

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re:

VISTEON CORPORATION, et al.,<sup>1</sup>

Debtors.

)  
) Chapter 11  
)  
) Case No. 09-11786(\_\_\_\_)  
)  
) Joint Administration Requested  
)  
)  
)

**DECLARATION OF WILLIAM G. QUIGLEY, III,  
CHIEF FINANCIAL OFFICER AND EXECUTIVE VICE PRESIDENT  
OF VISTEON CORPORATION, IN SUPPORT OF FIRST DAY PLEADINGS**

1. My name is William G. Quigley, III. I am the Chief Financial Officer and Executive Vice President of Visteon Corporation, a corporation organized under the laws of the state of Delaware and one of the debtors and debtors in possession (collectively, “Visteon” or the “Debtors” and with its non-debtor subsidiaries, the “Company”) in the above-captioned chapter 11 cases.<sup>2</sup> In this capacity, I am intimately familiar with Visteon’s day-to-day operations, businesses, financial affairs, and books and records.

<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Visteon Corporation (9512); ARS, Inc. (3590); Fairlane Holdings, Inc. (8091); GCM/Visteon Automotive Leasing Systems, LLC (4060); GCM/Visteon Automotive Systems, LLC (7103); Halla Climate Systems Alabama Corp. (9188); Infinitive Speech Systems Corp. (7099); MIG-Visteon Automotive Systems, LLC (5828); SunGlas, LLC (0711); The Visteon Fund (6029); Tyler Road Investments, LLC (9284); VC Aviation Services, LLC (2712); VC Regional Assembly & Manufacturing, LLC (3058); Visteon AC Holdings Corp. (9371); Visteon Asia Holdings, Inc. (0050); Visteon Automotive Holdings, LLC (8898); Visteon Caribbean, Inc. (7397); Visteon Climate Control Systems Limited (1946); Visteon Domestic Holdings, LLC (5664); Visteon Electronics Corporation (9060); Visteon European Holdings Corporation (5152); Visteon Financial Corporation (9834); Visteon Global Technologies, Inc. (9322); Visteon Global Treasury, Inc. (5591); Visteon Holdings, LLC (8897); Visteon International Business Development, Inc. (1875); Visteon International Holdings, Inc. (4928); Visteon LA Holdings Corp. (9369); Visteon Remanufacturing Incorporated (3237); Visteon Systems, LLC (1903); Visteon Technologies, LLC (5291). The location of the Debtors’ corporate headquarters and the service address for all the Debtors is: One Village Center Drive, Van Buren Township, Michigan 48111.

<sup>2</sup> I also serve as Vice President of each of the other Debtors in these chapter 11 cases, with the exception of Visteon Global Treasury, Inc. Additionally, I serve as Director and Trustee of The Visteon Fund, and I serve as Chief Financial Officer and Vice President of Visteon International Holdings, Inc.

2. Except as otherwise indicated, all facts set forth in this declaration are based upon my personal knowledge of Visteon's operations and finances, information learned from my review of relevant documents, and information I have received from other members of management or the Debtors' advisors. I am authorized to submit this declaration on behalf of Visteon and, if I were called upon to testify, I could and would testify competently to the facts set forth herein. I submit this declaration under penalty of perjury pursuant to 28 U.S.C. § 1746.

### **I. Preliminary Statement**

3. With origins that date back almost a century as the former automotive parts division of the Ford Motor Company ("Ford"), Visteon comprises a far-reaching global enterprise that has established itself as a market leader known for its innovative and high-quality products. Since its spin-off from Ford in 2000, Visteon has developed a diversified customer base providing its products to almost every original equipment manufacturer (each, an "OEM") across the globe including significant presence in the growing Asian market.

4. In addition, Visteon has executed an aggressive strategy to restructure its business to take advantage of its industry-leading product offerings and reduce costs. From January 2006 to August 2008, Visteon eliminated many of its non-core and underperforming facilities by divestiture, closure, and consolidation actions, strived to improve its engineering and manufacturing competitiveness, and sought a sustainable and competitive cost structure.

5. Through this restructuring plan, Visteon achieved significant cost reduction—it closed, divested, or right-sized 30 facilities, reduced administrative costs by 20% (from \$659 million to \$525 million), and its engineering expenses fell 25% (from \$567 million to \$424 million). These actions reduced Visteon's workforce by more than 15,000 people from January 2006 to December 2008, as a significant portion of administrative and engineering overhead was shifted to low cost countries. Moreover, since September 2008 Visteon has taken

further steps to reduce operating costs—implementing additional plant closures, consolidating available manufacturing capacity and resources, implementing global salary and hourly workforce reductions, temporarily shortening employee work week schedules, temporarily reducing pay to salaried employees, eliminating certain employee benefits (including paid winter holidays), and eliminating 401(k) matching and merit increases.

6. Despite its best efforts, Visteon has not been immune from the worldwide economic turmoil that has afflicted the automotive sector with peculiar acuity. With global automotive sales plummeting to historic lows, Visteon's declining liquidity position and impending expiration of its secured debt waivers left it with little choice but to file these chapter 11 cases to preserve the value of its enterprise. For several months now, Visteon's senior management team worked tirelessly to develop strategies to address the Company's declining liquidity—from cost-cutting actions to procurement of customer contributions in various forms.

7. Nevertheless, the steep decline in the automotive sector has persisted, and Visteon—like a number of other Tier 1 automotive suppliers—received a “going-concern” opinion from its independent auditors, triggering a default under its secured debt with the filing of its Annual Report on Form 10-K on March 31, 2009. Having negotiated waivers of its going-concern default from each of its working capital and term loan lenders, Visteon intensified its efforts to stave off its liquidity crisis. Many of Visteon's major customers began conducting extensive due diligence, meeting with the Company's management teams and restructuring advisors on countless occasions.

8. Out of these diligence sessions, the customer with the long-standing historic relationship with Visteon has stepped to the forefront. Ford offered its support to Visteon by taking assignment of Visteon's working capital facility on May 13, 2009. As the sole lender

with control over Visteon's working capital in the United States, Ford has consented to Visteon's use of this cash collateral subject to the entry of a proposed cash collateral order. Ford also has executed a commitment letter to support debtor-in-possession financing for Visteon's restructuring efforts and to ensure long-term continuity of supply.

9. Notwithstanding Ford's support, much work lies ahead for Visteon to complete a successful reorganization. Ford has emphasized the need for other customers to support Visteon's reorganization efforts, and has conditioned its continued support on Visteon's procurement of customer contributions. Visteon believes its strong product mix and customer relationships will allow it to meet these goals and ultimately execute a business plan that will allow it to emerge from chapter 11 as a preferred supplier in a rapidly consolidating supply chain.

10. This declaration provides: (a) an overview of Visteon and its business; (b) a description of Visteon's corporate and capital structure; (c) a summary of the events leading to these chapter 11 cases; and (d) an explanation of the grounds for the relief Visteon seeks at the first day hearing, which it believes is critical to its reorganization.

## **II. Overview of Visteon's Business**

### **A. Visteon's Business Operations**

11. Visteon is a leading global supplier of automotive systems, modules, and components to OEMs and the automotive aftermarket. In 2008, the Debtors and their non-debtor affiliates recorded total sales of approximately \$9.54 billion. As of May 28, 2009 (the "Petition Date"), the Debtors and their non-debtor affiliates reported approximately \$4.58 billion in total assets and approximately \$5.32 billion in total current liabilities.

**i. Employees**

12. Visteon currently employs 5,769 domestic employees, of which 3,117 are salaried employees (the “Salaried Employees”) and 2,652 are hourly employees (the “Hourly Employees”). Moreover, Visteon leases 1,350 of the Salaried Employees and 1,469 of the Hourly Employees to a U.S. Ford subsidiary, Automotive Components Holdings, LLC (“ACH”).

**ii. Visteon’s Products**

13. Headquartered in Van Buren Township, Michigan, Visteon has an expansive network of manufacturing and engineering facilities across 27 countries. Visteon also has corporate offices in Shanghai, China, Kerpen, Germany, and Basildon, England.

14. Visteon has three primary product groups: a climate group; an interiors group; and an electronics group, which includes a significant lighting subset. The company also has a variety of other, smaller product lines.

- a. **Climate Product Group:** Visteon designs and manufactures fully-integrated heating, ventilation, and air conditioning systems, such as air induction and HVAC systems, that help ensure a comfortable interior “climate” for automobiles. Some examples of climate products produced by Visteon are heat exchangers, climate controls, compressors, and fluid transport systems. In addition, using powertrain cooling technologies, Visteon manufactures cooling functionality and thermal management for vehicles’ powertrain systems. Visteon manufactures goods for its climate product group in 27 facilities across the globe.
- b. **Interiors Product Group:** Visteon produces cockpit modules, instrument panels, a variety of door and console modules, and interior trim components. Visteon designs its cockpit modules around the instrument panels, which offer optional assemblies like ducts, registers, passenger airbag systems, finished panels and a glove box. Worldwide, 32 facilities manufacture goods for Visteon’s interiors product group.
- c. **Electronics Product Group:** Visteon designs and manufactures advanced in-vehicle entertainment, driver information systems, wireless communication, climate control, body and security electronics, and lighting technologies and products, such as headlamps and fog lamps. For in-vehicle driver and passenger entertainment, Visteon offers a wide variety of audio systems and components, such as MACH(R) Voice Link

Technology, connectivity solutions for portable devices, and a variety of family entertainment systems. Visteon produces goods for its electronics product group at 13 facilities worldwide.

15. Finally, Visteon designs and manufactures other products that enhance powertrain performance, fuel economy, and emissions control, including offering driveline applications for all-wheel drive vehicles, and powertrain products and systems.

**iii. Visteon as a Market Leader in Volume and Quality**

16. Visteon is a market leader in each of its core product segments. In 2008, the Company's climate product group had revenue of approximately \$3 billion. The Company also sold \$3.3 billion in electronics components and generated \$2.7 billion in sales revenue for its interiors segment in 2008, making it one of the largest manufacturer of each of its product groups in the United States.

17. Visteon employs exceptional design and engineering capabilities to create its award-winning and market leading products. Visteon has invested considerably in research and development and capital improvements, and has gained industrywide recognition for its products. Visteon's investments in research and development have brought about—and will continue to produce—the innovative products needed by the automotive industry in the 21st century. In recent years, one of Visteon's significant new products was the Hyundai Genesis Climate Control System, which was featured on the North America International Auto Show ("NAIAS") Car of the Year. Additionally, Visteon's most distinctive products include the light pipe technology on the 2008 Cadillac CTS (which earned a 2008 Automotive News PACE

Honorable Mention designation)<sup>3</sup> and the instrument clusters and door panels in the Renault Clio III.

18. These and other innovations have garnered significant industry recognition for Visteon. A sampling of Visteon's accolades includes the 2008 Automotive News PACE Honorable Mention (as noted above), the 2007 Gold World Excellence Award from Ford, and a 2007 Continuous Improvement award from Mitsubishi Motors. For three years running, from 2006-2008, Visteon received a Quality Award and Outstanding Overall Performance Award from Maruti Suzuki. Also, in 2007, Hyundai/Kia awarded its coveted Five Star Certification to Visteon Automotive Systems India Private Limited's climate plants in Chennai, India and Beijing, China. And Mahindra and Mahindra—an Indian conglomerate with a significant automotive business—has designated Visteon's products the "Best Performance in Quality."

**B. Competition**

19. The Company's primary competitors vary by product group.
- a. In the climate product group, the Company's competitors include Behr GmbH & Co. KG, Delphi Corporation, Denso Corporation, and Valéo S.A.
  - b. In the interiors product group, the Company's competitors include Faurecia Group, Johnson Controls, Inc., Magna International Inc., and International Automotive Components Group.
  - c. In the electronics product group, the Company's competitors include Robert Bosch GmbH, Delphi Corporation, Denso Corporation, Hella KGaA, Koito Manufacturing Co., Ltd. (North American Lighting), Matsushita Electric Industrial Co., Ltd. (Panasonic), and Continental AG.
  - d. For its other products, the Company competes primarily with Robert Bosch GmbH, Dana Corporation, Delphi Corporation, Denso Corporation,

---

<sup>3</sup> The PACE (Premier Automotive Suppliers' Contribution to Excellence) Award is presented by the Automotive News, Microsoft, SAP, and Transportation Research Center Inc. and recognizes suppliers for superior innovation, technological advancement, and business performance.

Magna International Inc., GKN Plc., JTEKT Corporation, ZF Friedrichshafen AG, NTN Corporation, Kautex Textron GmbH & Co KG, Inergy Automotive Systems, and TI Automotive.

**C. Visteon's Customers**

20. Visteon's customers include most of the world's largest car manufacturers. Given its historical relationship with Ford, Visteon initially was dependent on Ford for the vast majority of its sales. Over the last few years, Visteon has worked hard to diversify its customer base and diversify its sales portfolio. In 2000, Ford accounted for 84% of Visteon's sales. By 2005, that number fell to 62%, and in 2008, only 34%. Today, Visteon makes substantial sales to almost every major car maker in the world. In the first quarter of 2009, Visteon sold its products primarily to global automotive original equipment manufacturers such as Ford (31%), Hyundai/Kia (26%), Nissan/Renault (7%), PSA Peugeot Citroën (6%), Chrysler LLC (3%), General Motors (2%), Volkswagen (1%), Mazda (2%), BMW (1%), Fiat (1%), Honda (1%), Jaguar/Land Rover (1%), and Toyota (1%). In addition, Visteon sells certain of its products to other Tier 1 suppliers and the aftermarket (i.e., consumers and business customers) for use as replacement or enhancement parts.

21. Since it was spun off from Ford, Visteon also has expanded its operating footprint making it truly a global business. In 2000, Visteon sold 74% of its products in North America, 13% in Europe, and 13% in Asia-Pacific and South America combined. By 2005, Visteon sold 61% of its products in North America, 24% in Europe, 12% in Asia-Pacific, and 3% in South America. In the first quarter of 2009, Visteon's largest market was actually Europe, where it sold 38% of its products, then Asia-Pacific, where it sold 32%, followed by North America at 24%, and South America at 6%.

22. Visteon's diverse and strong customer relationships and market leading products position it to emerge from this unprecedented economic slump—which has been particularly



virulent to the automotive supply sector—as a preferred long-term supplier when sales recover. Recently, automotive sales have shown some encouraging signs that the bottom may have passed.<sup>4</sup>

### **III. Corporate History and Capital Structure**

23. Visteon’s corporate history dates back to 1997, when it was formed as an integrated automotive parts supplier at Ford. At the turn of the 21st century, as the industry moved increasingly toward competitive sourcing, Ford decided to spin off its automotive parts division as an independent company. Visteon was formed as a wholly-owned subsidiary of Ford in January 2000. Shortly thereafter, Ford transferred to Visteon the assets and liabilities comprising its automotive components and parts systems business and, on June 28, 2000, Ford distributed all of Visteon’s common stock to its shareholders.

#### **A. The ACH Transactions**

24. In 2005, recognizing certain competitive disadvantages it faced, Visteon engaged Ford in negotiations to reacquire some of the assets spun off to Visteon in 2000 at their then-current fair values. As a result of these negotiations, in September 2005, Visteon transferred 23 of its North American facilities and other related assets and liabilities to ACH, an indirect, wholly-owned subsidiary of Visteon. Subsequently, on October 1, 2005, Visteon sold its equity in ACH to Ford in exchange for \$300 million in cash, the forgiveness of approximately \$2 billion in employee benefit and other liabilities, and commitments for future payments of over \$500 million for further restructuring costs. Concurrently, Visteon entered into various

---

<sup>4</sup> Brent Snavelly, *Silver Lining Amid Dismal Auto Sales: Carmakers’ February-March Gains Strongest in 3 Years*, DETROIT FREE PRESS, Apr. 2, 2009; Dan Gearino, *Auto Sales Down 37%, But There’s Silver Lining*, THE COLUMBIA DISPATCH, Apr. 2, 2009.

agreements to support the ACH operations on a go-forward basis, including the leasing of salaried and hourly employees across a number of disciplines.

25. Through the ACH transactions, Visteon was transformed into a leaner company focused on a smaller set of core competencies and with a much improved labor cost position by the elimination of its highest cost employees. This, in turn, reduced Visteon's average hourly wages in 2005 from \$38/hour to only \$17/hour.

26. In addition, as part of the ACH transactions, Ford agreed to place \$400 million in an escrow account to cover Visteon's future restructuring costs, which included, among other things, costs associated with the divestiture and closure of non-core facilities. Ford agreed to reimburse Visteon for its restructuring costs on a dollar-for-dollar basis up to the first \$250 million out of the escrow account and to reimburse Visteon for one half of the next \$300 million of restructuring costs. On August 14, 2008, Ford placed another \$50 million in the escrow account bringing the total amount placed in escrow to \$450 million. Ford provided the additional \$50 million to fund restructuring and other qualified costs on a 100% basis. As of the Petition Date, less than \$1 million remained in the escrow account.

27. As discussed above, Visteon leases certain employees to ACH to operate its businesses. In connection with the ACH transactions, Visteon and Ford also entered into an agreement pursuant to which Ford agreed to reimburse Visteon for all "Separation Costs" for salaried employees leased to ACH from Visteon who are terminated by Visteon, up to a maximum amount of \$150 million.<sup>5</sup> Under the terms of the reimbursement agreement, Visteon

---

<sup>5</sup> "Separation Costs" for eligible employees include: (a) amounts payable under the Visteon Separation Program described in section 2.06(b) of the Visteon Salaried Employee Lease Agreement and the Visteon Hourly Employee Lease Agreement, each dated as of October 1, 2005; (b) COBRA continuation and life insurance premiums; (c) costs of outplacement services; (d) costs incurred in accordance with FAS No.88; and (e) reimbursements to Ford pursuant to section 3.01(c)(ii) of the Amended and Restated Employee Transition  
(Continued...)

delivered detailed monthly requests for reimbursement to Ford, which then reimbursed Visteon for such costs. Ford's obligations under the reimbursement agreement were to cease upon the earlier of the time that (a) no salaried employees are leased by Ford from Visteon and (b) Ford has fulfilled all of its obligations under the reimbursement agreement.

28. On August 14, 2008, Visteon and Ford amended the reimbursement agreement to provide for Ford's assumption and direct payment of the Separation Costs, to the extent such costs are reimbursable under the prior terms, and to eliminate the \$150 million cap. As part of the "first day" relief requested in these cases, Visteon seeks to continue to honor its ACH obligations as such obligations are cash neutral given Ford's reimbursement or prepayment of such costs to Visteon.

**B. Corporate Structure**

29. Visteon is the direct parent of 19 domestic subsidiaries, which include three joint ventures that are not Debtors in these cases: Atlantic Automotive Components LLC, Toledo Mold & Die, Inc., and AutoNeural Systems, LLC. Many of Visteon's direct subsidiaries have subsidiaries of their own.

30. Visteon International Holdings, Inc. ("VIHI")—one of Visteon's wholly-owned subsidiaries—holds a direct interest in 43 foreign subsidiaries and four domestic subsidiaries, many of which have subsidiaries of their own. One of these foreign subsidiaries, Halla Climate Control Corporation ("Halla"), is a publicly traded Korean corporation. VIHI owns 70% of Halla's stock, which trades on the Stock Market Division of the Korea Exchange.

---

Agreement dated as of April 1, 2000, as restated on December 19, 2003 and subsequently amended on December 19, 2003 and October 1, 2005.

31. Visteon also has significant interests in China, centered around one of its Chinese joint ventures, Yanfeng Visteon Automotive Trim Systems Company Ltd. ("Yanfeng"), of which it owns 50% through VIHI. Visteon's Yanfeng joint venture partner is Shanghai Bashi Industrial (Group) Co., Ltd, a Chinese company.

32. An organizational chart of the Company is attached hereto as **Exhibit A**.

#### **IV. Visteon's Prepetition Capital Structure**

33. As of the Petition Date, the Company had approximately \$2.7 billion of outstanding debt on a consolidated basis, of which: \$1.5 billion consisted of loans under the Senior Term Loan (as defined herein); \$89 million consisted of draws on the Revolving Facility (as defined herein); \$862 million consisted of unsecured U.S. bond debt; and \$215 million consisted of debt on account of other credit facilities, capital leases for affiliates, swaps, and other miscellaneous obligations. Visteon's principal debt obligations are as follows:

##### **A. Senior Secured Term Loan**

34. On April 10, 2007, Visteon, as borrower, entered into a certain Amended and Restated Credit Agreement with several banks and other financial institutions or entities from time to time parties thereto, as lenders (the "Term Loan Lenders"), and JPMorgan Chase Bank, N.A., as administrative agent, (such Credit Agreement, the "Term Facility," and together with any security agreements, mortgages, pledge agreements, guaranties, other collateral agreements, certificates, financing statements and related assignments and transfer powers and additional documents and ancillary agreements, as amended, the "Term Loan Documents").

35. As part of the Term Facility, the Term Loan Lenders agreed, subject to the terms and conditions set forth in the Term Facility, to make certain loans to Visteon, including a \$1.5 billion senior secured term loan (the "Senior Term Loan"). The obligations of Visteon under the Term Loan Documents are guaranteed by each of Visteon's domestic subsidiaries,

other than Atlantic Automotive Components, LLC, AutoNeural Systems, LLC,<sup>6</sup> Toledo Mold & Die, Inc., any subsidiary thereof, and any person with capital stock of Toledo Mold & Die, Inc. as its principal assets.

36. To secure its obligations under the Term Facility, Visteon granted to the Term Loan Lenders: (a) a first priority lien on certain assets of Visteon and certain of its foreign subsidiaries, intellectual property, foreign intercompany debt owed to Visteon and its domestic subsidiaries, capital stock of all Foreign Stock Holding Companies (both domestic and foreign), and 65% of the capital stock of certain foreign subsidiaries (collectively, the “Term Loan Priority Collateral”), and (b) a second priority lien on substantially all other Visteon assets and most of those of its domestic subsidiaries. The Senior Term Loan bears interest at a rate per annum equal to the Eurodollar rate plus 3.00%, until the final maturity date of December 13, 2013.

37. Effective March 31, 2009, Visteon entered into a limited waiver to the Term Facility until May 30, 2009 with respect to a potential default relating to the inclusion of an explanatory paragraph in the report of Visteon’s independent registered public accounting firm included in the Company’s 2008 Annual Report on Form 10-K indicating substantial doubt about Visteon’s ability to continue as a going concern. As consideration for the limited waiver, Visteon agreed, among other things, to complete certain collateral disclosure and perfection matters within certain periods following effectiveness of the waiver. Visteon also entered into a letter agreement dated March 31, 2009 with the ad hoc committee of Term Loan Lenders that requires Visteon to provide access to management, as well as certain analysis and reports to the ad hoc committee.

---

<sup>6</sup> Any other subsidiaries created after April 10, 2007 in connection with the establishment of a joint venture also would be excluded as guarantors. To date, however, Visteon has not created any new majority-owned joint ventures.

38. As of the Petition Date, approximately \$1.5 billion remains outstanding under the Term Facility. Visteon also has two variable to fixed interest rate swap obligations related to \$100 million of the term loan debt.

**B. ABL Revolving Loan**

39. On August 14, 2006, Visteon and each subsidiary of Visteon from time to time party thereto, as borrowers, JPMorgan Chase Bank, N.A., as administrative agent, issuing bank and swingline lender, and the lenders party thereto (the “Revolving Loan Lenders”) entered into that certain Credit Agreement (such Credit Agreement, the “Revolving Facility,” and together with any security agreements, mortgages, pledge agreements, guaranties, other collateral agreements, certificates, financing statements and related assignments and transfer powers and additional documents and ancillary agreements, as amended, the “Revolving Loan Documents”).

40. As part of the Revolving Facility, the Revolving Loan Lenders provided the Revolving Facility, subject to the terms and conditions set forth therein, in the aggregate principal amount of up to \$350 million. The Revolving Facility is a borrowing-base facility that also includes a letter of credit subfacility in an amount not to exceed \$250 million.

41. Visteon’s obligations under the Revolving Loan Documents are guaranteed by each of Visteon’s domestic subsidiaries, other than Atlantic Automotive Components, LLC and AutoNeural Systems, LLC, as well as any other subsidiary created after the closing date in connection with the establishment of a joint venture, and Toledo Mold & Die, Inc., any subsidiary thereof, any person with capital stock of Toledo Mold & Die, Inc. as its principal assets, and the domestic Foreign Stock Holding Companies: Visteon Asia Holdings, Inc., Visteon Automotive Holdings, LLC, Visteon European Holdings Corporation, Visteon Holdings, LLC, and VIHI.

42. To secure its obligations under the Revolving Facility, Visteon granted to the Revolving Loan Lenders (a) a first priority lien on certain assets of Visteon, its domestic subsidiaries and their stock and other equity interests, domestic intercompany debt, any aircrafts, and any real property of Visteon and its domestic subsidiaries, including leased and owned real estate of such subsidiaries (and each of its domestic subsidiaries other than subsidiaries that are not guarantors) and (b) a second priority lien on all Term Loan Priority Collateral.

43. Effective March 31, 2009, Visteon entered into a limited waiver and amendment to the Revolving Facility with respect to a potential default. The potential default related to the inclusion of an explanatory paragraph in the report of Visteon's independent registered public accounting firm included in the Company's 2008 Annual Report on Form 10-K indicating substantial doubt about Visteon's ability to continue as a going concern. Under the March 31, 2009 limited waiver amendment to the Revolving Facility, the potential default is waived until May 30, 2009. As consideration for the limited waiver, Visteon agreed, among other things, to complete certain collateral disclosures and perfection matters within certain periods following effectiveness of the waiver. In addition, Visteon agreed to increase the interest rate applicable to borrowing and commitment fees payable thereunder, eliminate the availability of swingline loans and overadvances, certain restrictions on borrowing, and place certain amounts of cash and cash equivalents in a certain designated deposit or securities account.

44. As amended by the limited waiver and amendment to the Revolving Facility, the Senior Revolving Loans bear interest at either (a) for any Eurodollar revolving loan, a rate per annum equal to the Eurodollar rate plus 4.00% and (b) a rate per annum equal to (i) the LIBO Rate for such interest period multiplied by (ii) the Statutory Reserve Rate (as defined in the Revolving Loan Documents) or (b) for any alternate base rate loan, a rate per annum equal to

3.00% and the greatest of (i) the prime rate in effect on such day, (ii) the federal funds effective rate in effect on such day plus ½ of 1% and (iii) the Adjusted LIBO Rate for a one month interest period on such day (or if such day is not a business day, the immediately preceding business day) plus 1%.

45. On May 13, 2009, Visteon entered into a Fifth Amendment to the Revolving Facility, which eliminated the administrative agent's obligation to issue new letters of credit or to extend, renew, or replace any outstanding letters of credit under the Revolving Facility after May 1, 2009 and provided for the release of certain domestic and foreign stock and other equity interests.

46. Also on May 13, 2009, Ford took an assignment of all of the outstanding loans, obligations, and other interests of the lenders under the Revolving Facility. In connection with Ford's assumption of the lenders' obligations, Visteon, Ford, and the administrative agent entered into a Sixth Amendment to the Revolving Facility, which provided for the elimination of Eurodollar borrowings, required Visteon to deliver additional financial projections under the Revolving Facility, and imposed additional financial restrictions on Visteon, including a minimum liquidity covenant for the borrowers set at \$264 million. On May 21, 2009, the parties entered into a Seventh Amendment to the Revolving Facility, which added a new delivery requirement related to Visteon's investments in non-U.S. subsidiaries and reduced the minimum liquidity covenant from \$264 million to \$210 million.

47. As of the Petition Date, approximately \$89 million of debt plus \$58 million of letter of credit obligations remains outstanding under Revolving Facility.



**C. Unsecured Bond Debt**

**i. 8.25% Senior Notes Due August 1, 2010**

48. On August 3, 2000, Visteon issued \$700 million of 8.25% senior notes under an indenture among itself, as issuer, and Bank One Trust Company, N.A., as trustee (the “8.25% Senior Notes”). Visteon agreed to pay interest semi-annually on February 1st and August 1st of each year, commencing on February 1, 2001, at a rate of 8.25% per year. The 8.25% Senior Notes are general unsecured obligations of Visteon that mature on August 1, 2010.

49. Under the 8.25% Senior Notes, Visteon has entered into interest rate swaps for \$125 million to exchange fixed for variable interest. As of the Petition Date, approximately \$206 million remains outstanding under the 8.25% Senior Notes, excluding interest obligations.

**ii. 7% Senior Notes Due March 10, 2014**

50. On March 10, 2004, Visteon issued \$450 million of 7.0% senior notes under an indenture among itself, as issuer, and J.P. Morgan Trust Company, N.A., as trustee (the “7% Senior Notes”). Visteon agreed to pay interest semi-annually on March 10th and September 10th of each year, commencing on September 10, 2004, at a rate of 7.0% per year. The 7% Senior Notes are general unsecured obligations of Visteon that mature on March 10, 2014.

51. As of the Petition Date, approximately \$450 million remains outstanding under the 7% Senior Notes, excluding interest obligations.

**iii. 12.25% Senior Notes Due December 31, 2016**

52. On June 18, 2008, Visteon issued \$206.4 million of 12.25% senior notes under a supplemental indenture to the March 10, 2004 indenture, among themselves, as issuers, and The Bank of New York Trust Company, N.A., as trustee (the “12.25% Senior Notes”). Visteon agreed to pay interest semi-annually on June 30th and December 31st of each year, commencing

on December 31, 2008, at a rate of 12.25% per year. The 12.25% Senior Notes mature on December 31, 2016 and are held privately by qualified institutional buyers.

53. The 12.25% Senior Notes are senior unsecured obligations of Visteon that are guaranteed by certain wholly-owned domestic subsidiaries that guarantee debt under the Revolving Facility. As of the Petition Date, approximately \$206 million remains outstanding under the 12.25% Senior Notes, not including interest.

**D. European Securitization Facility**

54. In August 2006, Visteon established its European accounts receivable securitization facility, which extends through August 2011 (the "European Securitization Facility"). Under the European Securitization Facility, account receivables originating from certain Visteon subsidiaries in Germany, Portugal, Spain, France, and Ireland are sold to Visteon Financial Centre P.L.C. ("Financial Centre"), a bankruptcy-remote special purpose entity incorporated in Ireland, in exchange for cash. Financial Centre funds the purchase of receivables through: (a) the issuance of receivables-backed, variable loan notes to third-party lenders who in turn lend cash at a discount to the notes; and (b) the issuance of subordinated notes to Visteon Netherlands Finance BV who lends cash, on a subordinated basis, to make up the balance of the purchase price that is not funded by third-party debt. As amended on March 31, 2009, the European Securitization Facility provided up to \$200 million in third-party funding to participating entities with the amount available depending on the amount of trade receivables sold to Financial Centre, less outstanding borrowings. Immediately prior to the Petition Date, termination notices were delivered by Visteon for the termination of the European Securitization Facility and no additional funding is available under the facility. As of the Petition Date, no secured borrowings are outstanding.

55. As of the Petition Date, the Company had additional debt facilities of about \$215 million in short and long-term debt outstanding, consisting of credit facilities and capital leases for various affiliates.

**E. Common Stock**

56. Visteon is a publicly-traded company previously listed on the New York Stock Exchange (“NYSE”) under the symbol VC. On March 4, 2009, the NYSE notified Visteon that its common stock would be delisted from the NYSE and trading in Visteon’s common stock would be suspended for trading effective March 6, 2009. Since March 6 and through the Petition Date, Visteon’s common stock traded on the over-the-counter market, also known as the “Pink Sheets,” under the symbol VSTN. At the close of market on May 22, 2009, Visteon had approximately 130 million shares of common stock outstanding with a market capitalization of approximately \$35.8 million.

**V. Events Leading to the Chapter 11 Cases**

57. Although the changed economic climate has impacted all U.S. business sectors, the automotive industry’s particular susceptibility to this economic crisis has been acute.<sup>7</sup> Despite U.S. government assistance to OEMs and suppliers, the economic turmoil has resulted in numerous automotive suppliers receiving going-concern opinions or filing chapter 11 petitions.<sup>8</sup>

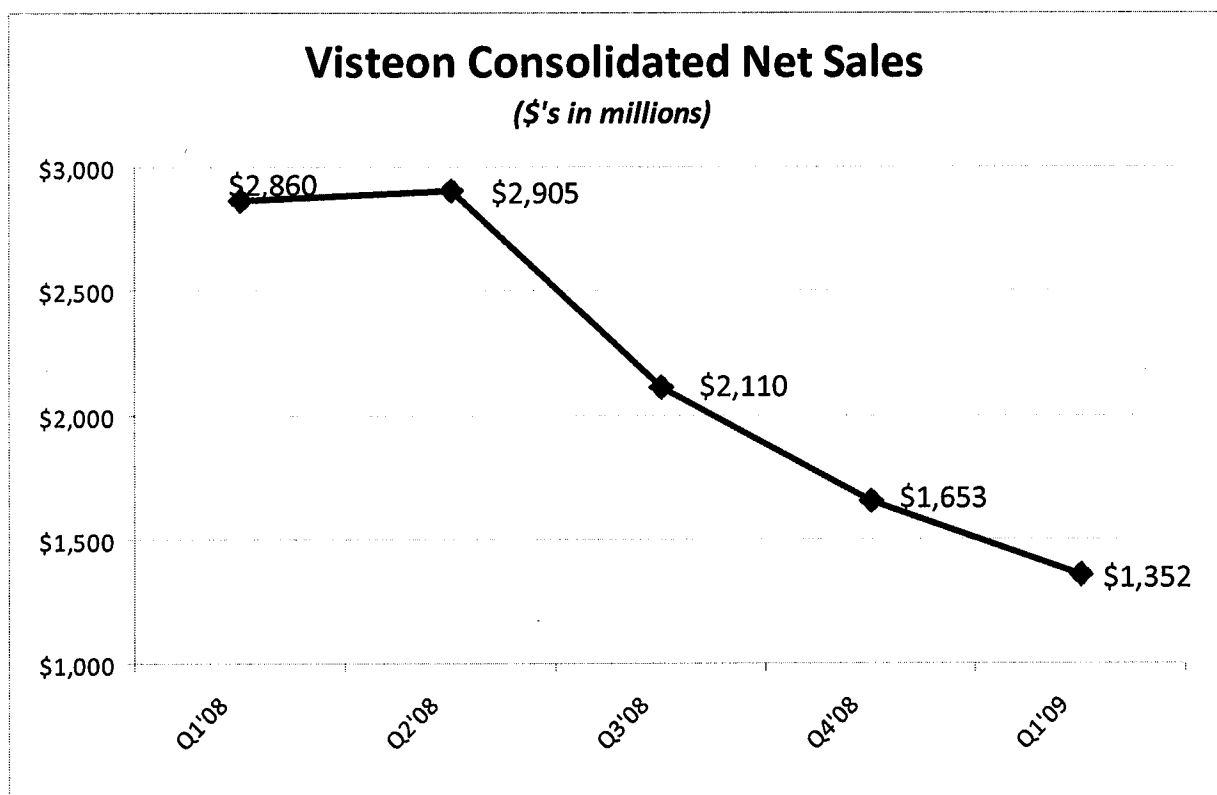
---

<sup>7</sup> Over the last year, the Seasonably Adjusted Annual Rate of automotive sales has declined at an unprecedented pace, dropping over 35% from its January 2008 level to 9.8 million in January 2009. *General Motors Restructuring Plan For Long Term Viability*, December 2, 2008, at 8.

<sup>8</sup> On February 20, 2009, the independent auditors of TRW Automotive Holdings Corp. expressed substantial doubt about the company’s ability to continue as a going concern. On March 5, 2009, General Motors received a qualified going-concern opinion from its auditors. Likewise, on March 13, 2009, American Axle & Manufacturing Holdings Inc. received a going-concern opinion from its auditors and on March 14, 2009, Lear Corporation received a going-concern opinion. On May 11, 2009, Hayes Lemmerz International, Inc. filed for chapter 11 protection in the United States Bankruptcy Court for the District of Delaware.

Notably, on April 30, 2009, Chrysler LLC filed for chapter 11 protection in the United States Bankruptcy Court for the Southern District of New York.

58. Visteon has not been exempt from the economic downturn. As a result of plummeting sales volumes over the last few quarters, Visteon has been using its cash at unsustainable rates. In the fourth quarter of 2008, Visteon reported a net loss of \$328 million on net sales from continuing operations of \$1.7 billion.<sup>9</sup> The chart below reflects Visteon's rapidly declining sales volumes from the first quarter of 2008 to the first quarter of 2009.



59. Further compounding Visteon's problems is its inability to access much needed capital. Capital is critical in the automotive industry; to secure new business awards, the

<sup>9</sup> Although Visteon reported a 2009 first quarter net income of \$2 million, such amount included a one-time, non-cash gain of \$95 million related to the deconsolidation of the net assets associated with Visteon UK Ltd., an entity that filed for administration with the English High Court of Justice under the Insolvency Act of 1986.

Company typically must make up front capital and engineering expenditures that are not recovered until years later. Moreover, as Visteon's financial troubles and the effect of the going-concern opinion compounded, many of Visteon's suppliers demanded cash in advance for shipments or otherwise contracted their payment terms. Further, Visteon's cash burn rate resulted in it having leverage ratios that are substantially above its peers.

60. Over the last two months, Ford has performed a comprehensive evaluation of Visteon's operations and elected to support Visteon's reorganization by taking assignment of the Revolving Facility and providing a commitment to support debtor-in-possession financing for Visteon's restructuring efforts. Although Ford has expressed considerable confidence in Visteon's future, Ford has highlighted the need for Visteon to obtain financial support from its other customers and conditioned its continued support on a partnership with other OEMs.

61. Visteon also has commenced preliminary discussions with the Term Loan Lenders regarding the restructuring of the Company's capital structure.

62. Visteon's insolvency cannot be fixed outside of chapter 11. Faced with plunging automobile production, mounting debt, insufficient liquidity, and no access to the capital markets, Visteon had no choice but to resolve its financial instability through the filing of these cases.

## **VI. The Chapter 11 Cases**

63. Visteon's success today depends substantially on the performance of its non-debtor affiliates located overseas in Asia and Europe. Because foreign entities often view the U.S. chapter 11 process with great skepticism, it is imperative that Visteon make a quick and smooth transition into chapter 11 to lessen the worries of its customers and suppliers in the rest of the world.

64. Moreover, given the interdependence in the automotive supply chain from lower tier suppliers to Tier 1 suppliers, such as Visteon, to the OEMs, it is critical for Visteon to transition its operations into chapter 11 as smoothly as possible to avoid a potentially irreparable disruption to the already susceptible automotive industry. Entire OEM vehicle lines and assembly plants depend on Visteon's ability to continue manufacturing its products to their precise specifications and delivering those products at exactly the right place and time. Interruptions in Visteon's ability to deliver for its customers could have effects up and down the supply chain. As a result, the first day relief requested here will not just benefit the Debtors' estates and their creditors, but also an industry that has been the backbone of the U.S. economy for nearly a century.

65. Achieving these goals is likely to be particularly challenging while operating in chapter 11. To that end, Visteon is filing "first day" pleadings (each, a "First Day Pleading") as well as certain other pleadings filed concurrently herewith but not scheduled for hearing in the first 20 days of these cases (each, a "Second Day Pleading"). Each of these pleadings is intended to allow Visteon to minimize disruption of the Company's business operations, thereby preserving and maximizing the value of the Debtors' estates. Unless this relief is granted, I believe the Company's business operations will suffer devastating effects as customers and suppliers likely will refuse to continue to do business with the Company.

## **First Day Pleadings**

### **A. Joint Administration Motion**

66. As described above, the Debtors in these cases are Visteon Corporation, Inc., ARS, Inc., Fairlane Holdings, Inc., GCM/Visteon Automotive Leasing Systems, LLC, GCM/Visteon Automotive Systems, LLC, Halla Climate Systems Alabama Corp, Infinitive Speech Systems Corp., MIG-Visteon Automotive Systems, LLC, SunGlas, LLC, The Visteon Fund, Tyler Road Investments, LLC, VC Aviation Services, LLC, VC Regional Assembly & Manufacturing, LLC, Visteon AC Holdings Corp., Visteon Asia Holdings, Inc., Visteon Automotive Holdings, LLC, Visteon Caribbean, Inc., Visteon Climate Control Systems Limited, Visteon Domestic Holdings, LLC, Visteon Electronics Corporation, Visteon European Holdings Corporation, Visteon Financial Corporation, Visteon Global Technologies, Inc., Visteon Global Treasury, Inc., Visteon Holdings, LLC, Visteon International Business Development, Inc., Visteon International Holdings, Inc., Visteon LA Holdings Corp., Visteon Remanufacturing Incorporated, Visteon Systems, LLC, and Visteon Technologies, LLC. The Debtors operate as an integrated business with common ownership and control.

67. To the best of my knowledge, the joint administration of the chapter 11 cases will not adversely affect the Debtors' respective constituencies and will not harm parties in interest. Rather, all of these parties will benefit from the cost reductions associated with the joint administration of these chapter 11 cases.

### **B. Wages and Benefit Motion**

#### **i. The Debtors' Workforce**

68. As noted above, the Debtors currently employ 5,769 Employees, of which 3,117 are Salaried Employees and 2,652 are Hourly Employees. The Debtors lease 1,350 of the Salaried Employees and 1,469 of the Hourly Employees to ACH to operate its business (the

“ACH Leased Salaried Employees” and “ACH Leased Hourly Employees,” respectively and collectively, the “ACH Leased Employees”).

69. In addition, the Debtors are party to four collective bargaining agreements with various bargaining units of the International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America (the “UAW”) and one collective bargaining agreement with the International Brotherhood of Teamsters (the “Teamsters”). The union Employees covered by collective bargaining agreements are as follows: (a) the UAW represents all 1,469 ACH Leased Hourly Employees; (b) the Nurse Bargaining Unit of the UAW represents nine ACH Leased Salaried Employees; (c) UAW Local Union 1695 represents all 213 Hourly Employees working at the Visteon Systems, LLC (“Visteon Systems”) Lansdale, Pennsylvania facility; (d) Teamsters Local Union 107 represents three Hourly Employees also working at the Visteon Systems Lansdale, Pennsylvania facility; and (e) UAW Local Union 1216 represents seven Hourly Employees working at the Visteon Regional Assembly & Manufacturing, LLC (“VRAM”) Bellevue, Ohio facility.<sup>10</sup>

70. In addition to the Employees, the Debtors also rely on approximately 437 temporary or contract workers (the “Temporary Workers”) to supplement critical needs in employee staffing. These Temporary Workers provide the Debtors with the flexibility to adjust their workforce to meet marketplace demand on a cost-effective basis.

**ii. Payroll Administration**

71. The Debtors pay approximately 92% of the Salaried Employees by direct deposit and approximately eight percent of the Salaried Employees by check. The Debtors pay the

---

<sup>10</sup> Certain Employees of VRAM’s Highland Park, Michigan and Eureka, Missouri facilities are also represented by UAW Local Union 400 and UAW Local Union 282, respectively; but collective bargaining agreements have not been executed by VRAM and the UAW at either plant location as of the Petition Date.



majority of the Hourly Employees by check. The Debtors use Ceridian Corporation (“Ceridian”), TimePlus Payroll (“TimePlus”), and Fidelity Investment, Inc. (“Fidelity”) (collectively, the “Payroll Processors”) to process the direct deposit transfers or administer payroll checks to Employees. The Payroll Processors calculate the payroll and tax obligations for each Employee and the Debtors then transfer these amounts to the Payroll Processors in advance of the applicable payroll period’s end. On average, the Debtors pay approximately \$73,000 per month to Ceridian, approximately \$140,000 per month to Fidelity, and approximately \$1,000 per month to TimePlus for the payroll related services they provide to the Debtors. As of the Petition Date, I do not believe the Debtors owe any amounts to the Payroll Processors.

**iii. Employee Wages**

72. Salaried Employees are paid on either a monthly, semi-monthly, or bi-weekly basis depending on which Debtor employs them, and Hourly Employees are paid on either a bi-weekly or weekly basis depending on which Debtor employs them. The chart below summarizes the payroll periods of the Debtors:

<b>Payroll Period</b>	<b>Payroll Basis</b>	<b>Employer(s)<sup>11</sup></b>	<b>Average Paid Per Period<sup>12</sup></b>
“ <u>Monthly Salaried Payroll</u> ”	Made Current at the Period’s End	Visteon Corporation, VGT, and Visteon Systems	\$17.25 million
“ <u>Bi-Weekly Salaried Payroll</u> ”	One Period in Arrears	Visteon Corporation, VIBD, VGT, Visteon Systems, VRAM, and Halla Alabama	\$230,000
“ <u>Semi-Monthly Salaried Payroll</u> ” <sup>13</sup>	Made Current at the Period’s End	Visteon Corporation, VIBD, VGT, and Visteon Systems	\$9.03 million

<sup>11</sup> The only Debtors which have Employees are Visteon Corporation, Visteon International Business Development, Inc. (“VIBD”), Visteon Global Technologies, Inc. (“VGT”), Visteon Systems, VRAM, Halla Climate Systems Alabama Corp. (“Halla Alabama”), and MIG-Visteon Automotive Systems, LLC (“MIG-V”).

<sup>12</sup> These payroll amounts are based on six month historical averages and include overtime earnings.

<b>Payroll Period</b>	<b>Payroll Basis</b>	<b>Employer(s)<sup>11</sup></b>	<b>Average Paid Per Period<sup>12</sup></b>
“ <u>Weekly Salaried Payroll</u> ”	One Period in Arrears	Visteon Corporation and MIG-V	\$108,500
“ <u>Bi-Weekly Hourly Payroll</u> ”	One Period in Arrears	VRAM and Halla Alabama	\$479,000
“ <u>Weekly Hourly Payroll</u> ”	One Period in Arrears	Visteon Corporation, Visteon Systems, and MIG-V	\$1.24 million

73. I estimate that, as of the Petition Date, the Debtors owe approximately \$2 million on account of accrued wages, salaries, overtime, and other earnings earned prior to the Petition Date (the “Unpaid Compensation”). I do not believe that the aggregate amount owed to any Employee on account of Unpaid Compensation and Vacation Time exceeds the \$10,950 priority cap imposed by section 507(a)(4) of the Bankruptcy Code.

74. As noted above, the Debtors retain the services of Temporary Workers provided through various service vendors (the “Staffing Providers”). The Debtors typically remit compensation for the Temporary Workers’ services directly to the applicable Staffing Provider that refers such Temporary Workers through their accounts payable system. The Staffing Providers in turn pay the Temporary Workers. The Debtors estimate that as of the Petition Date, approximately \$830,000 is owed to the Staffing Providers on account of prepetition services provided by: (a) 57 Temporary Workers to the Debtors’ information technology department; (b) ten Temporary Workers to the Debtors’ logistics department; (c) eight Temporary Workers to the Debtors’ engineering department; and (d) two Temporary Workers to the Debtors’ accounting and finance departments. I believe that the Debtors will not pay any Staffing Provider in excess of the \$10,950 priority cap imposed by section 507(a)(4) of the Bankruptcy Code on account of any one Temporary Worker.

---

<sup>13</sup> Semi-Monthly Salaried Payroll is paid twice a month.

**iv. Deductions and Withholdings**

75. During each applicable payroll period, the Debtors routinely deduct certain amounts from Employees' paychecks, including, without limitation: garnishments, child support, and similar deductions and other pre-tax and after-tax deductions payable pursuant to certain employee benefit plans discussed herein (such as an Employee's share of health care benefits and insurance premiums, contributions under flexible spending plans, 401(k) contributions, legally ordered deductions, and miscellaneous deductions (collectively, the "Deductions")).<sup>14</sup> The Debtors then forward those amounts to various third-party recipients. The table below sets forth the approximate amounts historically deducted from Employees' paychecks each payroll period:

<b>Payroll Period</b>	<b>Average Deductions Per Period</b>
Monthly Salaried Payroll	\$2.93 million
Bi-Weekly Salaried Payroll	\$20,000
Semi-Monthly Salaried Payroll	\$1.1 million
Weekly Salaried Payroll	\$6,600
Bi-Weekly Hourly Payroll	\$40,000
Weekly Hourly Payroll	\$81,400

76. As of the Petition Date, I estimate that approximately \$2.125 million in Deductions have been collected from Employees' paychecks and not yet transferred to the appropriate third parties. I believe the failure to transfer the Deductions, such as Employees' share of health care benefits and insurance premiums, could result in severe hardship to the Employees.

---

<sup>14</sup> Specifically, included in Deductions are certain benefits paid for entirely through Employee contributions, including an optional vision care plan, a dependent supplemental insurance plan, an optional accident insurance benefit payable in the event an Employee or an Employee's spouse or dependents are killed or suffer certain bodily injuries, an optional legal plan, a long-term insurance plan, a financial planning benefit, and an optional insurance discount program (collectively, the "Employee-Purchased Benefits").

77. Furthermore, the Debtors are required by law to withhold from Employees' paychecks amounts related to federal, state, and local income taxes, Social Security, and Medicare taxes for remittance to the appropriate federal, state, or local taxing authority (collectively, the "Withheld Amounts"). The table below sets forth the approximate amounts historically withheld from Employees' paychecks each payroll period:

<b>Payroll Period</b>	<b>Average Withheld Amounts Per Period</b>
Monthly Salaried Payroll	\$3.6 million
Bi-Weekly Salaried Payroll	\$45,000
Semi-Monthly Salaried Payroll	\$2.04 million
Weekly Salaried Payroll	\$32,000
Bi-Weekly Hourly Payroll	\$100,000
Weekly Hourly Payroll	\$294,000

78. In addition, the Debtors are required by applicable statutory authority to pay from their own funds Social Security and Medicare taxes, and based on a percentage of gross payroll, additional amounts for federal and state unemployment insurance (the "Employer Payroll Taxes," and together with the Withheld Amounts, the "Payroll Taxes"). The table below sets forth the approximate amounts historically paid by the Debtors on account of the Employer Payroll Taxes each payroll period:

<b>Payroll Period</b>	<b>Average Employer Payroll Taxes Paid Per Period</b>
Monthly Salaried Payroll	\$505,000
Bi-Weekly Salaried Payroll	\$20,000
Semi-Monthly Salaried Payroll	\$514,000
Weekly Salaried Payroll	\$7,000
Bi-Weekly Hourly Payroll	\$40,000
Weekly Hourly Payroll	\$120,000

79. As of the Petition Date, I estimate that approximately \$1.2 million in Employer Payroll Taxes have accrued and remained unpaid by the Debtors and approximately \$6.1 million

in Withheld Amounts have been collected from Employees' paychecks and not transferred to the appropriate third parties.

**v. Reimbursable Expenses**

80. In the ordinary course of business, the Debtors reimburse Employees or pay credit card invoices on behalf of Employees for certain approved, reasonable expenses incurred in the scope of their employment and reimburse non-employee directors for reasonable out-of-pocket expenses incurred in connection with board meeting attendance (collectively, the "Reimbursable Expenses"). Reimbursable Expenses are paid in connection with, among other things, relocation expenses, business related travel expenses, including meals, hotels, flights, and car rentals, business development activities with current or potential clients, professional license fees, professional association membership dues, fees for training classes, and reimbursement for office supplies and other items purchased for use in the Debtors' business operations.

81. Employees pay for the majority of the Reimbursable Expenses using Citibank corporate credit cards issued to them. In the aggregate, the Employees incur, on average, less than \$1.3 million per month on account of Reimbursable Expenses that are charged to the Citibank corporate credit cards. As of the Petition Date, I do not believe the Debtors owe any amounts on account of prepetition Reimbursable Expenses charged to the Citibank corporate credit cards.

82. Employees may also pay for Reimbursable Expenses by cash or personal credit cards and submit receipts to the Debtors for reimbursement. It is my understanding that the Debtors reimburse such Reimbursable Expenses to Employees directly through the payroll system after processing and approval of receipts. As of the Petition Date, \$245,000 in receipts for Reimbursable Expenses remain unpaid.

83. Each non-employee member of the Debtors' board of directors receives reimbursement of reasonable out-of-pocket expenses incurred in connection with board meeting attendance. As of the Petition Date, I estimate the Debtors owe approximately \$10,000 in the aggregate on account of non-employee director travel expenses.

**vi. Incentive Plans**

84. In the ordinary course of business, the Debtors maintain various incentive plans to encourage their Employees to maximize the value of the Debtors' enterprise, including an annual incentive plan and a long-term incentive plan (collectively, the "Incentive Plans"). I believe these Incentive Plans are an important component of employee compensation and provide substantial value to the Debtors' estates because they encourage Employees to achieve important financial performance and quality goals.

**vii. Employee Benefit Programs**

85. The Debtors maintain, in the ordinary course of business: (a) the Self-Insured Medical Plans, Insured Medical Plans, Dental Plans, and Vision Plans; (b) the Insurance Plans; (c) the Employee Purchased Benefits; (d) the Workers' Compensation Program; (e) Flexible Spending Accounts; and (f) Vacation Time and other Leaves of Absence (collectively, the "Employee Benefit Programs," each of which is defined below).

86. The Debtors offer the following medical, prescription drug coverage, dental, and vision care plans to their Employees:

- a. **Self-Insured Medical:** The Debtors offer their Hourly Employees and certain VRAM and Halla Alabama Salaried Employees health care coverage through Blue Cross Blue Shield affiliates ("BCBS") under the Basic PPO, National PPO, National Blue PPO, North Penn PPO, and Premium PPO medical plans. The Basic PPO, National PPO, North Penn PPO, and Premium PPO medical plans also provide prescription drug benefits through CVS/CareMark. The Debtors offer Salaried Employees of Visteon Corporation, VIBD, VGT, and Visteon Systems health care coverage through the BCBS Consumer Directed Healthcare ("CDH") PPO

plans. The CDH PPO plans offer prescription drug coverage through Medco. Under all of the BCBS medical plans, including the CVS/CareMark and Medco prescription drug programs (collectively, the “Self-Insured Medical Plans”) the Debtors and participating Employees contribute to the cost of coverage. An Employee’s contribution amount is determined by the Employee’s location, salary rate, classification, and date of hire. As part of the CDH PPO plans, the Debtors contribute amounts to a healthcare reimbursement account (“HRA”). As of the Petition Date, the HRA obligations range from \$1 to \$6,000 per participating Employee. In 2009, the Debtors anticipate making payments of approximately \$3.8 million for the HRA obligations. The Debtors pay approximately \$2.74 million per month for claims; approximately \$318,000 per month in administrative fees to BCBS; and approximately \$20,000 per month in administrative fees to Wells Fargo, the HRA claims processor. The Debtors maintain stop-loss insurance coverage through the BCBS with respect to claims under the Self-Insured Medical Plans exceeding \$250,000. The Debtors pay a monthly premium of approximately \$140,000 for this stop-loss coverage. As of the Petition Date, I estimate the Debtors owe approximately \$9.9 million in the aggregate on account of the Self-Insured Medical Plans.

- b. **Fully-Insured Medical:** The Debtors offer health care coverage to certain Employees of Visteon Corporation, VIBD, MIG-V, VGT, and Visteon Systems through insured medical plans provided by Blue Care Network, Health Alliance Plan, Cigna International, Blue Cross Blue Shield PPO, and Green Shield Canada (the “Insured Medical Plans”). The Debtors and the participating Employees share the payment of the premiums under the Insured Medical Plans. The Debtors pay approximately \$1.2 million per month in insurance premiums on account of the Insured Medical Plans. As of the Petition Date, I estimate the Debtors owe approximately \$1.2 million on account of the Insured Medical Plans.
  
- c. **Dental Plans:** The Debtors’ primary dental care plan is a self-insured plan administered by MetLife Dental. The Debtors pay approximately \$255,000 per month for claims and \$13,000 per month in administrative fees to MetLife Dental with respect to the self-insured dental plan. The Debtors also provide dental care to certain Employees of Visteon Corporation and MIG-V through insured dental plans with Midwestern Dental Plans, United Concordia, Cigna International, Blue Cross Blue Shield, and Green Shield Canada. The Debtors typically pay monthly premiums of \$39,000 for the insured dental plans (together with the self-insured MetLife dental plan, the “Dental Plans”). As of the Petition Date, I estimate the Debtors owe approximately \$250,000 in the aggregate on account of the Dental Plans.

- d. **Vision Plans:** The Debtors provide certain Employees of Visteon Systems, MIG-V, and VRAM vision care through a self-insured vision care plan administered by Vision Service Plan and insured vision care plans administered by SVS and Blue Cross Blue Shield (collectively, the “Vision Plans”). The Debtors pay approximately \$3,000 per month for claims submitted through the Vision Service Plan and approximately \$2,000 per month for premiums on the SVS and Blue Cross Blue Shield vision plans. As of the Petition Date, I estimate the Debtors owe approximately \$64,300 on account of the Vision Plans.

87. As of the Petition Date, I estimate the Debtors owe approximately \$11.4 million in the aggregate on account of the Self-Insured Medical Plans, Insured Medical Plans, Dental Plans, and Vision Plans.

**viii. Insurance Plans**

88. The Debtors provide a number of different types of insurance benefits to their Employees, including: life, short and long-term disability, and AD&D insurance (collectively, the “Insurance Plans”). With the exception of certain short-term disability insurance benefits, the Insurance Plans are fully-insured, meaning that the Debtors pay the insurance carrier a set premium on a monthly basis and the insurance carrier pays the Employees’ claims based on the applicable policy terms. The Insurance Plans are as follows:

- a. **Basic Life Insurance:** Basic life insurance underwritten by MetLife is provided to substantially all Employees, other than MIG-V Employees, which are provided basic life insurance underwritten by Ford Dearborn Life Insurance Company. The benefit for Hourly Employees of Visteon Systems is \$30,000; the benefit for Employees of VRAM and Halla Alabama is \$15,000; and the benefit for Salaried Employees of Visteon Corporation, VIBD, VGT, and Visteon Systems is one year of such Employees’ annual base salary. The benefit for all other Hourly Employees is \$3,000. On average, the life insurance premiums cost the Debtors approximately \$64,000 per month. As of the Petition Date, I estimate the Debtors owe approximately \$60,000 on account of the basic life insurance plans.
- b. **Short and Long-Term Disability Benefits:** The Debtors provide short-term disability insurance benefits to all Hourly Employees of Visteon Systems and Employees of VRAM and Halla Alabama through a fully-insured plan underwritten by MetLife. The Debtors also provide



short-term disability benefits through a fully-insured plan underwritten by Ford Dearborn Life Insurance Company to MIG-V Employees. Short-term disability benefits are provided on a self-insured basis to Salaried Employees of Visteon Corporation, VIBD, VGT, and Visteon Systems. The Debtors also provide long-term disability insurance benefits to Employees of VRAM and Halla Alabama and Salaried Employees of Visteon Corporation, VIBD, VGT, and Visteon Systems through MetLife. MIG-V Employees are provided long-term insurance benefits through Ford Dearborn Life Insurance Company. The short and long-term disability insurance premiums cost the Debtors approximately \$440,000 per month. The short-term disability benefits provided on a self-insured basis cost the Debtors approximately \$300,000 per month. As of the Petition Date, I estimate the Debtors owe approximately \$490,000 on account of the short and long-term disability plans.

- c. **AD&D Insurance:** AD&D insurance underwritten by MetLife is provided to Employees of Visteon Systems, VRAM and Halla Alabama, and Salaried Employees of Visteon Corporation, VIGB, and VGT. The AD&D insurance underwritten by Ford Dearborn Life Insurance Company is also provided to Employees of MIG-V. The AD&D insurance premiums cost the Debtors approximately \$8,000 per month. As of the Petition Date, I estimate the Debtors owe approximately \$5,000 on account of the AD&D insurance.

89. As of the Petition Date, I estimate the Debtors owe approximately \$555,000 in the aggregate on account of the Insurance Plans.

**ix. Workers' Compensation**

90. The Debtors provide workers' compensation insurance for their Employees at the statutorily-required level for each state in which they have Employees. The Debtors' self-insured program is administered through GAB Robins TPA ("GAB"). GAB collects and processes claims submitted for workers' compensation benefits in exchange for an administrative fee. To administer the claims process through GAB, the Debtors maintain an account through which GAB collects funds to pay out for claims that have been appropriately processed. The Debtors spend approximately \$270,000 per month in paying workers' compensation claims and administrative fees to GAB. In addition, the Debtors maintain a fully-insured workers' compensation insurance policy (the "Insured WC Policy," with the GAB plan, the "Workers'

Compensation Program”). The Insured WC Policy operates to indemnify the Debtors for any loss in connection with workers’ compensation claims in excess of \$1 million. The Debtors’ carrier for the Insured WC Policy is Liberty Mutual Insurance Company. The Debtors pay a monthly premium to Liberty Mutual for the Insured WC Policy of approximately \$85,000. On average, the total cost of the Workers’ Compensation Program is approximately \$350,000 per month. As of the Petition Date, I estimate the Debtors may potentially owe approximately \$14.6 million on account of the Workers’ Compensation Program.<sup>15</sup>

**x. Flexible Spending Accounts**

91. The Debtors also offer Employees the ability to contribute a portion of their pre-tax compensation to flexible spending accounts to pay for eligible out of pocket health care and dependent care expenses (the “Flexible Spending Program”). Approximately 1,070 Employees participate in the health care portion of the Flexible Spending Program and approximately 185 Employees participate in the dependent care portion of the Flexible Spending Program.<sup>16</sup>

**xi. Vacation, Sick Leave, and Other Leaves of Absence**

92. The Debtors provide vacation time to all Employees as a paid time-off benefit (the “Vacation Time”). The amount of Vacation Time available to a particular Employee and the rate at which such Vacation Time accrues is generally determined by the Employee’s position and the length of full-time employment. When an Employee elects to take Vacation Time, that Employee is paid his or her regular hourly or salaried rate. An Employee is only entitled to a

---

<sup>15</sup> The \$14.6 million includes amounts for certain benefits that may have accrued prepetition but have not been submitted as of the Petition Date. Based on historical activity, the Debtors believe that it is unlikely that the full \$14.6 million will be paid on account of the Workers’ Compensation Program.

<sup>16</sup> The Debtors pay one administrative fee to Wells Fargo on account of the HRA and the Flexible Spending Accounts. As of the Petition Date the Debtors estimate they owe approximately \$20,000 to Wells Fargo, which is included in the cost of the Self-Insured Medical Plans.

cash payment for unused Vacation Time in the event that such Employee is terminated from the Debtors' employment. As of the Petition Date, I estimate the Debtors owe approximately 145 Employees \$318,000 in accrued Vacation Time. In addition, all Employees are eligible for sick leave due to illness or injury ("Sick Leave"). Employees may not cash out their unused Sick Leave upon termination. The Debtors also allow their Employees to take certain other leaves of absence for personal reasons, many of which are required by law ("Leaves of Absence"). Leaves of Absence include family medical leaves, pregnancy, adoption and foster care leaves, military leaves, jury duty, voting leaves, personal leaves, and bereavement leaves. Employees are not entitled to cash payments in the event they choose not to take an authorized Leave of Absence.

**xii. Tuition Assistance Program**

93. The Debtors maintain a tuition assistance program, which reimburses eligible Salaried Employees for tuition costs of approved educational courses up to \$5,200 per year (the "Tuition Assistance Program"). As of the Petition Date, there were approximately 50 Salaried Employees participating in the Tuition Assistance Program. The Tuition Assistance Program only covers the cost of approved courses that began on or prior to March 31, 2009. As of the Petition Date, I estimate the Debtors owe approximately \$130,000 on account of the Tuition Assistance Program.

**xiii. Outplacement Services**

94. The Debtors provide outplacement services to assist terminated Employees in finding new employment (the "Outplacement Services"). The Outplacement Services are provided by Drake, Beam, and Morin; Lee, Hecht, Harrison; and Right Management. On average, the Outplacement Services cost the Debtors approximately \$88,000 per month. As of the Petition Date, I estimate the Debtors owe \$175,000 on account of the Outplacement Services.

**xiv. Retiree Welfare Benefits**

95. In addition to the Employee Benefit Programs described above, certain retired employees of the Debtors (the “Retirees”) receive certain medical and insurance benefits (collectively, the “Retiree Welfare Benefits”). Eligibility for Retiree Welfare Benefits is dependent upon which Debtor employed the Retiree, the years of service with such Debtor, the date of retirement, and whether the Retiree is eligible for Medicare. As of the Petition Date, approximately 4,120 Retirees received Retiree Welfare Benefits. On average, the Retiree Welfare Benefits cost the Debtors approximately \$2.40 million per month. The Retiree Welfare Benefits are described below:

- a. **Salaried Retirees:** Visteon Corporation, VGT, and Visteon Systems provide medical coverage to approximately 75 Retirees through the self-insured BCBS CDH PPO plans. Visteon Systems provides approximately 900 Retirees medical coverage under the self-insured BCBS Comprehensive Retiree Medical PPO plan with prescription drug benefits provided through CVS/CareMark.<sup>17</sup> The Debtors pay approximately \$413,200 per month for claims, \$75,000 per month in administrative fees to BCBS, approximately \$50,000 per month for claims to CVS/CareMark, and approximately \$300 per month in administrative fees to Wells Fargo, the HRA claims processor. The Debtors maintain stop-loss insurance coverage through BCBS with respect to claims submitted under the BCBS CDH PPO and BCBS’s Comprehensive Retiree Medical PPO plans exceeding \$250,000. The Debtors pay a monthly premium of approximately \$25,000 for this stop-loss coverage. The Debtors also provide health care coverage to certain Retirees of Visteon Corporation, VGT, and Visteon Systems through the Insured Medical Plans (discussed above). The Debtors and the participating Retirees share the payment of the premiums under the Insured Medical Plans. The Debtors pay approximately \$25,000 per month in insurance premiums on account of the Retiree participants of the Insured Medical Plans. As of the Petition Date, I estimate the Debtors owe approximately \$1.24 million in the aggregate on account of the Retiree Welfare Benefits owed to former Salaried Employees.

---

<sup>17</sup> Prescription drug benefits are not provided to those Retirees and eligible dependents who are eligible for Medicare under the BCBS CDH PPO and BCBS’s Comprehensive Retiree Medical PPO plans.

- b. **Hourly Retirees:** Visteon Systems provides approximately 3,000 Retirees of its Connersville, Bedford, and North Penn Indiana plants medical coverage through the self-insured BCBS Michigan PPO plan and prescription drug benefits provided through CVS/CareMark (the “Retiree BCBSM Plan”).<sup>18</sup> The Debtors also provide a health reimbursement arrangement to certain Retirees of the Connersville facility. The health reimbursement arrangement provides reimbursement of up to \$480 annually for prescription drug premiums. In addition, the Debtors maintain stop-loss insurance coverage through the BCBS with respect to claims under the Retiree BCBSM Plan exceeding \$250,000. The Debtors pay a monthly premium of approximately \$65,000 for this stop-loss coverage. The Debtors pay approximately \$1.80 million per month for claims; approximately \$140,000 per month in administrative fees to BCBS; and approximately \$525,000 per month in prescription drug claims on account of the Retiree BCBSM Plan. As of the Petition Date, I estimate the Debtors owe approximately \$5.4 million in the aggregate on account of the Retiree BCBSM Plan.
- c. **Visteon Caribbean Retirees:** Visteon Caribbean, Inc. (“Visteon Caribbean”) provides 145 Retirees of its Puerto Rico plant with medical coverage under the Insured Medical Plans (described above). The Debtors pay approximately \$100,000 per month in insurance premiums on account of the Visteon Caribbean Retiree participants of the Insured Medical Plans. As of the Petition Date, I estimate the Debtors owe approximately \$242,000 on account of the Visteon Caribbean Retiree participants of the Insured Medical Plans.
- d. **Life Insurance:** Visteon Corporation, VGT, and Visteon Systems provide approximately 730 Retirees life insurance through MetLife. The life insurance benefit provided is based on a Retiree’s amount of life insurance in force at the time of retirement, the Retiree’s years of service, and the Retiree’s date of hire. The life insurance premiums cost the Debtors approximately \$77,000 per month. As of the Petition Date, I estimate the Debtors owe approximately \$231,000 on account of the basic life insurance provided to Retirees.

---

<sup>18</sup> Prescription drug benefits are not provided to those Retirees of the Connersville, Indiana and Bedford, Indiana facilities and their eligible dependents who are eligible for Medicare.

96. As of the Petition Date, I estimate the Debtors owe approximately \$7.11 million in the aggregate on account of the Retiree Welfare Benefits.<sup>19</sup>

**xv. Qualified Pension Plans**

97. The Debtors maintain five qualified defined benefit pension plans under the Internal Revenue Code (the “IRC”) and the Employee Retirement Income Security Act of 1974 (“ERISA”) (the “Qualified Pension Plans”) for their Employees and Retirees. Three of the Qualified Pension Plans cover current and former Employees and the other two cover only former Employees who were terminated in connection with certain plant closures or who have otherwise retired. Under the IRC and ERISA, the Debtors make minimum funding contributions to the Qualified Pension Plans based on annual actuarial calculations. In addition, the Qualified Pension Plans make annual premium payments to the Pension Benefit Guaranty Corporation. The Qualified Pension Plans are described below:

- a. **The Visteon Pension Plan (the “VPP”)**: The VPP provides pension benefits to approximately 4,410 Employees and 11,400 Retirees of Visteon Corporation, VGT, VIBD, and Visteon Systems. The VPP has different benefit structures depending on the classification of the eligible Employee or Retiree.
- b. **The Pension Plan of Visteon Systems, LLC Connersville and Bedford Plants (the “Systems C&B Plan”)**: The Systems C&B Plan provides pension benefits to approximately 5,210 Retirees who were represented by the International Union of Electric Workers and worked at the Connersville, Indiana and Bedford, Indiana plants. Currently, there are no active Employees covered by the Systems C&B Plan due to the shutdown of the Connersville and Bedford plants on December 31, 2007 and June 30, 2008, respectively.
- c. **The UAW Visteon Pension Account Plan (the “UAW Plan”)**: The UAW Plan provides pension benefits to approximately 1,460 ACH Leased

---

<sup>19</sup> By requesting authority to honor obligations relating to the Retiree Welfare Benefits, the Debtors are not assuming or affirming any contracts, agreements, programs, or applicability of any law related to the Retiree Welfare Benefits and the Debtors reserve all of their rights with regard to the Retiree Welfare Benefits.

Hourly Employees who are represented by the UAW. Eligible Employees accrue benefits under the UAW Plan based on a cash balance formula under which credits are made to a hypothetical account on behalf of a participant in an amount equal to a negotiated dollar amount multiplied by the Employee's hours of service.

- d. **The Pension Plan of Visteon Caribbean, Inc. (the "Caribbean Plan"):** The Caribbean Plan provides pension benefits to 145 Retirees of Visteon Caribbean. There are no active Employees due to the shutdown of Visteon Caribbean's Puerto Rico Plant in 2005.
- e. **The Teamsters Pension Trust Fund of Philadelphia and Vicinity (the "Multi-Employer Plan"):** The Debtors contribute to the Multi-Employer Plan on behalf of certain Employees of Visteon Systems who are represented by the Teamsters.

**xvi. The 401(k) Plans**

98. The Debtors also maintain two qualified defined contribution plans that meet the requirements of section 401(k) of the IRC (the "401(k) Plans"). The 401(k) Plans are described below:

- a. **The Visteon Investment Plan ("Salaried 401(k) Plan"):** The Salaried 401(k) Plan covers approximately 2,990 Salaried Employees and approximately 5,200 Retirees of Visteon Corporation, VGT, VIBD, and Visteon Systems. As of the Petition Date, approximately \$1.97 million has been withheld from Employees' paychecks for 401(k) contributions. As of the Petition Date, no amounts are owed on account of employer matching contributions.
- b. **The Visteon 401(k) Savings Plan ("Hourly and Salaried 401(k) Plan"):** The Hourly and Salaried 401(k) Plan covers certain: (a) Hourly Employees of Visteon Corporation who are represented by the UAW and leased to ACH; (b) Employees of Halla Alabama; (c) Employees of VRAM; and (d) Hourly Employees of Visteon Systems represented by the UAW. Hourly Employees of Visteon Corporation generally are eligible to receive a matching contribution under the Hourly and Salaried 401(k) Plan equal to 30% of the participant's contributions (up to seven percent of compensation). Employees of Halla Alabama generally are eligible to receive a matching contribution equal to 50% of the participant's contributions (up to five percent of compensation). Employees of VRAM receive matching contributions equal to 100% of the first three percent of compensation the participant contributes, and 50% of the next two percent of compensation contributed. Employees of Visteon Systems do not receive employer matching contributions. In addition, the Debtors

contribute a fixed amount of \$200 each year to the active employees accounts for participants who work at the Debtors' Bellevue, Ohio facility. Approximately 400 Employees and 330 Retirees participate in the Hourly and Salaried 401(k) Plan. As of the Petition Date, approximately \$25,000 has been withheld from participating Employees' paychecks for 401(k) contributions to the Hourly and Salaried 401(k) Plan. In addition, \$20,000 is owed on account of employer matching contributions.

- c. **The MIG-Visteon Automotive Systems 401(k) Retirement Plan ("MIG-V 401(k) Plan")**: The MIG-V 401(k) Plan covers MIG-V Employees who have attained age 19, and had one year of service including 1,000 hours worked in a calendar year. Employees generally are eligible to receive a matching contribution equal to 25% of their contributions in the first year; 50% in the second year; 75% in the third year; and 100% after four or more years of service. As of the Petition Date, approximately \$1,000 has been withheld from participating Employees' paychecks for 401(k) contributions to the MIG-V 401(k) Plan. As of the Petition Date, no amounts are owed on account of employer matching contributions.

99. As of the Petition Date, I estimate the Debtors owe approximately \$20,000 in matching contributions and approximately \$1.995 million in amounts withheld from Employees' paychecks on account of the 401(k) Plans. The \$1.995 million withheld from Employees' paychecks on account of the 401(k) Plans is included in the calculation of total Deductions provided herein.

#### **xvii. Severance Programs**

100. In the regular course of business, the Debtors maintain severance programs for all full-time Salaried Employees who have been terminated through reductions in force and similar actions (the "Severance Programs"). The Severance Programs are described below:

- a. **Visteon Corporation Transition Program (the "CTP")**: The CTP provides severance benefits to full-time Salaried Employees, other than those covered under the Visteon Executive Severance Plan or the Visteon Separation Program (discussed below) who are involuntarily terminated. A participating Employee is generally eligible, after a release is signed, for subsidized continued medical coverage and continued life insurance for a period of time post-termination as well as cash severance in an amount equal to (i) the sum of two weeks of base salary plus (ii) one week of base salary for each year of credited service, with a minimum severance equal



to five weeks of base salary and a maximum severance equal to 26 weeks of base salary.

- b. **Visteon Separation Program (the “ACH Severance Plan”)**: The ACH Severance Plan provides severance benefits to approximately 1,350 full-time ACH Leased Salaried Employees. In the event an ACH Leased Salaried Employee is involuntarily terminated, such an ACH Leased Salaried Employee is generally eligible, after a release is signed, for subsidized continued medical coverage for a period of time post-termination as well as cash severance in an amount equal to the sum of (i) one week base salary for each year of credited service plus (ii) one week of base salary for each \$10,000 of the Employee’s covered compensation, with a minimum severance equal to eight weeks of base salary and a maximum severance equal to 39 weeks of base salary. Under the Reimbursement Agreement (defined below), Ford reimburses Visteon for amounts payable under the ACH Severance Plan. Therefore, any payments the Debtors make on account of the ACH Severance Plan would be cash neutral.
  
- c. **Visteon Executive Severance Plan (the “ESP”)**: The ESP provides severance benefits to senior management of Visteon Corporation. In the event that such Employees’ employment is involuntarily terminated, the Employee is generally eligible for subsidized continued medical and dental coverage for a period of time post-termination as well as cash severance, after a release is signed, in the amount of one year of base salary.

**xviii. The ACH Arrangement**

101. In exchange for the services of the ACH Leased Employees, ACH reimburses the Debtors’ costs associated with such employees, which include: (a) wages paid to the ACH Leased Employees; (b) amounts paid to Staffing Providers for the provision of Temporary Workers to ACH; (c) Deductions from ACH Leased Employees’ wages; (d) Payroll Taxes; (e) expenses incurred by ACH Leased Employees that are reimbursed by the Debtors; (f) incentive opportunities paid to ACH Leased Employees; (g) costs related to medical, vision, and dental coverage; (h) costs related to the Insurance Plans; (i) administration costs for the Flexible Spending Accounts; (j) costs related to the Workers’ Compensation Programs; (k) certain payments on account of accrued Vacation Time; (l) Retiree Benefits; (m) costs related

to Qualified Pension Plans; and (n) internal administration expenses and payments to third party administrators in relation to the foregoing (collectively, the “ACH Obligations”).<sup>20</sup> In addition, in connection with the 2005 restructuring transactions, Ford also entered into that certain Reimbursement Agreement, as amended August 14, 2008 (the “Reimbursement Agreement”), pursuant to which it agreed to reimburse the Debtors for all Separation Costs for eligible, regular full-time ACH Leased Salaried Employees who are terminated after ACH’s termination of its lease of such employees.

102. Under the terms of the Employee Lease Agreements, the Debtors invoice ACH for the ACH Leased Employees’ actual wages two days prior to each applicable pay date, and invoice ACH for all benefits, premiums and other costs associated with the ACH Leased Employees on a monthly basis according to an estimate prepared by the Debtors and ACH prior to each calendar year. Invoices for wages, other cash compensation, and associated taxes are payable by ACH two days after receipt thereof, and invoices for other expenses are payable on the last business day of the month. The parties reconcile all payments made after the completion of each calendar year.

**C. Critical Suppliers Motion**

**i. The Debtors’ Production Supply Chain**

103. Preserving and enhancing the Debtors’ enterprise value requires the Debtors to continue manufacturing parts for the OEMs. To do so, the Debtors must maintain the automotive industry supply chain. That highly sensitive chain—more accurately described as a

---

<sup>20</sup> As provided for under that certain Visteon Salaried Employee Lease Agreement, dated October 1, 2005 by and between Visteon Corporation and ACH (as amended) and that certain Visteon Hourly Employee Lease Agreement, dated October 1, 2005 by and between Visteon Corporation and ACH (together, the “Employee Lease Agreements”).

supply filament—requires that each supplier along the way provide its products at their precise design specifications at exactly the right place at exactly the right time. As a Tier 1 automotive supplier, the Debtors rely heavily on their downstream vendors: missed or late deliveries from their suppliers jeopardize the Debtors’ ability to manufacture their parts for the OEMs and could endanger the Debtors’ reorganization prospects.<sup>21</sup> The Debtors enter these proceedings with an enviable record of reliability and on time delivery of parts. They must maintain that reputation. To avoid irreparable harm, the Debtors must continue to receive an uninterrupted supply of essential products.

104. The Debtors, like most in the automotive industry, typically rely on a sole-source supplier for those essential products. Significantly, those key component parts are generally not standard parts; rather, they are custom engineered to precisely fit the Debtors’ and the OEMs’ specified needs and requirements. Designing and validating the accuracy of those customized parts often requires the Debtors to make large capital outlays upfront. Using a sole-source supplier allows the Debtors to minimize the production startup costs, capital investment, and validation expenses while ensuring that each part achieves a consistent quality.

105. To ensure that those components satisfy the Debtors’ and the OEMs’ precise specifications, they are subjected to a rigorous certification process. The OEMs require that many of the Debtors’—and, in turn, their suppliers’—parts pass the “Production Part Approval Process.” That intense testing procedure requires significant designing, documentation, and verification to make certain that each component part meets the OEMs’ meticulous requirements

---

<sup>21</sup> Failure to timely deliver parts most assuredly would lead to the temporary shutdown of the production facilities of its customers who—in keeping with the “just in time” model—typically maintain little in the way of safety stock. The consequential damages—and setoff claims—are outsized and amount rapidly. The reputational damage from forcing a shutdown is more serious still.

for their vehicles. But because of that extensive process, it can take six months—and often up to twelve months in some instances—to select and certify a new supplier for such parts. The Debtors, therefore, cannot turn on a dime, re-source a part, and shift their business to another supplier instantaneously. Instead, the necessary lead time to qualify a part effectively ties the Debtors to a sole-source supplier for significant blocks of time.

106. Further complicating this business model, the Debtors—like their customers—utilize a just-in-time supply method. I believe that doing so enables the Debtors to minimize inventory costs and to shift output rapidly in response to ever changing consumer-purchasing trends. But it also means that the Debtors retain no more than one to three days' safety stock of component parts and raw materials. Timely shipments from sole-source suppliers, therefore, are key to the Debtors' operations. Without such, the Debtors' facilities would lack the requisite components and materials to manufacture their parts. The consequences are dire, in some instances forcing the Debtors to stop operations or halt production lines altogether.

107. I believe shutting down the Debtors' operations would lead to grave consequences for the Debtors' customers, irreparably harming the Debtors in the process. The Debtors, like their own suppliers, are usually a sole-source supplier for their customers; the OEMs rely on the Debtors to keep their assembly lines moving. If the Debtors are unable to manufacture their products, they may well miss shipments to their customers which would disrupt the customers' operations in short order. In turn, the Debtors would not be collecting revenue, and the OEMs could assert massive claims against the Debtors.

108. As this sequence of events makes clear, failure to maintain some key sole-source suppliers at this critical time would irreparably harm the Debtors and would have a potentially catastrophic impact on their going-concern value. I believe that giving the Debtors the flexibility

to pay prepetition claims to certain suppliers on an emergency basis, therefore, is crucial to maintaining the supply chain and enabling the Debtors to maximize their enterprise value in these chapter 11 cases.

**ii. The Debtors' Contractual Relationships with their Suppliers**

109. To identify those suppliers who are crucial to the Debtors' operations, the Debtors engaged in a thorough analysis of their supplier relationships with each of their approximately 2,585 production and non-production vendors.<sup>22</sup> Because the Debtors' suppliers are so specialized, the Debtors purchase essential parts from numerous suppliers. The Debtors and their advisors closely reviewed their accounts payable and prepetition vendor lists, and they consulted with supply chain management and others in the Debtors' management and purchasing operations to identify those critical or strategic creditors most essential to the Debtors' operations. The criteria included the following: (a) whether a vendor is a sole-source supplier who provides a part or material that no other supplier can provide; (b) whether the design, testing, and verification process effectively prevents the Debtors from re-sourcing the part or material within a reasonable timeframe; and (c) whether the customer has required that the Debtors utilize a particular vendor for a part or material.

110. For those suppliers deemed essential, the Debtors and their advisors then analyzed whether those suppliers provide parts or materials pursuant to enforceable executory contracts or whether their services are provided on a spot buy basis. I believe it is crucial to pay prepetition claims of all essential suppliers who are not party to executory contracts with the Debtors. Next,

---

<sup>22</sup> Production vendors provide parts and components that are utilized by the Debtors to manufacture automotive systems and components. Non-production vendors provide goods and services that support the Debtors' primary business (e.g., marketing, human resources, and technology). Production vendors comprise 60% of the Debtors' accounts payable obligations.

for those suppliers with whom the Debtors have an executory contract, the Debtors evaluated each supplier's financial and operational prospects in an effort to isolate those suppliers whose reliance on the Debtors' timely remittance of receivables is such that they would likely—and quickly—fail in the absence of timely, uninterrupted payments. In addition, the Debtors considered whether certain suppliers with whom the Debtors have contracts might refuse to ship goods to the Debtors postpetition if their prepetition balances are not paid.

111. Through that process, the Debtors identified three separate categories of Critical Suppliers who are crucial to their business and who have prepetition claims: suppliers without contracts—who likely would not continue their business with the Debtors postpetition or who would attempt to extract onerous terms absent payment of their prepetition claims (the “Critical Free Agents”); suppliers whose financial condition is so distressed that payments are necessary to avoid severe disruption of the Debtors' supply chain (the “Distressed Suppliers”); and suppliers who, although covered by an executory contract, have refused to ship their parts or materials postpetition if their prepetition balances are not paid (the “Contract Counterparties”). I understand that all of the Critical Suppliers are production vendors.

**a. The Debtors' Suppliers Without Contracts**

112. First, I believe it is critical to pay certain prepetition claims of the Critical Free Agents. Many of the Critical Free Agents formerly had contracts with the Debtors, but now provide goods on a “spot buy” basis when the Debtors request their parts or raw materials for production. The majority of these suppliers provide products or materials that are critical to the Debtors' operations and for which there is no ready alternative. The Debtors rely on those suppliers to provide such goods in accordance with their past trade terms.

113. These Critical Free Agents could disrupt the Debtors' business operations or force the Debtors to halt certain production lines. Because the Critical Free Agents are not subject to a

contract, they could elect simply not to continue doing business with the Debtors postpetition. I believe granting the Debtors the flexibility to pay certain Critical Free Agents' prepetition claims will also enable the Debtors to negotiate favorable payment terms going forward, which would boost the Debtors' liquidity.

**b. The Debtors' Suppliers Covered By Contracts**

114. In contrast to the Critical Free Agents, the Debtors have contracts with a significant percentage of their trade suppliers. The contractual terms set forth in the purchase orders and the Debtors' global terms and conditions bind those suppliers. The Debtors have successfully enforced the terms of those purchase orders against suppliers who sought to discontinue shipments in the absence of default outside of chapter 11. And I believe that most suppliers will comply with the contractual terms postpetition, including the payment terms contained therein.

115. Despite their contractual obligations, I anticipate that failure to pay certain vendors' prepetition claims could result in a disruption of shipments that would impair the Debtors' going-concern value. Many of the Debtors' suppliers are so financially distressed or are dependent on the Debtors' business, that a missed payment could cause those suppliers to fail themselves. As discussed above, a delay in or discontinuance of shipments from those Distressed Suppliers could derail the Debtors' business given the delicate interdependence of all participants in the automotive supply chain.

116. Other vendors who also have contractual obligations—but who may not be financially distressed themselves—may refuse to comply with the contractual terms postpetition. Those Contract Counterparties may hold shipments ransom to force the Debtors to pay their prepetition claims or to extract more constricted trade terms.

i. The Financially-Distressed Suppliers

117. The Distressed Suppliers comprise those vendors whose financial condition is so precarious that if their prepetition claims are not paid their business would likely fail. To identify such providers, the Debtors and their advisors utilized a risk management assessment that leveraged the Debtors' long-standing troubled supplier program.<sup>23</sup> Under that program, the Debtors, like most large Tier 1 automotive suppliers, assist certain suppliers who they consider to be at a high risk of failure. The Debtors often provide that lifeline for several months by providing various forms of accommodations while re-sourcing those goods to an alternative supplier. Before providing that assistance, the Debtors review the supplier's private financial records and its short- and long-term profitability prospects. Here, too, the Debtors evaluated each supplier's financial health as well as its commercial behavior, such as recent requests for shortened payment terms.

118. Through that process, the Debtors identified the Distressed Suppliers. An ever increasing number have untenable financial situations due to the overall distressed state of the automotive industry. This group of distressed suppliers includes two domestic joint ventures in which the Debtors have interests, which interests would be compromised without further support from the Debtors. Others have small but vital operations that are highly dependent upon the Debtors' business for their continued viability; many of those have limited access to capital and simply cannot afford a disruption in the regular flow of operating revenues.

119. Likewise, the Debtors cannot afford a disruption in their supply chain caused by the Distressed Suppliers' inability to ship critical parts and materials. If the Distressed Suppliers

---

<sup>23</sup> The Debtors enter into accommodations agreements with their financially troubled suppliers in the ordinary course of business and expect to reach new accommodations agreements with troubled suppliers on a postpetition basis during the course of these chapter 11 cases.



can no longer supply those goods, some of the Debtors' production lines could stop altogether. For example, the Debtors have identified one company (referred to herein as "Company A")—a licensed manufacturer of stepper motors—as a Distressed Supplier due to Company A's financial history and dependence on the Debtors. Moreover, the Debtors are Company A's only customer. As of the Petition Date, Company A has an outstanding prepetition claim against the Debtors of approximately \$1 million.

120. Company A produces stepper motors—synchronous, electric motors—for the Debtors' instrument clusters used in a number of OEM automobile models. On average, the Debtors have on hand a two-to-three day supply of stepper motors. Because production of the stepper motors requires significant hardware and software calibrations, I believe that resourcing the product would take six to twelve months to complete at a cost of approximately \$900,000. If Company A could not operate, however, the Debtors would incur more than just resourcing costs.

121. If such a Distressed Supplier were to shut down production, the Debtors would have to shut down the production line for instrument clusters, and they could not ship the finished part to the customer. Having failed to ship the component part, such as the instrument clusters, the Debtors would receive no revenue and, because the Debtors are the sole-source supplier for that part, the customer would assert a claim against the Debtors. For instance, if Company A were to shut down production and the Debtors could not sell instrument clusters to the OEMs, the annual sales impact to the Debtors would be approximately \$30 million. Moreover, if the customer is forced to shut down, it would have a setoff claim against the Debtors—a claim that could be measured in the thousands per minute of shutdown. The total

costs to the Debtors from the failure of Company A, therefore, greatly exceed the amount of Company A's prepetition claim.

122. Because the Debtors are dependent on these Distressed Suppliers as their sole-source provider of certain engineered products, I believe these suppliers' failure could cripple the Debtors' operations and irreparably harm their reorganization efforts. Accordingly, paying the Distressed Suppliers' prepetition claims is vital to maximizing the Debtors' enterprise value.

ii. The Contract Counterparties

123. Despite their contractual obligations, I know full well that there will be some aggressive Contract Counterparties who refuse to perform unless the Debtors first satisfy their prepetition claims. To the extent these suppliers threaten to disrupt the Debtors' supply chain, I believe it is critical to pay their prepetition claims.

c. **The Critical Suppliers' Prepetition Claims**

124. Based on the Debtors' books and records, I estimate that the Debtors have outstanding prepetition claims totaling approximately \$169 million, of which \$123 million is prepetition debt owed to the Debtors' production vendors. The value of the Critical Suppliers' prepetition claims is \$33.9 million (the "Critical Supplier Cap"). As of the Petition Date, the Critical Supplier Cap is 20% of the Debtors' total accounts payable amount outstanding and 27.6% of the Debtors' total estimated prepetition production-related liabilities.

**D. Foreign Vendors Motion**

125. As a result of the global nature of their operations, the Debtors regularly transact business with vendors, service providers, landlords, regulatory agencies, and governments located outside of the United States (collectively, the "Foreign Vendors"). For example, the Debtors purchase goods or materials from suppliers located in China, South Korea, Taiwan, Japan, Portugal, Brazil, Hungary, Germany, France, the Czech Republic, and Mexico. Many of

these Foreign Vendors supply goods or materials to the Debtors that are crucial to the Debtors' ongoing U.S. operations. Moreover, certain of these Foreign Vendors are sole-source suppliers of custom engineered parts who supply goods to the Debtors that cannot be obtained from other sources or cannot be obtained from other sources without significant delays. Although the Debtors purchase goods and materials from Foreign Vendors for all of their product lines, the Debtors' electronics and interiors product groups rely heavily on goods shipped from Foreign Vendors.

126. Based on the reactions of foreign suppliers in other chapter 11 cases, I believe there is a significant risk that the nonpayment of even a single invoice could cause a Foreign Vendor to stop shipping goods to the Debtors on a timely basis or to sever completely its business relationship with the Debtors. Foreign suppliers often have skeptical reactions to the U.S. bankruptcy process because many of them are unfamiliar with the unique debtor-in-possession mechanism that is at the heart of a U.S. chapter 11. I believe that short of severing their contractual relations with the Debtors, nonpayment of prepetition claims may cause Foreign Vendors to delay shipments until more certainty develops with respect to the Debtors' reorganization. It is my belief that the Debtors can ill afford delays of this nature.

127. Indeed, if the prepetition claims of Foreign Vendors for goods or materials and services provided to the Debtors, as well as foreign tax obligations, import/export fees, customs fees, or duties related to such claims (collectively, the "Foreign Claims") are not paid, the Foreign Vendors may take precipitous action against the Debtors. The Debtors have a number of non-debtor affiliates located in the U.K., Portugal, Germany, France, the Czech Republic, China, South Korea and Mexico, thus, the Foreign Vendors also may take action against those non-

debtor affiliates or against any property owned by the Debtors themselves located in foreign territory.

128. The Foreign Vendors could, among other things, initiate a lawsuit in a foreign court and obtain a judgment against the Debtors to collect prepetition amounts owed to them or seek to attach or seize foreign assets of the Debtors or their non-debtor affiliates even prior to obtaining a judgment. In addition, there is a risk that foreign governmental authorities might either: (a) seize any such assets in foreign countries, including, without limitation, parts and other goods destined for the Debtors' manufacturing plants in the United States; or (b) seek civil penalties against the Debtors and their non-debtor affiliates. Further, payment of foreign tax, import/export fees, customs fees, or duties related to such claims is required to obtain the underlying goods or materials being imported to the United States.

129. More fundamentally, the Foreign Vendors simply could refuse to do business with the Debtors. Because all of the Foreign Vendors have no (or de minimis) assets or operations in the United States, the Debtors have no workable enforcement mechanism against these parties. The cumulative impact of the Foreign Vendors' breach of their contracts with the Debtors could have a devastating effect on the Debtors' operations and their ability to reorganize. Without timely deliveries from their sole-source suppliers, the Debtors' manufacturing facilities would lack the requisite component parts and materials for their operations, causing the Debtors to miss shipments to their customers. In light of these consequences, I believe that payment of the Foreign Claims is essential to avoid disruptions to the Debtors' operations.

130. As of the Petition Date, the value of the Foreign Claims is approximately \$5.1 million.

**E. Shippers and Lienholders Motion**

**i. The Importance of the Debtors' Delivery System**

131. I believe that a failure to maintain the Debtors' delivery system at this critical time would irreparably harm the Debtors and would have a potentially catastrophic impact on their going-concern value. The Debtors' ability to deliver products to the OEMs in a timely manner depends in turn on their timely receipt of raw materials, parts, and components used in the Debtors' production, as well their timely delivery of finished products to the OEMs. To that end, the Debtors heavily rely upon certain professional domestic common carriers, shippers, truckers, freight forwarders, shipping auditing services, logistics management companies, customs brokers, and certain other third-party service providers (collectively, the "Shippers") to ship, transport, move through customs, and deliver goods through distribution networks, as well as a network of third-party warehouses to store goods while in transit (the "Warehousemen"). Further, the Debtors' supply system depends upon third-party contractors and vendors who manufacture certain tooling, equipment, and products, as well as parts used in the Debtors' product lines (the "Lienholders"). To secure payments, certain of the third-party contractors and vendors, including the Shippers, Warehousemen, and Lienholders may assert tooling, mechanics', and other possessory liens against the Debtors' or the Debtors' customers' property.

**ii. The Shippers and Warehouseman**

132. The Debtors contract with the Shippers to ship, transport, and deliver raw materials, parts, and components to the Debtors, as well as finished products from the Debtors to the OEMs. The Debtors employ Ryder Integrated Logistics ("Ryder") as their primary third-party logistics coordinator to manage their delivery system for in-bound, out-bound, and inter-facility transport of goods. That is, Ryder designs the carrier systems, contracts with the other Shippers for each delivery, tracks network operations, and manages the Debtors' agreements,

including providing assistance to the Debtors with their claims. The Debtors employ Software Solutions Unlimited, Inc. (“SSI”) to audit the Shippers’ invoices and approve them for payment on the Debtors’ behalf. The Debtors pay SSI by wire transfer and SSI then pays the carriers, typically within two days of receipt of payment from the Debtors.

133. In the ordinary course of business, the Debtors move goods and finished products across the U.S.-Mexico border both to and from their facilities in Mexico and South America. In transporting these goods, the Debtors rely on the Shippers to facilitate the movement of finished goods and parts across the border.<sup>24</sup> These Shippers control the Debtors’ importing and exporting permits and, before the goods cross international boundaries, the Shippers classify the goods, submit the necessary customs papers, and arrange for the Debtors’ payment of customs duties. Without these services, the Debtors’ goods would remain on the other side of the border. The Debtors contract with Exel Inc. (“Exel”) to store goods in transit and perform certain related services at their warehouse in Groveport, Ohio. For instance, Exel handles the receipt, storage, processing, and shipping of goods from the Debtors to their aftermarket customers. In addition, the Debtors rely on Hollingsworth, Huston Johnston, and Span America to process and ship goods to the Debtors’ customers from warehouses in Michigan, Kentucky, and Pennsylvania, respectively.

134. I understand that, as of the Petition Date, certain Shippers and Warehousemen will have outstanding invoices for goods delivered to the Debtors or the OEMs prior to the Petition Date or for goods currently in transit, including amounts owed by SSI.<sup>25</sup> In such an

---

<sup>24</sup> The Debtors’ customs brokers are Focus Business Solutions, Sysaat, Since, Space, Ceva Logistics, Customs Brokers, and Fedex Trade Networks and Transportation (Canada) Inc.

<sup>25</sup> SSI does not advance payments for the Debtors; therefore, as long as SSI’s invoices remain unpaid, the Shippers will not be paid and they will have a direct claim against the Debtors.

event, the Shippers and Warehousemen likely will argue that they have possessory liens for transportation or storage costs, and may refuse to deliver or release those goods in their possession until their invoices are paid and their liens redeemed. The Shippers and Warehousemen may be unwilling to release the goods in their possession to which they may be entitled to liens, since this may result in their claims against the Debtors changing from secured to unsecured. I believe that a Shipper's or Warehouseman's refusal to deliver the Debtors' goods and supplies would severely disrupt the Debtors' operations and may cause the Debtors to lose revenue and future business.

135. As of the Petition Date, it is estimated that the Debtors owe approximately \$8.8 million on account of prepetition claims of the Shippers and Warehousemen. I believe that the total amount of prepetition claims that the Debtors seek to pay to the Shippers and Warehousemen is appropriate and reasonable in light of the importance and necessity of timely receipt of the goods in the possession of the Shippers and Warehousemen and the losses the Debtors may suffer if their operations are disrupted.

### **iii. Lienholders**

136. The Debtors routinely transact business with a number of other third-party contractors and vendors who can assert liens against the Debtors and their property (such as tooling and equipment) and, in some cases, the property of the OEMs if the Debtors fail to pay for the goods delivered or services rendered. These Lienholders perform various services for the Debtors, including manufacturing and repair of tooling, dies, molds, and other equipment, and manufacturing component parts necessary for the Debtors' production.

137. Although the Debtors generally make timely payments to their vendors, as of the Petition Date, I understand that a substantial number of vendors may not have been paid for certain prepetition goods or services. Unless they are paid for outstanding prepetition amounts, I

believe that certain Lienholders may refuse to perform their ongoing obligations under their existing agreements with the Debtors, including installation, servicing, and warranty obligations, or may refuse to release finished goods in their possession.

138. I understand that the Debtors' payments on account of the Lienholders' prepetition claims are not expected to exceed \$12.5 million in the aggregate. Moreover, I believe that the value of the materials in the possession of the Lienholders generally exceeds the value of their respective prepetition claims.

**iv. Outstanding Supply Orders**

139. It is my understanding that prior to the Petition Date, the Debtors ordered approximately \$10.4 million of goods and component parts in the ordinary course of business for which delivery will not occur until after the Petition Date (the "Outstanding Orders"). Many of these goods and component parts are in transit as of the Petition Date.

140. As a result of the commencement of the chapter 11 cases, I believe that the Debtors' suppliers may be concerned that amounts owed for goods ordered prior to the Petition Date, but delivered after the Petition Date, will be treated as general unsecured claims against the Debtors' estates. Suppliers may refuse to ship or transport such goods (or recall shipments of such goods) with respect to Outstanding Orders unless the Debtors issue substitute purchase orders postpetition or obtain an order of the Court clarifying the administrative expense priority of payments for such goods. I believe it is important to the Debtors' efforts to transition smoothly into these chapter 11 cases and pay these claims in the ordinary course of business as administrative expense claims.



**F. Cash Management Motion**

**i. The Cash Management System**

141. In the ordinary course of business, the Debtors utilize an integrated, centralized Cash Management System, facilitating cash collection and disbursement by the Debtors' operating divisions. As of the Petition Date, the Cash Management System consists of approximately 90 Bank Accounts, located throughout the world, held with nine Banks. These banks include JPMorgan Chase & Co. ("Chase"), Comerica Bank, The Bank of New York Mellon Corporation ("Mellon"), Citibank, N.A. ("Citibank"), Citigroup Inc. ("Citigroup"), Bank of America, N.A. ("BoA"), Trustmark National Bank, Wachovia Bank, and Scotiabank.

142. The Debtors, together with approximately 100 non-Debtor affiliates located throughout the world (e.g., China, Korea, Germany, France, Spain, Netherlands, Portugal, and Czech Republic) (collectively, the "Foreign Affiliates"), comprise an interconnected, unified, global operation. The Foreign Affiliates' operations extend to each of Visteon's product lines, with Foreign Affiliates coordinating efforts across individual jurisdictions to produce the Debtors' final products for delivery to customers.

143. The Bank Accounts located in the United States include the following:

- a. **Visteon Treasurer Account:** Visteon maintains a treasurer's account (the "VTA") at Comerica Bank. The VTA is the central account in the Cash Management System.
- b. **U.S. Affiliate Accounts:** Certain of the Debtor affiliates, namely, Fairlane Holdings, Inc., GCM/Visteon Automotive Systems, LLC, Halla Climate Systems Alabama Corp., MIG-Visteon Automotive Systems, LLC, VC Aviation Services, LLC, Visteon Automotive Holdings, LLC, Visteon Global Treasury, Inc., and Visteon LA Holdings Corp. maintain separate Bank Accounts. Visteon funds these Bank Accounts as needed.
- c. **Zero Balance Accounts:** Certain of Visteon's affiliates collectively maintain 13 zero balance accounts (the "ZBAs") at Comerica Bank for the purpose of making disbursements to, among others, employees, benefits and insurance providers, vendors, taxing authorities, and Foreign

Affiliates. Comerica Bank automatically sweeps the daily balance in the ZBAs to the VTA.

- d. **Disbursement Accounts:** The VTA funds disbursement accounts daily, as necessary, directly or through intermediary concentration accounts. The Debtors maintain 15 disbursement accounts, which include five accounts at Chase and one account at Scotiabank for check disbursements, three accounts at Chase for automatic clearing house payments, and five accounts at Mellon and one account at Chase for wire payments.
- e. **Lock Box/Collections Accounts:** Visteon maintains a main lockbox account with Chase and a collections account with BoA. Funds in the lockbox and collections accounts are swept into the VTA on a daily basis. Visteon does not make any disbursements from the lockbox or collections accounts.
- f. **Investment Accounts:** The Debtors maintain eight investment accounts (the “Investment Accounts”) at Comerica Bank, Citibank, Citigroup, and Chase. Four of the Investment Accounts are currently active. The investment guidelines for the Investment Accounts are described below. The Debtors transfer funds between the VTA and the Investment Accounts as needed.
- g. **Standalone Accounts:** The joint ventures in which the Debtors hold membership interests and the Debtors’ Foreign Affiliates utilize standalone cash management systems, which are unaffected by these chapter 11 cases.
- h. **Money Market Savings Account:** Visteon maintains a money market savings account at Chase, which contains approximately \$80 million. Visteon established this account in accordance with that certain Fourth Amendment and Limited Waiver to Credit Agreement and Amendment to Security Agreement, dated March 31, 2009, among Visteon Corporation and certain of its subsidiaries, the lenders party thereto, and Chase, as Administrative Agent, Issuing Bank and Swingline Lender.

144. The Debtors also maintain accounts in foreign countries. These accounts include the following:

- a. **Foreign Funding Accounts:** Visteon International Holdings, Inc. maintains two bank accounts at BoA in the United Kingdom for the purpose of funding Foreign Affiliates.
- b. **Visteon Electronics Accounts:** Visteon Electronics Corporation (“VEC”) maintains 16 bank accounts in the United Kingdom with BoA

and Citibank for the purpose of collecting receipts from customers and paying the Debtors' foreign suppliers in the appropriate currency.

- c. **Foreign Exchange Accounts:** The Debtors maintain twelve accounts at BoA locations throughout the world to facilitate the Debtors' ability to disburse amounts in foreign currencies (the "Foreign Exchange Accounts").

145. The Debtors utilize the "Integrity" treasury management system to manage the daily flow of funds through the Cash Management System, reconcile accounts, and automatically post cash transactions to the general ledger.

**ii. The Debtors' Existing Business Forms**

146. In the ordinary course of business, the Debtors use numerous different correspondence and business forms. To minimize the expense to the Debtors' estates associated with developing and, or, purchasing entirely new forms, the delay in conducting business prior to obtaining new forms, and the confusion of employees, customers, and suppliers, the Debtors seek authority to continue to use all correspondence and business forms as such forms existed immediately prior to the Petition Date, without reference therein to the Debtors' status as debtors-in-possession. The Debtors will replace their existing stock of forms with new forms identifying their status as debtors in possession as existing forms are depleted.

147. All of the Debtors, with the exception of MIG Visteon Automotive Systems, LLC, which uses a paper check stock, will begin printing checks with a "Debtor in Possession" designation within four business days of the Petition Date. MIG Visteon Automotive Systems, LLC will continue using its existing paper check stock until it is depleted, at which time it will obtain a new check stock containing the "debtor in possession" designation.

### **iii. The Debtors' Investment Practices**

148. The Debtors adhere to prudent investment practices with rigorous controls (the "Investment Practices"). Such Investment Practices are designed to protect principal, minimize volatility, and maintain adequate liquidity.

149. Pursuant to the Investment Practices, and subject to certain limitations, the Debtors' treasury department is generally authorized to invest in the following types of investments: government-issued securities, including "risk-free" securities, zero coupon treasuries, issuances from U.S. government agencies (i.e., Student Loan Marketing Association, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Farm Credit, Home Loan Bank, Private Export Funding Corporation, and Tennessee Valley Authority), corporate debt securities, Eurobonds, derivatives, asset-backed securities, municipal securities, securities lending transactions, repurchase agreements, mutual funds, marketable securities of credit- and non-credit-line bank obligations, and fixed income securities issued by affiliates.

150. In accordance with the Investment Practices, and in the Debtors' business judgment, the Debtors have determined and it is my belief, that it is prudent and desirable to maintain their excess cash in conservative investments, due to the uncertain state of the financial markets. Since July 2008, the Debtors have invested excess cash in investment-grade funds or repos with ratings of AAA/Aaa or equivalent, which invest primarily in, or are backed by, U.S. Treasury obligations, or U.S. Government obligations (either issued or guaranteed by the U.S. Treasury or U.S. Government). Both the money market funds and repo investments are liquid, as there is daily access to obtain funds.

#### iv. The Debtors' Intercompany Transfers and Netting

151. Supporting the Debtors' global operations, the Debtors and their non-Debtor affiliates, including Foreign Affiliates, maintain business relationships with each other in the ordinary course of business, which result in intercompany claims (the "Intercompany Claims") and intercompany transfers of cash. Such transfers include those in connection with funding intercompany capital contributions and loans, providing, maintaining, and renewing intercompany guarantees, declaring and making dividend distributions, and other usual and customary payments (the "Intercompany Transactions"). Unless otherwise requested herein or in the Debtors' other "first day" motions, all prepetition intercompany account balances have been frozen, as of the Petition Date, and the treatment of such claims will be determined as part of an overall reorganization plan for the Debtors.

152. Certain Intercompany Transactions involving certain Debtors and Foreign Affiliates (the "Netting Participants") are subject to a Visteon-administered netting program (the "Netting Program").<sup>26</sup> The Netting Program functions as follows: at or around month-end, for the prior month period, (a) each Netting Participant enters the amounts owed to the other Netting Participants into a shared software program, with each amount denominated in the currency in which the corresponding obligation is due, (b) the software program calculates the net amount owed to or due from each Netting Participant, (c) each Netting Participant that owes funds on a net basis transfers such payment, denominated in the Netting Participant's local currency, to an

---

<sup>26</sup> Netting Participants include: Cadiz Electronica, S.A., Visteon Portuguesa, Ltd., Visteon Systems, LLC, Carplastic S.A. de C.V., Infinitive Speech Systems Limited, Visteon-Autopal, s.r.o., Visteon-Autopal, Services s.r.o., Visteon Deutschland GmbH, Visteon Electronics Corporation, Visteon Engineering Services Limited, Visteon Canada Inc., Visteon Ardennes Industries SAS, Visteon Global Technologies, Inc., Visteon Hungary Kft., Visteon Japan, Ltd., Visteon Interior Systems Italia S.r.l., Visteon Sistemas Interiores Espana, S.L., Visteon Poland S.A., Visteon Systemes Interieurs SAS, VC Regional Assembly & Manufacturing, LLC, and Visteon Corporation.

assigned Visteon Global Treasury account held at BoA, of which there are a number denominated in various currencies (collectively, the “VGT Accounts” and a subset of the Foreign Exchange Accounts), and (d) each Netting Participant that is owed funds on a net basis receives payment from the appropriate VGT Account.

153. In administering the Netting Program, Visteon transfers funds among the VGT Accounts and participates in the foreign exchange market to sell or acquire currency as necessary to make payments due to Netting Participants. The Netting Program reduces the number of Intercompany Transactions and foreign exchange transactions required, as well as the associated transaction costs, and helps mitigate the Debtors’ foreign exchange risk. Therefore, the Netting Program is an essential component of the Debtors’ cash management practices. I believe the Debtors’ Cash Management System and associated accounting processes permit the Debtors to monitor and trace all Intercompany Transactions between entities and, therefore, to ensure that all transactions subject to netting are appropriately accounted for by Netting Participants for reporting purposes.

**G. Foreign Funding**

154. As described above, Visteon’s business truly is an interconnected, global operation comprised of the 31 Debtors in these cases and more than 100 Foreign Affiliates. Visteon has equity interests in each of the Foreign Affiliates, and the Foreign Affiliates’ operations extend across each of Visteon’s product lines. Any material disruption to Visteon’s relationships with these Foreign Affiliates—whether the Foreign Affiliate is profitable or not—could cause supply interruption, a cascade of local insolvency proceedings, and have a direct

negative impact on Visteon's relationships with their OEM customers, who, like the Debtors, also operate as global enterprises.<sup>27</sup>

155. Perhaps most importantly, any such disruption would reduce the value of Visteon's equity interests in the Foreign Affiliates. These equity interests, which are pledged in part to Visteon's prepetition secured lenders and in which the Debtors' term loan lenders have a first priority interest, are some of the most valuable assets of Visteon's chapter 11 estates. Indeed, Visteon projects that the Foreign Affiliates' aggregate 2009 EBITDA-R will be approximately \$362 million, as compared to a negative EBITDA-R of \$320 million for Visteon domestically.<sup>28</sup> As such, preservation of these equity interests is key to the Debtors' efforts to maximize the value of the estates and the Visteon global enterprise.

156. Three programs central to the Foreign Affiliate's business operations are as follows: (a) the cash pooling system in Europe (the "European Cash Pool"); (b) the Legal Entity Restructuring Activity program (the "LERA Program"); and (c) the Maquiladora program (the "Maquiladora Program"), each of which is described in more detail below.

**i. European Cash Pool**

157. The European Cash Pool involves Visteon Corporation and various Foreign Affiliates making revolving loans to and, in the case of the Foreign Affiliates, borrowing from Visteon Netherlands Holdings B.V. ("Visteon Netherlands"), which acts as an internal banker for

---

<sup>27</sup> For example, the operations of Visteon Ardennes Industries SAS, a wholly-owned subsidiary of the Debtors, are highly profitable, and are crucial to the Debtors' relationship with Ford Motor Company, as are operations at Visteon Portuguesa Limited and elsewhere. The Debtors' sales to Hyundai-Kia are largely effected through their Chinese and Korean subsidiaries.

<sup>28</sup> Of the \$320 million of EBITDA-R projected to be generated by the Foreign Affiliates in 2009, approximately 38% is projected to be generated in Europe and 49% is projected to be generated in Asia. Over 80% of Visteon's worldwide employee base works for Foreign Affiliates.

such transactions among the Foreign Affiliates.<sup>29</sup> Certain of the Foreign Affiliates are significant lenders to the European Cash Pool, while others are significant borrowers from the European Cash Pool. Visteon Corporation acts as guarantor in respect of all of these bilateral loans and provides direct funding to Visteon Netherlands by way of a EUR 100 million revolving credit facility, of which EUR 19.866 million is currently drawn. Notably, under the documents, Visteon Corporation and each of the European Cash Pool Participants have the ability to provide or deny loans to the European Cash Pool, and, as a creditor, may call the entire balance due upon notice.

158. The European Cash Pool provides a cost-efficient mechanism through which Visteon's Foreign Affiliates in Europe can meet their working capital needs. The Debtors estimate that funding the European Cash Pool Participants' working capital needs through the European Cash Pool rather than having such entities obtain outside financing saves the European Cash Pool Participants and Visteon Corporation significant transaction costs that would be incurred for establishing individual working capital facilities for each European Cash Pool Participant, as well as approximately \$3 million per year (representing a 300bps spread on borrowing and lending in Europe on \$100 million balance).

159. As of the date hereof, I believe continuing the uninterrupted operation of the European Cash Pool is the most cost-efficient way to assure the European Foreign Affiliates that they will continue to have access to the working capital they need to operate. Without this flexible source of funding, many of the Foreign Affiliates may not have access to the working

---

<sup>29</sup> The following Foreign Affiliates participate in the European Cash Pool: Visteon Netherlands, Cadiz Electronica S.A.U., Visteon Sistemas Interiores Espana S.L.U., Visteon Autopal S.R.O., Visteon Hungary KFT, Visteon Ardennes Industries S.A.S., Visteon Systemes Interieurs S.A.S., Visteon Interior Systems Holding France S.A.S., Visteon Holdings France S.A.S., Visteon Portuguesa Ltd., Visteon Slovakia s.r.o., Visteon Philippines Inc., and Visteon Deutschland GmbH (collectively, the "European Cash Pool Participants").



capital needed to manage their business on a day-to-day basis, and, upon information and belief, might be forced to initiate their own insolvency proceedings under local laws. Moreover, in the current global economic and banking climate, certain of the Foreign Affiliates would likely be unable to obtain independent lines of credit outside of the European Cash Pool.

160. Regardless of whether the Debtors maintain the European Cash Pool or directly fund the European Cash Pool Participants, to maintain stability in Europe in the wake of the filing of these cases, I believe that in order the Debtors must have the ability to provide assurances to the European Cash Pool Participants that they will continue to have access to working capital on a postpetition basis. Indeed, if the Debtors are unable to provide such assurances, European Cash Pool debtors may have to examine their own solvency position on the presumption that amounts they owe to the European Cash Pool will be immediately called. Such actions could trigger uncontrolled insolvency proceedings throughout Europe, which would be disastrous to the value of the Debtors' estates. Moreover, the Debtors' inability to provide short-term financing to the Foreign Affiliates may cause a disruption of a number of services currently provided to the Debtors at reasonable, advantageous, or nominal costs by the Foreign Affiliates.

161. In anticipation of the potential negative impact the filing of these cases may have on the European Cash Pool, the Debtors have forecasted their cash needs under the assumption that the European Cash Pool will cease to operate upon the filing of these cases. If the European Cash Pool ceases to operate, the Debtors would need to provide working capital funding to individual European Cash Pool Participants in an aggregate amount of approximately \$66.5 million in June 2009. But, if the Debtors are successful in their efforts to maintain the European Cash Pool, the Debtors would be able to conserve this cash or use it for other business purposes. The cost of maintaining the European Cash Pool, therefore, is much less than the

alternative cost of funding the European Cash Pool Participants directly. Additionally, maintaining the European Cash Pool will assist in mitigating any trade contraction experienced by the European Cash Pool Participants.

**ii. LERA Program**

162. Under the LERA Program, Visteon Electronics Corporation (“VEC”), one of the Debtors in these cases, serves as a counterparty to and manages customer relationships and financial transactions for sales to certain of the Debtors’ European customers. Five of the Debtors’ European Foreign Affiliates participate in the LERA Program as contract manufacturers (the “LERA Participants”).<sup>30</sup>

163. The LERA transactions generally follow the following structure: (a) VEC contracts with a customer for the delivery of finished goods; (b) a LERA Participant delivers the finished goods to such customer; (c) the customer pays VEC; (d) VEC pays the LERA Participant their cost plus a 5% contract manufacturing fee (the “Manufacturing Fee”); and (e) VEC retains that portion of the customer payment that is greater than the Manufacturing Fee, if any, as profit. This structure generates significant tax benefits. Indeed, the Debtors estimate the LERA program will result in approximately \$10 to \$15 million in tax savings in 2009.

164. VEC’s payments to the LERA Participants are typically made one month in arrears. As of the Petition Date, the Debtors owe prepetition payables to the LERA Participants of approximately \$80 million in connection with the LERA program. The Debtors have budgeted for payment of this amount in their cash flow forecasts.

---

<sup>30</sup> The LERA Participants are: Visteon Portuguesa Ltd., Cadiz Electronica S.A.U., Visteon Sistemas Interiores Espana S.L.U., Visteon Hungary KFT, and Visteon Autopal S.R.O.

165. The LERA Participants will require payment of the outstanding prepetition amounts to continue to fund their working capital needs in the ordinary course of business. It is essential to the Debtors' efforts to maximize the value of these estates and the Visteon global enterprise—especially during this critical time—that the LERA Participants continue to have the working capital needed to manufacture goods. By maintaining the LERA Program, the Debtors will maintain relations with the customers who are relying on the timely shipment of those goods from the LERA Participants. Moreover, the profits and savings generated by the LERA Program will continue to flow up to the Debtors' estates here in the U.S. through VEC.

166. Additionally, because each of the LERA Participants is also a participant in the European Cash Pool, maintenance of the LERA Program will reinforce the stability of the European Cash Pool by ensuring the LERA Participants have sufficient liquidity to operate and provide parts to the Debtors' global customers. Otherwise, if VEC does not have the authority to make the LERA Participants whole, the LERA Participants may be forced to look to the European Cash Pool for additional funding, which, in turn, could trigger the “domino effects” described above.

### **iii. Maquiladora Program**

167. Visteon participates in a program similar to LERA with its Foreign Affiliates in Mexico, which is called the Maquiladora Program.<sup>31</sup> Under the Maquiladora Program, two of the Debtors, Visteon L.A. Holdings Corp. and Visteon A.C. Holdings Corp. (the “Holdcos”), own the manufacturing assets held by the Maquiladora Participants, and various of the Debtors

---

<sup>31</sup> The following Foreign Affiliates participate in the Maquiladora program: Coclisa S.A. de C.V., Carplastic S.A. de C.V., Altec Electronica Chihuahua, S.A. de C.V., Aeropuerto Sistemas Automotrices S. de R.L. de C.V., Climate Systems Mexicana, S.A. de C.V., Visteon de Mexico S. de R.L., and Grupo Visteon S. de R.L. de C.V. (collectively, the “Maquiladora Participants”)

provide raw materials on a duty-free basis to certain of the Debtors' Foreign Affiliates in Mexico, which then assemble and/or manufacture finished products that are sold by the Debtors to OEMs and other customers. The Debtors pay the Maquiladora Participants for their cost of providing such services plus a modest markup. The Maquiladora Program is a tax-efficient structure for both the Debtors and the Foreign Affiliates in Mexico that creates significant value for the Debtors and is critical to their ongoing Mexican operations. Indeed, the Debtors estimate that the Maquiladora Program will generate between \$3 million and \$6 million in tax savings in 2009, the value of which will flow up to the Debtors' estates through their equity interests in such Foreign Affiliates.

168. The Debtors' payments to the Maquiladora Participants are also made one month in arrears, and the Debtors currently owe prepetition payables to the Foreign Affiliates in the aggregate amount of approximately \$12 million in connection with the Maquiladora Program. The Maquiladora Participants are depending on the payment of these amounts in the ordinary course of business. Without these payments, the Maquiladora Participants may not be able to satisfy their obligations owing to customers, which would have a direct negative impact on Visteon's global enterprise. Indeed, upon information and belief, the Debtors' failure to honor their obligations under the Maquiladora Program could result in such entities having inadequate capital and an inability to satisfy customer contracts benefiting the Debtors' estates. As such, the Debtors have budgeted for payment of the amounts owing to the Maquiladora Participants in their cash flow forecasts.

#### **H. Customer Programs Motion**

169. In the ordinary course of business, Visteon maintains and administers certain customer programs, including warranty programs and various programs related to ACH (the

“Customer Programs”). The purpose of these Customer Programs is to generate goodwill, remain competitive, and ensure customer satisfaction.

**i. The Warranty Programs**

170. The Debtors’ Customer Programs include warranty programs which can generally be classified into two categories. First, Visteon provides warranties that the components and service parts supplied to OEM customers and integrated into such OEMs’ products will be, among other things, free from defects in material and workmanship (the “OEM Warranties” and the Debtors’ obligations with respect thereto, the “OEM Warranty Obligations”). Visteon is party to various forms of OEM Warranties. Under some of these OEM Warranties, in the event an OEM submits a claim under an OEM Warranty, the Debtors and the OEM have a pre-defined period of time within which to agree upon the allocation of each party’s share of liability. Under other OEM Warranties, Visteon has agreed in advance on defined targets for failure rates or cost per unit (e.g., three out of 1,000). If the Debtors meet the target, then no costs or payments are incurred; if the Debtors are above the target, then the Debtors are responsible for a predetermined amount of the costs above the target; and if the Debtors are below the target, then the OEM pays the Debtors.

171. In addition to monetary damages, the Debtors’ obligations under the OEM Warranties may require Visteon to participate in a recall campaign as a result of actual or threatened regulatory or court actions and to provide financial contributions (the “Recall Campaigns” and the Debtors’ obligations with respect thereto, the “Recall Obligations”) or to correct the defect by replacing the non-conforming material with conforming material at no cost to the OEM (the “Customer Plant Claims Program” and the Debtors’ obligations with respect thereto, the “Customer Plant Claims Obligations”).

172. Second, Visteon provides standard consumer limited warranties to the ultimate purchasers of Visteon's products and parts through an OEM (the "Aftermarket Warranties," and the Debtors' obligations with respect thereto, the "Aftermarket Warranty Obligations," and, collectively with the OEM Warranties, the "Warranties" and the Debtors' obligations with respect thereto, collectively, the "Warranty Obligations").<sup>32</sup> In general, Visteon also will participate in the warranty programs the OEMs offer to their aftermarket customers. Notably, the Debtors' products also often contain parts and assemblies supplied by the Debtors' vendors, many of which are under warranty from those vendors. In other words, if one of these parts or components supplied by one of the Debtors' vendors fails, or is part of a warranty claim against the Debtors, the Debtors may have recourse against the vendor who supplied such part or component.

173. From an accounting perspective, in the ordinary course of business, Visteon accrues liabilities based on management's estimate of the amount that will eventually be required to settle or discharge such warranty obligations. This estimate is generally determined with the input of Visteon's sales, engineering, quality control, and legal departments and is based on many factors, including past experience, production changes, and industry developments.

174. As of May 15, 2009, the Debtors' accrued balances for estimated OEM Warranty Obligations and Aftermarket Warranty Obligations were \$84.1 million and \$2.8 million, respectively.

---

<sup>32</sup> As described in more detail below, for final reporting purposes, the Debtors accrue Warranty costs at the time of sale of the applicable products. The Debtors' Warranty accrual is based on management's estimate, with support from its sales, engineering, quality and legal functions, of the amount that will eventually be required to settle such Warranty Obligations. In 2008, the Debtors paid approximately \$54.2 million on account of Warranty Obligations.

**ii. The ACH Programs**

175. Visteon's Customer Programs also include programs related to ACH, such as the reconciliation of payments received from shared customers. In 2005, the Debtors, ACH, and Ford entered into various agreements governing the terms of the transition of facilities and assets from Visteon to ACH and the provision of certain shared services going forward. Pursuant to that certain Master Services Agreement between the Debtors and ACH dated as of September 30, 2005 (as amended on April 24, 2006, June 7, 2007 and August 14, 2008, the "Master Services Agreement"), the Debtors provide critical services to ACH, including, among others, information technology support and accounting services. Visteon also contracts with certain third-party service providers to provide services, such as technology and accounting support, to the Debtors and ACH for provision pursuant to the Master Services Agreement. ACH compensates the Debtors for services received from such third-party service providers.

176. Under the terms of the Master Services Agreement, the Debtors deliver monthly invoices to ACH that forecast internal and third-party services provided that month, as well as true up the payments for the prior month's services. ACH pays the Debtors for such costs plus a 5 percent markup within two days of receipt of a final invoice. Thus, ACH pays the Debtors for third-party services prior to the Debtors' receipt or payment of invoices from the third-party providers. As of the Petition Date, Visteon owed approximately \$5.2 million in prepetition payments for third-party services provided to ACH, which amount already has been paid to the Debtors by ACH pursuant to the Master Services Agreement.

177. Similarly, the Debtors contract with certain third-party agencies who provide temporary workers to ACH as well as to the Debtors. ACH makes biweekly payments to the Debtors for their portion of the temporary workers' wages and typically, such payments are received two weeks prior to the date the Debtors pay the agencies for services. As of the Petition

Date, I do not believe that any amounts were owed to the agencies on account of temporary workers who service ACH. Nevertheless, if claims were outstanding, the Debtors' failure to pay such providers and agencies could deprive ACH of services critical to the operation of their business, as well as have a collateral impact on the Debtors' operations by disrupting and impairing their relationship with ACH and Ford.

178. In addition, because of the shared corporate history between the Debtors, ACH, and Ford, from time to time, the parties make or receive payments that should have been received or made by one of the other parties. For example, at times ACH or Ford may pay a vendor directly when, pursuant to the agreements between Visteon and ACH, Visteon should have made such payment and then sought reimbursement from ACH or Ford. Occasionally, one or more of ACH's customers incorrectly make payments to Visteon, rather than ACH, for products or services received from ACH. In these and other similar instances, the parties in good faith reconcile such payments. I believe that honoring the Debtors' prepetition commitments to ACH is necessary to maintain a positive relationship with Ford and ACH going forward.

**I. Utilities Motion**

179. In the ordinary course of their businesses, the Debtors incur utility expenses for electric, gas, propane, water, telephone, internet, and other similar utility services. Approximately 42 utility providers (collectively, the "Utility Providers") provide these services through approximately 75 accounts.<sup>33</sup> On average, the Debtors spend approximately \$2.2

---

<sup>33</sup> The Utility Providers invoice the Debtors directly, in many cases in care of a third-party provider.



million each month on utility costs.<sup>34</sup> Additionally, the Debtors have existing one-month prepayments with certain Utility Providers totaling approximately \$15,000.

180. I believe uninterrupted utility services are essential to the Debtors' ongoing operations and to the success of their reorganization. Indeed, I believe any interruption of utility services, even for a brief period of time, would negatively affect the Debtors' operations, customer relationships, revenues and profits, seriously jeopardizing the Debtors' reorganization efforts and, ultimately, value and creditor recoveries.

**J. Taxes and Fees Motion**

181. In the ordinary course of business, the Debtors: (a) collect and incur taxes, including sales, use, franchise, income, property, and other taxes in operating their businesses (collectively, the "Taxes"); (b) charge fees and other similar charges and assessments (collectively, the "Fees") on behalf of various taxing, licensing, and other governmental authorities (collectively, the "Authorities"); and (c) pay Fees to such Authorities for licenses and permits required to conduct the Debtors' businesses in the ordinary course. I believe the Debtors' failure to pay the Taxes and Fees could have a material adverse impact on their ability to operate in the ordinary course of business.

**i. Sales and Use Taxes**

182. The Debtors collect and remit sales taxes in connection with the sale of automotive products to their customers. Generally, the Debtors collect sales taxes from customers and remit such taxes to the Taxing Authorities in the month following their collection. The Debtors also may be responsible for remitting use taxes on account of the purchase of

---

<sup>34</sup> The monthly average is based on the Debtors' average utility payments made from April 2008 to March 2009 (the monthly average for one utility provider is based on average utility payments made from January to April 2009, because the Debtors significantly reduced their contract with such utility provider in late 2008).

various inventory, raw materials, supplies, or other goods. Use taxes typically arise if a supplier does not have business operations in the state in which it is supplying goods and does not charge state taxes. In an average month, the Debtors remit approximately \$65,000 per month in sales and use taxes to various Taxing Authorities. In 2008, the Debtors paid approximately \$712,200 in sales and use taxes. I estimate that as of the Petition Date, approximately \$73,000 in sales and use taxes have accrued but remain unpaid.

**ii. Franchise and Income Taxes**

183. The Debtors pay certain franchise and income taxes to the Authorities. Franchise taxes may be based on a flat fee, net operating income, or capital employed. Certain jurisdictions assess both franchise taxes and income taxes, while others assess either franchise taxes or income taxes depending on which results in a higher tax. Moreover, some jurisdictions require estimated franchise tax payments to be remitted on a quarterly basis if the estimated franchise taxes exceed a certain threshold. In 2008, the Debtors paid approximately \$1.72 million in franchise and income taxes. In 2009, I estimate the Debtors will owe franchise and income taxes that accrued in 2008 and franchise and income taxes that have accrued since January 1, 2009. I estimate that as of the Petition Date, approximately \$500,000 in franchise and income taxes have accrued that remain unpaid.

**iii. Real and Personal Property Taxes**

184. In addition, under applicable law, state and local governments in jurisdictions where the Debtors' operations are located are granted the authority to levy property taxes against the Debtors' real and personal property. The Debtors typically pay the property taxes on their real and personal property in the ordinary course of business as such taxes are invoiced and in arrears. In 2008, the Debtors paid approximately \$7 million on account of real and personal property taxes. I estimate that as of the Petition Date, approximately \$3.31 million in real and

personal property taxes that accrued in 2008 and approximately \$1.97 million in real and personal property taxes that accrued during the period January 1, 2009 through the Petition Date remain unpaid.

**iv. Business License Fees, Annual Report Taxes, and Other Taxes**

185. The Debtors must obtain various business licenses, permits, and certificates and pay corresponding fees in many jurisdictions in which they operate. In some states, the Debtors pay annual reporting fees to state governments to remain in good standing for purposes of conducting business within the state. Further, the Debtors must also pay miscellaneous business taxes in certain states. The cost associated with the various licenses, permits, and other fees is approximately \$26,000 per month. I estimate that as of the Petition Date, approximately \$50,000 in Prepetition Fees have accrued and remain unpaid.

186. I estimate that the total amount of prepetition Taxes and Fees owed to the various Authorities will not exceed approximately \$6.0 million.

**K. NOL Motion**

187. I believe that the Debtors have net operating losses in the amount of \$2.5 billion, capital losses of approximately \$231 million, built-in losses of approximately \$400 million, and certain tax credits of approximately \$700 million (together, the "Tax Attributes"). The net operating losses, capital losses, and built-in losses are valuable because they may be used to offset other taxable income, while the tax credits may be used as a dollar-for-dollar offset against taxes owed. While the value of these Tax Attributes is contingent upon on whether the Debtors will have sufficient taxable income to use the Tax Attributes before they expire, they could translate into potential future tax savings for the Debtors of approximately \$1.95 billion, based on a combined federal and state income tax rate of 40%. Thus, I believe the Debtors' Tax Attributes are an extremely valuable asset of their estates, whose availability will facilitate the

Debtors' successful reorganization and serve to improve creditor recoveries. Furthermore, the relief the Debtors are seeking pursuant to the NOL motion, to the best of my knowledge, only directly impacts two entities that are considered 5% shareholders as of the Petition Date.

**L. Kurtzman Carson Consultants LLC Retention Application**

188. The Debtors have proposed to engage Kurtzman Carson Consultants LLC to act as the Debtors' notice and claims agent because this is an effective and efficient manner of providing notice to the thousands of creditors and parties in interest of the filing of the Debtors' chapter 11 cases and other developments in the chapter 11 cases, and of addressing other similar duties during these cases.

**M. Cash Collateral**

189. I believe the Debtors have an immediate postpetition need for the use of Cash Collateral in order to, among other things, continue the operations of their business, maintain business relationships with vendors, suppliers and customers, pay employees and satisfy other working capital and operational needs—all of which are vital to preserving and maintaining the Debtors' going-concern value and, ultimately, effectuating a successful reorganization for the benefit of all parties in interest. Without use of Cash Collateral, the Debtors will not be able to pay their vendors, and their vendors likely will cease to provide goods and services to the Debtors on credit. The Debtors will not be able to fund payroll. The Debtors will not be able to pay the professionals necessary for the successful reorganization of their business. Finally, the Debtors will not be able to service their customers. Thus, absent authority to use Cash Collateral immediately, the Debtors' ability to maximize the value of their global enterprise estates would be jeopardized and the Debtors would be forced to undertake a liquidation of their business to the direct detriment of all parties in interest, causing immediate, substantial and irreparable harm.

190. The Debtors use cash on hand and deposited in their deposit and associated accounts to fund their day-to-day operations. As of the Petition Date, the Debtors had approximately \$200 million of cash on hand and in accounts, which comprises Cash Collateral. The Debtors' detailed cash flow forecast projects that such cash will be sufficient to operate their business during the interim period. I believe it is critical to the success of these chapter 11 cases for the Debtors to have continued access to this Cash Collateral.

### **Second Day Pleadings**

#### **A. Kirkland & Ellis LLP Retention Application**

191. The Debtors seek to retain Kirkland & Ellis LLP ("K&E") as their attorneys because K&E has extensive experience and knowledge in the field of debtors' and creditors' rights and business reorganizations under chapter 11 of the Bankruptcy Code. K&E has been working with the Debtors since January 2009 with respect to various restructuring and other related matters.

#### **B. Pachulski Stang Ziehl & Jones LLP Retention Application**

192. The Debtors seek to retain Pachulski Stang Ziehl & Jones LLP ("Pachulski") as their local counsel because Pachulski has extensive experience and knowledge in the field of debtors' and creditors' rights and business reorganizations under chapter 11 of the Bankruptcy Code. Pachulski has been working with the Debtors since May 2009 with respect to various restructuring and other related matters.

#### **C. Alvarez & Marsal North America, LLC Retention Application**

193. The Debtors seek to retain Alvarez & Marsal North America, LLC ("A&M") as the Debtors' restructuring consultants. A&M has been working with the Debtors since January 2009 with respect to various restructuring and other related matters. I believe that A&M's familiarity with the Debtors business coupled with its extensive experience in providing

consulting services to debtor entities involved in reorganization proceedings enables it to provide restructuring advice to the Debtors in a cost-effective, efficient, and timely manner.

**D. Rothschild Inc. Retention Application**

194. The Debtors seek to retain Rothschild, Inc. (“Rothschild”) as their financial advisor and investment banker because, among other things, Rothschild has extensive experience and an excellent reputation in providing high quality financial advisory and investment banking services to debtors and creditors in bankruptcy reorganizations and other restructurings. Rothschild has been working with the Debtors since December 2008 with respect to various restructuring and other related matters.

**E. Ordinary Course of Business Professionals Motion**

195. The Debtors employ certain professionals utilized in the ordinary course of business, including various attorneys, accountants, and other professionals ( the “OCPs”). The OCPs provide services to the Debtors in a variety of matters unrelated to these chapter 11 cases, including specialized legal services, accounting services, auditing and tax services, and certain consulting services.

196. Although the Debtors anticipate that the OCPs will want to continue to represent the Debtors on an ongoing basis, some may not do so if the Debtors cannot pay them on a regular basis. I believe that continued employment and compensation of the OCPs is in the best interests of the Debtors’ estates, creditors, and other parties in interest. In light of the substantial number of OCPs, I believe there would be significant costs associated with the preparation of retention applications for professionals who will receive relatively modest fees. I believe that it would be impractical and inefficient for the Debtors and their legal advisors to prepare and submit individual applications and proposed retention orders for each OCP.

**F. Interim Compensation Motion**

197. As described above, the Debtors are seeking authorization to retain and employ various professionals (the “Debtors’ Professionals”), including: (a) Kirkland & Ellis LLP, as restructuring counsel; (b) Alvarez & Marsal Holdings, LLC as financial advisors; (c) Rothschild Inc., as investment banker; and (d) Pachulski Stang Ziehl & Jones LLP, as Delaware restructuring counsel. To the extent necessary, the Debtors may seek to retain additional professionals during the chapter 11 cases. Additionally, any Committee likely will retain counsel and other professionals to represent them in connection with these cases. To the extent necessary, the Debtors may seek to retain additional professionals during the chapter 11 cases. I believe that the establishment of compensation procedures will enable the Debtors to closely monitor costs of administration, maintain a level of cash flow availability, and implement efficient management procedures.

**G. Lease Rejection Motion**

198. As of the Petition Date, the Debtors are party to three unexpired leases of nonresidential real property (collectively, and together with all exhibits, schedules or documents referenced therein or attached thereto, the “Leases”) which they seek to reject. The Leases are described below:

- a. Visteon Corporation leases nonresidential real property located at 777 Woodward Ave., Detroit, Michigan 48226 from REDICO Management pursuant to a lease agreement dated December 8, 2004 (the “Kennedy Lease”). The Kennedy Lease covers approximately 102,804 rentable square feet of space. The Debtors formerly utilized the space subject to the Kennedy Lease as office space. The Kennedy Lease expires on March 31, 2016, with an annual rental expense of approximately \$2,671,299.72 (\$222,608.31 per month).
- b. Visteon Climate Control Systems, Ltd. leases nonresidential real property located at 4900 North America Dr., Suite B, West Seneca, Buffalo, New York 14227 (the “Buffalo Lease”) from and Sonwil Distribution Center, Inc. pursuant to a lease agreement dated November 10, 2000. The Buffalo

Lease covers approximately 254,050 rentable square feet of space. The Debtors formerly utilized the space subject to the Buffalo Lease for the manufacturing and warehousing of aftermarket production parts. The Buffalo Lease expires on May 31, 2011, with an annual rental expense of approximately \$1,260,578.76 (\$105,048.23 per month).

- c. VC Regional Assembly & Manufacturing, LLC leases nonresidential real property located at 101 NE Davis Road, Concordia, Missouri 64020 from I-70 Storage, Inc. pursuant to a lease agreement dated April 7, 2002, and assigned by Visteon Corporation on October 31, 2002 (the "Concordia Lease"). The Concordia Lease covers approximately 76,475 rentable square feet of space. The Debtors formerly utilized the space subject to the Concordia Lease for manufacturing twin-sheet fuel tanks for Ford. The Concordia Lease expires on September 30, 2011, with an annual rental expense of approximately \$289,170.00 (\$24,097.50 per month).

199. To the best of my knowledge, the Debtors no longer need the spaces occupied under the Leases and completely vacated the premises subject to the Leases prior to the Petition Date.

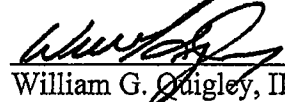


Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing statements are true correct.

Van Buren Township, Michigan

Dated: May 28, 2009

Respectfully submitted



William G. O'Quigley, III  
Chief Financial Officer and Executive Vice  
President  
Visteon Corporation