IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	:	
VISTEON CORPORATION, et al.,	:	**Chapter 11 Case No.**
	:	**09 – 11786 (CSS)**
Debtors.	:	
	:	**(Jointly Administered)**
AD HOC EQUITY COMMITTEE,	:	
Movants,	:	
-against-	:	
PREPETITION TERM AGENT,	:	
OFFICIAL COMMITTEE OF UNSECURED CREDITORS AND	:	
VISTEON CORPORATION, et al.,	:	**Ref. Nos. 2720, 2942, 2944, 2945 and 2983**
Respondents.	:	

REPLY OF AD HOC EQUITY COMMITTEE IN VISTEON CORPORATION IN SUPPORT OF ITS MOTION FOR ORDER DIRECTING APPOINTMENT OF EXAMINER PURSUSANT TO SECTION 1104(C)(2) OF THE BANKRUPTCY CODE

The Ad Hoc Committee of Equityholders (the "Ad Hoc Equity Committee")[1] in the chapter 11 cases of Visteon Corporation ("Visteon" or the "Company") and its debtor

[1] The members of the Ad Hoc Equity Committee collectively hold 12.89% of the outstanding common stock of Visteon. For the sake of clarity, the Ad Hoc Equity Committee does not comprise the certain group of shareholders moving for an order directing the appointment of a statutory equityholders committee. *See* Motion of Various Shareholders for an Order Appointing an Official Committee of Equity Security Holders [Docket No. 2834].

affiliates, as debtors in possession (collectively, the "Debtors"),[2] files this reply (the "Reply") in support of its Motion, dated April 2, 2010, for an Order Directing The Appointment of an Examiner Pursuant to Section 1104(c)(2) of The Bankruptcy Code [Docket No. 2720] (the "Motion") and in reply to the objections thereto filed by the Prepetition Term Agent [Docket No. 2942] (the "Term Lender Objection"), the Official Committee of Unsecured Creditors [Docket No. 2944] (the "Unsecured Objection") and the Debtors [Docket No. 2945] (the "Debtors' Objection", together with the Term Lender Objection and Unsecured Objection, the "Objections"). In reply, the Ad Hoc Equity Committee respectfully represents:

RESPONSE

A. The Standard for the Mandatory Appointment of an Examiner Is Clearly Met In These Cases

1. Section 1104(c) of the Bankruptcy Code plainly sets forth that in a case such as this one, with liquidated, unsecured debts exceeding $5,000,000, the Court "shall" appoint an examiner on the motion of any party in interest or the U.S. Trustee. *See* 11 U.S.C. § 1104(c). The word "shall" must be interpreted according to its plain meaning. *See Perrin v. United States*, 444 U.S. 37, 42 (1979) (interpreting words according to their plain meaning is a fundamental canon of statutory construction). Not surprisingly, Courts have consistently

[2] 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.

interpreted the term "shall" to mean "mandatory". *See*, *e.g.*, *Lopez v. Davis*, 531 U.S. 230, 241 (2001) ("Congress used 'shall' to impose discretionless obligations"); *Lexecon Inc. v. Milberg Weiss Bershad Hynes & Lerach*, 523 U.S. 26, 35, 118 S.Ct. 956, 962 (1988) ("the mandatory 'shall' … normally creates an obligation impervious to judicial discretion"); *Bell Atlantic-New Jersey, Inc. v. Tate*, 962 F.Supp. 608, 616 n.6 (D.N.J. 1997) ("The word 'shall' when utilized in laws, directives, and the like, means 'must' or 'is or are obligated to.'"); *Williamsport Sanitary Auth. v. Train*, 464 F.Supp. 768, 772 n.1 (M.D. Pa. 1979) ("shall" connotes a mandatory intent).

2. Numerous courts, including the only circuit court to address the question, have followed this plain meaning of the statute to support the mandatory nature of examiner appointments. *See In re Revco D.S., Inc.*, 898 F.2d 498, 501 (6th Cir. 1990) ("[W]e find that the appointment of an examiner is mandatory under §1104(b)(2)."); *In re Walton*, 398 B.R. 77, 81 (Bkrtcy. N.D. Ga. 2008) ("[E]very district court and nearly every bankruptcy court that has confronted the question has also read the provision to be mandatory on its face."); *In re Loral Space & Communications, Ltd.*, 2004 WL 2979785, *4 (S.D.N.Y. 2004), *rev'g* 313 B.R. 577 (Bankr. S.D.N.Y. 2004) ("As stated in *Collier on Bankruptcy*, 'Section 1104(c)(2) does not leave any room for the court to exercise discretion about whether an examiner should be appointed, as long as the $5,000,000 threshold is met and a motion for appointment of an examiner is made by a 'party in interest.'"); *In re UAL Corp.*, 307 B.R. 80, 84 (Bankr. N.D. Ill. 2004) (examiner appointment is mandatory if requirements of section 1104(c)(2) are satisfied); *In re Big Rivers Electric Corp.*, 213 B.R. 962, 965-966 (Bankr. W.D. Ky. 1997) (examiner appointment required as a matter of law).

3. To evade the clear meaning of the statute, each of the Objections argues that the phrase "as is appropriate" modifies the phrase "shall order the appointment of", such that the

decision to appoint an examiner is left to the discretion of the Court. *See* Term Lender Objection at 2-3; Unsecured Objection at 7-9; Debtors' Objection at 4-6. This is an incorrect reading of the statute. Read plainly, the phrase "as is appropriate" modifies the term "investigation," and does not render appointment discretionary. Regardless, when applied to the facts of these cases, even this incorrect statutory interpretation supports the appointment of an examiner because there is an appropriate investigation to be undertaken. Among other items to be investigated, the Ad Hoc Equity Committee submits the following: (i) current management's failure and refusal to formulate plans based on the market's determination of enterprise value; (ii) the Debtors' opposition to all efforts of shareholders to protect their interests, including opposing the appointment of a statutory shareholders' committee and negotiating lock-up and plan support agreements throwing obstacles in shareholders' ability to realize the estates' equity value; (iii) the Debtors' projections routinely and grossly understating operating results, particularly near-term results, which almost appear intentional; and (iv) current management negotiating options for themselves.

4. Indeed, courts have dismissed the statutory mandate for examiner appointment only in rare cases and on facts inapposite to the present circumstances. *See* Unsecured Objection at 6-9. For instance, in *Spansion*, the Court rested its decision on findings that the parties had the opportunity to fully investigate material issues, and merely diverged on opinions related to confirmation. *See In re Spansion*, 2010 WL 1292837, *7 (Bankr. D. Del. April 1, 2010).

5. The situation in *Spansion* could not be farther from the facts before this Court. First, there has been no opportunity to fully investigate material issues. By the time shareholders began to learn the true facts underlying valuation and to organize, the Debtors were already projecting results to support insolvency and locking themselves into a chapter 11 plan requiring

the extinguishment of equity. Second, the Debtors have fought their owners every step of the way insofar as attempting to block competing plans and a statutory equity committee. Indeed, the Debtors just this morning filed a plan support agreement locking themselves into yet another plan extinguishing equity. The Debtors have taken every step available to maintain the unlevel playing field on which they spend unlimited estate resources to extinguish equity. Third, the Debtors will surely argue they have no duty to propose the best plan – only a confirmable one. While we submit their plan will not be confirmable, an examiner is the only available method to bring to light the Debtors' subtle actions to squelch any results, projections, and plans that can enable shareholders to realize value. Notably, by the terms of the statute (section 1125(a)(1)), disclosure statements are not required to disclose "any other possible or proposed plan." *See* 11 U.S.C. §1125(a)(1).

6. On February 26, 2010, the Debtors released 2009 year-end financial results that dramatically changed the course of these cases. The Debtors' enormously improved financial performance, as well as the market's reflection of the bright prospects for the automotive sector and the economy as a whole, have rendered the Debtors' intended path for these cases illegal and improvident. Indeed, prior to the release of the 2009 financial results, the Debtors filed a plan that provided no recovery for unsecured debt, much less equity. Now, that same unsecured debt is trading above par plus accrued interest. To pretend that this is a typical case where the Debtor has worked over the course of a year towards an inevitable plan that extinguishes equity is disingenuous. Yet, despite these different circumstances, the Debtors remain on approximately the same path as before and continue to stand behind a plan that rests on erroneous valuations and projections simply unsupported and refuted by the currently improving financial landscape.

7. Moreover, the Ad Hoc Equity Committee agrees with the U.S. Trustee that the Court in *Spansion* "failed to follow the clear and unambiguous language of the statute." United States Trustee's Statement with Respect to The Motion of The Ad Hoc Equity Committee in Visteon Corporation for Order Directing the Appointment of an Examiner Pursuant to Section 1104(c)(2) of the Bankruptcy Code at 5. Notably, the confirmation requirements in Bankruptcy Code section 1129(a)(1)-(3) together require that a plan and its proponent comply with all law. Based on *Spansion*, therefore, one could argue there is never a basis for appointing an examiner because every issue to be investigated (i.e., whether the estate value can be increased by suing current and former management and directors, whether the plan is consistent with fiduciary duties of officers and directors, etc.) can be part of confirmation.

8. While the appointment of an examiner is mandatory, the scope of the investigation and resources available to the examiner are left to this Court's discretion. Contrary to the interpretation of the Respondents, however, the scope is not limited to the instances listed in section 1104(c), as such subsection introduces such instances with the prefatory language "including". *See* Unsecured Objection at 9-10. Section 102(3) of the Bankruptcy Code expressly states the word "including" does not limit its construction. *See* 11 U.S.C. § 102(3) ("includes" and "including" are not limiting). Indeed, courts have interpreted the use of the term "including" and section 102(3) in this manner. *See, e.g., American Sur. Co. of New York v. Marotta*, 287 U.S. 513 (1933) ("include" is frequently if not generally, used as a word of extension or enlargement rather than as one of limitation or enumeration); *Highway and City Freight Drivers, Dockmen and Helpers, Local Union No. 600 v. Gordon Transports, Inc.,* 576 F.2d 1285 (8th Cir. 1978) (the fact that the statutory definition phrased in terms of what the word "includes" does not specifically mention a particular category does not imply the category falls

outside the definition); *In re Hathaway Ranch Partnership*, 116 B.R. 208, (Bkrtcy.C.D.Cal. 1990) (the words "includes" and "including" are not limiting), *In re Ionosphere Clubs, Inc.*, 101 B.R. 844 (Bankr. S.D.N.Y. 1989) (appearance of word "including" in the statute renders list as not all inclusive), *but see In re Adelphia Communications Corp.*, 336 B.R. 610, 656 (Bankr. S.D.N.Y. 2006) (these "'words' are nevertheless known by the company they keep"). Nonetheless, the Ad Hoc Equity Committee submits that the scope of investigation requested in the Examiner Motion falls with the plain language of the instances identified in section 1104(c).

B. The Debtors Actually Admit They Believe They Have No Fiduciary Duties To Shareholders

9. In their Objection, the Debtors contend they no longer owe fiduciary duties to their shareholders because they believe Debtors are insolvent:

> "As the Debtors' valuation analysis shows,[3] the Debtors are insolvent and their shareholders are not entitled to a recovery. Thus, the Debtors' fiduciary duties run to their creditors, not equity holders. *See Commodity Futures Trading Comm'n v. Weintraub*, 471 U.S. 343, 355 (1985) ('In cases in which it is clear that the estate is not large enough to cover any shareholder claims, the trustee's (actions) will benefit only creditors, but there is nothing anomalous in this result; rather it is in keeping with the hierarchy of interests created by the bankruptcy laws'). Moreover, the conduct of the Debtors has been consistent with the goal of maximizing the value of their estates for the benefit of all stakeholders including equity holders."

Debtors' Objection at 8-9 (emphasis in original). Notably, the Debtors' quotation from *Weintraub* assumes a "clear" case of insolvency and even then does not say what the Debtors' cite it for, namely that upon insolvency the Debtors' fiduciary duties run to creditors and not equity holders. The Supreme Court in *Weintraub* was merely making the unremarkable

[3] Ironically, the Debtors rely on their "valuation," which was prepared by Rothschild (the Debtors' financial advisor), to justify dereliction of their fiduciary duties, but then mock such valuations elsewhere in their Objection. *See* Debtors' Objection at 4 (pejoratively accusing the Ad Hoc Equity Committee of resorting to "desktop valuation theories") and fn. 11 ("This Court has recognized that experts have the ability to manipulate comparables to obtain a valuation to support their position."). If, as the Debtors suggest, expert reports are truly unreliable, then one would presume that the Debtors would rely on the market to establish value. To the contrary, the Debtors wholly ignore the market.

observation that any incremental value created by the actions of the debtor (or trustee) will inure to the benefit of the party entitled to that value (i.e., the waterfall priority system). By making the argument that they no longer owe duties to their shareholders, the Debtors are essentially admitting that they are ignoring the shareholders' interests.

10. To further justify the abandonment of their duties, the Debtors cite *N. Am. Catholic Educ. Programming Found. Inc. v. Gheewalla*, 930 A.2d 92 (Del. 2007). In doing so, however, they quote a snippet from the tenth page (while ignoring the first nine pages) to support the contention that *Gheewalla* held that the fiduciary duties of an insolvent debtor shift from shareholders to creditors. *See* Debtors' Objection at 9 (citing *Gheewalla* for the Debtors' assertion that "when a company becomes insolvent, the company's fiduciary duties shift from its shareholders to its creditors who would receive any increase in value."). Nowhere in *Gheewalla* does the court rule or reason that the fiduciary duties to shareholders disappear or shift when the 'zone of insolvency' becomes 'insolvency.'

11. In fact, the opposite is true. *Gheewalla* repeatedly holds the corporation and its officers and directors have fiduciary duties to the corporation and to its shareholders:

> "**It is well established that the directors owe their fiduciary obligations to the corporation and its shareholders.** While shareholders rely on directors acting as fiduciaries to protect their interests, creditors are afforded protection through contractual agreements, fraud and fraudulent conveyance law, implied covenants of good faith and fair dealing, bankruptcy law, general commercial law and other sources of creditor rights. Delaware courts have traditionally been reluctant to expand existing fiduciary duties."

Gheewalla, 930 A.2d at 99 (emphasis supplied) (footnotes omitted).

12. To reaffirm that principle even when the corporation operates in the zone of insolvency, *Gheewalla* rules:

> "Delaware corporate law provides for a separation of control and ownership. **The directors of Delaware corporations have 'the legal responsibility to manage the business of a corporation for the benefit of its shareholders owners.'**

> Accordingly, fiduciary duties are imposed upon the directors to regulate their conduct when they perform that function."

Id. at 101 (bold emphasis supplied) (italicized emphasis in original) (footnotes omitted) (quoting *Malone v. Brincat*, 722 A.2d 5, 9 (Del. 1998)). To leave no doubt about the continuing fiduciary duty to shareholders, *Gheewalla* rules:

> "**When a solvent corporation is navigating in the zone of insolvency, the focus for Delaware directors does not change: directors must continue to discharge their fiduciary duties to the corporation and its shareholders** by exercising their business judgment in the best interests of the corporation for the benefit of its shareholder owners."

Id. (emphasis supplied). Finally, *Gheewalla* addresses the one thing that changes upon insolvency, namely enforcement of the fiduciary duties to the corporation when shareholders no longer have an incentive to enforce those duties. *Gheewalla* rules the fiduciary duties to the corporation may be enforced derivatively by creditors:

> When a corporation is insolvent, however, its creditors take the place of the shareholders as the residual beneficiaries of any increase in value. Consequently, the creditors of an insolvent corporation have standing to maintain derivative claims against directors on behalf of the corporation for breaches of fiduciary duties. The corporation's insolvency makes the creditors the principal constituency injured by any fiduciary breaches that diminish the firm's value. Therefore, equitable considerations give creditors standing to pursue derivative claims against the directors of an insolvent corporation. Individual creditors of an insolvent corporation have the same incentive to pursue valid derivative claims on its behalf that shareholders have when the corporation is solvent.

Id. at 101-102 (emphasis in original) (footnotes and quotations omitted).

13. Indeed, after explaining that creditors are protected by contract rights, implied covenants of fair dealing, fraudulent transfer laws, and bankruptcy, *Id*. at 99, there would be no logic in ruling the officers and directors stop owing duties to shareholders and owe them to creditors. To the contrary, *Gheewalla* rules the directors and officers must remain free of direct fiduciary duties to creditors precisely so they will be free "to engage in vigorous, good faith

negotiations with individual creditors for the benefit of the corporation." *Id*. at 103. Notably, this Court recently reaffirmed this principle in *Midway*, where this Court, citing *Gheewalla*, found that "directors do not have a duty to protect creditors of an insolvent corporation at the expense of the corporation and its shareholders . . . [t]he law is thus settled that directors do not have a duty to creditors of an insolvent corporation to abandon the effort to rehabilitate the corporation in favor of creditors' interests." *Official Comm. of Unsecured Creditors of Midway Games, Inc. v. Nat'l Amusements Inc. (In re Midway Games Inc.)*, 2010 WL 399295, *8 (Bankr. D. Del. Jan. 29, 2010).

14. This is precisely where Visteon, and its officers and directors, are violating their direct fiduciary duties to shareholders. Rather than propose a plan that pays some creditors with new debt or preferred equity instruments, Visteon is attempting to extinguish shareholders by asserting all creditors must be paid only in cash, or else they receive all the common equity.

15. The Debtors' proposition defies all logic and fairness. According to the Debtors, when the market is signaling solvency, the Debtors can simply offload their fiduciary duties to their shareholder-owners by declaring insolvency.

C. **The Examiner Motion Is Not A Litigation Tactic**

16. In its Objection, the Unsecured Committee alleges, without evidence, that the Examiner Motion is no more than a litigation tactic designed to delay these proceedings. *See* Unsecured Objection at 18. To justify this allegation, the Unsecured Committee complains that an examiner at this point in the proceedings "would serve to disrupt a well advanced reorganization." *Id*. Put differently, the Unsecured Committee is concerned that the sweetheart deal being provided to the bondholders in the newly-filed bondholder plan (the "Bondholder Plan") will be derailed. It is not surprising that the Unsecured Committee is taking this position.

From all accounts, the bondholders do really well under the Bondholder Plan. Interestingly, the Bondholder Plan offers the bondholders the opportunity to purchase 95% of such equity under a rights offering. Why would the bondholders want that plan if the price of the equity were fair value? Currently, each bond issuance of the Debtors is trading above par plus accrued interest, which is more than such debt is legally entitled to recover under the Bankruptcy Code. The above-par trading value only makes sense if the bondholders receive rights to buy reorganized Visteon stock so far below actual value that the profit is worth more than all the outstanding principal and interest. Again, it is not surprising that the Unsecured Committee has an interest is seeing the status quo maintained.

17. The Unsecured Committee also makes the rather bizarre contention that it can properly investigate and analyze the same issues that the Examiner Motion identifies as appropriate for the examination. *Id*. at 17-18. This cannot be true. First, for the reason explained in the paragraph above, the Unsecured Committee would have no incentive to explore, for instance, whether the Debtors are discharging their fiduciary duties to their shareholders by proposing a wholly unfair plan clearly advantageous to other constituents. Unlike the Debtors, the Unsecured Committee actually has duties to the Debtors' unsecured creditors and not the shareholders. An examiner's report is filed for all parties in interest to review. Reports of statutory committee investigations are not filed. It is ridiculous to presume the Unsecured Committee could properly explore the issues indentified in the Examiner Motion. Second, the Unsecured Committee rejects the need for the investigation. Under these circumstances, it is irrational to believe that the Unsecured Committee is well suited to assume the obligations of an examiner in these cases.

D. **The Debtors' War on Its Shareholders Requires Investigation**

18. The Debtors have objected to every effort to bring sunshine and fairness to the process: exclusivity, opposition to an official equity committee, and here, opposition to the appointment of an examiner. Moreover, the Debtors attempt to lock themselves into plans extinguishing shareholders and then argue they are not locked up. *See* Debtors' Objection at 10-12. Also, as detailed in the Examiner Motion, the Debtors' recent projections have widely diverged from actual operating performance. Indeed, the Debtors' long-term projections seem unrealistic, given customer and peer performance, as well as the Company's own performance. This performance culminated in the latest 10-Q, which shows significant improvement over the last year. *See* Visteon Press Release attached hereto as Exhibit A. It is clear the Debtors refuse to confront reality and develop realistic projections because doing so will lead to the inevitable conclusion that, even upon a "desktop valuation," they are solvent.

19. In addition, the Unsecured Committee dismisses the concerns of the Ad Hoc Equity Committee regarding the incongruence between the Debtors' proposed plans and the market value of the Debtors' debt and equity as "misguided." *See* Unsecured Objection at 13. Notably, to support this position the Unsecured Committee only cites cases related to the trading price of the Debtors' equity. *Id*. at 13-14. While the Ad Hoc Equity Committee believes that the value of the Debtors' current equity remains instructive as to value (especially when it makes the jump from a few cents to $2.00 in a matter of months due to two consecutive quarters of excellent financial results of the Company and continuously improving macroeconomic trends within the automotive industry generally), the prices being paid for the Debtors' bond debt are most interesting. To state the obvious, investors buying the Debtors' equity have to discount its value substantially to take into account management and directors' war on equity and the unlevel

playing field to date where the Debtors use the estates' resources to prove insolvency and oppose all estate funded vehicles in opposition such as a statutory equity committee and an examiner.

20. As of the filing of this Reply, each issuance of the Debtors' unsecured bond debt was trading at more than par plus accrued interest, which is more than such debt is entitled to recover under the Bankruptcy Code. With the Bondholder Plan providing 95% of the equity of reorganized Visteon to the bondholders through a rights offering, the sophisticated market participants that are purchasing this debt must believe that the equity being offered in the rights offering is undervalued. Otherwise, the Debtors' bond prices are uneconomical and illogical (the buyers of this debt would be purchasing a loss). In spite of this clear evidence of solvency, the Debtors obstinately refuse even to stop attempting to extinguish equity. The Debtors' recalcitrance on this issue demands investigation by an impartial, third-party examiner.

21. On the morning of the filing of this Reply, the Debtors filed, among other things, the Bondholder Plan and Second Amended Disclosure Statement. Given the Ad Hoc Equity Committee submits this Reply without the benefit of a full review of today's filings, the Ad Hoc Equity Committee reserves all of its rights to further amend or supplement this Reply.

CONCLUSION

22. WHEREFORE the Ad Hoc Equity Committee respectfully reiterates its request for the appointment of an Examiner to investigate the issues set forth in its Motion and Reply, and granting it such other and further relief as the Court deems just and proper.

Dated: May 7, 2010
Wilmington, Delaware

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EXHIBIT A

Visteon Announces First-Quarter 2010 Results

VAN BUREN TOWNSHIP, Mich., April 30, 2010 /PRNewswire via COMTEX/ --First Quarter Summary

- ***Product sales of $1.85 billion, up 43 percent from first quarter 2009***
- ***Net income of $233 million***
- ***Adjusted EBITDA of $161 million, up $139 million from first quarter 2009***
- ***Cash generated by operating activities of $40 million, a $315 million year-over-year improvement***
- ***Cash balances of $1.1 billion***

Visteon Corporation (OTC: VSTNQ) today announced its first-quarter 2010 results, reporting net income of $233 million, or $1.79 per share, on product sales of $1.85 billion. For the first quarter of 2009, Visteon reported a net income of $2 million, or 2 cents per share, on product sales of $1.3 billion. Adjusted EBITDA, as defined below, for the first quarter of 2010 was $161 million, compared with $22 million in the first quarter of 2009.

(Logo: http://www.newscom.com/cgi-bin/prnh/20001201/DEF008LOGO)

"Increased global vehicle production, combined with our ongoing operational improvements and cost-reduction efforts, drove our year-over-year financial improvement," said Donald J. Stebbins, chairman, chief executive officer and president. "We benefited from aggressive actions taken over the past year to keep our cost structure in line with significantly reduced global volumes. Although in the near term we remain concerned about European production volumes, we're confident that our worldwide engineering and manufacturing footprint positions Visteon to support new global vehicle programs and grow with our customers around the world."

Approximately 27 percent of Visteon's first-quarter product sales were to Ford Motor Co. and 24 percent to Hyundai-Kia, with Renault-Nissan and PSA Peugeot-Citroen each accounting for about 7 percent of product sales. On a regional basis, Europe accounted for 39 percent of total product sales, with Asia representing 35 percent, North America 20 percent and South America 6 percent.

First Quarter 2010 Results

For the first quarter of 2010, total sales were $1.9 billion, including product sales of $1.85 billion and services revenue of $58 million. Product sales increased by $551 million, or 43 percent, year-over-year as higher production and new business wins, net of plant divestitures and closures, increased sales by about $414 million. Foreign currency further increased sales by about $146 million. The company experienced higher sales in each of the major regions in which it operates, reflecting increased production volumes by all customers as vehicle sales rebounded in response to stronger global economic conditions.

Gross margin for the first quarter was $418 million, compared with $45 million a year earlier. Factors contributing to this improvement included a $251 million gain related to the termination of certain company-paid medical, prescription drug and life insurance coverage benefits under certain U.S. other post-retirement employee benefit ("OPEB") plans; and the impact of higher customer production levels and net cost performance; partially offset by foreign currency.

Selling, general and administrative expense for the first quarter totaled $113 million, an increase of $5 million compared with the same period a year ago, as cost reductions were largely offset by an expense of $14 million related to the OPEB termination.

For the first quarter, the company reported net income of $233 million, or $1.79 per share. This compares with net income of $2 million, or 2 cents per share, in the same period a year ago. First quarter 2010 results included a $237 million net gain related to the OPEB termination, while first quarter 2009 results included a deconsolidation gain of $95 million related to Visteon UK Ltd.

Adjusted EBITDA for the first quarter was $161 million, compared with $22 million for the same period a year ago. During the first quarter, Visteon won approximately $141 million of business, with more than half generated in Asia.

Cash Flow and Liquidity

For the first quarter of 2010, Visteon generated $40 million in cash from operations, compared with an outflow of $275 million for the first quarter of 2009. The improvement was largely attributable to higher net income, lower trade working capital outflow and the impact of the automatic stay on interest payments. Capital expenditures in the first quarter were $25 million, equal to the amount a year earlier. Free cash flow, as defined below, was positive $15 million in the first quarter, compared with a use of $300 million in the first quarter of 2009.

As of March 31, 2010, Visteon had global cash balances, including restricted cash, of nearly $1.1 billion.

Visteon is a leading global automotive supplier that designs, engineers and manufactures innovative climate, interior, electronic and lighting products for vehicle manufacturers. With corporate offices in Van Buren Township, Mich. (U.S.); Shanghai, China; and Chelmsford, UK; the company has facilities in 25 countries and employs approximately 28,500 people.

Forward-looking Information

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not guarantees of future results and conditions but rather are subject to various factors, risks and uncertainties that could cause our actual results to differ materially from those expressed in these forward-looking statements, including, but not limited to,

- the potential adverse impact of the Chapter 11 proceedings on our business, financial condition or results of operations, including our ability to maintain contracts and other customer and vendor relationships that are critical to our business and the actions and decisions of our creditors and other third parties with interests in our Chapter 11 proceedings;
- our ability to maintain adequate liquidity to fund our operations during the Chapter 11 proceedings and to fund a plan of reorganization and thereafter, including obtaining sufficient "exit" financing; maintaining normal terms with our vendors and service providers during the Chapter 11 proceedings and complying with the covenants and other terms of our financing agreements;
- our ability to obtain court approval with respect to motions in the Chapter 11 proceedings prosecuted from time to time and to develop, prosecute, confirm and consummate one or more plans of reorganization with respect to the Chapter 11 proceedings and to consummate all of the transactions contemplated by one or more such plans of reorganization or upon which consummation of such plans may be conditioned;
- conditions within the automotive industry, including (i) the automotive vehicle production volumes and schedules of our customers, and in particular Ford's and Hyundai-Kia's vehicle production volumes, (ii) the financial condition of our customers or suppliers and the effects of any restructuring or reorganization plans that may be undertaken by our customers or suppliers or work stoppages at our customers or suppliers, and (iii) possible disruptions in the supply of commodities to us or our customers due to financial distress or work stoppages;
- new business wins and re-wins do not represent firm orders or firm commitments from customers, but are based on various assumptions, including the timing and duration of product launches, vehicle productions levels, customer price reductions and currency exchange rates;
- general economic conditions, including changes in interest rates and fuel prices; the timing and expenses related to internal restructurings, employee reductions, acquisitions or dispositions and the effect of pension and other post-employment benefit obligations;
- increases in raw material and energy costs and our ability to offset or recover these costs, increases in our warranty, product liability and recall costs or the outcome of legal or regulatory proceedings to which we are or may become a party; and
- those factors identified in our filings with the SEC (including our Annual Report on Form 10-K for the fiscal year ended Dec. 31, 2009).

The risks and uncertainties and the terms of any reorganization plan ultimately confirmed can affect the value of our various pre-petition liabilities, common stock and/or other securities. No assurance can be given as to what values, if any, will be ascribed in the Chapter 11 proceedings to each of these constituencies. A plan of reorganization could result in holders of our liabilities and/or securities receiving no value for their interests. Because of such possibilities, the value of these liabilities and/or securities is highly speculative. Accordingly, we urge that caution be exercised with respect to existing and future investments in any of these liabilities and/or securities. Caution should be taken not to place undue reliance on our forward-looking statements, which represent our view only as of the date of this release, and which we assume no obligation to update. The financial results presented herein are preliminary and unaudited; final financial results will be included in the company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.

Use of Non-GAAP Financial Information

This press release contains information about Visteon's financial results which is not presented in accordance with accounting principles generally accepted in the United States ("GAAP"). Such non-GAAP financial measures are reconciled to their closest GAAP financial measures at the end of this press release.

VISTEON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Millions, Except Per Share Data)
(Unaudited)

	Three Months Ended March 31	
	2010	2009
Net sales		
Products	$1,846	$1,295
Services	58	57
	1,904	1,352
Cost of sales		
Products	1,429	1,251
Services	57	56
	1,486	1,307
Gross margin	418	45
Selling, general and administrative expenses	113	108
Reorganization items, net	30	-
Restructuring expenses	8	27
Reimbursement from Escrow Account	-	62
Deconsolidation gain	-	95
Asset impairment and loss on divestitures	21	-
Operating income	246	67
Interest expense, net	3	51
Equity in net income of non-consolidated affiliates	30	7
Income before income taxes	273	23
Provision for income taxes	25	14
Net income	248	9
Net income attributable to noncontrolling interests	15	7
Net income attributable to Visteon	$233	$2
Per share data		
Net earnings per share attributable to Visteon	$1.79	$0.02
Average shares outstanding (millions)		
Basic	130.3	130.5
Diluted	130.3	130.5

VISTEON CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Millions)

	(Unaudited)	
	March 31	December 31

	2010	2009
ASSETS		
Cash and equivalents	$964	$962
Restricted cash	135	133
Accounts receivable, net	1,072	1,055
Inventories, net	353	319
Other current assets	318	236
Total current assets	2,842	2,705
Property and equipment, net	1,849	1,936
Equity in net assets of non-consolidated affiliates	320	294
Other non-current assets	87	84
Total assets	$5,098	$5,019
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Short-term debt, including current portion of long-term debt	$216	$225
Accounts payable	1,037	977
Accrued employee liabilities	163	161
Other current liabilities	315	302
Total current liabilities	1,731	1,665
Long-term debt	10	6
Employee benefits	519	568
Deferred income taxes	171	159
Other non-current liabilities	247	257
Liabilities subject to compromise	2,828	2,819
Shareholders' deficit:		
Preferred stock (par value $1.00, 50 million shares authorized, none outstanding)	-	-
Common stock (par value $1.00, 500 million shares authorized, 131 million shares issued, 130 million shares outstanding)	131	131
Stock warrants	127	127
Additional paid-in capital	3,408	3,408
Accumulated deficit	(4,343)	(4,576)
Accumulated other comprehensive income	(51)	142
Other	(4)	(4)
Total Visteon Corporation shareholders' deficit	(732)	(772)
Noncontrolling interests	324	317
Total shareholders' deficit	(408)	(455)
Total liabilities and shareholders' deficit	$5,098	$5,019

VISTEON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Millions)
(Unaudited)

	Three Months Ended March 31	
	2010	2009

Operating activities		
Net income	$248	$9
Adjustments to reconcile net income to net cash provided from (used by) operating activities:		
Depreciation and amortization	73	78
OPEB and pension amortization and curtailment	(240)	(8)
Deconsolidation gain	-	(95)
Asset impairments and loss on divestitures	21	-
Equity in net income of non-consolidated affiliates, net of dividends remitted	(29)	(7)
Reorganization items	30	-
Other non-cash items	11	2
Changes in assets and liabilities:		
Accounts receivable	(95)	15
Inventories	(38)	3
Accounts payable	49	(122)
Other	10	(150)
Net cash provided from (used by) operating activities	40	(275)
Investing activities		
Capital expenditures	(25)	(25)
Cash associated with deconsolidation	-	(11)
Other	1	2
Net cash used by investing activities	(24)	(34)
Financing activities		
Short-term debt, net	-	(15)
Cash restriction	(2)	(163)
Proceeds from issuance of debt, net of issuance costs	4	39
Principal payments on debt	(12)	(45)
Other, including book overdrafts	(1)	(56)
Net cash used by financing activities	(11)	(240)
Effect of exchange rate changes on cash	(3)	(27)
Net increase (decrease) in cash and equivalents	2	(576)
Cash and equivalents at beginning of year	962	1,180
Cash and equivalents at end of period	$964	$604

VISTEON CORPORATION AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(Dollars in Millions)
(Unaudited)

In this press release the Company has provided information regarding certain non-GAAP financial measures including "Adjusted EBITDA" and "free cash flow." Such non-GAAP financial measures are reconciled to their closest GAAP financial measure in the schedules below.

Adjusted EBITDA: Adjusted EBITDA is presented as a supplemental measure of the Company's performance that management believes is useful to investors because the excluded items may vary significantly in timing or amounts and/or may obscure trends useful in evaluating and comparing the Company's continuing operating activities across reporting periods. The Company

defines Adjusted EBITDA as net income (loss) attributable to the Company, plus net interest expense, provision for income taxes and depreciation and amortization, as further adjusted to eliminate the impact of asset impairments, non-operating gains and losses, net unreimbursed restructuring expenses and other reimbursable costs, and reorganization items. Because not all companies use identical calculations this presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

	Three Months Ended March 31	
	2010	2009
Net income attributable to Visteon	$233	$2
Interest expense, net	3	51
Provision for income taxes	25	14
Depreciation and amortization	73	78
Asset impairments, loss on divestiture and deconsolidation gain	21	(95)
Restructuring and other related costs	8	34
Reimbursement from escrow account	-	(62)
Employee benefit litigation	17	-
OPEB termination and wind-down revenue	(249)	-
Reorganization items	30	-
Adjusted EBITDA	$161	$22

Adjusted EBITDA is not a recognized term under GAAP and does not purport to be a substitute for net income (loss) as an indicator of operating performance or cash flows from operating activities as a measure of liquidity. Adjusted EBITDA has limitations as an analytical tool and is not intended to be a measure of cash flow available for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. In addition, the Company uses Adjusted EBITDA (i) as a factor in incentive compensation decisions, (ii) to evaluate the effectiveness of the Company's business strategies, and (iii) the Company's credit agreements use measures similar to Adjusted EBITDA to measure compliance with certain covenants.

Free Cash Flow: Free cash flow is presented as a supplemental measure of the Company's liquidity that management believes is useful to investors in analyzing the Company's ability to service and repay its debt. The Company defines free cash flow as cash flow from operating activities less capital expenditures. Because not all companies use identical calculations, this presentation of free cash flow may not be comparable to other similarly titled measures of other companies.

	Three Months Ended March 31	
	2010	2009
Net cash provided from (used by) operating activities	$40	$(275)
Capital expenditures	(25)	(25)

Free cash flow	$15	$(300)
	===	=====

Free cash flow is not a recognized term under GAAP and does not purport to be a substitute for cash flows from operating activities as a measure of liquidity. Free cash flow has limitations as an analytical tool and does not reflect cash used to service debt and does not reflect funds available for investment or other discretionary uses. In addition, the Company uses free cash flow (i) as a factor in incentive compensation decisions, and (ii) for planning and forecasting future periods.

SOURCE Visteon Corporation