or Visteon Affiliate, in connection with the Restructuring or (b) any materials submitted to any outside counsel in connection with obtaining an opinion relating to the Tax status of the Restructuring.

"SUPPLEMENTAL RULING" means any ruling issued after the Distribution Date (a) by the IRS in connection with the Restructuring or (b) by any other Tax Authority, addressing the application of a provision of the laws of another jurisdiction to any transaction undertaken in connection with the Restructuring.

"SUPPLEMENTAL RULING DOCUMENTS" shall have the meaning ascribed to such term in Section 4(d)(i).

"TAX" means any net income, gross income, gross receipts, alternative or add-on minimum, sales, use, business and occupation, value-added, trade, goods and services, ad valorem, franchise, profits, license, business royalty, withholding, payroll, employment, capital, excise, transfer, recording, severance, stamp, occupation, premium, property, asset, real estate acquisition, environmental, custom duty, or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest and any penalty, addition to tax or additional amount imposed by a Tax Authority.

"TAX ASSET" means any Tax Item that may have the effect of reducing any Tax, including, without limitation, any net operating loss, net capital loss, investment tax credit, foreign tax credit, or charitable deduction or any deductions and credits related to alternative minimum taxes.

"TAX AUTHORITY" means any governmental authority or any subdivision, agency, commission or authority thereof or any quasi-governmental or private body having jurisdiction pursuant to applicable law over the assessment, determination, collection or imposition of any Tax (including the IRS).

"TAX ITEM" means any item of income, gain, loss, deduction or credit, or other attribute that may have the effect of increasing or decreasing any Tax.

"TAX PROCEEDING" means any tax audit, dispute or proceeding (whether administrative or judicial), including a refund claim or any proceeding arising therefrom.

"VISTEON ACQUISITION TAX" means any Tax imposed by reason of the application of Section 355(d) or (e) of the Code or any similar state or local Tax that would not have been imposed had the Distribution not occurred other than such a tax resulting from an acquisition by one or more persons of a "fifty percent or greater interest" (within the meaning of Section 355(d)(4) of the Code) in Ford.

"VISTEON AFFILIATE" means Visteon and any corporation or other entity directly or indirectly controlled by Visteon before, on or after the Distribution Date.

"VISTEON COMBINED STATE TAX LIABILITY" means, with respect to any tax period beginning on or after January 1, 2000 and any jurisdiction, an amount of Combined State Taxes determined in accordance with the principles set forth in the definition of Visteon Federal Tax Liability.

"VISTEON FEDERAL TAX LIABILITY" means, with respect to any tax period beginning on or after January 1, 2000, the Federal Tax liability for such period, computed in accordance with the positions, elections, accounting methods, conventions, and computational methodology used by Ford in preparing the Ford Consolidated Group's Return for such period, but taking into account only the Tax Items of Visteon Affiliates which are included in such Return for such tax period. Such computation shall be made (i) as though the highest rate of tax specified in Section 11(b) of the Code (or any other similar rates applicable to specific types of income) were the only rate set forth in that subsection, (ii) by taking into account any Tax that would be imposed on the Visteon Affiliates pursuant to Section 55 of the Code to the extent the Ford Consolidated Group is subject to such Tax, (iii) by not permitting the Visteon Affiliates any compensation deductions arising in respect of any options on Ford stock, or any Ford restricted stock and (iv) excluding 8/23 of any deductions for commissions paid to Ford Export Services B.V. with respect to export sales by any Visteon Affiliate.

"VISTEON TAX LIABILITY" means, with respect to any tax period, the sum of the Visteon Combined State Tax Liability for each jurisdiction and the Visteon Federal Tax Liability.

## 2. ADMINISTRATIVE AND COMPLIANCE MATTERS.

(a) Designation of Agent. Each Visteon Affiliate hereby irrevocably authorizes and designates Ford, as its agent, coordinator, and administrator, for the purpose of taking any and all actions (including the execution of waivers of applicable statutes of limitation) necessary or incidental to the filing of any Return or any other Tax proceedings, and for the purpose of making payments to, or

collecting refunds from, any Tax Authority, in each case relating only to Returns described in Section 2(b).

(b) Pre-Distribution Tax Period Ford Consolidated Returns. Ford will prepare, with the assistance of the Visteon Affiliates, the consolidated Federal Tax Returns and Combined State Tax Returns of the Ford Consolidated Group for all Pre-Distribution Tax Periods. Except as provided in the next sentence with respect to such Returns, Ford shall determine (i) the manner in which any Tax Item shall be reported, (ii) whether any extensions should be requested, and (iii) the elections that will be made by any Ford Affiliate. Subject to Ford's approval, Visteon may decide (i) the manner in which any Visteon Tax Item of any Visteon Affiliate shall be reported, and (ii) the elections that will be made by any Visteon Affiliate. Ford shall have the exclusive right to (i) file, prosecute, compromise or settle any claim for refund, and (ii) determine whether any refunds to which the Ford Consolidated Group may be entitled shall be received by way of refund or credit against the Tax liability of the Ford Consolidated Group.

(c) Allocation. Ford may, at its option, elect and the Visteon Affiliates shall, if necessary for a valid election, join Ford in electing to ratably allocate Tax Items of the Visteon Affiliates in accordance with relevant provisions of the Treasury Regulations Section 1.1502-76. If Ford exercises its option to make the election, each Visteon Affiliate will provide a statement stating its consent to such election as required under the regulations.

(d) Other Visteon Returns. Visteon shall be solely responsible for the preparation and filing of all other Returns of the Visteon Affiliates other than Returns described in Section 2(b). Visteon shall be responsible for paying to the applicable Tax Authorities all Taxes shown as due from Visteon or any Visteon Affiliates on such Returns.

(e) Post-Distribution Conduct of Visteon. On or after the Distribution Date, Visteon will not, nor will it permit any Visteon Affiliate to, make or change any accounting method, change its taxable year, amend any Return or take any Tax position on any Return, take any other action, omit to take any action or enter into any transaction that may reasonably be expected to result in and does result in any increased Tax liability or reduction of any Tax Asset of the Ford Consolidated Group or any Ford Affiliate.

(f) Deductions and Certain Taxes Related to Options. Ford shall file Returns claiming (i) the Tax deductions attributable to options to purchase stock of Ford or other Ford long-term incentive compensation held by employees and former employees of any Visteon Affiliate, (ii) any deductions for current or deferred compensation incurred or paid by Ford, and (iii) any other similar

compensation related Tax deductions. The Returns of the Ford Affiliates and the Visteon Affiliates shall reflect the entitlement of Ford to such deductions. Ford shall prepare and file all applicable Returns and pay the related Tax liability under the Federal Insurance Contributions Act, the Federal Unemployment Tax Act or any state employment tax law.

(g) Employee Assignment Agreement. Ford shall file Returns which reflect Ford's receipt of payments under the Hourly Employee Assignment Agreement between Ford and Visteon dated as of April 1, 2000 (the "EMPLOYEE ASSIGNMENT AGREEMENT") as income to Ford and payments made by Ford to the Assigned Employees as a compensation or other expense of Ford. The Visteon Affiliates shall file Returns which treat payments made to Ford under the Employee Assignment Agreement in a manner consistent with the preceding sentence.

### 3. TAX SHARING.

(a) General. For each tax period of the Ford Consolidated Group beginning on or after January 1, 2000 during which any Tax Item of any Visteon Affiliate is includible in the consolidated Federal Tax Return of the Ford Consolidated Group, Visteon shall pay to Ford an amount equal to the Visteon Federal Tax Liability, and for each tax period beginning on or after January 1, 2000 during which any Tax Item of any Visteon Affiliate is includible in a Return relating to a Combined State Tax, Visteon shall pay Ford an amount equal to the Visteon Combined State Tax Liability for such tax period, each as shown on the Pro Forma Returns.

(b) Estimated Payments. Ford shall determine the amount of the corresponding Visteon Federal Tax Liability, or the Visteon Combined State Tax Liability, as the case may be, in connection with any Ford Installment Payment made with respect to any Pre-Distribution Tax Period. Ford shall provide Visteon with notice of such determination no later than 10 days before the date that the applicable payment by Ford is due. Visteon shall, no later than 1 day prior to the due date of Ford's payment, pay to Ford the amount so determined.

#### (c) Payment of Taxes at Year-End.

(i) Not later than 30 days after the due date (including all extensions) for the Ford Consolidated Group's Federal Tax Return, Ford shall deliver to Visteon a pro forma Federal Tax Return (a "PRO FORMA FEDERAL RETURN") reflecting the Visteon Federal Tax Liability. Not later than 30 days after the due date (including all extensions) for each Combined State Tax Return, Ford shall deliver to Visteon the relevant pro

forma Combined State Tax Return (each a "PRO FORMA COMBINED STATE RETURN" and together with the Pro Forma Federal Return, the "PRO FORMA RETURNS") reflecting the relevant Visteon Combined State Tax Liability. The Pro Forma Returns shall be prepared in good faith in a manner generally consistent with past practice. Each Pro Forma Return shall be delivered together with a statement showing a calculation of the amount to be paid pursuant to Section 3(c)(ii).

(ii) Not later than 10 days after the receipt of each Pro Forma Return, Visteon shall pay to Ford, or Ford shall pay to Visteon, as appropriate, an amount equal to the difference, if any, between (A) the Visteon Federal Tax Liability, if any, or (B) the Visteon Combined State Tax Liability, if any, as the case may be, reflected on such Pro Forma Return for such period and the aggregate of any payments made by Visteon pursuant to Section 3(b) in respect of such period.

(d) Tax Adjustments.

(i) Except as otherwise provided in this Agreement, Ford shall be liable for any Tax increase, and shall be entitled to any refund or other benefit, that results from any Tax Proceeding relating to any Tax Return of the Ford Consolidated Group. Except as otherwise provided in this Agreement, Visteon shall be liable for any Tax increase, and shall be entitled to any Tax refund or other benefit, that results from any Tax Proceeding relating to any Tax Return of any Visteon Affiliate other than a Tax Return of the Ford Consolidated Group or a Ford Affiliate.

(ii) If any Tax Proceeding described in Section 3(d)(i) (other than an adjustment described in Section 3(d)(iv)) results in (A) an increase or decrease in a Tax Item of either a Ford Affiliate or a Visteon Affiliate, for a particular tax period, and (B) a corresponding increase or decrease in a Tax Item of the other party for a different period (other than by way of Tax carrybacks or carryovers), the party incurring a Tax benefit shall pay to the party incurring a Tax detriment the lesser of the amount of such benefit and the amount of such detriment. The amount of any payments made pursuant to this Section 3(d) shall be determined by employing the highest rate of Tax specified in Section 11(b) of the Code or the corresponding provision of any applicable state or local Tax. The amount of any Tax benefit or detriment shall be determined taking into account interest received from or paid to the relevant Tax Authority. Payments required under this Section 3(d)(ii) shall be made at the later of (A) such time or times that the Tax benefits is realized as a refund, a reduction of Tax shown on a Return, or a result of a Tax Authority offsetting the amount

due and (B) such time or times that the Tax detriment is realized as an additional assessed amount or as an increase of Tax shown on a Return. The party incurring the Tax detriment shall have the right to review the Tax benefit utilization by the other party.

(iii) In the event that as a result of a Final Determination or otherwise, Ford is liable for a Tax relating to the Assigned Employees for which it is not compensated by Visteon under the Employee Assignment Agreement, Visteon shall pay Ford an amount equal to such Tax, excluding any portion of such Tax that relates to penalties.

(iv) In the event that there is a Final Determination that results in a disallowance of a deduction taken by a Ford Affiliate pursuant to Section 2(f), Visteon shall pay to Ford an amount equal to such disallowance determined by employing the highest rate of Tax specified in Section 11(b) of the Code or the corresponding provision of any applicable state or local law.

(e) Allocation of Tax Assets.

(i) Except as set forth in Section 3(e)(ii), and except to the extent applicable law or regulations expressly so require, no Tax Assets will be allocated to a Visteon or any Visteon Affiliate for use in Post-Distribution Tax Periods. Ford will allocate to a Visteon Affiliate only that portion, if any, of particular Tax Assets for use in Post-Distribution Tax Periods as applicable law or regulations expressly require to be so allocated.

(ii) Ford shall allocate to Visteon a portion of the credit arising as a result of a payment by Ford under Section 55 of the Code.

(f) R&E Credit Base Period. Ford will make the allocations to Visteon required under Section 41(f)(3) of the Code. Visteon agrees that it shall not deviate from the amount of qualified research expenditures allocated to it by Ford.

(g) Visteon Carrybacks. Whenever permitted to do so by applicable law, Visteon shall elect to relinquish any carryback period which would include any Pre-Distribution Tax Period.

(h) Use of Visteon Tax Assets. Ford shall have no obligation to indemnify Visteon for the use by any Ford Affiliate of any Tax Asset of any Visteon Affiliate.

(i) Restructuring Taxes. Notwithstanding any other provision of this Agreement or of any other agreement between a Ford Affiliate and a Visteon Affiliate, Visteon shall bear the burden of any Visteon Acquisition Tax. In addition, Visteon shall bear the burden of: (A) any transfer (including sales and use, real estate transfer and property taxes), stamp, recording or similar Tax imposed in connection with the Restructuring on a Ford Affiliate or a Visteon Affiliate, including any Foreign Taxes that are not "income, war profits, and excess profits taxes" within the meaning of Part II of Subchapter A of Chapter 1 of the Code; (B) any Restructuring Taxes that relate to Visteon Global Technologies, Inc.; (C) any Brazilian Tax imposed on a Visteon Affiliate in connection with the acquisition of the Visteon business from Ford Brasil Ltda; and (D) any Restructuring Tax for which a Visteon Affiliate otherwise has an obligation to indemnify Ford under a provision of this Agreement other than this Section 3(i). Ford shall bear the burden of all other Restructuring Taxes.

#### 4. CERTAIN REPRESENTATIONS AND COVENANTS.

##### (a) Representations.

(i) Visteon Representations. Each Visteon Affiliate represents that the information and representations furnished in any Ruling Document (as modified, qualified or elaborated in any subsequent Ruling Documents) are accurate and complete as of the date hereof, to the extent that such information and representations relate to a Visteon Affiliate or the business or activities of such entity.

(ii) Ford Representations. Each Ford Affiliate represents that, as of the date hereof, there is no plan or intention to take any action inconsistent with the information and representations furnished in any Ruling Document (as modified, qualified or elaborated in any subsequent Ruling Documents).

(iii) Visteon and Ford Representations. Each Visteon Affiliate and each Ford Affiliate, respectively, represents that, as of the date hereof, it is not aware of any plan or intention by the current shareholders of Ford to sell, exchange, transfer by gift, or otherwise dispose of any of their stock in, or securities of, Ford or Visteon subsequent to the Distribution, except as described in any Ruling Document (as modified, qualified or elaborated in any subsequent Ruling Documents).

(iv) Visteon and Ford Covenants. Each Visteon Affiliate and each Ford Affiliate, respectively, covenants (A) to use its best efforts to verify that the foregoing representations made by it in this Section 4(a) are

accurate and complete as of the Distribution Date and (B) if, after the date hereof, it obtains information indicating, or otherwise becomes aware, that any such representations are or may be inaccurate or incomplete, promptly to inform Ford or Visteon, as the case may be.

(b) Visteon Covenants. Visteon covenants to Ford that:

(i) No Visteon Affiliate will take any action or fail to take any action, which action or failure to act would cause the Contribution and Distribution to fail to qualify under Sections 351(a), 355(a) and 368(a)(1)(D) of the Code or any corresponding provision of state or local law. Without limiting the foregoing, the Visteon Affiliates covenant to Ford that:

(A) During the two-year period following the Distribution Date, Visteon will not liquidate, merge or consolidate with any other person.

(B) During the two-year period following the Distribution Date, the Visteon Affiliates will not sell, exchange, distribute or otherwise dispose of assets with an aggregate gross fair market value of greater than \$500 million except in the ordinary course of business.

(C) Following the Distribution, Visteon will, for a minimum of two years, continue the active conduct of the historic business as transferred to it in the Contribution.

(D) No Visteon Affiliate will take any action inconsistent with the information and representations in the Ruling Documents.

(E) No Visteon Affiliate will repurchase stock of Visteon in a manner contrary to the requirements of Revenue Procedure 96-30 or in a manner contrary to the representations made in Ruling Documents.

(F) No Visteon Affiliate will enter into any negotiations, agreements or arrangements with respect to any of the foregoing.

(ii) No Visteon Affiliate will take or omit to take any action that results in any Restructuring Tax being imposed on any Ford Affiliate in excess of the amount of such Restructuring Tax for which Ford or such Ford Affiliate would be liable under applicable law, based on:

(A) any specific agreements between a Ford Affiliate and a Visteon Affiliate as to the manner in which the Restructuring and any other relevant transactions are to be treated for tax purposes, and

(B) to the extent not contrary to the agreements described in Section 4(b)(ii)(A), the form of the Restructuring and any other relevant transactions as set forth in agreements between the Ford Affiliates and the Visteon Affiliates.

(iii) Within the two-year period following the Distribution, Visteon will not take any action (including stock issuances, whether pursuant to the exercise of options (or similar interests) or otherwise, option grants, capital contributions, or redemptions) or omit to take any action which may, either alone or in combination with actions or omissions by Visteon or any other party, result in the imposition of any Visteon Acquisition Tax.

(c) Exceptions. (i) The Visteon Affiliates may take actions inconsistent with the covenants contained in Section 4(b), if:

(A) Visteon obtains an opinion of counsel, which counsel and which opinion are acceptable to Ford in its sole discretion, to the effect that such actions will not result in the imposition of any additional Restructuring Tax on a Ford Affiliate and will not affect the status of the Distribution as tax-free to Ford and its shareholders, it being understood that Ford agrees to cooperate with Visteon and use its reasonable best efforts to assist Visteon in Visteon's attempting to obtain, as expeditiously as possible, any opinion described in this Section 4(c)(i)(A); or

(B) Ford obtains a Supplemental Ruling in accordance with Section 4(d).

(d) Supplemental Rulings.

(i) Ford agrees that at the reasonable request of Visteon, Ford shall cooperate with Visteon and use its reasonable best efforts to seek to obtain, as expeditiously as possible, a Supplemental Ruling or other guidance from a Tax Authority for the purpose of confirming (A) the continuing validity of any ruling (including another Supplemental Ruling) previously issued by the IRS or any other Tax Authority, or (B)

compliance on the part of a Visteon Affiliate with its obligations under this Section 4. However, Ford shall not be obligated to seek a Supplemental Ruling unless it reasonably believes that the relevant Tax Authority would issue such a ruling. Further, in no event shall Ford file a request for a Supplemental Ruling unless Visteon represents that (A) it has read the request for the Supplemental Ruling and any materials, appendices and exhibits submitted or filed therewith ("SUPPLEMENTAL RULING DOCUMENTS") and (B) all information (other than information provided by an external expert) and representations, if any, relating to any Visteon Affiliate contained in the Supplemental Ruling Documents are true, correct and complete in all material respects. Visteon shall reimburse Ford for all reasonable costs and expenses incurred by Ford in obtaining a Supplemental Ruling requested by Visteon. Visteon hereby agrees that Ford shall have sole and exclusive control over the process of obtaining a Supplemental Ruling, and that only Ford shall apply for a Supplemental Ruling. Visteon further agrees that it shall not seek any guidance from the IRS or any other Tax Authority concerning the Restructuring except as set forth in this Section 4(d).

(ii) If Ford determines to obtain a Supplemental Ruling or other guidance after the date of this Agreement: (A) Ford shall keep Visteon informed in a timely manner of all material actions taken or proposed to be taken in connection therewith; (B) Ford shall (1) reasonably in advance of the submission of any such Supplemental Ruling Documents, provide Visteon with a draft copy hereof, (2) reasonably consider Visteon's comments on such draft copy, and (3) provide Visteon with a final copy of the Supplemental Ruling Documents (in each case, omitting only information concerning Class B stockholders of Ford as Ford shall reasonably determine); and (C) Ford shall provide Visteon with notice reasonably in advance of, and Visteon shall have the right to attend, any formally scheduled meetings with the Tax Authority (subject to the approval of the Tax Authority) that relate to such Supplemental Ruling.

#### 5. INDEMNITIES.

(a) Visteon Indemnity. Each Visteon Affiliate will jointly and severally indemnify each Ford Affiliate against and hold them harmless from:

(i) any state and local Tax of any Visteon Affiliate, and any Foreign Tax of a Visteon Affiliate, excluding any Combined State Tax and excluding (for purposes of this Section 5(a)(i)) any Restructuring Tax;

(ii) any liability or damage (including Restructuring Taxes) resulting from a violation by a Visteon Affiliate of (A) any representation

or covenant in a Ruling Document (as such representation or covenant is modified, qualified, or elaborated in any subsequent Ruling Documents), (B) any representation, covenant or other agreement set forth in this Agreement, or (C) any agreements or covenants between a Ford Affiliate and a Visteon Affiliate pertaining to the Tax matters;

(iii) any Visteon Acquisition Tax;

(iv) any Restructuring Tax allocated to Visteon under this Agreement;

(v) any Tax increase or Tax detriment allocated to Visteon under Section 3(d);

(vi) any Tax imposed on a Ford Affiliate as a result of Visteon's failure to cooperate with Ford under Section 7; and

(vii) any Tax increase to Ford resulting from Visteon's adoption of a position inconsistent with the allocation set out in Section 3(f);

(viii) all liabilities, costs, expenses (including reasonable expenses of investigation and attorneys' fees and expenses), losses, damages, assessments, settlements or judgments arising out of or incident to the imposition, assessment or assertion of any tax liability or damage described in Section 5(a)(i), (ii), (iii), (iv), (v), (vi) or (vii) including those incurred in any contest relating to the imposition, assessment or assertion of any such tax, liability or damage.

(b) Ford Indemnity. Each Ford Affiliate will jointly and severally indemnify each Visteon Affiliate against and hold them harmless from:

(i) any Ford Consolidated Group Tax liability;

(ii) any separate state or local Tax and any Foreign Tax of a Ford Affiliate;

(iii) any liability or damage (including Restructuring Taxes) resulting from a violation by a Ford Affiliate of any representation or covenant in a Ruling Document (as such representation or covenant is modified, qualified, or elaborated in any subsequent Ruling Documents);

(iv) any Tax liability resulting from an acquisition by one or more persons of a "fifty percent or greater interest" (within the meaning of Section 355(d)(4) of the Code) in Ford;

(v) any Restructuring Tax allocated to Ford under this Agreement;

(vi) any Tax increase or Tax detriment allocated to Ford under Section 3(d);

(vii) any Tax imposed on a Visteon Affiliate (other than a Restructuring Tax) as a result of Ford's failure to cooperate with Visteon under Section 7; and

(viii) all liabilities, costs, expenses (including, without limitation, reasonable expenses of investigation and attorneys' fees and expenses), losses, damages, assessments, settlements or judgments arising out of or incident to the imposition, assessment or assertion of any tax liability or damage described in Section 5(b)(i), (ii), (iii), (iv), (v), (vi) or (vii) including those incurred in any contest to the imposition, assessment or assertion of any such tax, liability or damage;

provided that, Ford will not be required to indemnify Visteon under this Section 5(b) to the extent that any liability set forth in this Section 5(b) is described in Section 5(a).

(c) Discharge of Indemnity. The Visteon Affiliates and the Ford Affiliates, respectively, shall discharge their obligations under Sections 5(a) and 5(b), respectively, by paying the relevant amount to the indemnified party no later than 30 days after the date of receiving notice from Ford or Visteon of a payment made, or a liability of a specified amount, based on a Final Determination.

## 6. SUBSIDIARIES.

(a) Performance. Ford agrees and acknowledges that Ford shall be responsible for the performance of the obligations of each Ford Affiliate under this Agreement. Visteon agrees and acknowledges that Visteon shall be responsible for the performance of the obligations of each Visteon Affiliate under this Agreement.

(b) Application to Present and Future Subsidiaries. This Agreement is being entered into by Ford and Visteon on behalf of themselves and each Ford Affiliate and each Visteon Affiliate, respectively. This Agreement shall constitute a direct obligation of each such affiliate and shall be deemed to have been

readopted and affirmed on behalf of any corporation or other entity which becomes a Ford Affiliate or a Visteon Affiliate in the future.

(c) Disposition of a Ford Affiliate. If a corporation or other entity ceases to be a Ford Affiliate as a result of a disposition of equity interests in such entity, such entity shall be released from its obligations under this Agreement upon such disposition and no Ford Affiliate shall have any obligation to indemnify any Visteon Affiliate under Section 5(b) for any liability or damage attributable to actions taken by such entity after such disposition.

#### 7. COMMUNICATION AND COOPERATION.

(a) Consult and Cooperate. Visteon and Ford shall consult and cooperate (and shall cause each Visteon Affiliate or each Ford Affiliate, respectively, to cooperate) fully at such time and to the extent reasonably requested by the other party in connection with all matters subject to this Agreement. Such cooperation shall include:

(i) the retention, consistent with Ford's past practice, of all information pertaining to Tax matters relating to the Ford Affiliates and the Visteon Affiliates for the Pre-Distribution Tax Periods, until two years after the expiration of all applicable statutes of limitation (giving effect to any extension, waiver, or mitigation thereof), including all books, records, documentation or other information relating thereto, and including the items specified in Appendix A;

(ii) the provision, upon reasonable request, of the information described in Section 7(a)(i), including any necessary explanations of such information, and including access to the necessary personnel to provide such information or explanations and including the information referenced in Appendix A;

(iii) the execution of any document that may be necessary or helpful in connection with any required Return or in connection with any audit, proceeding, suit or action; and

(iv) the procurement of any documentation from a governmental authority or a third party that may be necessary or helpful in connection with the foregoing.

Such cooperation also shall include the matters set forth in Section 7(b).

(b) Provision of Tax Return Information.

(i) Visteon shall provide Ford all documents and information, and make available employees and officers of the Visteon Affiliates as Ford reasonably requests to prepare any Return described in Section 2(b) or to contest any Tax Proceeding for any such Return. Without limiting the foregoing, in this regard, Visteon agrees to provide the information set forth in Appendix B to this Agreement, on or before the dates set forth therein, with respect to the Ford Consolidated Group Return for Federal Taxes for 2000, and any Combined State Tax Returns for 2000.

(ii) In the case of any Return for a Pre-Distribution Tax Period that is in Ford's possession and is filed after the date of this Agreement, Ford shall provide Visteon access to and allow Visteon to copy that portion of each such Return to the extent it relates to any Visteon Affiliate, together with all related Tax accounting work papers, not later than 30 days after the date of filing of such Return.

(iii) In the case of any Return in Ford's possession that was filed before the date of this Agreement, Ford shall use reasonable efforts to provide Visteon access to and allow Visteon to copy that portion of each such Return to the extent that it relates to any Visteon Affiliate together with all related Tax accounting work papers, beginning as soon as reasonably practicable after the date of this Agreement, but in no event beginning later than 15 days after the Distribution Date.

(iv) After the date of this Agreement, Ford shall afford Visteon access to employees of Ford on a mutually convenient basis during normal business hours to the extent such access may reasonably be required by Visteon to prepare any Return including any Post-Distribution Tax Period Return of Visteon or to contest any Tax Proceeding.

Notwithstanding any other provision of this Agreement, no Ford Affiliate shall be required to provide any Visteon Affiliate access to or copies of (i) any information with respect to which any Ford Affiliate is entitled to assert the protection of any Privilege, or (ii) any information as to which any Ford Affiliate is subject to an obligation to maintain the confidentiality of such information. Ford shall use reasonable efforts to separate any such information from any other information to which Visteon is entitled to access or to which Visteon is entitled to copy under this Agreement, to the extent consistent with preserving Ford's rights under this Section 7.

## (c) Failure to Cooperate.

(i) Visteon shall be liable for any Tax imposed on any Ford Affiliate that results from the failure of any Visteon Affiliate (A) to cooperate under this Section 7 or (B) to keep and to make available to Ford the records provided to Visteon by any Ford Affiliate.

(ii) Ford shall be liable for any Tax imposed on any Visteon Affiliate (other than a Restructuring Tax) as a result of the failure of any Ford Affiliate to cooperate under this Section 7.

(d) Provision of Information Relating to Material Developments. Ford and Visteon shall keep each other fully informed with respect to any material development relating to the matters subject to this Agreement. The obligations of Ford and Visteon described in the preceding sentence shall include the obligations of the parties to inform one another as set forth in Section 8.

## 8. TAX PROCEEDINGS.

## (a) In General.

(i) Visteon shall have the exclusive right, in its sole discretion, to control, contest, and represent the interests of any Visteon Affiliate in any Tax Proceeding relating to any Return described in Section 2(d) and to resolve, settle, or agree to any deficiency, claim or adjustment proposed, asserted or assessed in connection with or as a result of any such Tax Proceeding. Visteon shall consult with Ford regarding Visteon's conduct of any such Tax Proceeding the outcome of which may have an impact on the Tax liability of a Ford Affiliate and shall promptly notify Ford of the commencement of such Tax Proceeding. After the Distribution Date, Ford and Visteon shall cooperate in order to transfer to Visteon the exclusive right described in the preceding sentence.

(ii) Ford shall have the exclusive right, in its sole discretion, to control, contest, and represent the interests of any Ford Affiliate or any Visteon Affiliate in any Tax Proceeding not specified in Section 8(a)(i), and to resolve, settle or agree to any deficiency, claim or adjustment proposed, asserted or assessed in connection with or as a result of any such Tax Proceeding. Ford's rights shall extend to any matter pertaining to the conduct, management and control of a Tax Proceeding, including execution of waivers, choice of forum, scheduling of conferences and the resolution of any Tax Item. Visteon agrees that no claim against Ford and no defense to Visteon's liabilities to Ford under this Agreement shall arise

from the resolution by Ford of any deficiency, claim or adjustment relating to the redetermination of any Tax Item.

(b) Notice. If after the Distribution Date any Ford Affiliate receives written notice of, or relating to, a Tax Proceeding from a Tax Authority that asserts, proposes or recommends a deficiency, claim or adjustment that, if sustained, would result in any Restructuring Taxes for which Visteon could be responsible under this Agreement, Ford shall notify Visteon in writing of such deficiency, claim or adjustment within 30 days of its receipt. If any Visteon Affiliate receives written notice of or relating to a Tax Proceeding from a Tax Authority with respect to a Return described in Section 2(b), Visteon shall provide a copy of such notice to Ford within 30 days of receiving such notice of such Tax Proceeding, provided that in no case shall such notice be provided later than 30 days before a response is required to be provided to the relevant Tax Authority.

(c) Participation Rights. If a Tax Authority asserts, proposes or recommends a deficiency, claim or adjustment that, if sustained, would result in Restructuring Taxes for which Visteon could be responsible under this Agreement:

(i) in the case of any material correspondence or filing submitted to the Tax Authority or any judicial authority that relates to the merits of such deficiency, claim or adjustment, Ford shall (A) reasonably in advance of such submission, but subject to applicable time constraints imposed by such Tax Authority or judicial authority, provide Visteon with a draft copy of the portion of such correspondence or filing that relates solely to such deficiency, claim or adjustment, (B) consider, subject to applicable time constraints imposed by such Tax Authority or judicial authority, Visteon's comments on such draft copy of such correspondence or filing, and (C) provide Visteon with a final copy of the portion of such correspondence or filing that relates solely to such deficiency, claim or adjustment.

(ii) If Visteon acknowledges in writing to Ford that, as between Visteon and Ford, each Visteon Affiliate shall be jointly and severally liable for an amount equal to 100% of any such Restructuring Taxes that are determined pursuant to a Final Determination, then (A) Ford shall take all actions requested by Visteon to contest such deficiency, claim or adjustment, including administrative and judicial proceedings; (B) Visteon shall have the right to fully participate with respect to such deficiency, claim or adjustment and related proceedings and Ford shall accept all reasonable suggestions by Visteon in connection with the management and substance of such proceedings, and (C) in no event shall Ford settle or compromise any such deficiency, claim or adjustment

without the written consent of Visteon, which consent shall not be unreasonably withheld.

#### 9. PAYMENTS.

(a) Procedure for Making Payments. All payments required to be made under this Agreement shall be made in immediately available funds. Except as otherwise provided in this Agreement, all payments required to be made pursuant to this Agreement will be due 30 days after the receipt of notice of such payment being owed. Payments shall be deemed made when received.

(b) Setoff. No party shall set off any payment due to such party or one of its affiliates against any payment required to be made under this Agreement by such party or one of its affiliates to the other party or one of its affiliates.

(c) Interest on Late Payments. Any payment required to be made pursuant to this Agreement that is not made on or before the due date for such payment shall bear interest from the date after the due date to and including the date of payment at a rate determined under Code Section 6621(a)(2). Such interest shall be paid at the same time as the payment to which it relates. Any interest payable pursuant to the preceding sentence that is not paid when due shall bear interest computed in the manner described in the preceding sentence.

(d) Character of Payments. For Tax purposes, the parties agree to treat any payment (other than payments of interest pursuant to Section 9(c) of this Agreement and After-Tax Amounts) pursuant to this Agreement as a capital contribution by Ford to Visteon or a distribution by Visteon to Ford made in the last tax period beginning before the Distribution and, accordingly, as not includible in the taxable income of the recipient and not deductible by the payor. If pursuant to a Final Determination it is determined that the receipt or accrual of any payment made under this Agreement (other than payments of interest pursuant to Section 9(c)) is subject to any Tax, the party making such payment shall be liable for the After-Tax Amount with respect to such payment. A party may choose not to specify an After-Tax Amount in a demand for payment pursuant to this Agreement without thereby being deemed to have waived its right subsequently to demand an After-Tax Amount with respect to such payment.

#### 10. DISPUTE RESOLUTION.

(a) Scope of Section. This Section 10 shall govern all disputes under this Agreement.

(b) Initial Notice of Disagreement.

(i) The party (the "REMITTING PARTY") receiving a schedule or other notice regarding a payment required pursuant to this Agreement shall have 30 days from the date of the delivery of such schedule or other notice to register its disagreement with all or a portion of such payment (each such disagreement a "DISPUTED ITEM").

(ii) The Remitting Party shall register its disagreement by delivering to the other party (the "RECIPIENT") within such 30 day period a written notice (an "INITIAL NOTICE OF DISAGREEMENT") that (A) specifically enumerates each Disputed Item, (B) describes the grounds for the Remitting Party's disagreement with each Disputed Item, and (C) states the amount in dispute (or a good faith estimate thereof) with respect to each Disputed Item.

(iii) If, within the 30 day period described in Section 10(b)(i), the Remitting Party does not deliver an Initial Notice of Disagreement that satisfies the requirements of Section 10(b)(ii) with respect to all or a portion of a payment described in Section 10(b)(i), then the Remitting Party will be deemed to have (A) accepted and acknowledged its liability for such payment or portion thereof and (B) waived its right to a Determination by an Independent Third Party pursuant to Section 10(f) with respect to such payment or portion thereof.

(c) Negotiation. During the 60 day period immediately following delivery of an Initial Notice of Disagreement that satisfies the requirements of Section 10(b)(ii), the Remitting Party and the Recipient shall in good faith attempt to resolve their disagreements over each Disputed Item enumerated in the Initial Notice of Disagreement.

(d) Final Notice of Disagreement.

(i) The Remitting Party shall have 70 days from the delivery of an Initial Notice of Disagreement to register its continued disagreement with any Disputed Item and to elect to seek a by an Independent Third Party with respect to such Disputed Item pursuant to Section 10(f). The Remitting Party shall do so by delivering to the Recipient within such 70 day period a written notice (a "FINAL NOTICE OF DISAGREEMENT") that (A) specifically enumerates each Disputed Item with respect to which it elects to seek a Determination by an Independent Third Party, (B) describes the grounds for the Remitting Party's continued disagreement with each such

Disputed Item, and (C) states the amount in dispute (or a good faith estimate thereof) with respect to each such Disputed Item.

(ii) The failure of the Remitting Party within the 70 day period described in Section 10(d)(i) to deliver a Final Notice of Disagreement, that satisfies the requirements of Section 10(d)(i), with respect to all or a portion of the payment described in Section 10(b) shall be deemed to constitute (A) an acceptance and acknowledgment by such party of its liability for such payment or portion thereof and (B) a waiver by such party of its right to a Determination by an Independent Third Party pursuant to Section 10(f) with respect to such Disputed Item.

(iii) Any dispute, controversy, or claim relating to or arising out of a Disputed Item contained in a Notice of Final Disagreement shall be finally settled by arbitration before an Independent Third Party pursuant to the provisions of this Section 10.

(e) Selection of Independent Third Party. If the Remitting Party delivers a Final Notice of Disagreement that satisfies the requirements of Section 10(d)(i) to the Recipient, the parties shall, within 10 days after such delivery, jointly select an Independent Third Party to make a Determination with respect to each Disputed Item enumerated in the Final Notice of Disagreement. If the parties cannot jointly agree on an Independent Third Party to make such Determination within such 10 day period, either party may apply to the American Arbitration Association ("AAA") for the sole purpose of having the AAA select an Independent Third Party from a list of no fewer than two (2) and no more than 5 potential Independent Third Parties which list is acceptable to Davis Polk and Wardwell in its discretion (on behalf of Ford) and Dickinson Wright LLC in its discretion (on behalf of Visteon). If the two law firms fail to approve a list within 15 days of the application of either party to the AAA, the Independent Third Party shall be selected by the AAA.

(f) Determination by Independent Third Party. The Independent Third Party shall determine the appropriate outcome based upon this Agreement (the "DETERMINATION") with respect to each Disputed Item. The Independent Third Party shall have 90 days from the date that he or she is selected in which to make such Determinations, unless the Remitting Party and the Recipient mutually agree upon an extension of such period or the Independent Third Party, in its discretion, determines that an extension of such period is warranted by exceptional circumstances. The Remitting Party and the Recipient shall provide the Independent Third Party with such information or documentation as the Independent Third Party, in its discretion, deems to be necessary for it to make the Determination requested of it. Any Determination by the Independent Third Party

(as well as any allocation of costs and expenses pursuant to Section 10(g) shall be in writing, shall be delivered to the Remitting Party and the Recipient, and shall be final and binding upon them and enforced as an arbitration award under the United States Arbitration Act, 9 U.S.C. ss. 1-16. The parties explicitly waive any right to seek any judicial review of the substance of the Determination of the Independent Third Party. In making a Determination, the Independent Third Party shall be entitled to use, at the sole cost and expense of the Remitting Party and the Recipient, whatever resources it deems necessary, including accounting and technical services provided by firms chosen by it in its discretion. Any proceedings relating to the determination at which the presence of any personnel or representatives of both parties is required shall take place in Dearborn, Michigan.

(g) Costs and Expenses Associated with Independent Third Party. The Remitting Party and the Recipient shall be jointly and severally liable to the Independent Third Party for all costs and expenses associated with retaining the Independent Third Party. As between themselves, except as otherwise provided in this Section 10(g), the Remitting Party and the Recipient shall share equally the costs and expenses associated with retaining an Independent Third Party. Where a determination with respect to a Disputed Item is not less than 80% of the amount claimed to be due from the Remitting Party, the Independent Third Party may, in its discretion, allocate to the Remitting Party more than 50% of the costs and expenses associated with such determination. Where a determination with respect to a Disputed Item is less than 50% of the amount claimed to be due from the Remitting Party, the Independent Third Party may, in its discretion, allocate to the Recipient more than 50% of the costs and expenses associated with such determination.

#### 11. NOTICES.

Any notice, demand, claim, or other communication under this Agreement shall be in writing and shall be deemed to have been given upon the delivery or mailing thereof, as the case may be, if delivered personally or sent by certified mail, return receipt requested, postage prepaid, to the parties at the following addresses (or at such other address as a party may specify by notice to the other):

If to Ford, to:

Ford Motor Company  
Henry Ford II World Center  
The American Road  
Dearborn MI 48121  
Facsimile: (313) 248-7450  
Attention: Dennis Ross  
Vice President - Chief Tax Officer

If to Visteon, to:

Visteon Corporation  
 5500 Auto Club Drive  
 Dearborn, MI 48121  
 Facsimile:  
 Attention: General Counsel

12. COSTS AND EXPENSES.

(a) Additional Services. Ford may provide tax services to Visteon for compensation approximately the same as that payable between unrelated parties dealing at arm's length.

(b) Other. Except as expressly set forth in this Agreement, each party shall bear its own costs and expenses incurred pursuant to this Agreement. For purposes of this Agreement, "EXPENSES" shall include, without limitation, reasonable attorney's fees, accountant's fees and other related professional fees and disbursements.

13. TERMINATION AND SURVIVAL.

All rights and obligations arising hereunder with respect to a Pre-Distribution Tax Period shall survive until they are fully effectuated or performed provided, that notwithstanding anything in this Agreement to the contrary, this Agreement shall remain in effect and its provisions shall survive for the full period of all applicable statutes of limitation (giving effect to any extension, waiver or mitigation thereof).

14. SECTION HEADINGS.

The headings contained in this Agreement are inserted for convenience only and shall not constitute a part hereof or in any way affect the meaning or interpretation of this Agreement.

15. ENTIRE AGREEMENT; AMENDMENTS AND WAIVERS; SEVERABILITY.

(a) Entire Agreement; Amendments. This Agreement, including the exhibits, appendices and other attachments hereto contains the entire understanding of the parties hereto with respect to the subject matter contained herein. No alteration, amendment, modification, or waiver of any of the terms of this Agreement shall be valid unless made by an instrument signed by an

authorized officer of each of Ford and Visteon, or in the case of a waiver, by the party against whom the waiver is to be effective.

(b) Waivers. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver hereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege.

(c) Severability. If any provision of this Agreement or the application of any such provision to any party or circumstances shall be determined by any court of competent jurisdiction to be invalid, illegal or unenforceable to any extent, this Agreement or such provision or the application of such provision to such party or shall remain in full force and effect to the fullest extent permitted by law and shall not be affected thereby, unless such a construction would be unreasonable.

#### 16. GOVERNING LAW AND INTERPRETATION.

This Agreement has been made in and shall be construed and enforced in accordance with the laws of the state of Michigan without giving effect to laws and principles relating to conflicts of law.

#### 17. COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

#### 18. ASSIGNMENTS; THIRD PARTY BENEFICIARIES.

Subject to Section 6(b), this Agreement shall be binding upon and shall inure only to the benefit of the parties hereto and their respective successors and assigns, by merger, acquisition of assets or otherwise (including but not limited to any successor of a party hereto succeeding to the Tax attributes of such party under applicable law). This Agreement is not intended to benefit any person other than the parties hereto and such successors and assigns, and no such other person shall be a third party beneficiary hereof.

#### 19. FURTHER ASSURANCES.

Ford and Visteon shall execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such instruments and take such other action as may be necessary or advisable to carry out their obligations under this Agreement and under any exhibit, document or other instrument delivered pursuant hereto.

## 20. AUTHORIZATION, ETC.

Each of the parties hereto hereby represents and warrants that it has the power and authority to execute, deliver and perform this Agreement, that this Agreement has been duly authorized by all necessary corporate action on the part of such party that this Agreement constitutes a legal, valid and binding obligation of each such party, and that the execution, delivery and performance of this Agreement by such party does not contravene or conflict with any provision of law or of its charter or bylaws or any agreement, instrument or order binding on such party.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the day and year first written above.

Ford on its own behalf and on behalf of each Ford Affiliate.

By: /s/ Malcolm S. Macdonald  
-----  
Title: Vice President and Treasurer

Visteon on its own behalf and on behalf of each Visteon Affiliate.

By: /s/ Daniel R. Coulson  
-----  
Title: Executive Vice President and Chief  
Financial Officer

VISTEON CORPORATION  
2000 LONG-TERM INCENTIVE PLAN

(Effective as of \_\_\_\_\_, 2000,  
subject to shareholder approval)

SECTION 1. PURPOSE AND DEFINITIONS

(a) Purpose. This Plan, known as the "Visteon Corporation 2000 Long-Term Incentive Plan", is intended to provide an incentive to certain salaried employees of Visteon Corporation and its subsidiaries, in order to encourage them to remain in the employ of the Company and to increase their interest in the Company's success. It is intended that this purpose be effected through awards or grants of stock options and various other rights with respect to shares of the Company's common stock, as provided herein, to eligible employees.

(b) Definitions. The following terms shall have the following respective meanings unless the context requires otherwise:

(1) The term "Affiliate" or "Affiliates" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.

(2) The term "Beneficial Owner" shall mean beneficial owner as set forth in Rule 13d-3 under the Exchange Act.

(3) The term "Board" shall mean the Board of Directors of Visteon Corporation.

(4) The term "Change in Control" shall mean the occurrence of one of the events set forth in any one of the following paragraphs:

(A) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates) representing 40% or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (i) of paragraph (C) below;

(B) within any twelve (12) month period, the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the effective date of this Plan, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended;

(C) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (i) a merger or consolidation which results in the directors of the Company immediately prior to such merger or consolidation continuing to constitute at least a majority of the board of directors of the Company, the surviving entity or any parent thereof or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 40% or more of the combined voting power of the Company's then outstanding securities;

(D) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of more than 50% of the Company's assets, other than a sale or disposition by the Company of more than 50% of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by shareholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale; or

(E) any other event that the Board, in its sole discretion, determines to be a Change in Control for purposes of this Agreement.

Notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

(5) The term "Code" shall mean the Internal Revenue Code of 1986, or any successor thereto, as the same may be amended and in effect from time to time.

(6) The term "Committee" shall mean the committee appointed pursuant to Section 2 to administer the Plan.

(7) The term "Company" shall mean Visteon Corporation and its Subsidiaries.

(8) The term "Covered Executive" shall mean the Chief Executive Officer and the other four highest compensated officers of the Company at year-end whose compensation is required to be reported in the Summary Compensation Table of the Company's Proxy Statement.

(9) The term "Employee" shall mean an employee of the Company. The term "Employee" shall also be deemed to include any person who is an employee of any joint venture corporation or partnership, or comparable entity, in which the Company has a substantial equity interest, provided such person was an employee of the Company immediately prior to becoming employed by such entity.

(10) The term "Exchange Act" shall mean the Securities Exchange Act of 1934, as the same may be amended and in effect from time to time.

(11) The term "Fair Market Value" shall mean the average of the highest and lowest sale prices at which a share of Stock shall have been sold regular way on the New York Stock Exchange on the date of grant of any Option or Stock Appreciation Right or other relevant valuation date. In the event that any Option or Stock Appreciation Right shall be granted, or other relevant valuation date shall occur, on a date on which there were no such sale of Stock on the New York Stock Exchange, the Fair Market Value of a share of Stock shall be deemed to be the average of the highest and lowest sale prices on the next preceding day on which there were such sales.

(12) The term "Final Award" shall mean the number of shares of Stock to be awarded finally to the Participant who holds a Performance Stock Right, as determined by the Committee taking into account the extent to which the Participant has achieved the Performance Goals.

(13) The term "Option" or "Options" shall mean the option to purchase Stock in accordance with Section 5 and such other terms and conditions as may be prescribed by the Committee. An Option may be either an "incentive stock option", as such term is defined in the Code, or shall otherwise be designated as an option entitled to favorable treatment under the Code ("ISO") or a "nonqualified stock option" ("NQO"). ISOs and NQOs are individually called an "Option" and collectively called "Options".

(14) The term "Other Stock Based Awards" shall mean awards of Stock or other rights made in accordance with Section 6.

(15) The term "Participant" shall mean an Employee of the Company who has been designated for participation in the Plan.

(16) The term "Performance Goals" shall mean one or more objective business criteria selected by the Committee in accordance with subsection (c) of Section 4.

(17) The term "Performance Formula" shall mean a formula to be applied in relation to the Performance Goals in determining the number of shares of Stock earned under a Performance Stock Right as a percentage, not to exceed 150%, of the Target Award.

(18) The term "Performance Period" shall mean the period of time for which performance with respect to one or more Performance Goals with respect to any Performance Stock Right is to be measured, with such period commencing not earlier than 90 days prior to the date of grant of such Right,

(19) The term "Performance Stock Rights" or "Right" shall mean the right to receive, without payment to the Company, up to the number of shares of Stock described in the Participant's award agreement, upon the attainment of one or more specified Performance Goals, subject to the terms and provisions of the agreement and the Plan.

(20) The term "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(21) The term "Plan" shall mean the "Visteon Corporation 2000 Long-Term Incentive Plan as the same may be amended and in effect from time to time.

(22) The term "Plan Awards" shall mean awards or grants of stock options and various other rights with respect to shares of the Company's common stock.

(23) The term "Stock Appreciation Right" shall mean the right to receive, without payment to the Company, an amount of cash or Stock as determined in accordance with Section 5 based above the amount by which the Fair Market Value of a share of Stock on the relevant valuation date exceeds the grant price.

(24) The term "Subsidiary" shall mean (i) any corporation a majority of the voting stock of which is owned directly or indirectly by the Company or (ii) any limited liability company a majority of the membership interest of which is owned, directly or indirectly, by the Company.

(25) The term "Stock" means shares of the Company's common stock, par value \$1.00 per share.

(26) The term "Target Award" shall mean the number of shares of Stock, subject to adjustment pursuant to Section 11, to be earned by a Participant under a Performance Stock Right if all of the Performance Goals are achieved.

## SECTION 2. ADMINISTRATION

(a) Committee. Initially, the Plan shall be administered by a committee appointed by the Board. After the registration of the Company's Common Stock pursuant to Section 12(b) of the Exchange Act, the Plan shall be administered by the Compensation Committee of the Board consisting of not less than two (2) members of the Board who meet the "outside" director requirements of Section 162(m) of the Code and the "non-employee director" requirements of Rule 16b-3(b)(3) of the Exchange Act, or by any other committee appointed by the Board, provided the members of such committee meet such requirements. The Committee shall administer the Plan and perform such other functions as are assigned to it under the Plan. The Committee is authorized, subject to the provisions of the Plan, from time to time, to establish such rules and regulations as it may deem appropriate for the proper administration of the

Plan, and to make such determinations under, and such interpretations of, and to take such steps in

connection with, the Plan and the Plan Awards as it may deem necessary or advisable, in each case in its sole discretion. The Committee's decisions and determinations under the Plan need not be uniform and may be made selectively among Participants, whether or not they are similarly situated. Any authority granted to the Committee may also be exercised by the Board, except to the extent that the grant or exercise of such authority would cause any qualified performance based award to cease to qualify for exemption under Section 162(m) of the Code. To the extent that any permitted action taken by the Board conflicts with action taken by the Committee, the Board action shall control.

(b) Delegation of Authority. The Committee may delegate any or all of its powers and duties under the Plan, including, but not limited to, its authority to make awards under the Plan or to grant waivers pursuant to Section 8, to one or more other committees (including a committee consisting of two or more corporate officers) as it shall appoint, pursuant to such conditions or limitations as the Committee may establish; provided, however, that the Committee shall not delegate its authority to (i) act on matters affecting any Participant who is subject to the reporting requirements of Section 16(a) of the Exchange Act, or the liability provisions of Section 16(b) of the Exchange Act (any such Participant being called a "Section 16 Person") or (ii) amend or modify the Plan pursuant to the provisions of Section 14(b). To the extent of any such delegation, the term "Committee" when used herein shall mean and include any such delegate.

(c) Eligibility of Committee Members. No person while a member of the Committee or any other committee of the Board administering the Plan shall be eligible to hold or receive a Plan Award.

### SECTION 3. STOCK AVAILABLE FOR PLAN AWARDS

(a) Stock Subject to Plan. The Stock to be subject to or related to Plan Awards may be either authorized and unissued (subject to a maximum of 1,000,000 shares) or held in the treasury of the Company. The maximum number of shares of Stock with respect to which Plan Awards may be granted under the Plan, subject to adjustment in accordance with the provisions of Section 11, shall be 13,000,000. Notwithstanding the foregoing, (i) the aggregate number of shares that may be issued upon exercise of "incentive stock options" (as defined in subsection (a)(1) of Section 5) shall not exceed 10,280,000, subject to adjustment in accordance with the provisions of Section 11; (ii) the maximum number of shares subject to Options, with or without any related Stock Appreciation Rights, or Stock Appreciation Rights (not related to Options) that may be granted pursuant to Section 5 to any Covered Executive during any calendar year during any part of which the Plan is in effect shall be 500,000, subject to adjustment in accordance with the provision of Section 11; and (iii) the maximum number of shares of Stock that may be granted as Final Awards pursuant to Section 4 to any Covered Executive during any calendar year during any part of which the Plan is in effect shall be 500,000.

(b) Computation of Stock Available for Plan Awards. For the purpose of computing the total number of shares of Stock remaining available for Plan Awards at any time while the Plan is in effect, there shall be debited against the total number of shares determined to be available pursuant to paragraphs (a) and (c) of this Section 3 (i) the maximum number of shares of Stock subject to issuance upon exercise of Options or Stock Appreciation Rights granted, (ii) the maximum number of shares of Stock issuable under Performance Stock Rights granted, and (iii) the number of shares of Stock related to Other Stock-Based Awards granted, as determined by the Committee in each case as of the dates on which such Plan Awards were granted.

(c) Terminated, Expired or Forfeited Plan Awards. The shares involved in the unexercised or undistributed portion of any terminated, expired or forfeited Plan Award shall be made available for further Plan Awards. Any shares of Stock made available for Plan Awards pursuant to this subsection (c) shall be in addition to the shares available pursuant to subsection (a) of this Section 3. Notwithstanding the foregoing, in the event any Option or Stock Appreciation Right granted to a Covered Executive is canceled, the number of shares of Stock subject to such canceled Option or Stock Appreciation Right shall continue to count against the individual limit specified in subsection (a), in accordance with the requirements of Code Section 162(m).

## SECTION 4. PERFORMANCE STOCK RIGHTS AND FINAL AWARDS

(a) Grant of Performance Stock Rights. The Committee, at any time and from time to time while the Plan is in effect, may grant, or authorize the granting of, Rights to such officers and other key salaried employees of the Company, whether or not members of the Board, as it may select and for such numbers of shares as it shall designate, subject to the provisions of this Section 4 and Section 3.

(b) Terms and Provisions of Performance Stock Rights. Prior to the grant of any Right, the Committee shall determine the terms and provisions of each Right, including, without limitation (i) the Target Award; (ii) one or more Performance Goals to be used to measure performance under such Right, and the Performance Formula to be applied against the Performance Goals in determining the number of shares of Stock earned under such Right as a percentage of the Target Award; (iii) the Performance Period; (iv) the period of time, if any, during which the disposition of shares of Stock issuable under such Right shall be restricted as provided in subsection (a) of Section 9, provided, however, that the Committee may establish restrictions applicable to any Right at the time of or at any time prior to the granting of the related Final Award rather than at the time of granting such Right; and (v) the effect of the Participant's termination of employment or death. Within 90 days of commencement of a Performance Period, the Committee may establish a minimum threshold objective for any Performance Goal for such Performance Period, which if not met, would result in no Final Award being made to any Participant with respect to such Performance Goal for such Performance Period. During and after the Performance Period, but prior to the Committee's final determination of the Participant's Final Award as provided in subsection (e), the Committee may adjust the Performance Goals, Performance Formula and Target Award and otherwise modify the terms and provisions of a Right granted to a Participant who is not a Covered Executive, subject to the terms and conditions of the Plan. Each Right shall be evidenced by an award agreement in such form as the Committee may determine.

(c) Performance Goals. The Performance Goals, with respect to any Right granted to a Participant who is a Covered Executive, shall be based upon one or more of the following objective business criteria established by the Committee with respect to the Company and/or any subsidiary, division, business unit or component thereof: asset charge, asset turnover, return on sales, capacity utilization, capital employed in the business, capital spending, cash flow, cost structure improvements, complexity reductions, customer loyalty, diversity, earnings growth, earnings per share, economic value added, environmental health and safety, facilities and tooling spending, hours per component, increase in customer base, inventory turnover, market price appreciation, market share, net cash balance, net income, net income margin, net operating cash flow, operating profit margin, order to delivery time, plant capacity, process time, profits before tax, quality/customer satisfaction, return on assets, return on capital, return on equity, return on net operating assets, return on sales, revenue growth, sales margin, sales volume, total shareholder return, production per employee, warranty performance to budget, variable margin and working capital. With respect to any Right granted to a Participant who is not a Covered Executive, performance goals may be based on one or more of the business criteria described above or any other criteria based on individual, business unit, group or Company performance selected by the Committee. The Performance Goals may be expressed in absolute terms or relate to the performance of other companies or to an index.

(d) Dividend Equivalents on Rights.

(1) If the Committee shall determine, each Participant to whom a Right is granted shall be entitled to receive payment of the same amount of cash that such Participant would have received as cash dividends if, on each record date during the Performance Period relating to such Right, such Participant had been the holder of record of a number of shares of Stock equal to 100% of the related Target Award (as adjusted pursuant to Section 11). Any such payment may be made at the same time as a dividend is paid or may be deferred until the date that a Final Award is determined, as determined by the Committee in its sole discretion. Such cash payments are hereinafter called "dividend equivalents".

(2) Notwithstanding the provisions of subsection (d)(1), the Committee may determine that, in lieu of receiving all or any portion of any such dividend equivalent in cash, a Participant shall receive an award of full shares of Stock having a Fair Market Value approximately equal to the portion of such dividend equivalent that was not paid in cash. Certificates for shares of Stock so awarded may be issued as of the payment date for the related

cash dividend or may be deferred until the date that the Final Award is determined, and the shares of Stock covered thereby may be subject to the terms and conditions of the Right to which it relates (including but not limited to the attainment of the Performance Goals) and the terms and conditions of the Plan (including but not limited to Sections 4, 8, 9 and 11), all as determined by the Committee in its sole discretion.

(e) Final Awards.

(1) As soon as practicable following the completion of the Performance Period relating to any Right, but not later than 12 months following such completion, the Committee shall determine the extent to which the Participant achieved the Performance Goals and the number of shares of Stock to be awarded as a Final Award to the Participant who holds such Right. Each Final Award shall represent only full shares of Stock, and any fractional share that would otherwise result from such Final Award calculation shall be disregarded. In making such determination, the Committee shall apply the applicable Performance Formula for the Participant for the Performance Period against the accomplishment of the related Performance Goals. The Committee may, in its sole discretion, reduce the amount of any Final Award that otherwise would be awarded to any Participant for any Performance Period. In addition, the Committee may, in its sole discretion, increase the amount of any Final Award that otherwise would be awarded to any Participant who is not a Covered Executive. Any such determination shall take into account (i) the extent to which the Performance Goals provided in such Right was, in the Committee's sole opinion, achieved, (ii) the individual performance of such Participant during the related Performance Period and (iii) such other factors as the Committee may deem relevant, including, without limitation, any change in circumstances or unforeseen events, relating to the Company, the economy or otherwise, since the date of grant of such Right. The Committee shall notify such Participant of such Participant's Final Award as soon as practicable following such determination.

(2) Following the determination of each Final Award, the Company shall issue or cause to be issued certificates for the number of shares of Stock representing such Final Award, registered in the name of the Participant who received such Final Award. Such Participant shall thereupon become the holder of record of the number of shares of Stock evidenced by such certificates, entitled to dividends, voting rights and other rights of a holder thereof, subject to the terms and provisions of the Plan, including, without limitation, the provisions of this subsection (e) and Sections 8, 9 and 11. The Committee may require that such certificates bear such restrictive legend as the Committee may specify and be held by the Company in escrow or otherwise pursuant to any form of agreement or instrument that the Committee may specify. If the Committee has determined that deferred dividend equivalents shall be payable to a Participant with respect to any Right pursuant to subsection (c) of this Section 4, then concurrently with the issuance of such certificates, the Company shall deliver to such Participant a cash payment or additional shares of Stock in settlement of such dividend equivalents.

(3) Notwithstanding the provisions of this subsection (e) or any other provision of the Plan, the Committee may specify that a Participant's Final Award shall not be represented by certificates for shares of Stock but shall be represented by rights approximately equivalent (as determined by the Committee) to the rights that such Participant would have received if certificates for shares of Stock had been issued in the name of such Participant in accordance with subsection (e) (such rights being called "Stock Equivalents"). Subject to the provisions of Section 11 and the other terms and provisions of the Plan, if the Committee shall so determine, each Participant who holds Stock Equivalents shall be entitled to receive the same amount of cash that such Participant would have received as dividends if certificates for shares of Stock had been issued in the name of such Participant pursuant to subsection (e) covering the number of shares equal to the number of shares to which such Stock Equivalents relate. Notwithstanding any other provision of the Plan to the contrary, the Stock Equivalents representing any Final Award may, at the option of the Committee, be converted into an equivalent number of shares of Stock or, upon the expiration of any restriction period imposed on such Stock Equivalents, into cash, under such circumstances and in such manner as the Committee may determine.

## SECTION 5. OPTIONS AND STOCK APPRECIATION RIGHTS

## (a) Grant of Options.

(1) The Committee, at any time and from time to time while the Plan is in effect, may authorize the granting of Options to such officers and other key salaried employees of the Company, whether or not members of the Board, as it may select, and for such numbers of shares as it shall designate, subject to the provisions of this Section 5 and Section 3. Each Option granted pursuant to the Plan shall be designated at the time of grant as either an ISO or an NQO.

(2) The date on which an Option shall be granted shall be the date of authorization of such grant or such later date as may be determined at the time such grant is authorized. Any individual may hold more than one Option.

(b) Price. In the case of each Option granted under the Plan the option price shall be the Fair Market Value of Stock on the date of grant of such Option; provided, however, that the Committee may in its discretion fix an option price in excess of the Fair Market Value of Stock on such date.

## (c) Grant of Stock Appreciation Rights.

(1) The Committee, at any time and from time to time while the Plan is in effect, may authorize the granting of Stock Appreciation Rights to such officers and other key salaried employees of the Company, whether or not members of the Board, as it may select, and for such numbers of shares as it shall designate, subject to the provisions of this Section 5 and Section 3. Each Stock Appreciation Right may relate to all or a portion of a specific Option granted under the Plan and may be granted concurrently with the Option to which it relates or at any time prior to the exercise, termination or expiration of such Option (a "Tandem SAR"), or may be granted independently of any Option, as determined by the Committee. If the Stock Appreciation Right is granted independently of an Option, the grant price of such right shall be the Fair Market Value of Stock on the date of grant; provided, however, that the Committee may, in its discretion, fix a grant price in excess of the Fair Market Value of Stock on such grant date.

(2) Upon exercise of a Stock Appreciation Right, the Participant shall be entitled to receive, without payment to the Company, either (a) that number of shares of Stock determined by dividing (i) the total number of shares of Stock subject to the Stock Appreciation Right being exercised by the Participant, multiplied by the amount by which the Fair Market Value of a share of Stock on the day the right is exercised exceeds the grant price (such amount being hereinafter referred to as the "Spread"), by (ii) the Fair Market Value of a share of Stock on the exercise date; or (b) cash in an amount determined by multiplying (i) the total number of shares of Stock subject to the Stock Appreciation Right being exercised by the Participant, by (ii) the amount of the Spread; or (c) a combination of shares of Stock and cash, in amounts determined as set forth in clauses (a) and (b) above, as determined by the Committee in its sole discretion; provided, however, that, in the case of a Tandem SAR, the total number of shares which may be received upon exercise of a Stock Appreciation Right for Stock shall not exceed the total number of shares subject to the related Option or portion thereof, and the total amount of cash which may be received upon exercise of a Stock Appreciation Right for cash shall not exceed the Fair Market Value on the date of exercise of the total number of shares subject to the related Option or portion thereof.

## (d) Terms and Conditions.

(1) Each Option and Stock Appreciation Right granted under the Plan shall be exercisable on such date or dates, during such period, for such number of shares and subject to such further conditions as shall be determined pursuant to the provisions of the award agreement with respect to such Option and Stock Appreciation Right; provided, however, that a Tandem SAR shall not be exercisable prior to or later than the time the related Option could be exercised; and provided, further, that in any event no Option or Stock Appreciation Right shall be exercised beyond ten years from the date of grant.

(2) The Committee may impose such conditions as it may deem appropriate upon the exercise of an Option or a Stock Appreciation Right, including, without limitation, a condition that the Stock Appreciation Right may be exercised only in accordance with rules and regulations adopted by the Committee from time to time.

(3) With respect to Options issued with Tandem SARs, the right of a Participant to exercise a Stock Appreciation Right shall be cancelled if

and to the extent the related Option is exercised, and the right of a Participant to exercise an Option shall be cancelled if and to the extent that shares covered by such Option are used to calculate shares or cash received upon exercise of the Tandem SAR.

(4) If any fractional share of Stock would otherwise be payable to a Participant upon the exercise of an Option or Stock Appreciation Right, the Participant shall be paid a cash amount equal to the same fraction of the Fair Market Value of the Stock on the date of exercise.

(e) Award Agreement. Each Option and Stock Appreciation Right shall be evidenced by an award agreement in such form and containing such provisions not inconsistent with the provisions of the Plan as the Committee from time to time shall approve.

## (f) Payment for Option Shares.

(1) Payment for shares of Stock purchased upon exercise of an Option granted hereunder shall be made, either in full or, if the Committee shall so determine and at the election of the Participant, in installments, in such manner as provided in the applicable award agreement.

(2) Unless the Committee shall provide otherwise in any award agreement, any payment for shares of Stock purchased upon exercise of an Option granted hereunder may be made in cash, by delivery of shares of Stock beneficially owned by the Participant or by a combination of cash and Stock, at the election of the Participant; provided, however, that any shares of Stock so delivered shall have been beneficially owned by the Participant for a period of not less than six months prior to the date of exercise. Any such shares of Stock so delivered shall be valued at their Fair Market Value on the date of such exercise. The Committee shall determine whether and if so the extent to which actual delivery of share certificates to the Company shall be required.

## SECTION 6. STOCK AND OTHER STOCK-BASED AND COMBINATION AWARDS

(a) Grants of Other Stock-Based Awards. The Committee, at any time and from time to time while the Plan is in effect, may grant Other Stock Based Awards to such officers and other salaried employees of the Company, whether or not members of the Board, as it may select. Such Plan Awards pursuant to which Stock is or may in the future be acquired, or Plan Awards valued or determined in whole or part by reference to, or otherwise based on, Stock, may include, but are not limited to awards of restricted Stock or Plan Awards denominated in the form of "stock units", grants of so-called "phantom stock" and options containing terms or provisions differing in whole or in part from Options granted pursuant to Section 5. Other Stock-Based Awards may be granted either alone, in addition to, in tandem with or as an alternative to any other kind of Plan Award, grant or benefit granted under the Plan or under any other employee plan of the Company, including a plan of any acquired entity.

(b) Terms and Conditions. Subject to the provisions of the Plan, the Committee shall have authority to determine the time or times at which Other Stock-Based Awards shall be made, the number of shares of Stock or stock units and the like to be granted or covered pursuant to such Plan Awards (subject to the provisions of Section 3) and all other terms and conditions of such Plan Awards, including, but not limited to, whether such Plan Awards shall be payable or paid in cash, Stock or otherwise.

(c) Consideration for Other Stock-Based Awards. In the discretion of the Committee, any Other-Stock Based Award may be granted as a Stock bonus for no consideration other than services rendered.

## SECTION 7. CASH AWARDS TO EMPLOYEES OF FOREIGN SUBSIDIARIES OR BRANCHES OR JOINT VENTURES

In order to facilitate the granting of Plan Awards to Participants who are foreign nationals or who are employed outside of the United States of America, the Committee may provide for such special terms and conditions, including without limitation substitutes for Plan Awards, as the Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Such substitutes for Plan Awards may include a requirement that the Participant receive cash, in such amount as the Committee may determine in its sole discretion, in lieu of any Plan Award or share of Stock that would otherwise have been granted to or delivered to such Participant under the Plan. The Committee may approve any supplements to, or amendments, restatements or alternative versions of the Plan as it may consider necessary or appropriate for purposes of this Section 7 without thereby affecting the terms of the Plan as in effect for any other purpose, and the Secretary or other appropriate officer of the Company may certify any such documents as having been approved and adopted pursuant to properly delegated authority; provided, however, that no such supplements, amendments, restatements or alternative versions shall include any provision that are inconsistent with the term of the Plan as then in effect. Participants subject to the laws of a foreign jurisdiction may request copies of, or the right to view, any materials that are required to be provided by the Company pursuant to the laws of such jurisdiction.

## SECTION 8. PAYMENT OF PLAN AWARDS AND CONDITIONS THEREON

(a) Effect of Competitive Activity. Anything contained in the Plan to the contrary notwithstanding, if the employment of any Participant shall terminate, for any reason other than death, while any Plan Award to such Participant is outstanding hereunder, and such Participant has not yet received the Stock covered by such Plan Award or otherwise received the full benefit of such Plan Award, such Participant, if otherwise entitled thereto, shall receive such Stock or benefit only if, during the entire period from the date of such Participant's termination to the date of such receipt, such Participant shall have (i) made himself or herself available, upon request, at reasonable times and upon a reasonable basis, to consult with, supply information to and otherwise cooperate with the Company or any subsidiary thereof with respect to any matter that shall have been handled by him or her or under his or her supervision while he or she was in the employ of the Company or of any subsidiary thereof, and (ii) refrained from engaging in any activity that is directly or indirectly in competition with any activity of the Company or any subsidiary thereof.

(b) Nonfulfillment of Competitive Activity Conditions: Waivers Under the Plan. In the event of a Participant's nonfulfillment of any condition set forth in subsection (a) of this Section 8 such Participant's rights under any Plan Award shall be forfeited and cancelled forthwith; provided, however, that the nonfulfillment of such condition may at any time (whether before, at the time of or subsequent to termination of employment) be waived in the following manner:

(1) with respect to any such Participant who at any time shall have been a Section 16 Person, such waiver may be granted by the Committee upon its determination that in its sole judgment there shall not have been and will not be any substantial adverse effect upon the Company or any subsidiary thereof by reason of the nonfulfillment of such condition; and

(2) with respect to any other such Participant, such waiver may be granted by the Committee (or any delegate thereof) upon its determination that in its sole judgment there shall not have been and will not be any such substantial adverse effect.

(c) Effect of Inimical Conduct. Anything contained in the Plan to the contrary notwithstanding, all rights of a Participant under any Plan Award shall cease on and as of the date on which it has been determined by the Committee that such Participant at any time (whether before or subsequent to termination of such Participant's employment) acted in a manner inimical to the best interests of the Company or any subsidiary thereof.

(d) Tax and Other Withholding. Prior to any distribution of cash, Stock or Other Stock-Based Awards (including payments under Section 4(c)) to any Participant, appropriate arrangements (consistent with the Plan and any rules adopted hereunder) shall be made for the payment of any taxes and other amounts required to be withheld by federal, state or local law.

(e) Substitution. The Committee, in its sole discretion, may substitute a Plan Award (except ISOs) for another Plan Award or Plan Awards of the same or different type.

## SECTION 9. NON-TRANSFERABILITY OF PLAN AWARDS; RESTRICTIONS ON DISPOSITION AND EXERCISE OF PLAN AWARDS

(a) Restrictions on Transfer of Rights or Final Awards. No Right or, until the expiration of any restriction period imposed by the Committee, no shares of Stock covered by any Final Award, shall be transferred, pledged, assigned or otherwise disposed of by a Participant, except as permitted by the Plan, without the consent of the Committee, otherwise than by will or the laws of descent and distribution; provided, however, that the Committee may permit, on such terms as it may deem appropriate, use of Stock included in any Final Award as partial or full payment upon exercise of an Option under the Plan or a stock option under any Stock Option Plan of the Company prior to the expiration of any restriction period relating to such Final Award.

(b) Restrictions on Transfer of Options or Stock Appreciation Rights. Unless the Committee determines otherwise, no Option or Stock Appreciation Right shall be transferable by a Participant otherwise than by will or the laws of descent and distribution, and during the lifetime of a Participant the Option or Stock Appreciation Right shall be exercisable only by such Participant or such Participant's guardian or legal representative.

(c) Restrictions on Transfer of Certain Other Stock-Based Awards.

Unless the Committee determines otherwise, no Other-Stock Based Award shall be transferable by a Participant otherwise than by will or the laws of descent and distribution, and during the lifetime of a Participant any such Other-Stock Based Award shall be exercisable only by such Participant or such Participant's guardian or legal representative.

(d) Attachment and Levy. No Plan Award shall be subject, in whole or in part, to attachment, execution or levy of any kind, and any purported transfer in violation hereof shall be null and void. Without limiting the generality of the foregoing, no domestic relations order purporting to authorize a transfer of a Plan Award, or to grant to any person other than the Participant the authority to exercise or otherwise act with respect to a Plan Award, shall be recognized as valid.

## SECTION 10. DESIGNATION OF BENEFICIARIES

Anything contained in the Plan to the contrary notwithstanding, a Participant may file with the Company a written designation of a beneficiary or beneficiaries under the Plan (subject to such limitations as to the classes and number of beneficiaries and contingent beneficiaries and such other limitations as the Committee from time to time may prescribe). A Participant shall be deemed to have designated as beneficiary or beneficiaries under the Plan the person or persons who receive such Participant's life insurance proceeds under the basic Company Life Insurance Plan unless such Participant shall have assigned such life insurance or shall have filed with the Company a written designation of a different beneficiary or beneficiaries under the Plan. A Participant may from time to time revoke or change any such designation of beneficiary. Any designation of beneficiary under the Plan shall be controlling over any other disposition, testamentary or otherwise; provided, however, that if the Committee shall be in doubt as to the entitlement of any such beneficiary to any Right, Final Award, Option, Stock Appreciation Right or Other Stock-Based Award, or if applicable law requires the Company to do so, the Committee may determine to recognize only the legal representative of such Participant, in which case the Company, the Committee and the members thereof shall not be under any further liability to anyone. In the event of the death of any Participant, the term "Participant" as used in the Plan shall thereafter be deemed to refer to the beneficiary designated pursuant to this Section 10 or, if no such designation is in effect, the executor or administrator of the estate of such Participant, unless the context otherwise requires.

## SECTION 11. MERGER, CONSOLIDATION, STOCK DIVIDENDS, ETC.

(a) Adjustments. In the event of any merger, consolidation, reorganization, stock split, stock dividend or other event affecting Stock, an appropriate adjustment shall be made in the total number of shares available for Plan Awards and in all other provisions of the Plan that include a reference to a number of shares, and in the numbers of shares covered by, and other terms and provisions of (including but not limited to the grant or exercise price of any Plan Award) outstanding Plan Awards.

(b) Committee Determinations. The foregoing adjustments and the manner of application of the foregoing provisions shall be determined by the Committee in its sole discretion. Any such adjustment may provide for the elimination of any fractional share which might otherwise become subject to a Plan Award.

## SECTION 12. ACCELERATION OF PAYMENT OR MODIFICATION OF PLAN AWARDS

(a) The Committee, in the event of the death of a Participant or in any other circumstance, may accelerate distribution of any Plan Award in its entirety or in a reduced amount, in cash or in Stock, or modify any Plan Award, in each case on such basis and in such manner as the Committee may determine in its sole discretion.

(b) Notwithstanding any other provision of the Plan, unless the Committee determines otherwise at the time of grant, upon the occurrence of a Change in Control, (i) any Plan Awards outstanding as of the date of such Change in Control, and that are not then vested, shall become fully vested, and (ii) any restrictions or other conditions applicable to any outstanding Awards shall lapse, and such Plan Awards shall become free of all restrictions and conditions.

## SECTION 13. RIGHTS AS A STOCKHOLDER

A Participant shall not have any rights as a stockholder with respect to any share covered by any Plan Award until such Participant shall have become the holder of record of such share.

## SECTION 14. TERM, AMENDMENT, MODIFICATION AND TERMINATION OF THE PLAN AND AGREEMENTS

(a) Term. Unless terminated earlier pursuant to subsection (b), the Plan shall terminate on \_\_\_\_\_, 2010.

(b) Amendment, Modification and Termination of Plan. The Board may, from time to time, amend or modify the Plan or any outstanding Plan Award, including without limitation, to authorize the Committee to make Plan Awards payable in other securities or other forms of property of a kind to be determined by the Committee, and such other amendments as may be necessary or desirable to implement such Plan Awards, or terminate the Plan or any provision thereof, provided, however, that no such action of the Board, without approval of the stockholders, may (i) increase the total number of shares of Stock with

respect to which Plan Awards may be granted under the Plan or the individual limits specified in Section 3(a), (ii) extend the term of the Plan as set forth in paragraph (a) of this Section 14, (iii) permit any person while a member of the Committee or any other committee of the Board administering the Plan to be eligible to receive or hold a Plan Award, or (iv) permit the Company to decrease the grant price of any outstanding Option or Stock Appreciation Right.

(c) No amendment to or termination of the Plan or any provision hereof, and no amendment or cancellation of any outstanding Plan Award, by the Board or the stockholders of the Company, shall, without the written consent of the affected Participant, adversely affect any outstanding Plan Award. The Committee's authority to act with respect to any outstanding Plan Award shall survive termination of the Plan.

(d) Notwithstanding the foregoing provisions, the Board shall have authority to amend outstanding Plan Awards and the Plan to take into account changes in law and tax and accounting rules as well as other developments, and to grant Plan Awards that qualify for beneficial treatment under such rules without stockholder approval.

#### SECTION 15. INDEMNIFICATION AND EXCULPATION

(a) Indemnification. Each person who is or shall have been a member of the Board, the Committee, or of any other committee of the Board administering the Plan or of any committee appointed by the foregoing committees, shall be indemnified and held harmless by the Company against and from any and all loss, cost, liability or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit or proceeding to which such person may be or become a party or in which such person may be or become involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by such person in settlement thereof (with the Company's written approval) or paid by such person in satisfaction of a judgment in any such action, suit or proceeding, except a judgment in favor of the Company based upon a finding of such person's lack of good faith; subject, however, to the condition that, upon the institution of any claim, action, suit or proceeding against such person, such person shall in writing give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it on such person's behalf. The foregoing right of indemnification shall not be exclusive of any other right to which such person may be entitled as a matter of law or otherwise, or any power that the Company may have to indemnify or hold such person harmless.

(b) Exculpation. Each member of the Board, the Committee, or of any other committee of the Board administering the Plan or any committee appointed by the foregoing committees, and each officer and employee of the Company, shall be fully justified in relying or acting in good faith upon any information furnished in connection with the administration of the Plan by any appropriate person or persons other than such person. In no event shall any person who is or shall have been a member of the Board, the Committee, or of any other committee of the Board administering the Plan or of any committee appointed by the foregoing committees, or an officer or employee of the Company, be held liable for any determination made or other action taken or any omission to act in reliance upon any such information, or for any action (including the furnishing of information) taken or any failure to act, if in good faith.

#### SECTION 16. EXPENSES OF PLAN

The entire expense of offering and administering the Plan shall be borne by the Company and its participating subsidiaries; provided, that costs and expenses associated with the redemption or exercise of any Plan Award, including but not limited to commissions charged by any agent of the Company, may be charged to the Participants.

#### SECTION 17. FINALITY OF DETERMINATIONS

Each determination, interpretation, or other action made or taken pursuant to the provisions of the Plan by the Board, the Committee or any committee of the Board of Directors administering the Plan or any committee appointed by the foregoing committees shall be final and shall be binding and conclusive for all purposes and upon all persons, including, but without limitation thereto, the Company, the stockholders, the Committee and each of the members thereof, and the directors, officers, and employees of the Company and its subsidiaries, the Participants, and their respective successors in interest.

#### SECTION 18. NO RIGHTS TO CONTINUED EMPLOYMENT OR TO PLAN AWARD

(a) Nothing contained in this Plan, or in any booklet or document describing or referring to the Plan, shall be deemed to confer on any Participant the right to continue as an employee or director of the Company, whether for the duration of any Performance Period, the duration of any vesting period under a Plan Award, or otherwise, or affect the right of the Company to terminate the employment of any Participant for any reason.

(b) No Employee or other person shall have any claim or right to be granted a Plan Award under the Plan. Having received an Award under the Plan shall not give a Participant or any other person any right to receive any other Plan Award under the Plan. A Participant shall have no rights in any Plan Award, except as set forth herein and in the applicable award grant.



## SECTION 19. GOVERNING LAW AND CONSTRUCTION

The Plan and all actions taken hereunder shall be governed by, and the Plan shall be construed in accordance with, the laws of the State of Delaware without regard to the principle of conflict of laws. Titles and headings to Sections are for purposes of reference only, and shall in no way limit, define or otherwise affect the meaning or interpretation of the Plan.

## SECTION 20. SECURITIES AND STOCK EXCHANGE REQUIREMENTS

(a) Restrictions on Resale. Notwithstanding any other provision of the Plan, no person who acquires Stock pursuant to the Plan may, during any period of time that such person is an affiliate of the Company (within the meaning of the rules and regulations of the Securities Exchange Commission) sell or otherwise transfer such Stock, unless such offer and sale or transfer is made (i) pursuant to an effective registration statement under the Securities Act of 1933 ("1933 Act"), which is current and includes the Stock to be sold, or (ii) pursuant to an appropriate exemption from the registration requirements of the 1933 Act, such as that set forth in Rule 144 promulgated pursuant thereto.

(b) Registration, Listing and Qualification of Shares of Common Stock. Notwithstanding any other provision of the Plan, if at any time the Committee shall determine that the registration, listing or qualification of the Stock covered by a Plan Award upon any securities exchange or under any foreign, federal, state or local law or practice, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Plan Award or the purchase or receipt of Stock in connection therewith, no Stock may be purchased, delivered or received pursuant to such Plan Award unless and until such registration, listing, qualification, consent or approval shall have been effected or obtained free of any condition not acceptable to the Committee. Any person receiving or purchasing Stock pursuant to a Plan Award shall make such representations and agreements and furnish such information as the Committee may request to assure compliance with the foregoing or any other applicable legal requirements. The Company shall not be required to issue or deliver any certificate or certificates for Stock under the Plan prior to the Committee's determination that all related requirements have been fulfilled. The Company shall in no even be obligated to register any securities pursuant to the 1933 Act or applicable state or foreign law or to take any other action in order to cause the issuance and delivery of such certificates to comply with any such law, regulation, or requirement.

## FORM OF CHANGE IN CONTROL AGREEMENT

THIS AGREEMENT, dated \_\_\_\_\_, 2000 (the "Effective Date"), is made by and between Visteon Corporation, a Delaware corporation (the "Company"), and \_\_\_\_\_ (the "Executive").

WHEREAS, the Company considers it essential to the best interests of its stockholders to foster the continued employment of key management personnel; and

WHEREAS, the Board recognizes that, as is the case with many publicly held corporations, the possibility of a Change in Control exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders; and

WHEREAS, the Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Company and the Executive hereby agree as follows:

1. Defined Terms. The definitions of capitalized terms used in this Agreement are provided in the last Section hereof.

2. Term of Agreement. The Term of this Agreement shall commence on the Effective Date and shall continue in effect through the fifth anniversary of the Effective Date; provided, however, that commencing on the first anniversary of the Effective Date, and on each anniversary of the Effective Date thereafter, the Term shall automatically be extended for one additional year unless, not later than 90 days prior to each such date, the Company or the Executive shall have given notice not to extend the Term; and provided, further, that if a Change in Control shall have occurred during the Term, the Term shall expire no earlier than [36][24] months beyond the month in which such Change in Control occurred.

3. Company's Covenants Summarized. In order to induce the Executive to remain in the employ of the Company and in consideration of the Executive's covenants set forth in Section 4 hereof, the Company agrees, under the conditions described herein, to pay the Executive the Severance Payments and the other payments and benefits described herein. Except as provided in Section 9.1 hereof, no Severance Payments shall be payable under this Agreement unless there shall have been (or, under the terms of the second sentence of Section 6.1 hereof, there shall be deemed to have been) a termination of the Executive's employment with the Company following a Change in Control and during the Term. This Agreement shall not be construed as creating an express or implied contract of employment and, except as otherwise agreed in writing between the Executive and the Company, the Executive shall not have any right to be retained in the employ of the Company.

4. The Executive's Covenants.

4.1 The Executive agrees that, subject to the terms and conditions of this Agreement, in the event of a Potential Change in Control during the Term, the Executive will remain in the employ of the Company until the earliest of (i) a date which is six months from the date of such Potential Change of Control, (ii) the date of a Change in Control, (iii) the date of termination by the Executive of the Executive's employment for Good Reason or by reason of death, Disability or Retirement, or (iv) the termination by the Company of the Executive's employment for any reason.

4.2 The Executive agrees that, during the Term and for a period ending on the [second anniversary of] [date 18 months after] a termination of the Executive's employment following a Change in Control under circumstances entitling the Executive to payments and benefits under Section 6 hereof, the Executive will not, without the prior written consent of the Chairman of the Board or the Chief Executive Officer of the Company, engage in or perform any services of a similar nature to those performed by the Executive at the Company for any other corporation or business which is engaged in the design, manufacture, development, promotion, sale or financing of automobile or truck components within North America, Latin America, Asia, Australia or Europe in competition with the Company or any of the Company's subsidiaries or Affiliates, or any joint ventures to which the Company or any of the Company's subsidiaries or Affiliates are a party.

4.3 During the Term and thereafter, the Executive will not (other than in the regular course and in furtherance of the Company's business) divulge, furnish or make available to any person any confidential knowledge, information or materials, whether tangible or intangible, regarding proprietary matters relating to the Company, including, without limitation, trade secrets, customer and supplier lists, pricing policies, operational methods, marketing plans or strategies, product development techniques or plans, business acquisition or disposition plans, new personnel employment plans, methods of manufacture, technical processes, designs and design projects, inventions and research projects and financial budgets and forecasts of the Company except (1) information which at the time is available to others in the business or generally known to the public other than as a result of disclosure by the Executive not permitted hereunder, and (2) when required to do so by a court of competent jurisdiction, by any governmental agency or by any administrative body or legislative body (including a committee thereof) with purported or apparent jurisdiction to order the Executive to divulge, disclose or make accessible such information.

#### 5. Compensation Other Than Severance Payments.

5.1 Following a Change in Control and during the Term, during any period that the Executive fails to perform the Executive's full-time duties with the Company as a result of incapacity due to physical or mental illness, the Company shall pay the Executive's full salary to the Executive at the rate in effect at the commencement of any such period, together with all compensation and benefits payable to the Executive under the terms of any compensation or benefit plan, program or arrangement maintained by the Company during such period (other than any disability plan), until the Executive's employment is terminated by the Company for Disability.

5.2 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Company shall pay the Executive's full salary to the Executive through the Date of Termination at the rate in effect immediately prior to the Date of Termination or, if higher, the rate in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason, together with all compensation and benefits payable to the Executive through the Date of Termination under the terms of the Company's compensation and benefit plans, programs or arrangements as in effect immediately prior to the Date of Termination or, if more favorable to the Executive, as in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason.

5.3 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Company shall pay to the Executive the Executive's normal post-termination compensation and benefits as such payments become due. Such post-termination compensation and benefits shall be determined under, and paid in accordance with, the Company's retirement, insurance and other compensation or benefit plans, programs and arrangements as in effect immediately prior to the Date of Termination or, if more favorable to the Executive, as in effect immediately prior to the occurrence of the first event or circumstance constituting Good Reason.

6. Severance Payments.

6.1 If [(i)] the Executive's employment is terminated following a Change in Control and within [three (3)][two (2)] years after a Change in Control, other than (A) by the Company for Cause, (B) by reason of death or Disability, or (C) by the Executive without Good Reason, [or (ii) the Executive voluntarily terminates his employment for any reason during the 30 day period commencing on the first anniversary of a Change in Control,] then[, in either such case,] the Company shall pay the Executive the amounts, and provide the Executive the benefits, described in this Section 6.1 ("Severance Payments") [and Section 6.2], in addition to any payments and benefits to which the Executive is entitled under Section 5 hereof. For purposes of this Agreement, the Executive's employment shall be deemed to have been terminated following a Change in Control by the Company without Cause or by the Executive with Good Reason, if (i) the Executive's employment is terminated by the Company without Cause prior to a Change in Control (whether or not a Change in Control ever occurs) and such termination was at the request or direction of a Person who has entered into an agreement with the Company the consummation of which would constitute a Change in Control, or (ii) the Executive terminates his employment for Good Reason prior to a Change in Control (whether or not a Change in Control ever occurs) and the circumstance or event which constitutes Good Reason occurs at the request or direction of such Person. For purposes of any determination regarding the applicability of the immediately preceding sentence, any position taken

by the Executive shall be presumed to be correct unless the Company establishes to the Board by clear and convincing evidence that such position is not correct.

(A) In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination, the Company shall pay to the Executive a lump sum severance payment, in cash, equal to [three (3)] [two (2)] [one and one half (1 1/2)] times the sum of (i) the Executive's base salary as in effect immediately prior to the Date of Termination or, if higher, in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason, and (ii) the Executive's target annual bonus pursuant to any annual bonus or incentive plan maintained by the Company in respect of the fiscal year in which occurs the Date of Termination or, if higher, the fiscal year in which occurs the first event or circumstance constituting Good Reason. The amount payable pursuant to this Section 6.1(A) shall be reduced by the amount of any cash severance or salary continuation benefit paid or payable to the Executive under any other plan, policy or program of the Company or any of its Affiliates or any written employment agreement between the Executive and the Company or any of its Affiliates.

(B) For the [36] [24] [18] month period immediately following the Date of Termination, the Company shall arrange to provide the Executive and his dependents life, disability, accident and health insurance benefits substantially similar to those provided to the Executive and his dependents immediately prior to the Date of Termination or, if more favorable to the Executive, those provided to the Executive and his dependents immediately prior to the first occurrence of an event or circumstance constituting Good Reason, at no greater cost to the Executive than the cost to the Executive immediately prior to such date or occurrence; provided, however, that, unless the Executive consents to a different method (after taking into account the effect of such method on the calculation of "parachute payments" pursuant to Section 6.2 hereof), such health insurance benefits shall be provided through a third-party insurer. Benefits otherwise receivable by the Executive pursuant to this Section 6.1(B) shall be reduced to the extent benefits of the same type are received by or made available to the Executive during the [36] [24] [18] month period following the Executive's termination of employment (and any such benefits received by or made available to the Executive shall be reported to the Company by the Executive); provided, however, that the Company shall reimburse the Executive for the excess, if any, of the cost of such benefits to the Executive over such cost immediately prior to the Date of Termination

or, if more favorable to the Executive, the first occurrence of an event or circumstance constituting Good Reason.

(C) Each option to purchase shares of common stock of the Company outstanding as of the Date of Termination shall become fully vested and exercisable as of such date and shall remain exercisable during the remaining term of such option.

(D) Notwithstanding any provision of any annual or long-term incentive plan to the contrary, the Company shall pay to the Executive a lump sum amount, in cash, equal to the sum of (i) any unpaid incentive compensation which has been allocated or awarded to the Executive for a completed fiscal year or other measuring period preceding the Date of Termination under any such plan and which, as of the Date of Termination, is contingent only upon the continued employment of the Executive to a subsequent date, and (ii) a pro rata portion to the Date of Termination of the aggregate value of all contingent incentive compensation awards to the Executive for all then uncompleted periods under any such plan, calculated as to each such award by multiplying the award that the Executive would have earned on the last day of the performance award period, assuming the achievement, at the target level (or if higher, at the then projected actual final level), of the individual and corporate performance goals established with respect to such award, by the fraction obtained by dividing the number of full months and any fractional portion of a month during such performance award period through the Date of Termination by the total number of months contained in such performance award period.

(E) The Company shall transfer an amount in cash sufficient to pay all benefits then accrued by the Executive under the Company's Supplemental Executive Retirement Plan into an irrevocable grantor trust (a so-called "Rabbi Trust") whose trustee shall be an entity unaffiliated with and independent of the Company, which trust shall be required to pay such benefits in accordance with and subject to the terms of the Supplemental Executive Retirement Plan and the trust instrument.

(F) The Company shall reimburse the Executive for expenses incurred for outplacement services suitable to the Executive's position for a period of [three (3)] [two (2)] years following the Date of Termination (or, if earlier,

until the first acceptance by the Executive of an offer of employment) in an amount not exceeding 25% of the sum of the Executive's annual base salary as in effect immediately prior to the Date of Termination or, if higher, in effect immediately prior to the first occurrence of an event or circumstances constituting Good Reason, and target annual bonus pursuant to any annual bonus or incentive plan maintained by the Company in respect of the fiscal year in which occurs the Date of Termination or, if higher, the fiscal year in which occurs the first event or circumstance constituting Good Reason.

(G) For the six (6) month period immediately following the Date of Termination, the Company shall provide the Executive with the use of any Company provided automobile and with country club membership fee reimbursements, in each case on the same terms and conditions that were applicable immediately prior to the Date of Termination or, if more favorable, immediately prior to the first occurrence of an event or circumstance constituting Good Reason.

6.2 [(A) Whether or not the Executive becomes entitled to the Severance Payments, if any of the payments or benefits received or to be received by the Executive in connection with a Change in Control or the Executive's termination of employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any Person whose actions result in a Change in Control or any Person affiliated with the Company or such Person) (such payments or benefits, excluding the Gross-Up Payment, being hereinafter referred to as the "Total Payments") will be subject to the Excise Tax, the Company shall pay to the Executive an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive, after deduction of any Excise Tax on the Total Payments and any federal, state and local income and employment taxes and Excise Tax upon the Gross-Up Payment, shall be equal to the Total Payments.

(B) For purposes of determining whether any of the Total Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) all of the Total Payments shall be treated as "parachute payments" (within the meaning of section 280G(b)(2) of the Code) unless, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Executive and selected by the accounting firm which was, immediately prior to the Change in Control, the Company's independent auditor (the "Auditor"), such payments or benefits (in whole or in part) do not constitute parachute payments, including by reason of section 280G(b)(4)(A) of the Code, (ii) all "excess parachute payments" within

the meaning of section 280G(b)(1) of the Code shall be treated as subject to the Excise Tax unless, in the opinion of Tax Counsel, such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered (within the meaning of section 280G(b)(4)(B) of the Code) in excess of the Base Amount allocable to such reasonable compensation, or are otherwise not subject to the Excise Tax, and (iii) the value of any noncash benefits or any deferred payment or benefit shall be determined by the Auditor in accordance with the principles of sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income tax at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence on the Date of Termination (or if there is no Date of Termination, then the date on which the Gross-Up Payment is calculated for purposes of this Section 6.2), net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.

(C) In the event that the Excise Tax is finally determined to be less than the amount taken into account hereunder in calculating the Gross-Up Payment, the Executive shall repay to the Company, within five business days following the time that the amount of such reduction in the Excise Tax is finally determined, the portion of the Gross-Up Payment attributable to such reduction (plus that portion of the Gross-Up Payment attributable to the Excise Tax and federal, state and local income and employment taxes imposed on the Gross-Up Payment being repaid by the Executive), to the extent that such repayment results in a reduction in the Excise Tax and a dollar-for-dollar reduction in the Executive's taxable income and wages for purposes of federal, state and local income and employment taxes, plus interest on the amount of such repayment at 120% of the rate provided in section 1274(b)(2)(B) of the Code. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder in calculating the Gross-Up Payment (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the Company shall make an additional Gross-Up Payment in respect of such excess (plus any interest, penalties or additions payable by the Executive with respect to such excess) within five business days following the time that the amount of such excess is finally determined. The Executive and the Company shall each reasonably cooperate with the other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Excise Tax with respect to the Total Payments.]

[(A) Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Executive in connection with a Change in Control or the termination of the Executive's employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any Person whose actions result in a Change in Control or any Person affiliated with the Company or such Person) (all such payments and benefits, including the Severance Payments, being hereinafter called "Total Payments") would be subject (in whole or part), to the Excise Tax, then, after taking into account any reduction in the Total Payments provided by reason of section 280G of the Code in such other plan, arrangement or agreement, the cash Severance Payments shall first be reduced, and the noncash Severance Payments shall thereafter be reduced, to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax but only if (A) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments) is greater than or equal to (B) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of Excise Tax to which the Executive would be subject in respect of such unreduced Total Payments); provided, however, that the Executive may elect to have the noncash Severance Payments reduced (or eliminated) prior to any reduction of the cash Severance Payments.

(B) For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of section 280G(b) of the Code shall be taken into account, (ii) no portion of the Total Payments shall be taken into account which, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Executive and selected by the accounting firm (the "Auditor") which was, immediately prior to the Change in Control, the Company's independent auditor, does not constitute a "parachute payment" within the meaning of section 280G(b)(2) of the Code (including by reason of section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments shall be taken into account which, in the opinion of Tax Counsel, constitutes reasonable compensation for services actually rendered, within the meaning of section 280G(b)(4)(B) of the Code, in excess of the Base Amount allocable to such reasonable compensation,

and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Auditor in accordance with the principles of sections 280G(d)(3) and (4) of the Code.

(C) At the time that payments are made under this Agreement, the Company shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Company has received from Tax Counsel, the Auditor or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement). If the Executive objects to the Company's calculations, the Company shall pay to the Executive such portion of the Severance Payments (up to 100% thereof) as the Executive determines is necessary to result in the proper application of subsection (A) of this Section 6.2.]

6.3 The payments provided in subsections (A), (D) and (E) of Section 6.1 hereof [and in Section 6.2] hereof shall be made not later than the fifth

day following the Date of Termination; provided, however, that if the amounts of such payments cannot be finally determined on or before such day, the Company shall pay to the Executive on such day an estimate, as determined in good faith by the Executive or, in the case of payments under Section 6.2 hereof, in accordance with Section 6.2 hereof, of the minimum amount of such payments to which the Executive is clearly entitled and shall pay the remainder of such payments (together with interest on the unpaid remainder (or on all such payments to the extent the Company fails to make such payments when due) at 120% of the rate provided in section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined but in no event later than the 30th day after the Date of Termination. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Executive, payable on the fifth business day after demand by the Company (together with interest at 120% of the rate provided in section 1274(b)(2)(B) of the Code). At the time that payments are made under this Agreement, the Company shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Company has received from Tax Counsel, the Auditor or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement).

6.4 The Company also shall pay to the Executive all legal fees and expenses incurred by the Executive in disputing in good faith any issue hereunder relating to the termination of the Executive's employment, in seeking in good faith to obtain or enforce any benefit or right provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of section 4999 of the Code to any payment or benefit provided hereunder. Such payments shall be made within five business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require.

#### 7. Termination Procedures and Compensation During Dispute.

7.1 Notice of Termination. After a Change in Control and during the Term, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with Section 10 hereof. For purposes of this Agreement, a "Notice of Termination"

shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Executive was guilty of conduct set forth in clause (i) or (ii) of the definition of Cause herein, and specifying the particulars thereof in detail.

7.2 Date of Termination. "Date of Termination," with respect to any purported termination of the Executive's employment after a Change in Control and during the Term, shall mean (i) if the Executive's employment is terminated for Disability, 30 days after Notice of Termination is given (provided that the Executive shall not have returned to the full-time performance of the Executive's duties during such 30 day period), and (ii) if the Executive's employment is terminated for any other reason, the date specified in the Notice of Termination (which, in the case of a termination by the Company, shall not be less than 30 days (except in the case of a termination for Cause) and, in the case of a termination by the Executive, shall not be less than 15 days nor more than 60 days, respectively, from the date such Notice of Termination is given).

7.3 Dispute Concerning Termination. If within 15 days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this Section 7.3), the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be extended until the earlier of (i) the date on which the Term ends or (ii) the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of an arbitrator or a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); provided, however, that the Date of Termination shall be extended by a notice of dispute given by the Executive only if such notice is given in good faith and the Executive pursues the resolution of such dispute with reasonable diligence.

7.4 Compensation During Dispute. If a purported termination occurs following a Change in Control and during the Term and the Date of Termination is extended in accordance with Section 7.3 hereof, the Company shall continue to pay the Executive the full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, salary) and continue the Executive as a participant in all compensation, benefit and insurance plans in which the Executive was participating when the notice giving rise to the dispute was given, until the Date of Termination, as determined in accordance with Section 7.3 hereof. Amounts paid under this Section 7.4 are in addition to all other amounts due under this Agreement (other than those due under Section 5.2 hereof) and shall not be offset against or reduce any other amounts due under this Agreement.

8. No Mitigation. The Company agrees that, if the Executive's employment with the Company terminates during the Term, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to Section 6 hereof or Section 7.4 hereof. Further, the amount of any payment or benefit provided for in this Agreement (other than Section 6.1(B) hereof) shall not be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

9. Successors; Binding Agreement.

9.1 In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as the Executive would be entitled to hereunder if the Executive were to terminate the Executive's employment for Good Reason after a Change in Control, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

9.2 This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death

of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate.

10. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed, if to the Executive, to the address inserted below the Executive's signature on the final page hereof and, if to the Company, to the address set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt:

To the Company:

Visteon Corporation  
10th Floor  
Fairline Plaza North  
290 Town Center Drive  
Dearborn, Michigan 48126  
Attention: General Counsel

11. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or of any lack of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement supersedes any other agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof which have been made by either party; provided, however, that this Agreement shall supersede any agreement setting forth the terms and conditions of the Executive's employment with the Company only in the event that the Executive's employment with the Company is terminated on or following a Change in Control, by the Company other than for Cause or by the Executive other than for Good Reason. The validity, interpretation, construction and performance of this Agreement shall be

governed by the laws of the State of Delaware. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which the Executive has agreed. The obligations of the Company and the Executive under this Agreement which by their nature may require either partial or total performance after the expiration of the Term (including, without limitation, those under Sections 6 and 7 hereof) shall survive such expiration.

12. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

13. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

14. Settlement of Disputes. All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Board and shall be in writing. Any denial by the Board of a claim for benefits under this Agreement shall be delivered to the Executive in writing and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Board shall afford a reasonable opportunity to the Executive for a review of the decision denying a claim and shall further allow the Executive to appeal to the Board a decision of the Board within 60 days after notification by the Board that the Executive's claim has been denied.

15. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below:

(A) "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.

(B) "Auditor" shall have the meaning set forth in Section 6.2 hereof.

(C) "Base Amount" shall have the meaning set forth in section 280G(b)(3) of the Code.

(D) "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

(E) "Board" shall mean the Board of Directors of the Company.

(F) "Cause" for termination by the Company of the Executive's employment shall mean (i) the willful and continued failure by the Executive to substantially perform the Executive's duties with the Company (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the Executive pursuant to Section 7.1 hereof) after a written demand for substantial performance is delivered to the Executive by the Board, which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties, or (ii) the willful engaging by the Executive in conduct which is demonstrably and materially injurious to the Company or its subsidiaries, monetarily or otherwise. For purposes of clauses (i) and (ii) of this definition, (x) no act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's act, or failure to act, was in the best interest of the Company and (y) in the event of a dispute concerning the application of this provision, no claim by the Company that Cause exists shall be given effect unless the Company establishes to the Board by clear and convincing evidence that Cause exists.

(G) "Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(I) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates) representing 40% or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (a) of paragraph (III) below;

(II) within any twelve (12) month period, the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the Effective Date, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for

election by the Company's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended;

(III) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (a) a merger or consolidation which results in the directors of the Company immediately prior to such merger or consolidation continuing to constitute at least a majority of the board of directors of the Company, the surviving entity or any parent thereof or (b) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 40% or more of the combined voting power of the Company's then outstanding securities;

(IV) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of more than 50% of the Company's assets, other than a sale or disposition by the Company of more than 50% of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by shareholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale; or

(V) any other event that the Board, in its sole discretion, determines to be a Change in Control for purposes of this Agreement.

Notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

(H) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(I) "Company" shall mean Visteon Automotive Systems, Inc., a Delaware corporation, and, except in determining under Section 15(G) hereof whether or not any Change in Control of the Company has occurred, shall

include any successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(J) "Date of Termination" shall have the meaning set forth in Section 7.2 hereof.

(K) "Disability" shall be deemed the reason for the termination by the Company of the Executive's employment, if, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from the full-time performance of the Executive's duties with the Company for a period of six consecutive months, the Company shall have given the Executive a Notice of Termination for Disability, and, within 30 days after such Notice of Termination is given, the Executive shall not have returned to the full-time performance of the Executive's duties.

(L) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(M) "Excise Tax" shall mean any excise tax imposed under section 4999 of the Code.

(N) "Executive" shall mean the individual named in the first paragraph of this Agreement.

(O) "Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) after any Change in Control, or prior to a Change in Control under the circumstances described in clauses (ii) and (iii) of the second sentence of Section 6.1 hereof (treating all references in paragraphs (I) through (VII) below to a "Change in Control" as references to a "Potential Change in Control"), of any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in paragraph (I), (V), or (VI) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

(I) the assignment to the Executive of any duties inconsistent with the Executive's status as a senior executive officer of the Company or a material adverse alteration in the nature or status of the Executive's responsibilities from those in effect immediately prior to the Change

in Control (including, without limitation, the Executive ceasing to be an executive officer of a public company);

(II) a reduction by the Company in the Executive's annual base salary as in effect on the date hereof or as the same may be increased from time to time, except for across-the-board salary reductions similarly affecting all senior executives of the Company and all senior executives of any Person in control of the Company;

(III) the relocation of the Executive's principal place of employment to a location more than 50 miles from the Executive's principal place of employment immediately prior to the Change in Control or the Company's requiring the Executive to be based anywhere other than such principal place of employment (or permitted relocation thereof) except for required travel on the Company's business to an extent substantially consistent with the Executive's present business travel obligations;

(IV) the failure by the Company to pay to the Executive any portion of the Executive's current compensation, or to pay to the Executive any portion of an installment of deferred compensation under any deferred compensation program of the Company, within seven days of the date such compensation is due; or

(V) the failure by the Company to continue to provide the Executive with benefits substantially similar to the material benefits enjoyed by the Executive under any of the Company's executive compensation (including bonus, equity or incentive compensation), pension, savings, life insurance, medical, health and accident, or disability plans in which the Executive was participating immediately prior to the Change in Control (except for across the board changes similarly affecting all senior executives of the Company and all senior executives of any Person in control of the Company), the taking of any other action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of the Change in Control, or the failure by the Company to provide the Executive with the number of paid vacation days to which the Executive is entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change in Control; or

(VI) any purported termination of the Executive's employment which is not effected pursuant to a Notice of Termination satisfying

the requirements of Section 7.1 hereof; for purposes of this Agreement, no such purported termination shall be effective.

The Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness. The Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder. For purposes of any determination regarding the existence of Good Reason, any claim by the Executive that Good Reason exists shall be presumed to be correct unless the Company establishes to the Board by clear and convincing evidence that Good Reason does not exist.

[(P) "Gross-Up Payment" shall have the meaning set forth in Section 6.2 hereof.]

(Q) "Notice of Termination" shall have the meaning set forth in Section 7.1 hereof.

(R) "Pension Plan" shall mean any tax-qualified, supplemental or excess benefit pension plan maintained by the Company and any other plan or agreement entered into between the Executive and the Company which is designed to provide the Executive with supplemental retirement benefits.

(S) "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(T) "Potential Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(I) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;

(II) the Company or any Person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control;

(III) any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 15% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates); or

(IV) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

(U) "Retirement" shall be deemed the reason for the termination by the Executive of the Executive's employment if such employment is terminated in accordance with the Company's retirement policy, including early retirement, generally applicable to its salaried employees.

(V) "Severance Payments" shall have the meaning set forth in Section 6.1 hereof.

(W) "Tax Counsel" shall have the meaning set forth in Section 6.2 hereof.

(X) "Term" shall mean the period of time described in Section 2 hereof (including any extension, continuation or termination described therein).

(Y) "Total Payments" shall mean those payments so described in Section 6.2 hereof.

IN WITNESS WHEREOF, the parties have duly executed this Agreement to be effective as of the Effective Date.

VISTEON CORPORATION

By: -----

Name:

Title:

-----  
EXECUTIVE

Address:

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## CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-1 of our report dated April 7, 2000, except as to Note 1 for which the date is June 1, 2000, relating to the consolidated financial statements of Visteon Corporation and Subsidiaries, which appear in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/PricewaterhouseCoopers LLP

Detroit, MI  
June 1, 2000