

VISTEON CORP
Form DEF 14A
March 30, 2004

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

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)**

Filed by the registrant

Filed by a party other than the registrant

Check the appropriate box:

Preliminary proxy statement

Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))

Definitive proxy statement

Definitive additional materials

Soliciting material pursuant to §240.14a-12

Visteon Corporation

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment of filing fee (check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

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(4) Date Filed:

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

DATE: WEDNESDAY, MAY 12, 2004
TIME: 11:00 AM EASTERN DAYLIGHT TIME
LOCATION: HOTEL DU PONT
11th & MARKET STREETS
WILMINGTON, DELAWARE USA

To Visteon Stockholders,

We invite you to attend our 2004 Annual Meeting of Stockholders at the Hotel du Pont. At this meeting, you and the other stockholders will be able to vote on the following proposals, together with any other business that may properly come before the meeting:

1. *Elect four directors to the Board of Directors for three-year terms.* The Board has nominated for re-election Steven K. Hamp, Michael F. Johnston, Karl J. Krapek and Robert M. Teeter, all current directors.
2. *Ratify the appointment of PricewaterhouseCoopers LLP as the company's independent auditors for fiscal year 2004.* PricewaterhouseCoopers LLP served in this same capacity in fiscal 2003.
3. *Approve the Visteon Corporation 2004 Incentive Plan, as amended and restated.*
4. *Approve the Visteon Corporation Non-Employee Director Stock Unit Plan.*
5. *If presented, consideration of a shareholder proposal relating to the adoption of a stockholder rights plan.*
6. *If presented, consideration of a shareholder proposal relating to the adoption of a code for the company's international operations.*
7. *If presented, consideration of a shareholder proposal relating to voting leverage.*

You may vote on these proposals in person or by proxy. If you cannot attend the meeting, we urge you to vote by proxy, so that your shares will be represented and voted at the meeting in accordance with your instructions. (See the attached proxy statement for details on voting by proxy.) Of course, if you attend the meeting, you may withdraw your proxy and vote your shares. Only stockholders of record at the close of business on March 15, 2004, will be entitled to vote at the meeting or any adjournment thereof.

By order of the Board of Directors

STACY L. FOX
Secretary

Dearborn, Michigan
March 30, 2004

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VISTEON CORPORATION

**17000 Rotunda Drive
Dearborn, Michigan 48120**

PROXY STATEMENT

March 30, 2004

INTRODUCTION

The Board of Directors is soliciting your proxy to encourage your participation in the voting at the Annual Meeting. You are invited to attend the Annual Meeting and vote your shares directly. However, even if you do not attend, you may vote by proxy. As shown in the Notice of Annual Meeting, the Annual Meeting will be held on Wednesday, May 12, 2004, at the Hotel du Pont in Wilmington, Delaware. Directions to the Hotel du Pont can be found in Appendix D.

There are two parts to this solicitation: the proxy card and this proxy statement. The proxy card is a means by which you may actually authorize another person to vote your shares in accordance with your instructions. As described in "Voting" below, we have provided you additional methods for voting by proxy that do not require you to use the proxy card.

This proxy statement and accompanying proxy are being distributed on or about March 30, 2004.

VOTING

How to Vote Your Shares

You may vote your shares at the Annual Meeting in person or by proxy. To vote in person, you must attend the Annual Meeting, and obtain and submit a ballot, which will be provided at the meeting. To vote by proxy, you must do one of the following:

Complete and mail the enclosed proxy card.

Call the toll-free telephone number listed on the enclosed proxy card and follow the instructions.

Visit the website listed on the enclosed proxy card and follow the instructions.

By completing and submitting your proxy by any one of these means, you will direct the designated persons (known as "proxies") to vote your shares at the Annual Meeting in accordance with your instructions. The Board has appointed Stacy L. Fox and Peter Look to serve as the proxies for the Annual Meeting.

Your proxy will be valid only if it is received before the polls are closed at the Annual Meeting. If you do not provide voting instructions with your proxy, then the designated proxies will vote your shares for the election of the nominated directors, for the ratification of the company's independent auditors, for the approval of the employee and director equity compensation plans, and against the shareholder proposals presented. If any nominee for election to the Board is unable to serve, which is not anticipated, or if any other matters properly come before the meeting, then the designated proxies will vote your shares in accordance with their best judgment.

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How to Revoke Your Proxy

Regardless of how you submit your proxy, you may revoke your proxy at any time *before it is exercised* by any of the following means:

Notifying the company's Secretary in writing.

Submitting a later dated proxy by mail, toll-free number or the Internet.

Attending the Annual Meeting and voting. Your attendance at the Annual Meeting will not by itself revoke a proxy; you must also vote your shares.

How to Vote under 401(k) Plans

If you are a company employee participating in any of the company's 401(k) plans, then you may be receiving this material because of shares held for you in the plan. In that case, you may use the enclosed proxy card to instruct the plan trustees how to vote those shares. The trustees will vote the shares in accordance with your instructions and the terms of the plan.

The plan trustees may vote the shares held for you even if you do not direct them how to vote. The trustees will vote any shares for which they do not receive instructions in the same proportion as they vote the shares for which they receive instructions.

Stockholders Entitled to Vote and Ownership

You are entitled to one vote at the Annual Meeting for each share of the company's common stock that you owned of record at the close of business on March 15, 2004. As of March 1, 2004, the company had issued and outstanding 129,409,472 shares of common stock. Information regarding the holdings of the company's stock by directors, executive officers and certain other beneficial owners can be found beginning on page 8.

A list of the stockholders of record entitled to vote at the annual meeting will be available for review by any stockholder, for any purpose related to the meeting, between 9:00 a.m. and 5:00 p.m. at the principal offices of the company, located at 17000 Rotunda Drive, Dearborn, Michigan 48120, for ten days before the meeting.

Required Vote to Approve the Proposals

The company's By-Laws require that a majority of the company's common stock be represented at the Annual Meeting, whether in person or by proxy, for a quorum which is needed to transact any business.

Election of Directors. The affirmative vote of a plurality of the votes cast at the meeting is required for the election of directors. A properly executed proxy marked "Withhold authority" with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum.

Other Proposals. For each proposal other than the election of directors, the affirmative vote of the holders of a majority of the shares represented in person or by proxy and entitled to vote on the item will be required for approval. A properly executed proxy marked "Abstain" with respect to any such matter will not be voted, although it will be counted for purposes of determining whether there is a quorum. Accordingly, an abstention will have the effect of a negative vote.

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If you hold your shares in street name through a broker or other nominee and you do not give voting instructions at least ten days before the meeting to your broker or other nominee, then your broker or other nominee may exercise voting discretion only with respect to matters considered to be routine by the New York Stock Exchange, such as the election of directors and the ratification of the appointment of the independent auditors. On non-routine matters, such as the approval of the employee and director equity compensation plans and each of the shareholder proposals, the brokers or other nominees cannot vote your shares absent voting instructions from the beneficial holder, resulting in so-called broker non-votes. Broker non-votes are not deemed to be votes cast, and as a result have no effect on the outcome of any matters presented, but will be counted in determining whether there is a quorum.

Where to Find Voting Results

The company will publish the voting results in its Form 10-Q for the second quarter of 2004, which we plan to file with the Securities and Exchange Commission on or prior to August 9, 2004. You will also find the results in the investor information section of the company's website (www.visteon.com/investors).

Cost of Solicitation

The company will pay for soliciting these proxies. The company's directors, officers and employees may solicit proxies in person or by telephone, mail, e-mail, telecopy or letter. The company has also retained Georgeson Shareholder Communication, Inc. to assist it in distributing proxy solicitation materials and soliciting proxies at a cost of approximately \$10,000, plus reasonable out-of-pocket expenses. The company will reimburse brokers and other nominees for their reasonable out-of-pocket expenses for forwarding proxy materials to beneficial owners.

ITEM 1. ELECTION OF DIRECTORS

The Board of Directors consists of ten directors divided into three classes (Class I, Class II and Class III) serving staggered three-year terms. The first proposal on the agenda for the Annual Meeting will be electing four directors to serve as Class I directors for a three-year term beginning at this Annual Meeting and expiring at the 2007 Annual Meeting of Stockholders. The nominees receiving the greatest number of votes cast will be elected.

We expect each nominee for election as a director to be able to serve if elected. If any nominee is not able to serve, proxies will be voted in favor of the remainder of those nominated and may be voted for substitute nominees, unless the Board chooses to reduce the number of directors serving on the Board.

Nominees for Class I Directors Whose Terms Expire in 2004

Steven K. Hamp is 55 years old, and he has been a director of the company since January 2001. Mr. Hamp is the President of The Henry Ford, a non-profit organization sponsoring historic exhibits, located in Dearborn, Michigan.

Michael F. Johnston is 56 years old, he has been the company's President and Chief Operating Officer since September 2000 and was elected to the company's Board of Directors in May 2002. Before that, Mr. Johnston was the President, e-business for Johnson Controls, Inc., President-North America and Asia of Johnson Control's Automotive Systems Group, and President of its automotive interior systems and battery operations. Mr. Johnston also serves as a director of Flowserve Corporation and Whirlpool Corporation.

Karl J. Krapek is 55 years old, and he has been a director of the company since February 2003. Mr. Krapek is the former President and Chief Operating Officer of United Technologies Corporation, a global supplier of aerospace and building systems products, a position he held from April 1999 to January 2002. Prior to that he served as President of United Technologies Pratt and Whitney division since 1992. Mr. Krapek also serves as a director of Lucent Technologies Inc., Prudential Financial, Inc. and The Connecticut Bank and Trust Company.

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Robert M. Teeter is 65 years old, and he has been a director of the company since June 2000. He is the President of Coldwater Corporation, a provider of consulting and research services, and serves as a director of the Bank of Ann Arbor, Kaydon Corporation and United Parcel Service, Inc.

The Board of Directors Recommends that You Vote for the Election of Steven K. Hamp, Michael F. Johnston, Karl J. Krapek and Robert M. Teeter as Directors.

Continuing Class II Directors Whose Terms Expire in 2005

Marla C. Gottschalk is 43 years old, and she has been a director of the company since March 2003. Ms. Gottschalk has been the President and Chief Operating Officer of The Pampered Chef, Inc., a direct seller of kitchen tools and products, since November 2003. Prior to that she was the Senior Vice President, Financial Planning and Investor Relations for Kraft Foods, Inc. since February 2002, and before that she served as Executive Vice President and General Manager of Kraft's Post Division, and Vice President, Marketing and Strategy for the Kraft Cheese Division.

William H. Gray, III is 62 years old, and he has been a director of the company since June 2000. Mr. Gray is the President and Chief Executive Officer of the United Negro College Fund, an educational assistance organization, and serves as a director of J.P. Morgan Chase Corporation, Dell Computer Corporation, Electronic Data Systems Corporation, Pfizer, Inc., The Prudential Insurance Company of America, Rockwell Automation, Inc. and Viacom, Inc. Mr. Gray has indicated his intention not to stand for re-election as a director of Electronic Data Systems Corporation and Viacom, Inc. when his current terms expire.

Robert H. Jenkins is 61 years old, and he has been a director of the company since June 2000. Mr. Jenkins is the former Chairman of the Board and Chief Executive Officer of Sundstrand Corporation, an aerospace and industrial company. Mr. Jenkins is also a director of AK Steel Holdings Corporation, Clarcor, Inc., Jason Incorporated, Sentry Insurance and Solutia, Inc.

Continuing Class III Directors Whose Terms Expire in 2006

Peter J. Pestillo is 66 years old, and he has been the company's Chairman of the Board and Chief Executive Officer since the company's formation in January 2000. Before June 30, 2000, Mr. Pestillo had been an employee of Ford Motor Company since 1980, serving most recently as Ford's Vice Chairman and Chief of Staff and Executive Vice President, Corporate Relations. Mr. Pestillo is also a director of Sentry Insurance.

Charles L. Schaffer is 58 years old, and he has been a director of the company since January 2001. Mr. Schaffer is the former Chief Operating Officer of United Parcel Service, Inc., a global provider of package delivery services.

Thomas T. Stallkamp is 57 years old, and he has been a director of the company since April 2002. Mr. Stallkamp is also a director of Baxter International Inc. and is the non-executive Chairman of the Board of MSX International, Inc. Prior to December 2003, he served as the Vice Chairman and Chief Executive Officer of MSX International, Inc., a global provider of engineering and specialized staffing services, since January 2000, and Vice Chairman of DaimlerChrysler Corporation and President of Chrysler Corporation, prior thereto.

CORPORATE GOVERNANCE

Meetings

During 2003, the Board of Directors held eleven regularly scheduled and special meetings and took action by written consent five times in lieu of additional meetings. All of the directors attended at least 75% of all meetings of the Board and Board committees on which they served during 2003. Under the company's Corporate Governance Guidelines, directors are expected to attend all scheduled Board and committee

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meetings as well as the company's Annual Meeting of Stockholders. All of the directors attended the 2003 Annual Meeting of Stockholders.

Pursuant to the Corporate Governance Guidelines, the non-employee directors meet without management at every other regularly scheduled Board meeting, and the independent directors meet without management at least once per year. The presiding director at these meetings is rotated among the committee chairpersons.

Director Independence

The Board undertook its annual review of director independence in March 2004. During this review, the Board adopted independence guidelines (attached as Appendix A), and considered transactions and relationships between each director and any member of his or her immediate family and the company and its subsidiaries and affiliates, including those reported in the Related Party Transactions section of this proxy statement. The purpose of this review was to determine whether any such relationships or transactions were inconsistent with a determination that a director is independent.

As a result of this review, the Board affirmatively determined that all of the directors are independent of the company and its management under the independence guidelines adopted by the Board with the exception of Messrs. Pestillo and Johnston, who are considered inside directors because of their employment as senior executives of the company; Mr. Hamp because his brother-in-law is employed in an executive capacity by a company that exceeds the 2% business revenue threshold; and Mr. Teeter due to a consulting contract with the company.

Committees

The Board has established four standing committees. The principal functions of each committee are briefly described on the following pages. The charters of these committees are available on the company's website (www.visteon.com/investors), and paper copies are available upon request to the Company Secretary.

The Board of Directors has a standing Audit Committee, currently consisting of Charles L. Schaffer (Chairman), Marla C. Gottschalk, Robert H. Jenkins and Karl J. Krapek, all of whom are considered independent under the rules of the New York Stock Exchange, SEC regulations and the independence guidelines adopted by the Board. Each of the current members of the Audit Committee are qualified as a financial expert within the meaning of applicable SEC regulations, and the Board has determined that they have accounting and related financial management expertise within the meaning of the listing standards of the New York Stock Exchange. During 2003, the Audit Committee held nine regularly scheduled and special meetings. The duties of the Audit Committee are generally:

- to appoint and evaluate the independent auditor;
- to approve all audit and non-audit engagement fees and terms;
- to review the activities and the reports of the company's independent auditors;
- to review internal controls, accounting practices, financial structure and financial reporting, including the results of the annual audit and review of interim financial statements;
- to review and monitor compliance procedures; and
- to report the results of its review to the Board.

The Audit Committee Report can be found beginning on page 22.

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The Board also has a standing Organization and Compensation Committee, consisting of Robert H. Jenkins (Chairman), William H. Gray, III and Charles L. Schaffer, all of whom are considered independent under the rules of the New York Stock Exchange and the independence guidelines adopted by the Board. During 2003, the Organization and Compensation Committee held five regularly scheduled and special meetings. The duties of the Organization and Compensation Committee are generally:

to review and approve corporate goals and objectives relative to the compensation of the Chief Executive Officer, evaluate the Chief Executive Officer's performance and set the Chief Executive Officer's compensation level based on this evaluation;

to review and approve executive compensation and incentive plans;

to approve the payment of cash performance bonuses and the granting of stock based awards to the company's employees, including officers; and

to review and recommend management development and succession planning.

The Organization and Compensation Committee Report can be found beginning on page 18.

The Board also has a standing Corporate Governance and Nominating Committee, consisting of William H. Gray, III (Chairman), Marla C. Gottschalk and Karl J. Krapek, all of whom are considered independent under the rules of the New York Stock Exchange and the independence guidelines adopted by the Board. During 2003, the Corporate Governance and Nominating Committee held five regularly scheduled and special meetings. The duties of the Corporate Governance and Nominating Committee are generally:

to develop corporate governance principles and monitor compliance therewith;

to review the performance of the Board as a whole;

to review and recommend to the Board compensation for outside directors;

to develop criteria for Board membership; and

to identify, review and recommend director candidates.

The Board also recently formed a Corporate Responsibility Committee. The first meeting of this committee is scheduled for July 2004 and its members will be appointed prior thereto. The duties of the Corporate Responsibility Committee generally will be:

to review and monitor the worldwide performance of the company as it affects the environment, employees, communities and customers; and

to develop recommendations to management to assist it in formulating and adopting policies, programs, practices and strategies concerning corporate citizenship and public policy matters.

Director Nomination Process

The Corporate Governance and Nominating Committee assesses all candidates, whether submitted by management or stockholders, and makes recommendations for election. Recommendations for election are based upon the nominee's intelligence, judgment, foresight, personal character, experience and achievements, and diversity of background and expertise, as compared to the present make-up of the Board. The Corporate Governance and Nominating Committee has the authority to retain independent consultants to assist with director recruitment. No independent consultants were retained during 2003, however, it is anticipated that the committee will retain such a consultant in 2004 to assist with identifying and assessing potential candidates. To date, candidates have been identified from individuals already known to the current directors or referred to the company as highly recommended candidates from other industry leaders.

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Each year, the Corporate Governance and Nominating Committee reviews all eligible director candidates, including incumbents. The Committee then decides, based upon the pool of eligible candidates and the number of vacancies to be filled, whom to recommend to the Board to be nominated for election that year. The full Board reviews the Committee's recommendations and approves the individuals to stand for election. This is the process that was used to identify and evaluate the current nominees standing for election that appear in this proxy statement.

The Corporate Governance and Nominating Committee welcomes stockholder recommendations of director candidates. Stockholders may suggest candidates for the consideration of the Committee by submitting their suggestions in writing to the company's Secretary, including the agreement of the nominee to serve as a director. In addition, the company's By-Laws contain a procedure for the direct nomination of director candidates by stockholders (see page 38), and any such nomination will also be automatically submitted to the Corporate Governance and Nominating Committee for consideration. No individuals were proposed as director candidates for this Annual Meeting by any stockholder.

Director Compensation

Directors who are not employees of the company receive directors' fees of \$40,000 per year plus an additional \$10,000 per year for each committee on which they serve and \$500 for each committee meeting they participate in. Beginning in 2004, Audit Committee members will receive \$1,000 for each audit committee meeting they participate in. Non-employee directors may elect to defer their compensation under the Visteon Corporation Deferred Compensation Plan for Non-Employee Directors, a nonqualified benefit plan, into a unit account. Amounts deferred into the unit account are allocated based on the price of the company's common stock at the time of deferral, and the value of this account is directly related to the performance of the company's common stock. In addition, the company reimburses its directors for expenses, including travel, they incur in connection with attending board and committee meetings. Directors are also eligible to participate in the company's Management Lease Car Program which offers favorable lease rates and includes all maintenance and insurance costs.

Annually, non-employee directors receive a grant of 3,000 shares of restricted common stock under the Visteon Corporation Restricted Stock Plan for Non-Employee Directors. The restrictions expire for one third of the shares each year following the year of grant. At this annual meeting, the company will be seeking your approval of a Non-Employee Director Stock Unit Plan pursuant to which non-employee directors will receive an annual award of stock units valued at \$10,000. Please see page 30 for additional information related to this plan.

To further link director and stockholder interests, the company has established stock ownership guidelines for non-employee directors. Each non-employee director has a goal to own 15,000 shares of common stock within five years of their appointment as a director.

Related Party Transactions

MSX International, Inc. provides contract staffing and master vendor services to the company. Thomas T. Stallkamp, a member of the company's Board of Directors, had served as the Chief Executive Officer of MSX International until December 2003. Visteon paid MSX International approximately \$13 million in 2003 for staffing services performed directly by MSX International. An additional \$68 million was paid to MSX International on a pass-through basis in connection with MSX International's role as master vendor on behalf of other suppliers and is not recognized as revenue by MSX International. Mr. Stallkamp currently serves as the non-executive Chairman of the Board of MSX International.

The company has also entered into a consulting agreement with Coldwater Corporation, effective July 1, 2003. Robert M. Teeter, a member of the company's Board of Directors, is the President and a shareholder of the Coldwater Corporation. Under this agreement, Mr. Teeter provides business planning and public policy advice. The current agreement expires June 30, 2004. The fees payable under this one-year contract are \$200,000 plus expenses.

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Stockholders interested in communicating directly with a committee chairperson or with the non-management directors as a group may do so as described on the company's website (www.visteon.com/investors), or by writing to the chairperson or non-management directors c/o of the Company Secretary, 17000 Rotunda Drive, Dearborn, Michigan 48120.

STOCK OWNERSHIP

The following contains information regarding the stock ownership of the nominees for election as directors, the directors continuing in office, the company's executive officers and beneficial owners of more than five percent of the company's voting securities.

Ownership of the company's common stock is shown in terms of beneficial ownership. A person generally beneficially owns shares if he or she has either the right to vote those shares or dispose of them. More than one person may be considered to beneficially own the same shares.

In this proxy statement, unless otherwise noted, a person has sole voting and dispositive power for those shares shown as beneficially owned by him or her. The percentages shown in this proxy statement compare the person's beneficially owned shares with the total number of shares of the company's common stock outstanding on March 1, 2004 (129,409,472 shares).

Nominees, Continuing Directors and Executive Officers

The following table contains stockholding information for the nominees for election as directors, the directors continuing in office and the company's executive officers.

Name	Common Stock Beneficially Owned	
	Number(1)(2)	Percent of Outstanding
Directors		
Marla C. Gottschalk	6,131	*
William H. Gray, III	12,634	*
Steven K. Hamp	36,365	*
Robert H. Jenkins	12,634	*
Michael F. Johnston	821,055	*
Karl J. Krapek	10,558	*
Peter J. Pestillo(3)	1,182,984	*
Charles L. Schaffer	31,762	*
Thomas T. Stallkamp	6,000	*
Robert M. Teeter	29,683	*
Daniel R. Coulson	243,100	*
James C. Orchard	266,196	*
Heinz Pfannschmidt	176,414	*
All Directors and Executive Officers as a Group (21 Persons)	3,563,160	2.7

* less than 1%.

(1) For non-employee directors the amounts shown include shares of common stock represented by Visteon stock units credited under the Deferred Compensation Plan for Non-Employee Directors. These shares may be deliverable after termination of board service. For

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executive officers the amounts shown include shares of common stock represented by Visteon stock units credited under the Visteon Investment Plan, the Visteon Savings Parity Plan and the Visteon Deferred Compensation Plan and are payable following termination of employment.

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(2) Also, included are shares of common stock which the following executive officers had a right to acquire ownership of pursuant to options granted by the company exercisable on or within 60 days after March 1, 2004: Mr. Pestillo (446,503 shares); Mr. Johnston (313,133 shares); Mr. Coulson (97,706 shares); Mr. Orchard (100,844 shares); and Dr. Pfannschmidt (76,719 shares).

(3) Mr. Pestillo has reported beneficial ownership of 7,837 shares of common stock owned by a family partnership.

Other Beneficial Owners

The company believes that the following table is an accurate representation of beneficial owners of more than 5% of any class of the company's voting securities. The table is based upon reports on Schedules 13G filed with the Securities and Exchange Commission or other information believed to be reliable.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Ownership	Percent of Class
Common Stock	Donald Smith & Co., Inc. East 80, Route 4, Suite 360 Paramus, NJ 07652	10,336,100 shares held with sole voting and dispositive power	8.0%

Section 16(a) Beneficial Ownership Reporting Compliance

There were no late filings during 2003.

Table of Contents**EXECUTIVE COMPENSATION**

This section provides summary information regarding the compensation of Peter J. Pestillo, Chairman and Chief Executive Officer; Michael F. Johnston, President and Chief Operating Officer; Daniel R. Coulson, Executive Vice President and Chief Financial Officer; James C. Orchard, Executive Vice President, Operations; and Dr. Heinz Pfannschmidt, Vice President and President, Europe and South America (the Named Executives).

This group of executive officers receives medical, group life insurance and other benefits that are available generally to all of the company's salaried employees. They also participate in the company's salaried employees' pension plan and receive certain other perquisites. Dr. Pfannschmidt is covered by an individual pension arrangement in Germany. In addition, these executive officers are eligible to defer their bonuses under the company's Deferred Compensation Plan. Amounts deferred into the Visteon stock fund of the plan are allocated based on the price of the company's common stock at the time of deferral, and the value of this account is directly related to the performance of the company's common stock.

Summary Compensation Table

The following table summarizes compensation information for the Named Executives for each of our past three fiscal years.

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)(1)	Awards		Payouts	
					Restricted Stock Awards (\$)(2)	Securities Underlying Options/SARs	LTIP Payouts (\$)(3)	All Other Compensation (\$)(4)
Peter J. Pestillo	2003	1,170,466	0	169,254	1,994,304	500,000	352,000	0
Chairman and	2002	1,083,333	550,000	239,069	1,812,504	255,282	187,500	0
Chief Executive Officer	2001	1,000,000	0	129,600	1,500,000	164,474	176,812	60,000
Michael F. Johnston	2003	856,866	0	113,644	1,050,192	316,800	209,000	0
President and	2002	791,667	400,000	137,146	1,934,281	138,644	111,400	0
Chief Operating Officer	2001	737,500	0	75,644	890,625	97,657	104,982	610,000
Daniel R. Coulson(5)	2003	574,833	0	37,398	397,800	119,900	69,000	0
Executive Vice President	2002	527,500	185,000	47,116	386,256	54,401	36,800	0
and Chief Financial Officer	2001	468,750	0	35,749	293,750	32,210	34,626	28,122
James C. Orchard(6)	2003	639,633	0	29,392	534,378	111,300	84,100	0
Executive Vice President	2002	587,500	200,000	52,517	698,624	50,616	45,000	0
Operations	2001	239,583	0	25,000	644,100	45,000	17,651	200,000
Dr. Heinz Pfannschmidt(7)	2003	583,749	0	81,025	267,189	80,600	72,661	0
Vice President & President,	2002	472,951	150,000	70,559	414,984	29,780	32,568	0
Europe and South America	2001	66,470	0	15,000	303,000	45,000	2,078	350,000

(1) The Other Annual Compensation column includes the amount of various reportable perquisites and other personal benefits, including personal use of company aircraft in 2003 for Mr. Pestillo (\$96,883) and Mr. Johnston (\$25,712), leased car payments in 2003 for Mr. Coulson (\$6,311) and Dr. Pfannschmidt (\$45,955), and other reimbursements made through executive, flexible perquisite accounts in 2003 for Mr. Pestillo (\$34,725), Mr. Johnston (\$34,725), Mr. Orchard (\$16,252), Mr. Coulson (\$12,792) and Dr. Pfannschmidt (\$15,000). This column also includes tax payments made by the company in 2003 on behalf of each of Mr. Pestillo (\$34,207), Mr. Johnston (\$41,053), Mr. Orchard (\$9,101) and Mr. Coulson (\$13,390).

(2) The shares described in the Restricted Stock Awards column were granted under the Visteon Corporation 2000 Incentive Plan and are listed at the market value of our common stock at the time of the award. The shares of restricted stock awarded in 2003 may not be sold or transferred for three years. As of December 31, 2003, Mr. Pestillo owned 781,278 shares of restricted stock valued at \$8,133,104; Mr. Johnston owned 501,951 shares of restricted stock valued at \$5,255,310; Mr. Orchard owned 162,083 shares of restricted stock valued

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at \$1,687,284; Mr. Coulson owned 165,289 shares of restricted stock valued at \$1,720,658; and Dr. Pfannschmidt owned 95,881 shares of restricted stock valued at \$998,121. For this valuation, each share of restricted stock was valued at \$10.41, the closing price of our common stock on December 31, 2003 as reported on the New York Stock Exchange. Holders of restricted stock received the same cash dividends as other stockholders owning common stock.

- (3) The LITP Payouts column is comprised of payments under a transition cash plan implemented for the 2001-2003 long-term incentive cycle, as discussed further below in the report of the Organization and Compensation Committee.

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- (4) The All Other Compensation column includes amounts for (1) matching contributions by Visteon under the Visteon Investment Plan (VIP) and (2) the values of certain credits provided under the Visteon Savings Parity Plan (VSPP). Under the VSPP, Visteon provides benefits substantially equal to benefits that could not be provided under the VIP because of limitations under the Internal Revenue Code. For 2003, no VIP matching contributions were made nor VSPP credits issued. For 2001, this column also included a one-time, lump-sum payment for each of Mr. Johnston, Mr. Orchard and Dr. Pfannschmidt of \$595,000, \$200,000 and \$350,000, respectively.
- (5) Mr. Coulson has given notice of his retirement as of the close of business on March 31, 2004.
- (6) Mr. Orchard was appointed as of August 1, 2001.
- (7) Dr. Pfannschmidt was appointed as of November 1, 2001. Dollar amounts have been converted from his salary which was paid in a non-U.S. dollar denominated currency.

Stock Options

The Visteon Corporation 2000 Incentive Plan permits grants of stock options, restricted stock and other rights relating to our common stock. In general, whether exercising stock options is profitable depends on the relationship between the common stock's market price and the exercise price of the option. Options which are in the money on a given date can be out of the money if stock prices change on a subsequent date. We therefore believe that placing a current value on outstanding options is highly speculative and may not represent any benefit realized by the option holder.

The following table gives more information regarding stock options granted to each of the Named Executives in 2003.

Option/ SAR Grants in Last Fiscal Year(1)

Name	Individual Grants				
	Number of Securities Underlying Option/SARs Granted(#)(1)	% of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Sh)(2)	Expiration Date	Grant Date Present Value \$(3)
Peter J. Pestillo	500,000	8.6%	6.63	2/11/2013	1,515,000
Michael F. Johnston	316,800	5.4%	6.63	2/11/2013	959,904
Daniel R. Coulson	119,900	2.1%	6.63	2/11/2013	363,297
James C. Orchard	111,300	1.9%	6.63	2/11/2013	337,239
Dr. Heinz Pfannschmidt	80,600	1.4%	6.63	2/11/2013	244,218

- (1) All stock options are for shares of common stock of the company. No SARs were issued during the last fiscal year. In general, 33 1/3% of a stock option grant can be exercised one year after the grant date, 66 2/3% after two years, and 100% after three years. Any unexercised options expire after ten years. If an option holder retires, becomes disabled, or dies, his or her options continue to be exercisable up to the normal expiration date. In most other instances of employment termination, all rights end upon termination. Options are subject to certain conditions, including not engaging in competitive activity. Options generally cannot be transferred.
- (2) The exercise price of the stock options granted is the average of the high and low selling prices of our common stock on the New York Stock Exchange on the date of grant.
- (3) The Grant Date Present Value was determined using the Black-Scholes methodology and the following weighted average assumptions:
 - (i) risk free interest rate of 5.0%;
 - (ii) option life equals 10 years;
 - (iii) volatility of 55.0%;

(iv) risk of forfeiture of 3.0%; and

(v) dividend yield of 3.0%.

The ultimate value of the options, if any, will depend on the future value of the common stock and the optionee's investment decisions, neither of which can be accurately predicted.

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The following table provides information concerning the number of securities underlying unexercised stock options, as well as the value of certain unexercised stock options (using the closing price of our common stock as reported on the New York Stock Exchange as of December 31, 2003, less the applicable exercise price or prices), held by each of the Named Executives as of December 31, 2003.

Aggregated Option/ SAR Exercises in Last Fiscal Year and**Fiscal Year-End Option/ SAR Values(1)**

Name	Shares Acquired On Exercise(#)(1)	Value Realized(\$)	Number of Securities Underlying Unexercised Options/SARs at FY-End(#)		Value of Unexercised In-The-Money Options/SARs at FY-End (\$)
			Exercisable/Unexercisable	Exercisable/Unexercisable	Exercisable/Unexercisable
Peter J. Pestillo	0	0	194,743/725,013		0/1,890,000
Michael F. Johnston	0	0	161,318/441,783		0/1,197,504
Daniel R. Coulson	0	0	39,606/166,905		0/453,222
James C. Orchard	0	0	46,872/160,044		0/420,714
Dr. Heinz Pfannschmidt	0	0	39,926/115,454		0/304,668

(1) No stock options were exercised during 2003. No SARs were outstanding as of December 31, 2003.

Long-Term Incentive Plan Awards in Last Fiscal Year

In 2003, each of the Named Executives received a performance cash award pursuant to the Visteon Corporation 2000 Incentive Plan. Performance cash awards represent the opportunity to receive a cash bonus at the end of the 2003-2005 performance cycle depending on Visteon's achievement of target performance goals with respect to return on assets and quality ratings. If less than the target performance goals are achieved, a cash award will be payable only if either approximately 25% of the return on assets goal is achieved or approximately 80% of the quality ratings goal is achieved. In the table below, the Threshold amounts assume that both minimum performance goals have been achieved. Participants may also receive cash payments in excess of the target amounts if the performance goals are exceeded. In the table below, the Maximum amounts assume that 200% of the return on assets goal is achieved and 120% of the quality ratings goal is achieved. The plan limits the amount payable in respect of performance cash awards to any Named Executive during any calendar year to \$10 million.

2003 - 2005 Performance Cycle

Name	Target Award (\$)	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non-Stock Price-Based Plans		
			Threshold (\$)	Target (\$)	Maximum (\$)
Peter J. Pestillo	3,987,500	2003-2005	1,545,156	3,987,500	7,177,500
Michael F. Johnston	2,100,000	2003-2005	813,750	2,100,000	3,780,000
Daniel R. Coulson	795,000	2003-2005	308,063	795,000	1,431,000
James C. Orchard	737,500	2003-2005	285,781	737,500	1,327,500
Dr. Heinz Pfannschmidt(1)	659,311	2003-2005	255,483	659,311	1,186,760

(1) Currency conversion for non-USD denominated salary based on February 12, 2004 currency exchange rate.

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Retirement Plans

The company maintains the Visteon Corporation Pension Plan (the VPP), a defined benefit plan qualified under Section 401(a) of the Internal Revenue Code (the Code). It covers primarily salaried employees of the company not covered by another pension plan. The non-contributory feature of the VPP automatically covers all eligible employees. The non-contributory feature of the VPP provides a monthly benefit, payable in the form of a life annuity, equal to a flat rate times years of employment. The highest flat rate in effect on December 31, 2003, is \$47.45. Participants who satisfy the requirements for early retirement, age 55 with 10 years of service or 30 years of service, are eligible for an additional, temporary monthly benefit payable until age 62. Following three months of employment a participant may elect to be covered by the contributory feature of the plan and receive a contributory benefit in lieu of the non-contributory benefit. The contributory benefit, payable in the form of a life annuity, is equal to 1.5% of Final Average Monthly Salary times years of employment while a contributory participant plus 0.4% of Final Average Monthly Salary in excess of the Social Security Breakpoint times years of employment (not to exceed 35 years) while a contributory participant. Final Average Monthly Salary is the highest average monthly salary paid as of any five consecutive December 31 dates during the last 120 consecutive months that an employee contributes. The Social Security Breakpoint is equal to 150% of the average of the Social Security Wage Base for the last 35 years including the current plan year. Normal retirement is age 65 and portions of early retirement benefits are available at age 62 unreduced for age. Salaried employees hired on or after January 1, 2002 participate in the VPP BalancePlus Program. The monthly benefit payable from the BalancePlus Program is based on the greater of the Cash Balance benefit or the Pension Equity benefit. The Cash Balance benefit is based on a hypothetical account which grows with 4% pay credits and interest credits based on the 30-year Treasury bond rate. The Pension Equity benefit is based on a hypothetical account at age 65 equal to 12.5% of Final Average Monthly Salary times years of service. The monthly benefit payable from the BalancePlus Program is reduced for early commencement if payment begins before age 65. Since the VPP is a qualified plan, it is subject to the rules of the Code. The Code limits the amount of benefits that may be paid by a qualified plan and it limits the amount of salary that may be recognized in computing plan benefits. In 2003, the maximum annual salary the plan may recognize is \$200,000.

Visteon also has implemented the Pension Parity Plan (PPP), an unfunded, non-qualified pension plan. The PPP restores any benefits lost due to the limitations on benefits and compensation imposed by the Code.

Table 1-A

**Projected Total Annual Retirement Benefits
From the Visteon Corporation Pension Plan
and the Pension Parity Plan
(Salaried Employees Hired Prior to January 1, 2002)**

Remuneration	Years of Service				
	15	20	25	30	35
\$ 100,000	\$ 24,500	\$ 32,700	\$ 40,900	\$ 49,100	\$ 57,300
200,000	52,900	70,600	88,300	106,000	123,700
300,000	81,300	108,500	135,700	162,900	190,100
400,000	109,700	146,400	183,100	219,800	256,500
500,000	138,100	184,300	230,500	276,700	322,900
600,000	166,500	222,200	277,900	333,600	389,300
700,000	194,900	260,100	325,300	390,500	455,700
800,000	223,300	298,000	372,700	447,400	522,100
900,000	251,700	335,900	420,100	504,300	588,500
1,000,000	280,100	373,800	467,500	561,200	654,900

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**Projected Total Annual Retirement Benefits
From the Visteon Corporation Pension Plan BalancePlus Program
and the Pension Parity Plan
(Salaried Employees Hired On or After January 1, 2002)**

Remuneration	Years of Service				
	15	20	25	30	35
\$ 100,000	\$ 17,300	\$ 23,000	\$ 28,800	\$ 34,500	\$ 40,300
200,000	34,500	46,000	57,500	69,000	80,500
300,000	51,800	69,000	86,300	103,500	120,800
400,000	69,000	92,000	115,000	138,000	161,100
500,000	86,300	115,000	143,800	172,600	201,300
600,000	103,500	138,000	172,600	207,100	241,600
700,000	120,800	161,100	201,300	241,600	281,900
800,000	138,000	184,100	230,100	276,100	322,100
900,000	155,300	207,100	258,800	310,600	362,400
1,000,000	172,600	230,100	287,600	345,100	402,600

Visteon provides a non-qualified, unfunded pension benefit under the Supplemental Executive Retirement Plan (SERP) to certain eligible executives. For eligible executives hired prior to January 1, 2002, the SERP provides an additional monthly benefit, in the form of a life annuity, equal to the participant's Final Average Monthly Salary (without regard to the Code compensation limit) times years of employment times a percentage determined by job classification at retirement. The percentages range between 0.20% and 0.90%. For eligible executives hired on or after January 1, 2002, the additional monthly benefit is based upon a hypothetical account balance that is in excess of the amount calculated under the VPP BalancePlus Program and the Pension Parity Plan. The account balance from the SERP before offset is calculated under the formulas in the BalancePlus Program with the following modifications: (1) Annual Salary is calculated without regard to the Code compensation limit; (2) Final Average Monthly Salary is increased by the average of the three highest consecutive Annual Incentive amounts; and (3) a 15% benefit multiplier is used under the Pension Equity formula in lieu of the 12.5% benefit multiplier. The Pension Equity account under the SERP has its own early retirement reduction factors, which are applied at early retirement before offsetting the amount calculated under the BalancePlus Program and the Pension Parity Plan. The additional monthly benefit is payable in the same form as paid under the BalancePlus Program.

Visteon provides a non-qualified unfunded temporary pension benefit from the Executive Separation Allowance Plan (ESAP) to eligible executives who separate employment under certain circumstances prior to June 30, 2004. For eligible executives hired prior to January 1, 2002, the ESAP provides a temporary monthly benefit, payable to age 65, equal to the participant's highest base salary times a percentage, not to exceed 60% equal to the sum of (i) 15%, (ii) 6% for each year that such participant's age at separation exceeds 55 (not to exceed 30%), and (iii) 1% for each year of service in excess of 15. This amount is offset by any payments paid or payable from any other private retirement plan of the company other than the SERP. Executives hired on or after January 1, 2002 are not eligible to participate in the ESAP.

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Table 2-A

**Projected Total Annual Retirement Benefits
From The Supplemental Executive Retirement Plan
(Salaried Employees Hired Prior to January 1, 2002)**

Remuneration	Years of Service				
	15	20	25	30	35
\$ 100,000	\$ 3,000	\$ 4,000	\$ 5,000	\$ 6,000	\$ 7,000
200,000	6,000	8,000	10,000	12,000	14,000
300,000	18,000	24,000	30,000	36,000	42,000
400,000	24,000	32,000	40,000	48,000	56,000
500,000	52,500	70,000	87,500	105,000	122,500
600,000	63,000	84,000	105,000	126,000	147,000
700,000	78,800	105,000	131,300	157,500	183,800
800,000	96,000	128,000	160,000	192,000	224,000
900,000	121,500	162,000	202,500	243,000	283,500
1,000,000	135,000	180,000	225,000	270,000	315,000

Table 2-B

**Projected Total Annual Retirement Benefits
From the Supplemental Executive Retirement Plan
(Salaried Employees Hired on or After January 1, 2002)**

Remuneration	Years of Service				
	15	20	25	30	35
\$ 100,000	\$ 11,700	\$ 15,700	\$ 19,500	\$ 23,500	\$ 27,300
200,000	23,500	31,300	39,100	47,000	54,800
300,000	35,200	47,000	58,700	70,400	82,100
400,000	47,000	62,600	78,300	93,900	109,500
500,000	58,700	78,300	97,800	117,300	136,900
600,000	70,400	93,900	117,300	140,800	164,300
700,000	82,100	109,500	136,900	164,300	191,600
800,000	93,900	125,100	156,400	187,700	219,100
900,000	105,600	140,800	176,100	211,200	246,400
1,000,000	117,300	156,400	195,600	234,700	273,800

Assumed Annual Incentive: 40% of Remuneration

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Table 3
Projected Total Annual Retirement Benefits
From the Executive Separation Allowance Plan
Assuming Benefits Commence at Age 55

Remuneration	Years of Service				
	15	20	25	30	35
\$ 200,000	\$ 30,000	\$ 40,000	\$ 50,000	\$ 60,000	\$ 70,000
300,000	45,000	60,000	75,000	90,000	105,000
400,000	60,000	80,000	100,000	120,000	140,000
500,000	75,000	100,000	125,000	150,000	175,000
600,000	90,000	120,000	150,000	180,000	210,000
700,000	105,000	140,000	175,000	210,000	245,000
800,000	120,000	160,000	200,000	240,000	280,000
900,000	135,000	180,000	225,000	270,000	315,000
1,000,000	150,000	200,000	250,000	300,000	350,000

The table below shows the years of credited service earned by the Named Executives under the Visteon retirement plans as of December 31, 2003:

	Credited Service (years)
Peter J. Pestillo	3.3
Michael F. Johnston	3.4*
Daniel R. Coulson	3.3
James Orchard	2.5

* Michael F. Johnston will also receive additional retirement benefits determined by crediting one additional year of service for each year of service credited under the terms of the VPP as shown above.

Visteon Holdings GmbH, an indirect, wholly owned subsidiary of the company, has agreed to provide Dr. Pfannschmidt with a pension payable as a 60% joint and survivor annuity commencing at age 65 equal to 0.5% of final five year average annual base compensation up to the Final Average Social Security Contribution Ceiling (SSCC), plus 1.5% of final five year average annual base compensation in excess of SSCC times years of pensionable service. Early retirement benefits are payable commencing after age 55, reduced by 4.8% for every year before age 62. In the event of disability, the pension would be calculated by projecting service to age 65 and applying the early retirement reduction factors. In addition to the 60% survivor annuity, ancillary orphan's benefits are also provided. As of December 31, 2003, Dr. Pfannschmidt had earned 2.167 years of pensionable service.

Table 4
Projected Annual Retirement Benefits
for Dr. Heinz Pfannschmidt

Remuneration	Years of Service				
	5	10	15	20	25
125,000	6,300	12,600	18,900	25,100	31,400
150,000	8,200	16,300	24,500	32,600	40,800
175,000	10,000	20,100	30,100	40,100	50,200
200,000	11,900	23,800	35,700	47,600	59,600
225,000	13,800	27,600	41,400	55,100	68,900
250,000	15,700	31,300	47,000	62,600	78,300
300,000	19,400	38,800	58,200	77,600	97,100

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400,000	26,900	53,800	80,700	107,600	134,600
450,000	30,700	61,300	92,000	122,600	153,300
500,000	34,400	68,800	103,200	137,600	172,100

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Employment and Other Agreements

The company has entered into an employment agreement with Daniel R. Coulson that provides certain terms of employment, compensation, benefits and perquisites, as well as deferred compensation payments. Mr. Coulson may terminate the agreement at any time upon 30 days advance written notice. Visteon also may terminate the agreement at any time, with or without cause, without advance notice, provided that if Visteon provides less than 30 days advance notice of its election to so terminate, then it will pay Mr. Coulson his base pay for such 30-day period. On February 27, 2004, Mr. Coulson notified the company of his intention to terminate the agreement and retire as of March 31, 2004.

The company has entered into an employment agreement with Michael F. Johnston that provides terms of employment, compensation, incentive plan compensation, benefits and perquisites, pensions, employment termination, non-competition and confidentiality, and change in control provisions. Mr. Johnston's agreement expires on September 15, 2005. Thereafter, his agreement will be extended automatically each year unless, not later than ninety days prior to each such date, the company or Mr. Johnston shall have given notice not to extend the term. The agreement also may be terminated under certain specified circumstances including the termination by either party upon 90 days notice. Mr. Johnston is also entitled to receive twelve months salary, his target annual bonus award for the applicable fiscal year, the immediate vesting of all his stock options, restricted shares and other long term incentives and the continuation of certain health and welfare insurance coverage if he elects to terminate his employment following the affirmative determination of the Board of Directors that Mr. Johnston will not succeed the current Chief Executive Officer to such position.

In addition, a wholly-owned subsidiary of the company has entered into a service agreement with Dr. Heinz Pfannschmidt that provides terms of his appointment, compensation, incentive plan compensation, benefits and perquisites, employment termination, non-competition and confidentiality. Dr. Pfannschmidt's agreement is subject to termination by either party upon at least 24 months notice. In the event of the termination of the agreement, Dr. Pfannschmidt is entitled to amounts that would have otherwise been payable under the agreement over the 24 month period following notice of termination, either in a lump sum or in installments.

The Change in Control provisions of Mr. Johnston's employment agreement and other agreements with Messrs. Pestillo, Coulson and Orchard, and certain other officers, specify two triggering events: (i) a change in control and (ii) within three years (executive officers) or two years (certain other officers) after the change in control one of the following events occurs: participant's employment is terminated without cause; a negative material change is made in participant's duties and responsibilities; participant's compensation or benefits are decreased and such decrease is unrelated to company performance; participant is required to materially relocate his or her residence or principal office location against his or her will; or the participant is not offered a comparable position with the successor entity. Each of the executive officers and certain other officers also has 30 days at the end of the first year after a change in control to terminate his or her employment for any reason and still receive the benefits under the agreement.

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Each participant is entitled to the following benefits upon occurrence of the triggering events: base salary, pro-rated annual bonus and any accrued vacation pay through date of termination; a severance payment in the amount of three times (executive officers) or one and one-half times (certain other officers) base salary plus target bonus; all unvested options and restricted stock will vest and become immediately exercisable, all awards under the Visteon Corporation 2000 Incentive Plan become payable immediately on a pro-rated basis; any compensation previously deferred, together with accrued interest or earnings, will be distributed as a lump sum payout; participant's Supplemental Executive Retirement Program benefits will be funded through a trust or other mechanism which is protected from the persons controlling the company after the occurrence of the change in control; and health, dental and life insurance will remain in force over the cash severance benefit period. Change in control payments for executive officers will be grossed up for the payment, if any, of additional federal taxes (Code Section 280(G) Excess Parachute Payment). Other officers will not be grossed up; however, any officer whose contractual entitlements would be greater if such entitlements were to reduce the officer's safe harbor level under the golden parachute excise tax provisions of the Code (thereby avoiding the imposition of the excise tax), will have his or her payment so reduced. An officer in this group whose contractual entitlements after payment of applicable excise taxes would be greater than his or her safe harbor amount would not incur such a reduction.

**ORGANIZATION AND COMPENSATION COMMITTEE REPORT
WITH RESPECT TO EXECUTIVE COMPENSATION REPORTED
FOR THE LAST COMPLETED FISCAL YEAR**

The Organization and Compensation Committee of the Board of Directors, which is composed entirely of non-employee, independent (consistent with the listing standards of the New York Stock Exchange) directors, oversees the company's programs for compensating executive officers and other key management employees and approves the salaries and other incentive awards to senior executives. During 2003, the Committee held five meetings.

Policies and Objectives

The Committee believes that Visteon's executive compensation plans support the company's strategic objectives and provide strong alignment of the interests of its executives with these objectives as well as the creation of stockholder value.

Visteon's executive compensation plans are designed to:

Pay for performance;

Provide competitive compensation opportunities;

Align the compensation of its executive officers with its business objectives and the creation of stockholder value; and

Retain a strong executive team and allow the company to attract talent to the organization.

A major portion of each executive's compensation is delivered through annual and long-term incentives tied to corporate and individual performance as well as the performance of the company's common stock. Annual and long-term incentives are provided under the Visteon Corporation 2000 Incentive Plan (the Plan), which was approved by stockholders in 2001 and amended in 2004, subject to stockholder approval (see Item 3, beginning on page 23).

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Program Components

In 2003, the executive officers' compensation was composed of a base salary, an annual bonus opportunity and long-term incentive award opportunities. For each executive officer, compensation was reviewed in relation to job responsibilities, skills, experience and competitive industry practice, as well as considering Visteon's organization structure, internal relationships and other factors. The competitive compensation assessment was based on executive positions in other comparably sized auto supply, technology and general industry companies. The company uses several executive compensation surveys, conducted by leading independent consulting firms, rather than a specific list of comparator companies. These compensation surveys include many of the companies in the Peer Group Index (see Stock Performance Graph on page 21), subject to their participation. Visteon's compensation plans are targeted to deliver compensation at the median of the competitive market when performance is at expected levels.

Annual Incentive Compensation

The measures for determining annual incentive awards were corporate performance measured through profit before tax, and modified for safety, quality and cash flow performances. Individual awards are modified by achievement of specified individual goals in the areas of business results, leadership behavior and development of people. For fiscal 2003 performance, the company did not meet the threshold performance requirements necessary for annual incentive awards to be paid.

Long-Term Incentive Compensation

The fiscal 2003 long-term incentive award opportunity consisted of stock options, restricted stock and cash awards earned over a three-year performance cycle. The earning of cash awards is dependent on attainment of specified goals for return on assets and quality ratings over a three-year performance period (2003 to 2005).

A transition cash plan was implemented for the 2001-2003 long-term incentive cycle to facilitate the transition from the former incentive plans which focused primarily on annual performance to a plan with greater emphasis on long-term incentives. To address the significant reduction in annual cash opportunities from the prior plan, interim goals were implemented in the long-term component of the 2000 Incentive Plan. The interim goals were based on the achievement of return on equity and quality targets and provided the opportunity for a pro rata cash payout during the initial two years of the plan. For 2003, as in 2002 and 2001, the company achieved the quality goal and made a cash payout under the plan.

The 2004 long-term incentive award opportunity, subject to stockholder approval of the proposed amendments to the Plan, will reflect market conditions. Performance measures will be aligned to stockholder and business objectives comparably to the 2003 awards. To minimize the potential equity dilution of our stockholders and to facilitate the efficient and effective use of the requested additional share reserve, the following changes for the fiscal 2004 awards are contemplated:

Stock options: granted with a term of 5 years instead of 10 years;

Restricted stock units (settled in cash), instead of restricted stock; and

Cash awards: no changes other than the performance goals.

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Chairman and Chief Executive Officer Compensation

The Chairman and Chief Executive Officer's compensation for the year 2003 was reviewed in the same manner as the other executive officers, as described above, and consisted of base salary of \$1.15 million and a long-term cash award of \$352,000. The Chairman and Chief Executive Officer also received a stock option grant of 500,000 shares and a restricted stock award of 300,800 shares with restrictions lapsing on the third anniversary of the date of grant. In 2003, the Chairman and Chief Executive Officer also received a target long-term cash incentive award opportunity of \$3,987,500, which can be earned based on the achievement of specified return on assets and quality rating goals over a three-year performance period. The Chairman and Chief Executive Officer did not receive an annual cash incentive award for 2003.

Stock Ownership Requirements

The company has adopted stock ownership goals for officers at the vice president level and above. The goal for these officers is to own common stock worth a multiple of salary, ranging from one times salary up to seven times salary for the Chairman and Chief Executive Officer, within three years from adoption or hire date, if later. All of the Named Executives employed by the company for three years or more are in compliance with the stock ownership guidelines.

Tax Deductibility of Compensation

The Committee has also considered the company's ability to deduct from taxable income certain performance based compensation under section 162(m) of the Code. The Committee intends that all compensation paid by the company be deductible, which includes awards earned/granted under the amended Plan. The Committee, however, reserves the right to pay nondeductible compensation if, in its sole discretion, it deems it necessary or desirable.

Organization and Compensation Committee

Robert H. Jenkins (Chairman)

William H. Gray, III

Charles L. Schaffer

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The following graph compares the cumulative total return on the company's common stock with the cumulative total return on the S & P 500 Composite Index and a Peer Group Index that Visteon has developed. The Peer Group Index is composed of ArvinMeritor, Inc., American Axle & Manufacturing Holdings, Inc., Borg-Warner Automotive, Inc., Dana Corporation, Delphi Corporation, Johnson Controls, Inc., Lear Corporation and Magna International, Inc.

The graph assumes an initial investment of \$100 and reinvestment of cash dividends. The comparisons in this table are required by the Securities and Exchange Commission and are not intended to forecast or be indicative of possible future performance of the common stock or the referenced indices.

Comparison of Cumulative Total Return

for the Period from June 29, 2000 to December 31, 2003

	<u>6/29/00</u>	<u>12/29/00</u>	<u>12/31/01</u>	<u>12/31/02</u>	<u>12/31/03</u>
Visteon Corporation	\$ 100	\$ 84.29	\$ 112.01	\$ 53.02	\$ 82.17
S & P 500 Index	\$ 100	\$ 92.06	\$ 81.12	\$ 63.19	\$ 81.11
Peer Group Index	\$ 100	\$ 87.24	\$ 128.17	\$ 113.31	\$ 177.25

Table of Contents**AUDIT COMMITTEE REPORT**

The Audit Committee operates under a written charter adopted by the Board of Directors. Visteon management has the primary responsibility for the company's internal controls and the financial reporting process. The independent auditors are responsible for performing an independent audit of the company's consolidated financial statements and issuing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States of America. The Audit Committee oversees and monitors these processes and reports to the Board of Directors on its findings. During 2003, the Audit Committee held nine meetings.

Audit Fees

The Audit Committee selects, subject to stockholder approval, our independent auditors for each fiscal year. During the year ended December 31, 2003, PricewaterhouseCoopers LLP was employed principally to perform the annual audit and to provide other services. Fees paid to PricewaterhouseCoopers LLP for each of the past two years are listed in the following table:

<u>Year Ended December 31,</u>	<u>Audit Services Fees</u>	<u>Audit Related Fees</u>	<u>Tax Fees</u>	<u>All Other Fees</u>
2003	\$ 3,724,000	\$ 1,475,000	\$ 3,185,000	\$ 221,000
2002	\$ 3,176,000	\$ 2,917,000	\$ 3,644,000	\$ 613,000

Audit services fees include fees for services performed to comply with Generally Accepted Auditing Standards (GAAS), including the recurring audit of the company's consolidated financial statements. This category also includes fees for audits provided in connection with statutory filings or services that generally only the principal auditor reasonably can provide to a client, such as procedures related to the audit of income tax provisions and related reserves, and consents, assistance, and review of documents filed with the Securities and Exchange Commission.

Audit-related fees include fees associated with assurance and related services that are reasonably related to the performance of the audit or review of the company's financial statements. This category includes fees related to assistance in financial due diligence related to mergers and acquisitions, consultations regarding Generally Accepted Accounting Principles (GAAP), reviews and evaluations of the impact of new regulatory pronouncements, initial readiness and documentation assistance with Sarbanes-Oxley Section 404, and audit services performed related to benefit/pension plans.

Tax fees primarily include fees associated with tax compliance, as well as domestic and international tax planning. This category also includes fees for services rendered related to comprehensive tax compliance and planning for international service employees and customs and duty consulting.

All other fees primarily pertain to administrative services for international service employees and access to marketing data (Autofacts).

Audit Committee Pre-Approval Process and Policies

The Audit Committee has adopted procedures for pre-approving all audit and non-audit services provided by the independent auditor. These procedures include reviewing and approving a budget for audit and permitted non-audit services by category. Audit Committee pre-approval is also required to engage the independent auditor for any additional service that is not included in the approved budget. The Audit Committee considers whether such services are consistent with the SEC's rules on auditor independence. The Audit Committee also considers whether the independent auditor is best positioned to provide the most effective and efficient service, for reasons such as its familiarity with the company's business, people, culture, accounting systems, risk profile, and whether the services enhance the company's ability to manage or control risks and improve audit quality. The Audit Committee may delegate pre-approval authority to one or more members of the Audit Committee. Lastly, the Audit Committee periodically monitors the services rendered and actual fees paid and commitments to be paid to the independent auditors.

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Auditor Independence

During the year, the Audit Committee met and held discussions with Visteon management and PricewaterhouseCoopers LLP. The Audit Committee reviewed and discussed with Visteon management and PricewaterhouseCoopers LLP the audited financial statements contained in the company's Annual Report on Form 10-K for the year ended December 31, 2003. The Audit Committee also discussed with PricewaterhouseCoopers LLP the matters required to be discussed under the Statement on Auditing Standards No. 61 (Communications with Audit Committees). Based on these reviews and discussion, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the company's Annual Report on Form 10-K for the year ended December 31, 2003, and filed with the SEC.

PricewaterhouseCoopers LLP submitted to the Audit Committee the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). The Audit Committee discussed with PricewaterhouseCoopers LLP the firm's independence and considered whether the provision of non-audit services by PricewaterhouseCoopers LLP to the company is compatible with maintaining the independence of PricewaterhouseCoopers LLP. The Audit Committee concluded that the independence of PricewaterhouseCoopers LLP is not compromised by the provision of such non-audit services.

Audit Committee

Charles L. Schaffer (Chairman)

Marla C. Gottschalk

Robert H. Jenkins

Karl J. Krapek

ITEM 2. APPROVAL OF INDEPENDENT AUDITORS

The next proposal on the agenda for the Annual Meeting will be ratifying the appointment of PricewaterhouseCoopers LLP by the Audit Committee as the company's independent auditors for fiscal year 2004.

PricewaterhouseCoopers LLP served in this capacity for fiscal year 2003, and has reported on the company's 2003 consolidated financial statements.

Representatives of PricewaterhouseCoopers LLP, the company's independent auditors, are expected to be present at the Annual Meeting. They will have the opportunity to make a statement at the meeting if they desire to do so and are expected to be available to respond to appropriate questions. For information regarding fees paid to PricewaterhouseCoopers LLP, see the Audit Committee Report on page 22.

The Board of Directors Recommends that You Vote for the Ratification of PricewaterhouseCoopers LLP as the Company's Independent Auditors for Fiscal Year 2004.

ITEM 3. APPROVAL OF THE VISTEON CORPORATION 2004 INCENTIVE PLAN,

AS AMENDED AND RESTATED

The next proposal on the agenda for the Annual Meeting will be to approve the Visteon Corporation 2004 Incentive Plan, as amended and restated (the Incentive Plan). The Incentive Plan was originally adopted effective as of June 28, 2000 as the 2000 Incentive Plan, and approved by stockholders on May 9, 2001. The Board of Directors, following the approval and recommendation of the Organization and Compensation Committee, adopted amendments to the Incentive Plan on March 16, 2004, subject to stockholder approval at the Annual Meeting.

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The amended and restated Incentive Plan includes the following changes from the original plan:

increase the maximum number of shares of common stock that may be issued under the Incentive Plan by 1,800,000 shares to 14,800,000 shares;

decrease the maximum number of shares of common stock that may be awarded under the Incentive Plan pursuant to stock rights, restricted stock, restricted stock units (but only to the extent that each such restricted stock unit may be settled by the delivery of shares of common stock) and other stock-based awards to 5,171,383 shares from 6,500,000 shares;

increase the maximum number of shares of common stock subject to options and/or stock appreciation rights that may be granted under the Incentive Plan to certain executive officers during any calendar year by 500,000 shares to 1,000,000 shares;

increase the maximum number of shares of common stock that may be issued under the Incentive Plan pursuant to performance-based restricted stock, stock rights and restricted stock units to certain executive officers during any calendar year by 500,000 shares to 1,000,000 shares;

increase the maximum number of shares that may be issued under the Incentive Plan as authorized and unissued shares by 1,000,000 shares to 2,000,000 shares;

change the maximum term of an option or stock appreciation right awarded under the plan after the effective date of the amendment to five years from ten years;

extend the term of the plan to May 11, 2014 from June 27, 2010;

permit awards to certain non-employees who provide services to Visteon and its subsidiaries;

rename the plan as the Visteon Corporation 2004 Incentive Plan;

provide greater clarity regarding the award of restricted stock units; and

permit the reduction of certain payments under the plan that would constitute excess parachute payments.

As of December 31, 2003, without taking into account any increase in the number of shares available under the Incentive Plan, there were approximately 97,500 shares not subject to outstanding awards under the Incentive Plan. Subject to the overall plan limit, approximately 150,000 shares would be available for awards of stock rights, restricted stock, restricted stock units (only to the extent that each such restricted stock unit may be settled by the delivery of common stock) and other stock-based awards pursuant to the Incentive Plan, as amended.

Our Organization and Compensation Committee believes that increasing the total number of shares available for awards under the plan is necessary to ensure that a sufficient number of shares will be available to fund our employee compensation programs over the next two to three years. Our Organization and Compensation Committee believes that making a significant portion of the compensation of certain employees, whose efforts can affect the value of Visteon depend upon the long-term performance of our common stock, encourages those employees to work in a way that maximizes stockholder value. The Incentive Plan is also designed to help retain and attract key employees and consultants.

Summary of the Incentive Plan

The following is only a summary of the Incentive Plan, as amended and restated, and is qualified in its entirety by reference to its full text, a copy of which is attached as Appendix B to this proxy statement.

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The Incentive Plan is administered by the Organization and Compensation Committee of the Board of Directors. The Incentive Plan provides for the payment of performance cash awards and the grant of incentive and nonqualified stock options, stock appreciation rights, performance stock rights (stock rights), restricted stock, restricted stock units and various other rights based on stock (individually, an award or collectively, awards). Salaried employees, as well as certain non-employees, of Visteon with potential to contribute to the future success of Visteon or its subsidiaries will be eligible to receive awards under the Incentive Plan. The Organization and Compensation Committee has the discretion to select the employees to whom awards will be granted, to determine the type, size and terms and conditions applicable to each award and the authority to interpret, construe and implement the provisions of the Incentive Plan. The Organization and Compensation Committee's decisions will be binding. The Organization and Compensation Committee also may delegate to a committee of Visteon officers the selection of eligible employees and the determination of the amount of individual awards for employees and certain non-employees who are not executive officers of Visteon, within limitations prescribed by the Organization and Compensation Committee.

Limits on Plan Awards

The total number of shares of our common stock that may be subject to awards under the Incentive Plan, referred to as the overall limit, is 14,800,000, subject to adjustment as provided in the Incentive Plan. For calendar years after 2003, no more than 1,000,000 shares of our common stock may be subject to stock options (with or without any related stock appreciation rights) or to stand-alone stock appreciation rights awarded to any covered employee, which generally means our chief executive officer and the next four most highly paid executive officers, in any one calendar year. Common stock issued under the Incentive Plan may be either authorized but unissued shares (subject to a maximum limit of 2,000,000 shares), treasury shares or any combination thereof. For calendar years after 2003, no more than 1,000,000 shares of common stock may be available as awards pursuant to performance-based stock rights, restricted stock and restricted stock units granted under the Incentive Plan to any covered employee in any one calendar year, and no more than 5,171,383 shares in total may be issued pursuant to stock rights, restricted stock, restricted stock units (only to the extent that each such restricted stock unit may be settled by the delivery of common stock) and other stock-based awards. Any shares of common stock subject to an award that lapses, expires or is otherwise terminated without the issuance of such shares may become available for future awards.

Stock Options

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

Options granted after December 31, 2003 will expire not later than five years after the date on which they are granted. Options granted on or prior to December 31, 2003 will expire not later than 10 years after the date on which they are granted. Options become exercisable at such times and in such installments as determined by the Organization and Compensation Committee. Payment of the option price can either be made in full at the time of exercise by check or wire transfer, or, if the Organization and Compensation Committee so determines and the participant so elects, in installments. Unless the Organization and Compensation Committee determines otherwise, payment in full or in part may also be made by tendering to Visteon shares of our common stock (if owned at least six months) having a fair market value equal to the option price (or such portion thereof).

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Stock Appreciation Rights

An award of a stock appreciation right may be granted under the Incentive Plan. Generally, one stock appreciation right is granted with respect to one share of our common stock. The stock appreciation right entitles the participant, upon the exercise of the stock appreciation right, to receive an amount equal to the appreciation in the underlying share of common stock. The appreciation is equal to the difference between (1) the base value of the stock appreciation right (i.e., the option price on the date the stock appreciation right is granted), and (2) the average of the highest and lowest prices at which Visteon common stock was traded on the New York Stock Exchange on the date the stock appreciation right is exercised. Upon the exercise of a vested stock appreciation right, the exercising participant will be entitled to receive the appreciation in the value of one share of common stock as so determined, payable at the discretion of the Organization and Compensation Committee in cash, shares of common stock, or some combination thereof, subject to the availability of our shares of common stock.

Stock appreciation rights granted after December 31, 2003 will expire not later than five years after the date on which they are granted. Stock appreciation rights granted on or prior to December 31, 2003 will expire not later than 10 years after the date on which they are granted. Stock appreciation rights become exercisable at such times and in such installments as determined by the Organization and Compensation Committee.

Tandem Options/ Stock Appreciation Rights

An option and a stock appreciation right may be granted in tandem with each other. An option and a stock appreciation right are considered to be in tandem with each other because the exercise of the option aspect of the tandem unit automatically cancels the right to exercise the stock appreciation right aspect of the tandem unit, and vice versa. The option may be an incentive stock option or a nonqualified stock option, as determined by the Organization and Compensation Committee. Descriptions of the terms of the option and the stock appreciation right aspects of a tandem option/stock appreciation right are provided above.

Material U.S. Federal Income Tax Consequences of Options

Awards granted under the Incentive Plan may result in federal income tax consequences to Incentive Plan participants and Visteon. Some of those federal income tax consequences with respect to options are generally set forth in the following summary.

An employee who is granted an incentive stock option that qualifies under Section 422 of the Code will not recognize income at the time of grant or exercise of such option. Visteon will not be entitled to a federal income tax deduction upon the grant or exercise of an incentive stock option. However, upon the exercise of an incentive stock option, any excess in the fair market price of the common stock over the option price constitutes a tax preference item that may have alternative minimum tax consequences for the employee. When the employee sells the shares more than one year after the date of transfer of the shares and more than two years after the date of grant of the incentive stock option, the employee will normally recognize a long-term capital gain or loss equal to the difference, if any, between the sales price of the shares and the aggregate option price. In such event, Visteon will not be entitled to a federal income tax deduction with respect to the exercise of the incentive stock option or the sale of the shares. If the employee does not hold the shares for the required period, when the employee sells the shares, the employee will recognize ordinary compensation income and possibly capital gains or losses in such amounts as are prescribed by the Code and Visteon will generally be entitled to a federal income tax deduction in the amount of such ordinary compensation income.

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

Restricted Stock and Restricted Stock Units

Subject to the limits discussed above, the Organization and Compensation Committee may authorize the award of restricted stock and restricted stock units to employees under the Incentive Plan. Restricted stock awards are issuances of our common stock to employees that are subject to restrictions on transfer and forfeiture if one or more specified performance goals or minimum periods of service are not attained. Restricted stock units may also be awarded in lieu of, or in addition to, restricted stock awards and consist of a unit credited to a hypothetical account, valued based on the fair market value of our common stock, and subject to forfeiture if one or more specified performance goals or minimum periods of service are not attained. Prior to the expiration of the restriction period, a grantee that has received a restricted stock award generally has the rights of a stockholder of Visteon, including the right to vote and to receive cash dividends on the shares subject to the award. If the Organization and Compensation Committee so determines, the holder of a restricted stock unit may receive cash payments equivalent in value to dividends paid on our common stock, either at the time the dividends are otherwise payable or upon the payment of the final award relating to such restricted stock unit. The Organization and Compensation Committee will determine in advance of each award the terms and conditions applicable to each award of restricted stock and restricted stock units, including the applicable performance criteria or minimum periods of service required, and whether awards of restricted stock units will be settled in cash or in shares of common stock, and may make certain adjustments to the performance criteria and the amount of final awards.

Performance Stock Rights and Other Stock Awards

Subject to the limits discussed above, the Organization and Compensation Committee may authorize the award of performance stock rights to employees under the Incentive Plan. Performance stock rights represent the right to receive shares of our common stock if one or more specified performance goals are attained. If the Organization and Compensation Committee so determines, the holder of a performance stock right may receive cash payments equivalent in value to dividends paid on our common stock, either at the time the dividends are otherwise payable or upon the payment of the final award relating to such performance stock right. The Organization and Compensation Committee will determine in advance of each award the terms and conditions applicable to each award of performance stock right, including the applicable performance criteria, and whether awards of performance stock rights may be settled in cash or other stock equivalents, and may make certain adjustments to the performance criteria and the amount of final awards.

The Organization and Compensation Committee also may grant other stock-based awards to such employees as it may select. These awards may include awards of restricted stock, stock units, phantom stock and options not otherwise specifically addressed above. The Organization and Compensation Committee may determine the time or times at which these awards will be made, the number of shares of common stock or stock units and the like to be granted or covered pursuant to such awards, including, whether such awards will be payable or paid in cash, common stock or otherwise, and whether the awards will be granted as a bonus for no consideration other than services rendered.

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Performance Cash Awards

The Organization and Compensation Committee may award or authorize performance cash awards to such employees as it may select, and in such amounts as it may designate, subject to the terms of the Incentive Plan. The Organization and Compensation Committee determines the performance period and performance criteria for a performance cash award. Within 90 days of the beginning of a performance period, the Organization and Compensation Committee decides the targeted performance level at which a target award may be earned. The Organization and Compensation Committee decides the target award based on the employee's level of responsibility and other factors. The target award, designated as a percentage of base salary, is based on achieving 100% of the performance goals established by the Organization and Compensation Committee for the performance period. The Organization and Compensation Committee also decides any minimum performance level below which no cash award would be paid. The maximum amount that may be granted to a covered employee as a final award with respect to one or more performance cash awards during any calendar year is \$10,000,000.

As soon as practicable following the completion of the performance period, the Organization and Compensation Committee determines the extent to which the participant achieved the performance goals and the amount of compensation to be awarded as a final award by applying the applicable performance formula against the accomplishment of the related performance goals. The Organization and Compensation Committee may, in its sole discretion, reduce the amount of any final award to any participant or increase the amount of any final award to any participant who is not a covered employee. In making such adjustments, the Organization and Compensation Committee shall take into account the extent to which the performance goals were achieved, individual performance, and such other factors as the Organization and Compensation Committee may deem relevant, such as a change in circumstances or unforeseen events during the performance period.

Additional Information

Under the Incentive Plan, in the event of a merger, consolidation, reorganization, stock split, stock dividend or other event affecting our common stock, such adjustments as may be necessary (as determined by the Organization and Compensation Committee) to reflect such change will be made to prevent dilution or enlargement of the rights with respect to the overall limit, the option limit, the annual and aggregate stock right limits, the number of shares of common stock covered by each outstanding award, any other references in the Incentive Plan to a number of shares and the price per share in respect thereof.

Conditions

Unless otherwise determined by the Organization and Compensation Committee, an individual's rights under the Incentive Plan may not be assigned or transferred (except in the event of death). An individual's rights under the Incentive Plan are subject to forfeiture for competitive activity or activity that is not in our best interest.

Funding

All administrative expenses of the Incentive Plan will be paid for by the company and its participating subsidiaries.

Amendment and Termination of Plan

Unless terminated earlier by the Board of Directors, the Incentive Plan will terminate on May 11, 2014. The Board of Directors may at any time terminate, modify or amend the Incentive Plan; provided, however, that the Board may not, without the approval of the stockholders, (1) increase the overall limit, the option limit, the performance cash limit or the annual and aggregate limits applicable to stock rights, restricted stock, restricted stock units and other stock-based awards, (2) extend the term of the plan, (3) permit a member of the Organization and Compensation Committee to participate, or (4) decrease the grant price of any outstanding option or stock appreciation right.

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The Incentive Plan provides for acceleration of vesting and distribution of some plan awards in the event of a change of control of the company.

Other Information

Since it is within the discretion of the Organization and Compensation Committee to determine which employees will receive grants under the Incentive Plan and the type and amount thereof, these matters cannot be specified at present. While nearly all of the approximately 17,000 salaried employees of Visteon and its subsidiaries are eligible under the literal terms of the Incentive Plan to receive grants under the plan, it is presently contemplated (and has been the Organization and Compensation Committee's practice in the past) that grants of stock options and stock appreciation rights, and to a lesser extent if at all, grants of restricted stock and restricted stock units, would be made primarily to senior and middle managers, including the Named Executives, which currently includes approximately 820 employees. For stock option and restricted stock grants as well as other benefits awarded to our Named Executives in 2003 under our Incentive Plan see Executive Compensation beginning on page 10.

On March 15 2004, the New York Stock Exchange reported a closing price of \$9.33 for our common stock.

The Board of Directors recommends that you vote FOR the approval of the Visteon Corporation 2004 Incentive Plan, as amended and restated.

Equity Compensation Plans

The following table summarizes information as of December 31, 2003 relating to our equity compensation plans pursuant to which grants of stock options, stock appreciation rights, stock rights, restricted stock, restricted stock units and other rights to acquire shares of our common stock may be made from time to time.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)(1)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a)) (c)(2)
Equity compensation plans approved by security holders	13,642,436	\$ 11.22	470,084
Equity compensation plans not approved by security holders			
Total	13,642,436		470,084

(1) Excludes 5,021,383 shares of restricted common stock issued pursuant to the Visteon Corporation 2000 Incentive Plan.

(2) Excludes an indefinite number of securities that may be awarded under the Visteon Corporation Restricted Stock Plan for Non-Employee Directors. Such Plan provides for an annual, automatic grant of 3,000 restricted shares or stock units to each non-employee director of Visteon. There is no maximum number of securities that may be issued under this Plan, however, the Plan will terminate on May 9, 2011 unless earlier terminated by the Board of Directors. This Plan was approved by stockholders on May 9, 2001.

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ITEM 4. APPROVAL OF VISTEON CORPORATION

NON-EMPLOYEE DIRECTOR STOCK UNIT PLAN

The next proposal on the agenda for the Annual Meeting will be to approve the adoption of the Visteon Corporation Non-Employee Director Stock Unit Plan (the Directors Plan). The Board of Directors, following the approval and recommendation of the Corporate Governance and Nominating Committee of the Board of Directors, adopted the Directors Plan on February 11, 2004, subject to stockholder approval at the Annual Meeting.

The Corporate Governance and Nominating Committee, which is responsible for establishing non-employee director compensation, reviewed trends and practices with respect to director compensation, including a study performed by an outside consultant, and determined that the adoption of the Directors Plan is in the best interests of the company and its stockholders. By maintaining non-employee director compensation that is competitive with its peers, the company will be better able to retain and attract qualified directors. Also, we believe that awarding stock units that must be held until service on the Board ends will further align the economic interests of the directors with long-term stockholders of the company.

Summary of the Directors Plan

The following is only a summary of the Directors Plan and is qualified in its entirety by reference to its full text, a copy of which is attached as Appendix C to this proxy statement.

Plan Administration

The Directors Plan is intended to be self-administering. However, an administrative committee composed of the non-participating members of the Board has the authority (i) to interpret and administer the Directors Plan; (ii) establish, amend, suspend or waive rules of regulations of the Directors Plan; and (iii) take any other action it deems necessary for administration of the Directors Plan. Also, the Organization and Compensation Committee has discretion to determine if distributions under the Directors Plan will be made in common stock or cash.

All administrative expenses of the Directors Plan will be paid for by the company.

Participants

Under the Directors Plan, a participant is defined as each member of the board who is not an officer or employee of the company or any of its subsidiaries and who has a book-entry account under the plan. There are currently eight eligible participants under the Directors Plan, and each participant will receive an award as of the day after the Annual Meeting.

Stock Unit Awards and Dividend Equivalents

Under the Directors Plan, as of the day immediately after the date of the company's annual stockholders meetings, each participant will have credited to a book-entry account of the company a number of Visteon stock units equal to the result obtained by dividing (A) \$10,000 by (B) the average of the high and low prices of a share of our common stock sold on the New York Stock Exchange on such date.

Each month each participant will have credited to a book-entry account of the company a number of Visteon stock units determined by dividing the participant's deemed dividends for such month by the average of the high and low prices a share of our common stock sold on the New York Stock Exchange on the last trading day of such month.

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Distributions

Each participant remains 100% vested in all amounts credited to his or her account under the Directors Plan. Distributions of amounts in a participant's account will be made either in a single sum or ten annual installments, at the advance election of the participant, commencing on or about January 15th of the calendar year following the calendar year in which the participant terminates service as a non-employee director of the company.

Term

The Directors Plan will terminate on May 12, 2014, unless terminated earlier by the Board of Directors. No amendment or termination of the Directors Plan will adversely affect the rights of any participant or beneficiary to benefits then accrued without the written consent of the affected participant or beneficiary.

The Board of Directors recommends that you vote FOR the adoption of the Visteon Corporation Non-Employee Director Stock Unit Plan.

**ITEM 5. SHAREHOLDER PROPOSAL RELATING TO THE ADOPTION OF
A STOCKHOLDER RIGHTS PLAN**

The next proposal on the agenda for the Annual Meeting will be a shareholder proposal relating to the adoption of a stockholder rights plan by the company. In accordance with SEC rules, the text of the shareholder proposal is printed exactly as it was submitted. John Chevedden, 2215 Nelson Avenue, Redondo Beach, California 90278, has informed the company that he intends to present for consideration at the Annual Meeting the following proposal and has furnished the following statement in support of the proposal:

5 Shareholder Input on Poison Pills

RESOLVED: Shareholders request that our Directors increase shareholder rights and submit the adoption, maintenance or extension of any poison pill to a shareholder vote as a separate ballot item at the earliest possible shareholder election. Also once this proposal is adopted, any dilution or removal of this proposal is requested to be submitted to a shareholder vote as a separate ballot item at the earliest possible shareholder election.

We as shareholders voted in support of this topic:

<u>Year</u>	<u>Yes Vote</u>
2002	63%
2003	65%

These percentages are based on yes and no votes cast. The 35% vote for our Directors' objection to this proposal topic in 2003 was only 20% of Visteon shares outstanding. The Council of Institutional Investors www.cii.org formally recommends adoption of this proposal topic and also proposals which are supported by a majority of votes cast (both points apply to Visteon). Institutional investors in general owned 63% of our stock in 2003.

This topic also won an overall 60% yes-vote at 79 companies in 2003. I do not see how our Directors could object to this proposal because it gives our Directors the flexibility to ignore our shareholder input if our Directors seriously believe they have a good reason.

Ray T. Chevedden, 5965 S. Citrus Ave., Los Angeles, Calif. 90043 and Jack Leeds submitted this proposal.

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Pills Entrench Current Management

Poison pills entrench the current management, even when it is doing a poor job. Pills water down shareholders' votes and deprive them of a meaningful voice in corporate affairs.

From *Take on the Street* by Arthur Levitt, SEC Chairman, 1993-2001

Poison Pill Negative

The key negative of poison pills is that pills can preserve management deadwood.

Source: *Morningstar.com*

The Potential of a Tender Offer Can Motivate Our Directors

Hectoring directors to act more independently is a poor substitute for the bracing possibility that shareholders could sell the company out from under its present management.

Source: *Wall Street Journal*, Feb. 24, 2003

Diluted Stock

An anti-democratic management scheme [poison pill] to flood the market with diluted stock is not a reason that a tender offer for our stock should fail.

Source: *The Motley Fool*

Like a Dictator

Poison pills are like a dictator who says, "Give up more of your freedom and I'll take care of you."

T.J. Dermot Dunphy, CEO of Sealed Air (NYSE) for 25 years

A response by our directors, which could still allow our directors to give a poison pill with not even a shareholder vote, would not substitute for this proposal.

Director Confidence in their Oversight

I believe that a Board of Directors, which takes all steps within its power to adopt this proposal topic, is sending a powerful signal of confidence in its own oversight skill and strategy.

Shareholder Input on Poison Pills

Yes on 5

The Board of Directors Recommends that You Vote Against this Proposal for the Reasons Set Forth Below:

Visteon has never had a shareholders rights plan and currently has no present intention of implementing one. That being said, the proposal as drafted is overly restrictive and could prevent the Board in certain circumstances from fully exercising its fiduciary duties as required by law. By way of example, if due to unexpected circumstances the company ever faced a takeover attempt, the Board of Directors would be duty bound to consider the alternatives, and determine the course that would be in the best interests of the stockholders. If such takeover attempt were determined by the Board to be unfair or abusive, it is possible that the Board could recommend a rights plan as the preferred approach under those circumstances to best protect the interests of the stockholders. Again, while such circumstances are not anticipated, we believe it is essential for the Board to retain the flexibility to make such a decision expeditiously in order to fulfill its legal duties.

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At the same time, we also strongly believe that stockholders should have a meaningful ability to participate in fundamental decisions that affect corporate viability, and are mindful of the fact that our stockholders have voiced their desire to be involved in any future decision to adopt a rights plan. For this reason, the Board of Directors has recently adopted a policy statement on poison pills which addresses this interest of the stockholders, and also ensures that the Board can fulfill its duties. The policy statement provides that adoption of a future poison pill or rights plan would require prior stockholder approval unless the Board of Directors, including a majority of its independent members, in its exercise of its fiduciary responsibilities, deems it to be in the best interests of the company's stockholders to adopt a poison pill without the delay in adoption that would come from the time reasonably anticipated to be necessary to seek stockholder approval. In that case, the plan must be ratified by stockholders or expire, without being renewed or replaced, within one year. The Board's decision to adopt this policy statement was based on, among other things, the recommendation of the Corporate Governance and Nominating Committee, which is comprised solely of independent directors. This Committee will review the policy statement at least annually and report to the Board of Directors with its recommendations.

We believe this policy meets the objective of this shareholder proposal while preserving the Board's flexibility to act expeditiously in extraordinary circumstances. The full text of the policy statement is available on our website at www.visteon.com.

For these Reasons, the Board of Directors Recommends that You Vote Against this Proposal.

ITEM 6. SHAREHOLDER PROPOSAL RELATING TO A CODE FOR INTERNATIONAL OPERATIONS

The next proposal on the agenda for the Annual Meeting will be a shareholder proposal relating to the adoption of a code for the company's international operations. In accordance with SEC rules, the text of the shareholder proposal is printed exactly as it was submitted. Three stockholders, Congregation of the Benedictine Sisters, P.O. Box 28037, San Antonio, Texas 78228; Congregation of the Sisters of Charity of the Incarnate Word, 6510 Lawndale, Houston, Texas 77223; and the Christus Health Fund, 2600 North Loop West, Houston, Texas 77092, have informed the company that they intend to jointly present for consideration at the Annual Meeting the following proposal and have furnished the following statement in support of their proposal:

PROPOSAL FOR A GLOBAL SET OF CORPORATE STANDARDS

Whereas, Visteon, as a global corporation, faces increasingly complex economic problems as the international social and cultural context within which Visteon operates changes.

A poll on corporate social responsibility found that 60% of U.S. shareowners say that a company's record on its broader social responsibilities influenced their decision to purchase or sell shares. Respondents ranked equal and fair treatment of all employees more highly than providing quality products at the lowest possible price as a key expectation of corporate behavior. (Enviroics International, 2/2001)

Companies are faced with ethical and legal concerns arising from diverse cultures and political and economic contexts. Today, management must address issues that include human rights, workers' right to organize and bargain collectively, non-discrimination in the workplace and sustainable community development. Some major corporations that are Visteon customers have adopted codes that they are using to apply to their suppliers.

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We believe global companies need to implement comprehensive codes of conduct, such as those found in the Principles for Global Corporate Responsibility: Bench Marks for Measuring Business Performance, developed by an international group of religious investors. (April 2003, *www.bench-marks.org*) Companies need to formulate policies to reduce reputational risks in the global marketplace. One practical application of such policy is to encourage local and national maquiladora associations and appropriate civil authorities to apply resources toward solving murders and disappearances of the hundreds of women, including maquiladora workers, in the Juarez, Mexico area.

Visteon should be in a position to assure shareholders that its employees are treated fairly and paid a sustainable living wage wherever they work in the global economy. One element of ensuring compliance is the utilization of independent monitors made up of respected local human rights, religious and other non-governmental organizations that know the local culture. A number of global companies are developing credible code enforcement mechanisms that include independent monitoring.

Improving the quality of life for employees and their communities can lead to increased productivity, consumer confidence, enhancing the bottom line for the company.

RESOLVED, the shareholders request the Board of Directors to review or amend, where applicable, its code or standards for its international operations and report a summary of this review to shareholders by October 2004.

Supporting Statement

We recommend the review include:

1. A description of policies designed to protect human rights civil, political, social, cultural and economic based on internationally recognized human rights standards, including the International Labor Organizations core labor standards.
2. A report of efforts to ensure that the company does not employ children under the age of fifteen, or younger than the age of completing compulsory education in the country of manufacture where such age is higher than fifteen.
3. A report of company policies ensuring that there is no use of forced labor, whether in the form of prison labor, indentured labor or bonded labor.
4. Establishment of consistent standards for workers health and safety, practices for handling hazardous wastes and protection of the environment, as well as promoting a fair and dignified quality of life for workers and their communities.

The Board of Directors Recommends that You Vote Against this Proposal for the Reasons Set Forth Below:

The cornerstone of Visteon's mission to be the supplier, employer and community citizen of choice lies in its unwavering commitment to corporate ethics and compliance. Immediately after becoming an independent, public company, a comprehensive ethics and compliance program that directly touches the issues raised in this proposal, as well as other issues that the company feels are essential to realizing our mission, was implemented.

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Visteon's ethics and compliance program is based on our ethics policy, entitled "A Pledge of Integrity", a copy of which is available on the company's website (www.visteon.com). This policy describes the company's expectations regarding the standards of behavior and conduct of employees, and underscores our dedication, at all levels of the organization, to our core values and ethical standards. This past year, we amended certain sections of "A Pledge of Integrity" to address some of the specific issues which are most important to the shareholder proponent in this case. For example, while we have certainly always supported the principle of prohibiting forced labor and child labor, our original policy did not specifically call out this particular issue. At the suggestion of this shareholder proponent, however, we have added this point to our "Pledge of Integrity".

Visteon's ethics and compliance program includes several elements that ensure our employees thoroughly understand the policy, effectively communicate it throughout the organization, and adhere to it in all of their business dealings. The policy is translated into 9 different languages and is distributed to our employees throughout the world. Senior leadership (approximately 4,000 employees) has been taken through an interactive ethics awareness training session and has, in turn, trained their own organizations. To date, approximately 13,000 employees throughout the world have had the training and certified compliance with the policy by signing a certificate. This senior leadership team is required to re-certify every other year. The policy is also presented to new employees during orientation. Other elements of our ethics and compliance program include a bi-annual update of our compliance plan, which identifies additional training for specific groups of employees in ethics areas relevant to the work they perform, on-line tools to reinforce the basic compliance training, and an appointed Director of Compliance who is responsible for overseeing the program and ensuring Visteon's ethics and compliance activities remain on the leading edge of good corporate governance practices. Training material is regularly refreshed and updated. Last year, a series of ethics videos entitled, "Ethics Quest", was designed and produced by Visteon for use in our on-going training programs. This video series won a prestigious communications award last year for demonstrating Visteon's dedication to enriching the quality of life for people through the communication medium. As part of our overall program, the company also maintains a hotline and encourages employees to report any concerns or failures in compliance. Further, the company has a compliance committee, supported by the internal audit function, that audits compliance on an on-going basis, investigates potential issues, and provides a summary of its findings to the Audit Committee of the Board of Directors on a regular basis. Finally, Visteon has implemented a process under which employees can bring any concerns regarding matters of ethics and compliance to the direct attention of our Audit Committee.

As an extension of our ethics program, the company has adopted the Global Sullivan Principles of Corporate Responsibility (the Principles), a code of conduct that provides a framework by which socially responsible companies commit to align their policies toward promoting equal opportunity and development of employees, environmental responsibility and community involvement wherever it conducts business. Through an annual report presented to the Audit Committee, the company describes its activities and compliance within our ethics areas as well as the policies included in the Principles. The company has also recently formed a new Board committee, the Corporate Responsibility Committee, to give the appropriate level of visibility and oversight to this very important area of corporate citizenship and responsibility.

We feel the strength and breadth of our ethics and compliance program, as well as our commitment to the Principles, clearly demonstrates our sincere commitment to the values and principles set forth in our "Pledge of Integrity" booklet, and to those included in this proposal.

For these Reasons, the Board of Directors Recommends that You Vote Against this Proposal.

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ITEM 7. SHAREHOLDER PROPOSAL RELATING TO VOTING LEVERAGE

The next proposal on the agenda for the Annual Meeting will be a shareholder proposal relating to voting leverage. In accordance with SEC rules, the text of the shareholder proposal is printed exactly as it was submitted. Mark Latham, 177 Telegraph Road, Bellingham, Washington 98226, has informed the company that he intends to present for consideration at the Annual Meeting the following proposal and has furnished the following statement in support of the proposal:

Voting Leverage Proposal

WHEREAS shareowners should have the right to vote any way they want (except for buying and selling votes);

WHEREAS many individual shareowners lack the time and expertise to make the best voting decisions themselves, yet prefer not to always follow directors' recommendations, because of possible conflicts of interest;

WHEREAS several institutional investors now publish their voting decisions more than one week before each company's voting deadline;

THEREFORE BE IT RESOLVED that Visteon Corporation shareowners request the Board of Directors to study and report on the feasibility of enabling shareowners to conveniently imitate an institutional investor's voting decisions, on all matters put to shareowner vote except director elections. (Director elections are excluded here to satisfy SEC rule 14a-8(i)(8)). So for example, besides being offered a convenient choice of voting the entire proxy as the Board recommends, perhaps shareowners could be offered a similarly convenient choice of voting the entire proxy (except director elections) the same way the Domini Social Investments votes its shares.

Supporting Statement:

Institutional investors that publish their voting decisions on the worldwide web include:

CalPERS (California Public Employees' Retirement System) at www.calpers-governance.org/alert/proxy

Calvert Group at www.calvert.com/planning_2627.html

Domini Social Investments at www.domini.com/shareholder-advocacy/Proxy-Voting

MMA Praxis Mutual Funds at www.mmapraxis.com/corporate/proxy_voting_set.html

Ontario Teachers' Pension Plan at www.otpp.com/web/proxyvot.nsf/proxyvotes?openform

Pax World Fund at www.paxfund.com/proxyvote4.htm

In particular, Domini Social Investments published voting decisions for last year's Visteon Corporation proxy.

In the proponent's opinion:

One of the main reasons for having shareowner voting at all is that there would be conflicts of interest inherent in leaving all decisions to the Board.

Simply following the Board's voting recommendations does little to counterbalance such conflicts.

Introducing competing sources of convenient guidance for individual shareowners could help make voting more independent of the Board.
Example of shareowners' lack of time and expertise:

Edgar Filing: VISTEON CORP - Form DEF 14A

<http://boards.fool.com/Message.asp?mid=19682916>: I tried to read the proxy statement, but I still don't understand whether the change is shareholder friendly or not.

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Example of shareowners' mistrust of boards:

Harris Poll, September 2003, at www.sec.gov/rules/proposed/s71903/gmcentee092403.pdf: Support for corporate management nominees is also mixed with majorities of shareholders having withheld support from a management nominee.

The conflicts of interest among managers, directors and shareowners are described in Robert Monks' and Nell Minow's 1996 book *Watching the Watchers*, along with shareowners' free rider and rational ignorance problems.

The potential benefits of this proposal are discussed in the article "Vote Your Stock" on the web at www.corpmon.com/publications.htm.

The Board of Directors Recommends that You Vote Against this Proposal for the Reasons Set Forth Below:

In our proxy statements, the Board of Directors provides Visteon's stockholders with voting recommendations and information on which to make voting decisions based on the Board's knowledge of the company and its strategic plans as well as input from management and outside advisers. The proposal described above requests that the Board study and report on the feasibility of enabling stockholders to imitate an unspecified institutional investor's voting decisions through the proxy process. For the following reasons, we do not believe that there is sufficient usefulness to stockholders to justify the time or expense of conducting the requested study and report. Further, we believe, as a matter of law, that the rules and regulations which govern proxy matters would likely preclude ever utilizing the mechanism which we are being requested to study.

As noted in the proposal itself, various institutional investors publish their voting decisions on the Internet more than a week before the company's voting deadline. The proposal even lists the specific websites where stockholders can easily access those voting decisions. Besides these websites, there are dozens of other sources with research data, analyses, and other information regarding the company to assist the stockholders in making their voting decisions. We believe that stockholders typically want to read and understand the relevant information before making their voting decisions. Accordingly, for those stockholders who may be inclined to imitate any or all of the voting decisions of a particular institutional investor, we suggest the most convenient and appropriate means would be to simply access the relevant website and then complete the proxy as recommended by that preferred investor. This process is simple, expedient, and would give the stockholder any additional background it may need or want to make an informed decision. Given this very convenient means that already exists to be able to imitate an institutional investor's voting, we believe incurring company time and expense to study the issue cannot be justified.

Because of its direct involvement in the oversight of the company, the Board of Directors believes it is in the best position to make informed recommendations to the company's stockholders with respect to the matters to be voted on. That being said, to the extent any stockholder wishes to vote its shares in line with a particular institutional investor, there already exists a very convenient means of doing so that does not require further diversion of corporate resources.

For these Reasons, the Board of Directors Recommends that You Vote Against this Proposal.

Other Matters

Neither the company nor its directors intend to bring before the Annual Meeting any matters other than the election of the four directors, the ratification of the company's independent auditors, the approval of two equity-based plans and the consideration of three shareholder proposals. Also, they have no present knowledge that any other matters will be presented by others for action at the meeting.

2005 STOCKHOLDER PROPOSALS AND NOMINATIONS

Stockholder proposals that are intended to be included in the company's proxy materials for the 2005 Annual Meeting must be presented pursuant to Securities and Exchange Commission Rule 14a-8 and received by the Secretary of the company no later than December 1, 2004.

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A stockholder that intends to present business at the 2005 Annual Meeting other than pursuant to Rule 14a-8, which may not be included in the company's proxy materials, must comply with the requirements set forth in the company's By-Laws. Among other things, a stockholder must give written notice of its intent to bring business before the 2005 Annual Meeting to the company no later than December 1, 2004. However, if the date for the 2005 Annual Meeting is more than 30 calendar days prior to, or after, May 12, 2005, then such written notice must be received no later than the tenth day following the day on which we announce the annual meeting date to the public. This written notice must contain specified information as set forth in the company's By-Laws.

You may recommend any person to be a director by writing to the Secretary of the company. The deadlines for submitting written notice nominating a director is the same as that set forth above for other matters proposed to be presented at the 2005 Annual Meeting. This notice also must include, among other things, the name, age, address, occupations and stockholdings of the proposed nominee.

To the extent permitted, the company may exercise discretionary voting authority under proxies it solicits to vote in accordance with its best judgment on any such stockholder proposal or nomination.

MISCELLANEOUS

The company has adopted a code of business conduct and ethics entitled, "A Pledge of Integrity", which is applicable to the directors and all employees of the company, including the principal executive officer, the principal financial officer and the principal accounting officer. A copy of the ethics policy is available on our website at www.visteon.com, by contacting our Shareholder Relations department in writing at 17000 Rotunda Drive, Dearborn, MI 48120; by phone (877) 367-6092; or via email at vcstock@visteon.com.

Visteon's 2003 Annual Report, including consolidated financial statements, is being mailed to you with this proxy. **Stockholders may obtain, at no charge, a copy of our Annual Report on Form 10-K for the year ended December 31, 2003, including exhibits thereto, by contacting our Shareholder Relations department in writing at 17000 Rotunda Drive, Dearborn, MI 48120; by phone (877) 367-6092; or via email at vcstock@visteon.com.** Our periodic and current reports, including our Annual Report on Form 10-K, and any amendments thereto are also available through our internet website at www.visteon.com.

Securities and Exchange Commission rules allow us to send a single set of our annual report and proxy statement to any household at which two or more stockholders reside if we believe the stockholders are members of the same family. These rules benefit both you and Visteon. It reduces the volume of duplicate information received at your household and helps to reduce Visteon's printing and mailing expenses. Each stockholder will continue to receive a separate proxy card or voting instruction card.

If your household received a single set of disclosure documents for this year, but you would prefer to receive your own copy, please contact our transfer agent, The Bank of New York, by calling their toll free number, (877) 881-5962.

If you would like to receive your own set of Visteon's annual disclosure documents in future years, follow the instructions described below. Similarly, if you share an address with another Visteon stockholder and together both of you would like to receive only a single set of Visteon's annual disclosure documents, follow these instructions:

If your Visteon shares are registered in your own name, please contact our transfer agent, The Bank of New York, and inform them of your request by calling them at (877) 881-5962, writing to them at Visteon Shareholder Services, c/o The Bank of New York, P.O. Box 11258, New York, NY 10286 or by email at vcshareholder@bankofny.com.

If a broker or other nominee holds your Visteon shares, please contact ADP and inform them of your request by calling them at (888) 603-5847 or writing to them at Householding Department, 51 Mercedes Way, Edgewood, NY 11717. Be sure to include your name, the name of your brokerage firm and your account number.

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APPENDIX A

Visteon Director Independence Guidelines

A director will be deemed independent, and to have no direct or indirect material relationship with the company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company), if he/she meets all of the following criteria:

1. Has not been an employee of Visteon or its subsidiaries within the last three years.
2. Has not been affiliated with or employed by Visteon's present or former independent auditor within the last three years.
3. Has not been employed by a company in which, concurrently with such employment, an executive officer of Visteon served on the compensation committee of such company within the last three years.
4. Has not received more than \$100,000 per year in direct compensation from Visteon or its subsidiaries within the last three years, other than director or committee fees and pensions or other forms of deferred compensation for prior service (and not contingent on continued service).
5. Is not currently an executive officer or employee of a company that, within the past three years, has made payments to, or received payments from, Visteon or its subsidiaries for property or services in an amount which, in any single fiscal year, exceeded the greater of \$1 million or 2% of such other company's consolidated gross revenues for such year.
6. Has no immediate family member(1) who (i) has been employed by Visteon as an officer, (ii) has been employed by Visteon's independent auditor as a partner, principal or manager, (iii) has been employed as an officer of another company where a Visteon executive officer served on the compensation committee of that company, (iv) received more than \$100,000 per year in direct compensation from Visteon or its subsidiaries other than pensions or other forms of deferred compensation for prior service (and not contingent on continued service), or (v) is currently an officer of a company that has made payments to, or received payments from, Visteon or its subsidiaries for property or services in an amount which, in any single fiscal year, exceeded the greater of \$1 million or 2% of such other company's consolidated gross revenues for such year, in each case, within the last three years.
7. Is not currently an executive officer of a charitable organization that has received, within the preceding three years, contributions from Visteon or its subsidiaries in any single fiscal year in excess of the greater of \$1 million or 2% of such charitable organization's consolidated gross revenues for such year.

March 16, 2004

(1) A director's immediate family shall include his or her spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law and brothers and sisters-in-law and anyone (other than domestic employees) who shares such director's home.

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APPENDIX B

VISTEON CORPORATION 2004 INCENTIVE PLAN

**(formerly, the Visteon Corporation 2000 Incentive Plan, as amended and restated
effective as of May 12, 2004)**

Section 1. Purpose and Definitions

(a) *Purpose.* This Plan, known as the Visteon Corporation 2004 Incentive Plan, is intended to provide an incentive to certain employees and certain non-employees who provide services to Visteon Corporation and its subsidiaries, in order to encourage them to remain in the employ of the Company and its subsidiaries and to increase their interest in the Company's success. It is intended that this purpose be effected through awards or grants of stock options and various other rights with respect to shares of the Company's common stock, and through performance cash awards, as provided herein, to such eligible employees.

(b) *Definitions.* The following terms shall have the following respective meanings unless the context requires otherwise:

- (1) The term "Affiliate" or "Affiliates" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.
- (2) The term "Beneficial Owner" shall mean beneficial owner as set forth in Rule 13d-3 under the Exchange Act.
- (3) The term "Board" shall mean the Board of Directors of Visteon Corporation.
- (4) The term "Change in Control" shall mean the occurrence of any one of the following:

(A) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates) representing 40% or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (i) of paragraph (C) below;

(B) within any twelve (12) month period, the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the effective date of this Plan, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended;

(C) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (i) a merger or consolidation which results in the directors of the Company immediately prior to such merger or consolidation continuing to constitute at least a majority of the board of directors of the Company, the surviving entity or any parent thereof or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 40% or more of the combined voting power of the Company's then outstanding securities;

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(D) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of more than 50% of the Company's assets, other than a sale or disposition by the Company of more than 50% of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale; or

(E) any other event that the Board, in its sole discretion, determines to be a Change in Control for purposes of this Plan.

Notwithstanding the foregoing, a Change in Control shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

(5) The term Code shall mean the Internal Revenue Code of 1986, or any successor thereto, as the same may be amended and in effect from time to time.

(6) The term Committee shall mean the committee appointed pursuant to Section 2 to administer the Plan.

(7) The term Company shall mean Visteon Corporation.

(8) The term Covered Executive shall mean the Chief Executive Officer and the other four highest compensated officers of the Company or any Subsidiary at year-end whose compensation is required to be reported in the Summary Compensation Table of the Company's Proxy Statement.

(9) The term Employee shall mean an employee of the Company or any Subsidiary. The term Employee shall also be deemed to include any person who is an employee of any joint venture corporation or partnership, or comparable entity, in which the Company or Subsidiary has a substantial equity interest, provided such person was an employee of the Company or Subsidiary immediately prior to becoming employed by such entity, and designated non-employees who provide services to the Company or a Subsidiary.

(10) The term Exchange Act shall mean the Securities Exchange Act of 1934, or any successor thereto, as the same may be amended and in effect from time to time.

(11) The term Fair Market Value shall mean the average of the highest and lowest sale prices at which a share of Stock shall have been sold regular way on the New York Stock Exchange on the date of grant of any Option or Stock Appreciation Right or other relevant valuation date. In the event that any Option or Stock Appreciation Right shall be granted, or other relevant valuation date shall occur, on a date on which there were no such sales of Stock on the New York Stock Exchange, the Fair Market Value of a share of Stock shall be deemed to be the average of the highest and lowest sale prices on the next preceding day on which there were such sales.

(12) The term Final Award shall mean the amount of compensation to be awarded finally to the Participant who holds a Performance Cash Right pursuant to Section 3, the number of shares of Stock to be awarded finally to the Participant who holds a Performance Stock Right pursuant to Section 5, the number of shares of Restricted Stock to be retained by the Participant who holds Restricted Stock pursuant to Section 6, or the number of shares of Stock or the amount of compensation to be awarded finally to a Participant who holds Restricted Stock Units pursuant to Section 6, in each case as determined by the Committee taking into account the extent to which the Performance Goals have been satisfied.

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(13) The term **Option** or **Options** shall mean the option to purchase Stock in accordance with Section 7 and such other terms and conditions as may be prescribed by the Committee. An **Option** may be either an **incentive stock option**, as such term is defined in the Code, or shall otherwise be designated as an option entitled to favorable treatment under the Code (**ISO**) or a **nonqualified stock option** (**NQO**). **ISOs** and **NQOs** are individually called an **Option** and collectively called **Options**.

(14) The term **Other Stock-Based Awards** shall mean awards of Stock or other rights made in accordance with Section 8.

(15) The term **Participant** shall mean an **Employee** who has been designated for participation in the Plan.

(16) The term **Performance Cash Right** shall mean the right to receive, pursuant to Section 3, a cash payment as described in the **Participant's** award agreement, taking into account the **Target Award** and the **Performance Formula**, upon the attainment of one or more specified **Performance Goals**, subject to the terms and provisions of the award agreement and the Plan.

(17) The term **Performance Goals** shall mean, with respect to any **Performance Cash Right**, **Performance Stock Right**, performance-based **Restricted Stock** or performance-based **Restricted Stock Unit** granted to a **Participant** who is a **Covered Executive**, a performance measure that is based upon one or more of the following objective business criteria established by the Committee with respect to the Company and/or any **Subsidiary**, division, business unit or component thereof: asset charge, asset turnover, return on sales, capacity utilization, capital employed in the business, capital spending, cash flow, cost structure improvements, complexity reductions, customer loyalty, diversity, earnings growth, earnings per share, economic value added, environmental health and/or safety, facilities and tooling spending, hours per component, increase in customer base, inventory turnover, market price appreciation, market share, net cash balance, net income, net income margin, net operating cash flow, operating profit margin, order to delivery time, plant capacity, process time, profits before tax, quality, customer satisfaction, return on assets, return on capital, return on equity, return on net operating assets, return on sales, revenue growth, safety, sales margin, sales volume, total stockholder return, production per employee, warranty performance to budget, variable margin and working capital. With respect to any **Right** granted to a **Participant** who is not a **Covered Executive**, performance goals may be based on one or more of the business criteria described above or any other criteria based on individual, business unit, group or Company performance selected by the Committee. The **Performance Goals** may be expressed in absolute terms or relate to the performance of other companies or to an index.

(18) The term **Performance Formula** shall mean a formula to be applied in relation to the **Performance Goals** in determining the amount of cash earned under a **Performance Cash Right** granted pursuant to Section 3, the number of shares of Stock earned under a **Performance Stock Right** granted pursuant to Section 5, performance-based **Restricted Stock** granted pursuant to Section 6, or the amount of cash or shares of Stock earned under performance-based **Restricted Stock Units** granted pursuant to Section 6, in each case expressed as a percentage of the **Target Award**.

(19) The term **Performance Period** shall mean the period of time for which performance with respect to one or more **Performance Goals** with respect to any **Performance Cash Right**, **Performance Stock Right**, **Restricted Stock** or **Restricted Stock Unit** award is to be measured, with such period commencing not earlier than 90 days prior to the date of grant of such **Right**.

(20) The term **Performance Stock Right** shall mean the right to receive, pursuant to Section 5 and without payment to the Company, up to the number of shares of Stock described in the **Participant's** award agreement upon the attainment of one or more specified **Performance Goals**, subject to the terms and provisions of the award agreement and the Plan.

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(21) The term **Person** shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (A) the Company or any of its subsidiaries, (B) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (C) an underwriter temporarily holding securities pursuant to an offering of such securities, or (D) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of Stock of the Company.

(22) The term **Plan** shall mean this Visteon Corporation 2004 Incentive Plan (formerly known as the Visteon Corporation 2000 Incentive Plan) as the same may be amended and in effect from time to time.

(23) The term **Plan Awards** shall mean awards of cash or grants of Performance Stock Rights, Restricted Stock, Restricted Stock Units, Options, Stock Appreciation Rights and various other rights with respect to shares of Stock.

(24) The term **Restricted Stock** means Stock issued to a Participant pursuant to Section 6 that is subject to forfeiture if one or more specified Performance Goals or minimum periods of service are not attained.

(25) The term **Restricted Stock Unit** means an award granted pursuant to Section 6 consisting of a unit credited to a hypothetical account, valued based on the Fair Market Value of Visteon Stock, and is subject to forfeiture if one or more specified Performance Goals or minimum periods of service are not attained.

(26) The term **Right** shall mean a Performance Cash Right, Performance Stock Right, a Restricted Stock award, or a Restricted Stock Unit, as required by the context.

(27) The term **Stock Appreciation Right** shall mean the right to receive, without payment to the Company, an amount of cash or Stock as determined in accordance with Section 7, based on the amount by which the Fair Market Value of a share of Stock on the relevant valuation date exceeds the grant price.

(28) The term **Subsidiary** shall mean (A) any corporation a majority of the voting stock of which is owned directly or indirectly by the Company or (B) any limited liability company a majority of the membership interest of which is owned, directly or indirectly, by the Company.

(29) The term **Stock** shall mean shares of the Company's common stock, par value \$1.00 per share.

(30) The term **Target Award** shall mean the amount of compensation to be earned by a Participant under a Performance Cash Right or the number of shares of Stock, subject to adjustment pursuant to Section 13, to be earned by a Participant under a Performance Stock Right, if all of the Performance Goals with respect to such Right are achieved.

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Section 2. Administration

(a) *Committee.* The Plan shall be administered by the Organization & Compensation Committee of the Board consisting of not less than two (2) members of the Board who meet the outside director requirements of Section 162(m) of the Code and the non-employee director requirements of Rule 16b-3(b)(3) of the Exchange Act, or by any other committee appointed by the Board, provided the members of such committee meet such requirements. The Committee shall administer the Plan and perform such other functions as are assigned to it under the Plan. The Committee is authorized, subject to the provisions of the Plan, from time to time, to establish such rules and regulations as it may deem appropriate for the proper administration of the Plan, and to make such determinations under, and such interpretations of, and to take such steps in connection with, the Plan and the Plan Awards as it may deem necessary or advisable, in each case in its sole discretion. The Committee's decisions and determinations under the Plan need not be uniform and may be made selectively among Participants, whether or not they are similarly situated. Any authority granted to the Committee may also be exercised by the Board, except to the extent that the grant or exercise of such authority would cause any qualified performance based award to cease to qualify for exemption under Section 162(m) of the Code. To the extent that any permitted action taken by the Board conflicts with any action taken by the Committee, the Board action shall control.

(b) *Delegation of Authority.* The Committee may delegate any or all of its powers and duties under the Plan, including, but not limited to, its authority to make awards under the Plan or to grant waivers pursuant to Section 10, to one or more other committees (including a committee consisting of two or more corporate officers) as it shall appoint, pursuant to such conditions or limitations as the Committee may establish; *provided, however*, that the Committee shall not delegate its authority to (1) act on matters affecting any Participant who is subject to the reporting requirements of Section 16(a) of the Exchange Act, or the liability provisions of Section 16(b) of the Exchange Act (any such Participant being called a Section 16 Person) or (2) amend or modify the Plan pursuant to the provisions of Section 16(b). To the extent of any such delegation, the term Committee when used herein shall mean and include any such delegate.

(c) *Eligibility of Committee Members.* No person while a member of the Committee or any other committee of the Board administering the Plan shall be eligible to hold or receive a Plan Award.

Section 3. Performance Cash Rights

(a) *Grant of Performance Cash Rights.* The Committee, at any time and from time to time while the Plan is in effect, may grant or authorize the granting of Performance Cash Rights to such officers of the Company and any Subsidiary and other Employees, whether or not members of the Board, as it may select and in such amount as it shall designate, subject to the provisions of this Section 3.

(b) *Maximum Awards.* The maximum amount granted to a Covered Executive as a Final Award with respect to all Performance Cash Rights granted during a calendar year shall be \$10 million.

(c) *Terms and Provisions of Performance Cash Rights.* Prior to the grant of any Performance Cash Right, the Committee shall determine the terms and provisions of such Right, including, without limitation (1) the Target Award; (2) one or more Performance Goals to be used to measure performance under such Right, and the Performance Formula to be applied against the Performance Goals in determining the amount of compensation earned under such Right as a percentage of the Target Award; (3) the Performance Period, and (4) the effect of the Participant's termination of employment, death or disability. Within 90 days of commencement of a Performance Period, the Committee may establish a minimum threshold objective for any Performance Goal for such Performance Period which, if not met, would result in no Final Award being made to any Participant with respect to such Performance Goal for such Performance Period. During and after the Performance Period, but prior to the Committee's final determination of the Participant's Final Award as provided in subsection (d), the Committee may adjust the Performance Goals, Performance Formula and Target Award and otherwise modify the terms and provisions of a Right granted to a Participant who is not a Covered Executive, subject to the terms and conditions of the Plan. Each Right shall be evidenced by an award agreement or notification in such form as the Committee may determine.

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(d) *Final Awards.* As soon as practicable following the completion of the Performance Period relating to any Performance Cash Right, but not later than 12 months following such completion, the Committee shall determine the extent to which the Performance Goals have been achieved and the amount of compensation to be awarded as a Final Award to the Participant who holds such Right. In making such determination, the Committee shall apply the applicable Performance Formula for the Participant for the Performance Period against the accomplishment of the related Performance Goals. The Committee may, in its sole discretion, reduce the amount of any Final Award that otherwise would be awarded to any Participant for any Performance Period. In addition, the Committee may, in its sole discretion, increase the amount of any Final Award that otherwise would be awarded to any Participant who is not a Covered Executive. Any such determination shall take into account (A) the extent to which the Performance Goals provided in such Right were, in the Committee's sole opinion, achieved, (B) the individual performance of such Participant during the related Performance Period and (C) such other factors as the Committee may deem relevant, including, without limitation, any change in circumstances or unforeseen events, relating to the Company, the economy or otherwise, since the date of grant of such Right. The Committee shall notify such Participant of such Participant's Final Award as soon as practicable following such determination.

(e) Following the determination of each Final Award, unless the Participant has elected to defer all or a portion of the Final Award in accordance with the procedures set forth in the Visteon Corporation Deferred Compensation Plan, the Final Award will be payable to the Participant in cash.

Section 4. *Stock Available for Plan Awards*

(a) *Stock Subject to Plan.* The Stock that may be issued under the Plan may be either authorized and unissued (subject to a maximum of 2,000,000 shares) or held in the treasury of the Company. The maximum number of shares of Stock that may be issued with respect to Plan Awards, subject to adjustment in accordance with the provisions of Section 13, shall be 14,800,000. Notwithstanding the foregoing, (1) the aggregate number of shares that may be issued upon exercise of ISOs shall not exceed 10,280,000 shares, subject to adjustment in accordance with the provisions of Section 13; (2) the maximum number of shares subject to Options, with or without any related Stock Appreciation Rights, or Stock Appreciation Rights (not related to Options) that may be granted pursuant to Section 7 to any Covered Executive during any calendar year prior to 2004 shall be 500,000, and for calendar years after 2003 shall be 1,000,000, subject to adjustment in accordance with the provisions of Section 13; (3) the maximum number of shares of Stock that are issued or may be issued with respect to all Performance Stock Rights, Restricted Stock Awards, Restricted Stock Units and Other Stock-Based Awards granted pursuant to Sections 5, 6 and 8 shall be 5,171,383, subject to adjustment in accordance with the provisions of section 13; and (4) the maximum number of shares of Stock that may be issued pursuant to such Performance Stock Rights and performance-based Restricted Stock Awards when combined with the number of performance-based Restricted Stock Units granted pursuant to Section 6 (whether such Restricted Stock Units are settled in cash or in Stock), to any Covered Executive during any calendar year prior to 2004 shall be 500,000 shares, and for calendar years after 2003 shall be 1 million shares and/or units, subject to adjustment in accordance with the provisions of Section 13.

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(b) *Computation of Stock Available for Plan Awards.* For the purpose of computing the total number of shares of Stock remaining available for Plan Awards at any time while the Plan is in effect, and for the purpose of determining the maximum number of shares of Stock that remain available to be issued with respect to Performance Stock Rights, Restricted Stock Awards, Restricted Stock Units, and Other Stock-Based Awards under clause (3) of subsection (a) there shall be debited against the total number of shares determined to be available pursuant to subsections (a) and (c) of this Section 4, (1) the maximum number of shares of Stock subject to issuance upon exercise of Options or Stock Appreciation Rights granted under this Plan, (2) the maximum number of shares of Stock issued or issuable under Performance Stock Rights, Restricted Stock Awards and Restricted Stock Units granted under this Plan, and (3) the number of shares of Stock related to Other Stock-Based Awards granted under this Plan, as determined by the Committee in each case as of the dates on which such Plan Awards were granted, provided, however, that a Restricted Stock Unit or Other Stock-Based Award that is or may be settled only in cash shall not be counted against any of the share limits under this Section 4, except as required by Section 162(m) of the Code to preserve the status of an award as performance-based compensation as set forth under clause (4) of subsection (a) above.

(c) *Terminated, Expired or Forfeited Plan Awards.* The shares involved in the unexercised, undistributed or unvested portion of any terminated, expired or forfeited Plan Award shall be made available for further Plan Awards. Any shares of Stock made available for Plan Awards pursuant to this subsection (c) shall be in addition to the shares available pursuant to subsection (a) of this Section 4. Notwithstanding the foregoing, in the event any Option or Stock Appreciation Right granted to a Covered Executive is canceled, the number of shares of Stock subject to such canceled Option or Stock Appreciation Right shall continue to count against the individual limit specified in subsection (a), in accordance with the requirements of Code Section 162(m).

Section 5. Performance Stock Rights

(a) *Grant of Performance Stock Rights.* The Committee, at any time and from time to time while the Plan is in effect, may grant, or authorize the granting of, Performance Stock Rights to such officers of the Company and any Subsidiary, and other Employees, whether or not members of the Board, as it may select and for such numbers of shares as it shall designate, subject to the provisions of this Section 5 and Section 4.

(b) *Terms and Provisions of Performance Stock Rights.* Prior to the grant of any Performance Stock Right, the Committee shall determine the terms and provisions of each Right, including, without limitation (1) the Target Award; (2) one or more Performance Goals to be used to measure performance under such Right, and the Performance Formula to be applied against the Performance Goals in determining the number of shares of Stock earned under such Right as a percentage of the Target Award; (3) the Performance Period; (4) the period of time, if any, during which the disposition of shares of Stock issuable under such Right shall be restricted as provided in subsection (a) of Section 11, *provided, however,* that the Committee may establish restrictions applicable to any Right at the time of or at any time prior to the granting of the related Final Award rather than at the time of granting such Right; and (5) the effect of the Participant's termination of employment, death or disability. Within 90 days of commencement of a Performance Period, the Committee may establish a minimum threshold objective for any Performance Goal for such Performance Period which, if not met, would result in no Final Award being made to any Participant with respect to such Performance Goal for such Performance Period. During and after the Performance Period, but prior to the Committee's final determination of the Participant's Final Award as provided in subsection (d), the Committee may adjust the Performance Goals, Performance Formula and Target Award and otherwise modify the terms and provisions of a Right granted to a Participant who is not a Covered Executive, subject to the terms and conditions of the Plan. Each Right shall be evidenced by an award agreement or notification in such form as the Committee may determine.

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(c) *Dividend Equivalents on Rights.* If the Committee shall determine, each Participant to whom a Right is granted shall be entitled to receive payment of the same amount of cash that such Participant would have received as cash dividends if, on each record date during the Performance Period relating to such Right, such Participant had been the holder of record of a number of shares of Stock equal to 100% of the related Target Award (as adjusted pursuant to Section 13). Any such payment may be made at the same time as a dividend is paid or may be deferred until the date that a Final Award is determined, as determined by the Committee in its sole discretion. Such cash payments are hereinafter called dividend equivalents .

(d) *Final Awards.*

(1) As soon as practicable following the completion of the Performance Period relating to any Performance Stock Right, but not later than 12 months following such completion, the Committee shall determine the extent to which the Participant achieved the Performance Goals and the number of shares of Stock to be awarded as a Final Award to the Participant who holds such Right. Each Final Award shall represent only full shares of Stock, and any fractional share that would otherwise result from such Final Award calculation shall be disregarded. In making such determination, the Committee shall apply the applicable Performance Formula for the Participant for the Performance Period against the accomplishment of the related Performance Goals. The Committee may, in its sole discretion, reduce the amount of any Final Award that otherwise would be awarded to any Participant for any Performance Period. In addition, the Committee may, in its sole discretion, increase the amount of any Final Award that otherwise would be awarded to any Participant who is not a Covered Executive. Any such determination shall take into account (A) the extent to which the Performance Goals provided in such Right was, in the Committee's sole opinion, achieved, (B) the individual performance of such Participant during the related Performance Period and (C) such other factors as the Committee may deem relevant, including, without limitation, any change in circumstances or unforeseen events, relating to the Company, the economy or otherwise, since the date of grant of such Right. The Committee shall notify such Participant of such Participant's Final Award as soon as practicable following such determination.

(2) Following the determination of each Final Award, the Company shall issue or cause to be issued certificates for the number of shares of Stock representing such Final Award, registered in the name of the Participant who received such Final Award. Such Participant shall thereupon become the holder of record of the number of shares of Stock evidenced by such certificates, entitled to dividends, voting rights and other rights of a holder thereof, subject to the terms and provisions of the Plan, including, without limitation, the provisions of this subsection (d) and Sections 10, 11 and 13. The Committee may require that such certificates bear such restrictive legend as the Committee may specify and be held by the Company in escrow or otherwise pursuant to any form of agreement or instrument that the Committee may specify. If the Committee has determined that deferred dividend equivalents shall be payable to a Participant with respect to any Performance Stock Right pursuant to subsection (c) of this Section 5, then concurrently with the issuance of such certificates, the Company shall deliver to such Participant a cash payment or additional shares of Stock in settlement of such dividend equivalents. Notwithstanding the foregoing, the Committee, in its sole discretion, may permit a Participant to defer receipt of a Final Award and to instead receive stock units under the Visteon Corporation Deferred Compensation Plan that represent hypothetical shares of Stock of the Company, or such other deemed investment made available by the Committee for this purpose. Any such election, if permitted by the Committee, must be made at such time and in such form as prescribed by the Committee, and is subject to such other terms and conditions as the Committee, in its sole discretion, may prescribe.

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(3) Notwithstanding the provisions of this subsection (d) or any other provision of the Plan, the Committee may specify that a Participant's Final Award shall not be represented by certificates for shares of Stock but shall be represented by rights approximately equivalent (as determined by the Committee) to the rights that such Participant would have received if certificates for shares of Stock had been issued in the name of such Participant in accordance with subsection (d) (such rights being called "Stock Equivalents"). Subject to the provisions of Section 13 and the other terms and provisions of the Plan, if the Committee shall so determine, each Participant who holds Stock Equivalents shall be entitled to receive the same amount of cash that such Participant would have received as dividends if certificates for shares of Stock had been issued in the name of such Participant pursuant to subsection (d) covering the number of shares equal to the number of shares to which such Stock Equivalents relate. Notwithstanding any other provision of the Plan to the contrary, the Stock Equivalents representing any Final Award may, at the option of the Committee, be converted into an equivalent number of shares of Stock or, upon the expiration of any restriction period imposed on such Stock Equivalents, into cash, under such circumstances and in such manner as the Committee may determine.

Section 6. *Restricted Stock and Restricted Stock Units*

(a) *Grant of Restricted Stock.* The Committee, at any time and from time to time while the Plan is in effect, may grant, or authorize the granting of, Restricted Stock to such officers of the Company and any Subsidiary, and other Employees, whether or not members of the Board, as it may select. In lieu of, or in addition to, such Restricted Stock, the Committee may grant, or authorize the granting of, awards denominated in the form of Restricted Stock Units to such eligible Employees.

(b) *Terms and Provisions of Restricted Stock and Restricted Stock Units.* Subject to the provisions of the Plan, the Committee shall have the authority to determine the time or times at which Restricted Stock or Restricted Stock Units shall be granted and the number of shares of Restricted Stock or the number of Restricted Stock Units to be granted (subject to the provisions of Section 4). Prior to the grant of any Restricted Stock or Restricted Stock Units, the Committee shall determine such time-based or performance-based restrictions as the Committee shall deem appropriate, and all other terms and conditions of such Restricted Stock and Restricted Stock Units, including, without limitation (1) the number of shares of Restricted Stock or Restricted Stock Units to be issued; (2) in the case of time-based Restricted Stock or Restricted Stock Units, the minimum period of service required for the Participant to receive a Final Award; (3) in the case of performance-based Restricted Stock or performance-based Restricted Stock Units, one or more Performance Goals to be used to measure performance with respect to such Restricted Stock or Restricted Stock Units; (4) the Performance Period applicable to any such performance-based award; (5) whether Final Awards pursuant to such Restricted Stock Units shall be payable in Stock, cash or otherwise; (6) the period of time, if any, during which the disposition of the Restricted Stock or Final Award pursuant to a Restricted Stock Unit is restricted as provided in subsection (a) of Section 10, *provided, however*, that the Committee may establish restrictions applicable to Restricted Stock or Restricted Stock Units at the time of or at any time prior to the granting of the related Final Award rather than at the time of granting such Right; and (7) the effect of the Participant's termination of employment, death or disability. Within 90 days of commencement of a Performance Period, the Committee may establish a minimum threshold objective for any Performance Goal for such Performance Period which, if not met, would result in no Final Award being made to any Participant with respect to such Performance Goal for such Performance Period. During and after the Performance Period, but prior to the Committee's final determination of the Participant's Final Award as provided in subsection (d), the Committee may adjust the Performance Goals and otherwise modify the terms and provisions of the Restricted Stock grant or Restricted Stock Unit to a Participant who is not a Covered Executive, subject to the terms and conditions of the Plan. Each grant of Restricted Stock or Restricted Stock Units shall be evidenced by an award agreement or notification in such form as the Committee may determine.

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(c) Dividend and Dividend Equivalents.

(1) During any period that Restricted Stock has been issued to the Participant and remains outstanding, the Participant shall be entitled to receive all dividends and other distributions paid with respect to the Restricted Stock. If any such dividends or distributions are paid in Stock and such distribution occurs when the restrictions applicable to such shares are still in effect, such shares shall be subject to the same restrictions as the Restricted Stock with respect to which they were paid.

(2) If the committee shall determine, each Participant to whom a Restricted Stock Unit is granted and remains outstanding shall be entitled to receive payment of the same amount of cash that such Participant would have received as cash dividends as if, on each record date during the minimum period of service or the Performance Period related to the Restricted Stock Unit, such Participant had been the holder of record of a number of shares of Stock equal to 100% of the Restricted Stock Units (as adjusted pursuant to Section 13). Any such payment may be made at the same time as a dividend is paid, or may be deferred until the date that a Final Award is determined, as determined by the Committee in its sole discretion. Such cash payments are hereinafter called dividend equivalents.

(d) Voting Rights. Subject to the restrictions established by the Committee pursuant to the Plan, Participants shall be entitled to vote Restricted Shares granted under this Section 6, unless and until such shares are forfeited pursuant to subsection (e) below. Participants shall have no voting rights with respect to Restricted Stock Units.

(e) Final Awards. As soon as practicable following the completion of the Performance Period relating to any Restricted Stock or Restricted Stock Unit, but not later than 12 months following such completion, the Committee shall determine (1) the extent to which the Participant achieved the minimum period of service, with respect to time-based awards, or the applicable Performance Goals, with respect to performance-based awards, (2) the number of shares of Restricted Stock to be retained as a Final Award by the Participant who holds such Restricted Stock, (3) the number of shares of Restricted Stock to be forfeited by such Participant, (4) the number of shares of Stock or amount of other compensation to be issued as a Final Award to the Participant who holds Restricted Stock Units, and (5) the number of Restricted Stock Units to be forfeited by such Participant. Each Final Award shall represent only full shares of Stock and any fractional share that would otherwise result from such Final Award calculation shall be forfeited. In making such determination, the Committee shall apply the applicable minimum period of service or Performance Goals that the Committee had established. The Committee may, in its sole discretion, increase the amount of any Final Award that otherwise would be awarded to any Participant who is not a Covered Executive by determining that the Participant should be allowed to retain some or all of the Restricted Stock that would otherwise be forfeited, or should receive Stock or other consideration for Restricted Stock Units that would otherwise be forfeited, notwithstanding the fact that the minimum period of service or Performance Goals were not satisfied in full. Any such determination shall take into account (A) the extent to which the Performance Goals that relate to such Restricted Stock or Restricted Stock Units were, in the Committee's sole opinion, achieved, (B) the individual performance of such Participant during the related period of service or Performance Period and (C) such other factors as the Committee may deem relevant, including, without limitation, any change in circumstances or unforeseen events, relating to the Company, the economy or otherwise, since the date of grant of such Restricted Stock. The Committee shall notify such Participant of such Participant's Final Award as soon as practicable following such determination.

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(f) *Election of Deferred Stock Units.* The Committee, in its sole discretion, may permit a Participant to defer or otherwise exchange receipt of a Final Award relating to Restricted Stock or Restricted Stock Units and to instead receive stock units under the Visteon Corporation Deferred Compensation Plan that represent hypothetical shares of Stock of the Company, or such other deemed investment made available by the Committee for this purpose. Any such election, if permitted by the Committee, must be made at such time and in such form as prescribed by the Committee. If the Committee so permits and a Participant makes an appropriate election, the Participant's right to receive a benefit from the Visteon Corporation Deferred Compensation Plan based on such stock units is contingent upon attainment of the applicable minimum period of service or Performance Goals and such other terms and conditions as the Committee, in its sole discretion, may prescribe.

Section 7. *Options and Stock Appreciation Rights*

(a) *Grant of Options.*

(1) The Committee, at any time and from time to time while the Plan is in effect, may authorize the granting of Options to such officers of the Company and any Subsidiary and other Employees, whether or not members of the Board, as it may select, and for such numbers of shares as it shall designate, subject to the provisions of this Section 7 and Section 4. Each Option granted pursuant to the Plan shall be designated at the time of grant as either an ISO or an NQO.

(2) The date on which an Option shall be granted shall be the date of authorization of such grant or such later date as may be determined by the Committee at the time such grant is authorized. Any individual may hold more than one Option.

(b) *Price.* In the case of each Option granted under the Plan the option price shall be the Fair Market Value of Stock on the date of grant of such Option; *provided, however,* that the Committee may in its discretion fix an option price in excess of the Fair Market Value of Stock on such date.

(c) *Grant of Stock Appreciation Rights.*

(1) The Committee, at any time and from time to time while the Plan is in effect, may authorize the granting of Stock Appreciation Rights to such officers of the Company and any Subsidiary and other Employees, whether or not members of the Board, as it may select, and for such numbers of shares as it shall designate, subject to the provisions of this Section 7 and Section 4. Each Stock Appreciation Right may relate to all or a portion of a specific Option granted under the Plan and may be granted concurrently with the Option to which it relates or at any time prior to the exercise, termination or expiration of such Option (a Tandem SAR), or may be granted independently of any Option, as determined by the Committee. If the Stock Appreciation Right is granted independently of an Option, the grant price of such right shall be the Fair Market Value of Stock on the date of grant; *provided, however,* that the Committee may, in its discretion, fix a grant price in excess of the Fair Market Value of Stock on such grant date.

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(2) Upon exercise of a Stock Appreciation Right, the Participant shall be entitled to receive, without payment to the Company, either (A) that number of shares of Stock determined by dividing (i) the total number of shares of Stock subject to the Stock Appreciation Right being exercised by the Participant, multiplied by the amount by which the Fair Market Value of a share of Stock on the day the right is exercised exceeds the grant price (such amount being hereinafter referred to as the Spread), by (ii) the Fair Market Value of a share of Stock on the exercise date; or (B) cash in an amount determined by multiplying (i) the total number of shares of Stock subject to the Stock Appreciation Right being exercised by the Participant, by (ii) the amount of the Spread; or (C) a combination of shares of Stock and cash, in amounts determined as set forth in clauses (A) and (B) above, as determined by the Committee in its sole discretion; *provided, however*, that, in the case of a Tandem SAR, the total number of shares which may be received upon exercise of a Stock Appreciation Right for Stock shall not exceed the total number of shares subject to the related Option or portion thereof, and the total amount of cash which may be received upon exercise of a Stock Appreciation Right for cash shall not exceed the Fair Market Value on the date of exercise of the total number of shares subject to the related Option or portion thereof.

(d) *Terms and Conditions.*

(1) Each Option and Stock Appreciation Right granted under the Plan shall be exercisable on such date or dates, during such period, for such number of shares and subject to such further conditions as shall be determined pursuant to the provisions of the award agreement with respect to such Option and Stock Appreciation Right; *provided, however*, that a Tandem SAR shall not be exercisable prior to or later than the time the related Option could be exercised; and *provided, further*, that in any event no Option or Stock Appreciation Right granted prior to 2004 shall be exercised beyond ten years from the date of grant, and no Option or Stock Appreciation Right granted after 2003 shall be exercised beyond five years from the date of grant.

(2) The Committee may impose such conditions as it may deem appropriate upon the exercise of an Option or a Stock Appreciation Right, including, without limitation, a condition that the Stock Appreciation Right may be exercised only in accordance with rules and regulations adopted by the Committee from time to time.

(3) With respect to Options issued with Tandem SARs, the right of a Participant to exercise the Tandem SAR shall be cancelled if and to the extent the related Option is exercised, and the right of a Participant to exercise an Option shall be cancelled if and to the extent that shares covered by such Option are used to calculate shares or cash received upon exercise of the Tandem SAR.

(4) If any fractional share of Stock would otherwise be payable to a Participant upon the exercise of an Option or Stock Appreciation Right, the Participant shall be paid a cash amount equal to the same fraction of the Fair Market Value of the Stock on the date of exercise.

(e) *Award Agreement.* Each Option and Stock Appreciation Right shall be evidenced by an award agreement or notification in such form and containing such provisions not inconsistent with the provisions of the Plan as the Committee from time to time shall approve.

(f) *Payment for Option Shares.*

(1) Payment for shares of Stock purchased upon exercise of an Option granted hereunder shall be made, either in full or, if the Committee shall so determine and at the election of the Participant, in installments, in such manner as is provided in the applicable award agreement.

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(2) Unless the Committee shall provide otherwise in any award agreement, any payment for shares of Stock purchased upon exercise of an Option granted hereunder may be made in cash, by delivery of shares of Stock beneficially owned by the Participant, or by a combination of cash and Stock, at the election of the Participant or through a cashless exercise executed through a broker; *provided, however*, that any shares of Stock so delivered shall have been beneficially owned by the Participant for a period of not less than six months prior to the date of exercise. Any such shares of Stock so delivered shall be valued at their Fair Market Value on the date of such exercise. The Committee shall determine whether and if so the extent to which actual delivery of share certificates to the Company shall be required.

Section 8. *Stock and Other Stock-Based Awards*

(a) *Grants of Other Stock-Based Awards.* The Committee, at any time and from time to time while the Plan is in effect, may grant Other Stock-Based Awards to such officers of the Company and its Subsidiaries and other Employees, whether or not members of the Board, as it may select. Such Plan Awards pursuant to which Stock is or may in the future be acquired, or Plan Awards valued or determined in whole or part by reference to, or otherwise based on, Stock, may include, but are not limited to, awards of restricted Stock (in addition to or in lieu of Restricted Stock under Section 6) or Plan Awards denominated in the form of stock units (in addition to or in lieu of Restricted Stock Units under Section 6), grants of so-called phantom stock and options containing terms or provisions differing in whole or in part from Options granted pursuant to Section 7. Other Stock-Based Awards may be granted either alone, in addition to, in tandem with or as an alternative to any other kind of Plan Award, grant or benefit granted under the Plan or under any other employee plan of the Company, including a plan of any acquired entity.

(b) *Terms and Conditions.* Subject to the provisions of the Plan, the Committee shall have the authority to determine the time or times at which Other Stock-Based Awards shall be made, the number of shares of Stock or stock units and the like to be granted or covered pursuant to such Plan Awards (subject to the provisions of Section 4) and all other terms and conditions of such Plan Awards, including, but not limited to, whether such Plan Awards shall be payable or paid in cash, Stock or otherwise.

(c) *Consideration for Other Stock-Based Awards.* In the discretion of the Committee, any Other Stock-Based Award may be granted as a Stock bonus for no consideration other than services rendered.

Section 9. *Cash Awards to Employees of Foreign Subsidiaries or Branches or Joint Ventures*

In order to facilitate the granting of Plan Awards to Participants who are foreign nationals or who are employed outside of the United States of America, the Committee may provide for such special terms and conditions, including without limitation substitutes for Plan Awards, as the Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Such substitutes for Plan Awards may include a requirement that the Participant receive cash, in such amount as the Committee may determine in its sole discretion, in lieu of any Plan Award or share of Stock that would otherwise have been granted to or delivered to such Participant under the Plan. The Committee may approve any supplements to, or amendments, restatements or alternative versions of the Plan as it may consider necessary or appropriate for purposes of this Section 9 without thereby affecting the terms of the Plan as in effect for any other purpose, and the Secretary or other appropriate officer of the Company may certify any such documents as having been approved and adopted pursuant to properly delegated authority; *provided, however*, that no such supplements, amendments, restatements or alternative versions shall include any provision that is inconsistent with the terms of the Plan as then in effect. Participants subject to the laws of a foreign jurisdiction may request copies of, or the right to view, any materials that are required to be provided by the Company pursuant to the laws of such jurisdiction.

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Section 10. *Payment of Plan Awards and Conditions Thereon*

(a) *Effect of Competitive Activity.* Anything contained in the Plan to the contrary notwithstanding, if the employment of any Participant shall terminate, for any reason other than death, while any Plan Award granted to such Participant is outstanding hereunder, and such Participant has not yet received the Stock or cash covered by such Plan Award or otherwise received the full benefit of such Plan Award, such Participant, if otherwise entitled thereto, shall receive such Stock, cash or benefit only if, during the entire period from the date of such Participant's termination to the date of such receipt, such Participant shall have (1) made himself or herself available, upon request, at reasonable times and upon a reasonable basis, to consult with, supply information to and otherwise cooperate with the Company or any Subsidiary with respect to any matter that shall have been handled by him or her or under his or her supervision while he or she was in the employ of the Company or of any Subsidiary, and (2) refrained from engaging in any activity that is directly or indirectly in competition with any activity of the Company or any Subsidiary.

(b) *Nonfulfillment of Competitive Activity Conditions: Waivers Under the Plan.* In the event of a Participant's nonfulfillment of any condition set forth in subsection (a) of this Section 10, such Participant's rights under any Plan Award shall be forfeited and cancelled forthwith; *provided, however,* that the nonfulfillment of such condition may at any time (whether before, at the time of or subsequent to termination of employment) be waived in the following manner:

(1) with respect to any such Participant who at any time shall have been a Section 16 Person, such waiver may be granted by the Committee upon its determination that in its sole judgment there shall not have been and will not be any substantial adverse effect upon the Company or any Subsidiary by reason of the nonfulfillment of such condition; and

(2) with respect to any other such Participant, such waiver may be granted by the Committee (or any delegate thereof) upon its determination that in its sole judgment there shall not have been and will not be any such substantial adverse effect.

(c) *Effect of Detrimental Conduct.* Anything contained in the Plan to the contrary notwithstanding, all rights of a Participant under any Plan Award shall cease on and as of the date on which it has been determined by the Committee that such Participant at any time (whether before or subsequent to termination of such Participant's employment) acted in a manner detrimental to the best interests of the Company or any Subsidiary.

(d) *Tax and Other Withholding.* Prior to any distribution of cash, Stock or Other Stock-Based Awards (including payments under Section 5(c)) to any Participant, appropriate arrangements (consistent with the Plan and any rules adopted hereunder) shall be made for the payment of any taxes and other amounts required to be withheld by federal, state or local law.

(e) *Substitution.* The Committee, in its sole discretion, may substitute a Plan Award (except ISOs) for another Plan Award or Plan Awards of the same or different type.

Section 11. *Non-Transferability of Plan Awards; Restrictions on Disposition and Exercise of Plan Awards*

(a) *Restrictions on Transfer of Rights or Final Awards.* No Performance Cash Right, Performance Stock Right, Restricted Stock Unit or, until the expiration of any restriction period imposed by the Committee, no shares of Stock acquired under the Plan, shall be transferred, pledged, assigned or otherwise disposed of by a Participant, except as permitted by the Plan, without the consent of the Committee, otherwise than by will or the laws of descent and distribution; *provided, however,* that the Committee may permit, on such terms as it may deem appropriate, use of Stock included in any Final Award as partial or full payment upon exercise of an Option under the Plan or a stock option under any other stock option plan of the Company prior to the expiration of any restriction period relating to such Final Award.

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(b) *Restrictions on Transfer of Options or Stock Appreciation Rights.* Unless the Committee determines otherwise, no Option or Stock Appreciation Right shall be transferable by a Participant otherwise than by will or the laws of descent and distribution, and during the lifetime of a Participant the Option or Stock Appreciation Right shall be exercisable only by such Participant or such Participant's guardian or legal representative.

(c) *Restrictions on Transfer of Certain Other Stock-Based Awards.* Unless the Committee determines otherwise, no Other Stock-Based Award shall be transferable by a Participant otherwise than by will or the laws of descent and distribution, and during the lifetime of a Participant any such Other Stock-Based Award shall be exercisable only by such Participant or such Participant's guardian or legal representative.

(d) *Attachment and Levy.* No Plan Award shall be subject, in whole or in part, to attachment, execution or levy of any kind, and any purported transfer in violation hereof shall be null and void. Without limiting the generality of the foregoing, no domestic relations order purporting to authorize a transfer of a Plan Award, or to grant to any person other than the Participant the authority to exercise or otherwise act with respect to a Plan Award, shall be recognized as valid.

Section 12. *Designation of Beneficiaries*

Anything contained in the Plan to the contrary notwithstanding, a Participant may file with the Company a written designation of a beneficiary or beneficiaries under the Plan, subject to such limitations as to the classes and number of beneficiaries and contingent beneficiaries and such other limitations as the Committee from time to time may prescribe. A Participant may from time to time revoke or change any such designation of beneficiary. If a Participant designates his spouse as a Beneficiary, such designation automatically shall become null and void on the date of the Participant's divorce or legal separation from such spouse. Any designation of a beneficiary under the Plan shall be controlling over any other disposition, testamentary or otherwise; *provided, however*, that if the Committee shall be in doubt as to the entitlement of any such beneficiary to receive any Right, Final Award, Restricted Stock, Restricted Stock Unit, Option, Stock Appreciation Right, or Other Stock-Based Award, or if applicable law requires the Company to do so, the Committee may recognize only the legal representative of such Participant, in which case the Company, the Committee and the members thereof shall not be under any further liability to anyone. In the event of the death of any Participant, the term Participant as used in the Plan shall thereafter be deemed to refer to the beneficiary designated pursuant to this Section 12 or, if no such designation is in effect, the executor or administrator of the estate of such Participant, unless the context otherwise requires.

Section 13. *Merger, Consolidation, Stock Dividends, Etc.*

(a) *Adjustments.* In the event of any merger, consolidation, reorganization, stock split, stock dividend or other event affecting Stock, an appropriate adjustment shall be made in the total number of shares available for Plan Awards and in all other provisions of the Plan that include a reference to a number of shares or units, and in the numbers of shares or units covered by, and other terms and provisions (including but not limited to the grant or exercise price of any Plan Award) of outstanding Plan Awards.

(b) *Committee Determinations.* The foregoing adjustments and the manner of application of the foregoing provisions shall be determined by the Committee in its sole discretion. Any such adjustment may provide for the elimination of any fractional share which might otherwise become subject to a Plan Award.

Section 14. *Acceleration of Payment or Modification of Plan Awards*

(a) *Acceleration and Modification.* The Committee, in the event of the death of a Participant or in any other circumstance, may accelerate distribution of any Plan Award in its entirety or in a reduced amount, in cash or in Stock, or modify any Plan Award, in each case on such basis and in such manner as the Committee may determine in its sole discretion.

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(b) *Change in Control*. Notwithstanding any other provision of the Plan, unless the Committee determines otherwise at the time of grant, upon the occurrence of a Change in Control, (1) any Plan Awards outstanding as of the date of such Change in Control that relate to Performance Periods that have been completed as of the date of the Change in Control, but that have not yet been paid, shall be paid in accordance with the terms of such Plan Awards, (2) any Plan Awards outstanding as of the date of such Change in Control that relate to Performance Periods that have not been completed as of the date of the Change in Control, and that are not then vested, shall become fully vested if vesting is based solely upon the length of the employment relationship as opposed to the satisfaction of one or more Performance Goals, and (3) any other Plan Awards outstanding as of the date of such Change in Control that relate to Performance Periods that have not been completed as of the date of the Change in Control, and that are not then vested, shall be treated as vested and earned pro rata, as if the Performance Goals for the Target Award associated with a Performance Cash Right or a Performance Stock Right or the Performance Goals with respect to Restricted Stock, Restricted Stock Units or Other Stock Based Awards are attained as of the effective date of the Change in Control, by taking the product of (A) the Target Award (in the case of a Performance Cash Right or a Performance Stock Right) or the number of shares of Restricted Stock, Restricted Stock Units or Other Stock Based Awards granted to the Participant, and (B) a fraction, the numerator of which is the number of full or partial months that have elapsed from the beginning of the Performance Period to the date of the Change in Control and the denominator of which is the total number of months in the original Performance Period; *provided, however*, that any such Plan Award shall be immediately vested and payable to the Participant to the extent of the foregoing formula, and shall be free of all restrictions and conditions that would otherwise apply to such Plan Award. The foregoing provisions are subject to the terms of any employment contract governing the employment of a Participant to the extent that such contract provides greater rights to the Participant in the event of a Change in Control.

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(c) *Maximum Payment Limitation.* If any portion of the payments or benefits described in this Plan or under any other agreement with or plan of the Company (in the aggregate, Total Payments), would constitute an excess parachute payment , then the Total Payments to be made to the Participant shall be reduced such that the value of the aggregate Total Payments that the Participant is entitled to receive shall be one dollar (\$1) less than the maximum amount which the Participant may receive without becoming subject to the tax imposed by Section 4999 of the Code or which the Company may pay without loss of deduction under Section 280G(a) of the Code; provided that this Section shall not apply in the case of a Participant who has in effect a valid employment contract providing that the Total Payments to the Participant shall be determined without regard to the maximum amount allowable under Section 280G of the Code. The terms excess parachute payment and parachute payment shall have the meanings assigned to them in Section 280G of the Code, and such parachute payments shall be valued as provided therein. Present value shall be calculated in accordance with Section 280G(d)(4) of the Code. Within forty (40) days following delivery of notice by the Company to the Participant of its belief that there is a payment or benefit due the Participant which will result in an excess parachute payment as defined in Section 280G of the Code, the Participant and the Company, at the Company's expense, shall obtain the opinion (which need not be unqualified) of nationally recognized tax counsel selected by the Company's independent auditors and acceptable to the Participant in his sole discretion (which may be regular outside counsel to the Company), which opinion sets forth (A) the amount of the Base Period Income, (B) the amount and present value of Total Payments and (C) the amount and present value of any excess parachute payments determined without regard to the limitations of this Section. As used in this Section, the term Base Period Income means an amount equal to the Participant's annualized includible compensation for the base period as defined in Section 280G(d)(1) of the Code. For purposes of such opinion, the value of any noncash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code, which determination shall be evidenced in a certificate of such auditors addressed to the Company and the Participant. Such opinion shall be addressed to the Company and the Participant and shall be binding upon the Company and the Participant. If such opinion determines that there would be an excess parachute payment, the payments hereunder that are includible in Total Payments or any other payment or benefit determined by such counsel to be includible in Total Payments shall be reduced or eliminated as specified by the Participant in writing delivered to the Company within thirty days of his receipt of such opinion or, if the Participant fails to so notify the Company, then as the Company shall reasonably determine, so that under the bases of calculations set forth in such opinion there will be no excess parachute payment. If such legal counsel so requests in connection with the opinion required by this Section, the Participant and the Company shall obtain, at the Company's expense, and the legal counsel may rely on in providing the opinion, the advice of a firm of recognized executive compensation consultants as to the reasonableness of any item of compensation to be received by the Participant. If the provisions of Sections 280G and 4999 of the Code (or any successor provisions) are repealed without succession, then this Section shall be of no further force or effect.

Section 15. *Rights as a Stockholder*

Except with respect to shares of Restricted Stock, a Participant shall not have any rights as a stockholder with respect to any share covered by any Plan Award until such Participant shall have become the holder of record of such share.

Section 16. *Term, Amendment, Modification and Termination of the Plan and Agreements*

(a) *Term.* Unless terminated earlier pursuant to subsection (b), the Plan shall terminate on May 11, 2014.

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(b) *Amendment, Modification and Termination of Plan.* The Board may, from time to time, amend or modify the Plan or any outstanding Plan Award, including without limitation, to authorize the Committee to make Plan Awards payable in other securities or other forms of property of a kind to be determined by the Committee, and such other amendments as may be necessary or desirable to implement such Plan Awards, or may terminate the Plan or any provision thereof; *provided, however*, that no such action of the Board, without approval of the stockholders, may (1) increase the total number of shares of Stock with respect to which Plan Awards may be granted under the Plan or the individual limits specified in Section 4(a), (2) increase the total amount that may be paid to an individual with respect to a Performance Cash Award, as specified in Section 3(b), (3) extend the term of the Plan as set forth in paragraph (a) of this Section 16, (4) permit any person while a member of the Committee or any other committee of the Board administering the Plan to be eligible to receive or hold a Plan Award, or (5) permit the Company to decrease the grant price of any outstanding Option or Stock Appreciation Right.

(c) *Limitation and Survival.* No amendment to or termination of the Plan or any provision hereof, and no amendment or cancellation of any outstanding Plan Award, by the Board or the stockholders of the Company, shall, without the written consent of the affected Participant, adversely affect any outstanding Plan Award. The Committee's authority to act with respect to any outstanding Plan Award shall survive termination of the Plan.

(d) *Amendments for Changes in Law.* Notwithstanding the foregoing provisions, the Board shall have the authority to amend outstanding Plan Awards and the Plan to take into account changes in law and tax and accounting rules as well as other developments, and to grant Plan Awards that qualify for beneficial treatment under such rules, without stockholder approval.

Section 17. *Indemnification and Exculpation*

(a) *Indemnification.* Each person who is or shall have been a member of the Board, the Committee, or of any other committee of the Board administering the Plan or of any committee appointed by the foregoing committees, shall be indemnified and held harmless by the Company against and from any and all loss, cost, liability or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit or proceeding to which such person may be or become a party or in which such person may be or become involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by such person in settlement thereof (with the Company's written approval) or paid by such person in satisfaction of a judgment in any such action, suit or proceeding, except a judgment in favor of the Company based upon a finding of such person's lack of good faith; *subject, however*, to the condition that, upon the institution of any claim, action, suit or proceeding against such person, such person shall in writing give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it on such person's behalf. The foregoing right of indemnification shall not be exclusive of any other right to which such person may be entitled as a matter of law or otherwise, or any power that the Company may have to indemnify or hold such person harmless.

(b) *Exculpation.* Each member of the Board, the Committee, or of any other committee of the Board administering the Plan or any committee appointed by the foregoing committees, and each officer and employee of the Company, shall be fully justified in relying or acting in good faith upon any information furnished in connection with the administration of the Plan by any appropriate person or persons other than such person. In no event shall any person who is or shall have been a member of the Board, the Committee, or of any other committee of the Board administering the Plan or of any committee appointed by the foregoing committees, or an officer or employee of the Company, be held liable for any determination made or other action taken or any omission to act in reliance upon any such information, or for any action (including the furnishing of information) taken or any failure to act, if in good faith.

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Section 18. *Expenses of Plan*

The entire expense of offering and administering the Plan shall be borne by the Company and its participating Subsidiaries; *provided*, that the costs and expenses associated with the redemption or exercise of any Plan Award, including but not limited to commissions charged by any agent of the Company, may be charged to the Participants.

Section 19. *Finality of Determinations*

Each determination, interpretation, or other action made or taken pursuant to the provisions of the Plan by the Board, the Committee or any committee of the Board administering the Plan or any committee appointed by the foregoing committees, shall be final and shall be binding and conclusive for all purposes and upon all persons, including, but without limitation thereto, the Company, the stockholders, the Committee and each of the members thereof, and the directors, officers, and employees of the Company and its Subsidiaries, the Participants, and their respective successors in interest.

Section 20. *No Rights to Continued Employment or to Plan Award*

(a) *No Right to Employment.* Nothing contained in this Plan, or in any booklet or document describing or referring to the Plan, shall be deemed to confer on any Participant the right to continue as an Employee or director of the Company or Subsidiary, whether for the duration of any Performance Period, the duration of any vesting period under a Plan Award, or otherwise, or affect the right of the Company or Subsidiary to terminate the employment of any Participant for any reason.

(b) *No Right to Award.* No Employee or other person shall have any claim or right to be granted a Plan Award under the Plan. Having received an Award under the Plan shall not give a Participant or any other person any right to receive any other Plan Award under the Plan. A Participant shall have no rights in any Plan Award, except as set forth herein and in the applicable award grant.

Section 21. *Governing Law and Construction*

The Plan and all actions taken hereunder shall be governed by, and the Plan shall be construed in accordance with, the laws of the State of Delaware without regard to the principle of conflict of laws. Titles and headings to Sections are for purposes of reference only, and shall in no way limit, define or otherwise affect the meaning or interpretation of the Plan.

Section 22. *Securities and Stock Exchange Requirements*

(a) *Restrictions on Resale.* Notwithstanding any other provision of the Plan, no person who acquires Stock pursuant to the Plan may, during any period of time that such person is an affiliate of the Company (within the meaning of the rules and regulations of the Securities Exchange Commission) sell or otherwise transfer such Stock, unless such offer and sale or transfer is made (1) pursuant to an effective registration statement under the Securities Act of 1933 (1933 Act), which is current and includes the Stock to be sold, or (2) pursuant to an appropriate exemption from the registration requirements of the 1933 Act, such as that set forth in Rule 144 promulgated pursuant thereto.

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(b) *Registration, Listing and Qualification of Shares of Common Stock.* Notwithstanding any other provision of the Plan, if at any time the Committee shall determine that the registration, listing or qualification of the Stock covered by a Plan Award upon any securities exchange or under any foreign, federal, state or local law or practice, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Plan Award or the purchase or receipt of Stock in connection therewith, no Stock may be purchased, delivered or received pursuant to such Plan Award unless and until such registration, listing, qualification, consent or approval shall have been effected or obtained free of any condition not acceptable to the Committee. Any person receiving or purchasing Stock pursuant to a Plan Award shall make such representations and agreements and furnish such information as the Committee may request to assure compliance with the foregoing or any other applicable legal requirements. The Company shall not be required to issue or deliver any certificate or certificates for Stock under the Plan prior to the Committee's determination that all related requirements have been fulfilled. The Company shall in no event be obligated to register any securities pursuant to the 1933 Act or applicable state or foreign law or to take any other action in order to cause the issuance and delivery of such certificates to comply with any such law, regulation, or requirement.

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APPENDIX C

VISTEON CORPORATION

**NON-EMPLOYEE DIRECTOR
STOCK UNIT PLAN**

Section 1. *Effective Date*

The Board of Directors of Visteon Corporation has adopted this Non-Employee Director Stock Unit Plan, effective May 12, 2004, for the benefit of the non-employee directors of Visteon Corporation.

Section 2. *Definitions*

When used herein the following words and phrases shall have the meanings set forth below unless the context clearly indicates otherwise:

(a) **Account** means the recordkeeping account maintained by the Company in the name of the Participant. An Account is established for record keeping purposes only and not to reflect the physical segregation of assets on the Participant's behalf, and may consist of such subaccounts or balances as the Committee may determine to be necessary or appropriate, including the following:

1. **Mandatory Deferral Subaccount** means the Visteon Stock Units that are credited to the Participant's Account as a result of the Participant's Mandatory Deferrals.

2. **Dividend Subaccount** means the Visteon Stock Units that are credited to the Participant's Account as a result of deemed dividends on Visteon Stock Units credited to the Participant's Account.

(b) **Administrative Committee** means the non-participating members of the Board.

(c) **Board** means the Board of Directors of the Company.

(d) **Code** means the Internal Revenue Code of 1986, as interpreted by regulations and rulings issued pursuant thereto, all as amended and in effect from time to time.

(e) **Company** means Visteon Corporation, or any successor thereto.

(f) **Company Stock** means the common stock of the Company, par value \$1.00.

(g) **Exchange** means the New York Stock Exchange.

(h) **Outside Director** means a member of the Board who is not an officer or a common-law employee of the Company or any subsidiary thereof.

(i) **Participant** means each Outside Director who has an Account under the Plan.

(j) **Plan** means the Visteon Corporation Non-Employee Director Stock Unit Plan, as amended from time to time.

(k) **Plan Year** means the period beginning on the effective date of the Plan and ending on December 31, 2004 and thereafter, the twelve month period beginning on January 1 and ending December 31 of each year.

(l) **Visteon Stock Units** mean the hypothetical shares of Company Stock that are credited to a Participant's Account in accordance with Sections 4 and 5.

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Section 3. Administration

(a) *General Authority.* The Administrative Committee shall have the full power and discretionary authority to: (1) interpret and administer the Plan and any instrument relating to or made under the Plan; (2) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (3) make any other determination, and take any other action, that the Administrative Committee deems necessary or desirable for the administration of the Plan. The decisions and determinations of the Administrative Committee need not be uniform and may be made differently among Participants, and shall be final, binding and conclusive on all interested parties.

(b) *Recordkeeping.* The Administrative Committee shall be responsible for maintaining all Accounts; provided that the Administrative Committee may in its discretion appoint or remove a third-party recordkeeper to maintain the Accounts as provided herein.

(c) *Effectiveness of Elections.* Any elections or beneficiary designations made under this Plan shall be effective only upon the delivery of the appropriate form to the Secretary of the Company and its acceptance by the Administrative Committee.

Section 4. Mandatory Deferrals

(a) *Mandatory Deferrals.* On the day after the date of each regular annual meeting of stockholders of the Company, the Mandatory Deferral Account of each Participant who is then an Outside Director shall be credited with a number of additional Visteon Stock Units equal to the result obtained by (i) dividing (A) \$10,000 by (B) the average of the high and low prices at which a share of Company Stock shall have been sold regular way on the Exchange on such date and (ii) rounding the quotient to four decimal places (each, a Mandatory Deferral).

(b) *Vesting.* Each Participant shall at all times be 100% vested in his or her Mandatory Deferral Subaccount.

Section 5. Dividend Equivalents

(a) *Conversion to Visteon Stock Units.* Any cash dividends that would have been payable in any month on the Visteon Stock Units credited to a Participant s Account had such units been actual shares of Company Stock shall be converted, for recordkeeping purposes, into whole and fractional Visteon Stock Units, with fractional units calculated to four decimal places, with the resulting Visteon Stock Units credited to the Participant s Dividend Subaccount. The conversion shall be accomplished by dividing the Participant s deemed dividends for the month by the average of the high and low prices at which a share of Common Stock shall have been sold regular way on the Exchange on the last day of such month on which the Exchange is open to transact trades.

(b) *Vesting.* Each Participant shall at all times be 100% vested in his or her Dividend Subaccount.

Table of Contents**Section 6. Distributions**

(a) *Distribution Election.* Distribution of a Participant's vested Account shall be made or commence to be made on or about January 15 of the calendar year following the calendar year in which the Participant terminates service as an Outside Director of the Company in the form or forms of distribution elected by the Participant. The Participant may elect to have a distribution made either in (i) a single sum, or (ii) ten (10) annual installments. With respect to Mandatory Deferrals in 2004, a Participant may make an election regarding distribution within thirty (30) days after initial stockholder approval of this Plan. Otherwise, elections shall be irrevocable with respect to deferrals (and dividends thereon) for the Plan Year for which it is made, and shall be effective on the first day of the Plan Year following its acceptance by the Administrative Committee. An election shall continue in effect for amounts deferred in subsequent Plan Years (and dividends thereon) unless modified by the Participant in accordance with this Section 6. A Participant may modify an existing election effective on the first day of the Plan Year following the date on which the revised election is accepted by the Administrative Committee, and such revised election shall apply to amounts deferred after the effective date of such election. A Participant who fails to make any distribution election shall be deemed to have elected the single sum payment option.

1. *Single Sum Distribution.* If the Participant has elected the single sum distribution option, the Company, in accordance with directions from the Administrative Committee, will distribute to the Participant shares of Company Stock equal to the number of Visteon Stock Units credited to the Participant's Account (and cash in lieu of any fractional om" WIDTH="3%")

	1.510	1.459	
>= C\$500,000,000	>= 10 years, < 15 years	1.510	1.326
< C\$200,000,000	>= 15 years	1.820	N/A
>= C\$200,000,000, < C\$500,000,000	>= 15 years	1.820	1.459
>= C\$500,000,000	>= 15 years	1.820	1.326
Canadian Provincial Securities: (S&P only) (10)(11)			
Any	< 46 days	N/A	1.000
>= C\$100,000,000	>= 46 days, < 3 years	N/A	1.286
>= C\$100,000,000	>= 3 years, < 5 years	N/A	1.286
>= C\$100,000,000	>= 5 years, < 7 years	N/A	1.312
>= C\$100,000,000	>= 7 years, < 10 years	N/A	1.312
>= C\$100,000,000	>= 10 years, < 15 years	N/A	1.426
>= C\$100,000,000	>= 15 years	N/A	1.426
Canadian Provincial Securities: (Moody's only) (10)(11)			
Any	< 46 days	1.000(1)	N/A
>= C\$500,000,000	>= 46 days, < 3 years	1.290	N/A
>= C\$500,000,000	>= 3 years, < 5 years	1.420	N/A
>= C\$500,000,000	>= 5 years, < 7 years	1.420	N/A
>= C\$500,000,000	>= 7 years, < 10 years	1.510	N/A
>= C\$500,000,000	>= 10 years, < 15 years	1.510	N/A
>= C\$500,000,000	>= 15 years	1.820	N/A
GNMA Certificates with fixed interest rates:			
N/A	N/A	1.500	1.300
GNMA Certificates with adjustable interest rates:			
N/A	N/A	1.450	1.300
FHLMC and FNMA Certificates with fixed interest rates:			
N/A	N/A	1.590	1.350
FHLMC and FNMA Certificates with adjustable interest rates:			
N/A	N/A	1.290	1.350
FHLMC Multifamily Securities:			
N/A	N/A	1.650	1.650
FHLMC and FNMA Certificates with variable interest rates:			
N/A	N/A	1.500	1.350
GNMA Graduated Payment Securities: (12)(13)			
N/A	N/A	1.500	1.500
United Kingdom Currency:			
N/A	N/A	1.160	1.600

Issue Size	Term to Maturity	Moody's Discount Factor	S&P Discount Factor
United Kingdom Government Securities: (14)			
Any	< 46 days	1.000(1)	1.000
<= £500,000,000	>= 46 days, < 3 years	1.440	N/A
>= £500,000,000, < £700,000,000	>= 46 days, < 3 years	1.440	1.415
>=£700,000,000	>= 46 days, < 3 years	1.440	1.286
<= £500,000,000	>= 3 years, < 5 years	1.530	N/A
>= £500,000,000, < £700,000,000	>= 3 years, < 5 years	1.530	1.415
>=£700,000,000	>= 3 years, < 5 years	1.530	1.286
<= £500,000,000	>= 5 years, < 7 years	1.630	N/A
>= £500,000,000, < £700,000,000	>= 5 years, < 7 years	1.630	1.443
>=£700,000,000	>= 5 years, < 7 years	1.630	1.312
<= £500,000,000	>= 7 years, < 10 years	1.680	N/A
>= £500,000,000, < £700,000,000	>= 7 years, < 10 years	1.680	1.443
>=£700,000,000	>= 7 years, < 10 years	1.680	1.312
<= £500,000,000	>= 10 years, < 15 years	1.680	N/A
>= £500,000,000, < £700,000,000	>= 10 years, < 15 years	1.680	1.507
>=£700,000,000	>= 10 years, < 15 years	1.680	1.370
<= £500,000,000	>= 15 years	1.680	N/A
>= £500,000,000, < £700,000,000	>= 15 years	1.680	1.569
>=£700,000,000	>= 15 years	1.680	1.426
U.S. Government Obligations:			
Any	<= 90 days	1.060	1.000
Any	> 90 days, <= 1 year	1.060	1.060
Any	> 1 year, <= 2 years	1.110	1.200
Any	> 2 years, <= 3 years	1.150	1.200
Any	> 3 years, <= 4 years	1.200	1.200
Any	> 4 years, <= 5 years	1.240	1.200
Any	> 5 years, <= 7 years	1.290	1.250
Any	> 7 years, <= 10 years	1.340	1.250
Any	> 10 years, <= 15 years	1.370	1.300
Any	> 15 years, <= 20 years	1.410	1.380
Any	> 20 years, <= 30 years	1.420	1.380
Brady Bonds: (6)			
		N/A	(15)
Asian Yankee Bonds and Commonwealth Yankee Bonds: (Moody's only)			
Issued by Australia, Canada, China, Hong Kong, India, Indonesia, Korea, Malaysia, New Zealand, Thailand, The Philippines and the United Kingdom		2.400	N/A
Asian Yankee Bonds and Commonwealth Yankee Bonds: (S&P only)			
Issued by Australia, Canada, China, Hong Kong, India, Indonesia, Korea, Malaysia, New Zealand, Thailand, The Philippines and the United Kingdom	AAA	N/A	1.420
	AA	N/A	1.470
	A	N/A	1.520
	BBB	N/A	1.570
	BB	N/A	1.640
	B	N/A	1.710
	B-	N/A	1.780
	CCC+	N/A	1.850
AMPS Interest Rate Swaps:			
<= 1/3 liquidation value of outstanding AMPS	<= 2 years	1.18/1.22(16)	1.0526(17)

Issue Size	Term to Maturity	Moody's Discount Factor	S&P Discount Factor
New Zealand Government Securities: (18)			
Any	< 46 days	1.000(1)	1.000
< NZ\$100,000,000	>= 46 days, <= 2 years	1.730	1.470
>= NZ\$100,000,000, <= NZ\$150,000,000	>= 46 days, <= 2 years	1.730	1.340
> NZ\$150,000,000	>= 46 days, <= 2 years	1.520	1.340
< NZ\$100,000,000	> 2 years, <=5 years	1.730	1.580
>= NZ\$100,000,000, <= NZ\$150,000,000	> 2 years, <= 5 years	1.730	1.436
> NZ\$150,000,000	> 2 years, <= 5 years	1.520	1.436
< NZ\$100,000,000	> 5 years, <= 10 years	1.730	1.608
>= NZ\$100,000,000, <= NZ\$150,000,000	> 5 years, <= 10 years	1.730	1.462
> NZ\$150,000,000	> 5 years, <= 10 years	1.520	1.462
< NZ\$100,000,000	> 10 years, <= 20 years	1.730	1.679
>= NZ\$100,000,000, <= NZ\$150,000,000	> 10 years, <= 20 years	1.730	1.526
> NZ\$150,000,000	> 10 years, <= 20 years	1.520	1.526

- (1) In the case of Moody's, the remaining term to maturity of Eligible Portfolio Property with a Moody's Discount Factor of 1.000 shall be measured from the last Valuation Date on which the AMPS Basic Maintenance Amount was met for the purpose of determining the number of shares of AMPS to be redeemed which would result in satisfaction of the AMPS Basic Maintenance Amount.
- (2) Provided that in the case of S&P, the current outstanding issue size (as determined on each Quarterly Surprise Valuation Date) is equal to or greater than A\$10,000,000.
- (3) Excluding securities of Hydro-Electricity Commission of Tasmania, Tasmanian Public Finance Corp. and Tasmanian Development Authority.
- (4) Including securities of Hydro-Electricity Commission of Tasmania, Tasmanian Public Finance Corp. and Tasmanian Development Authority.
- (5) If any Overseas Banking Unit constituting Australian Currency has a maturity of more than 46 days from the Valuation Date, the principal amount of the cash deposit shall be offset by an amount equal to the penalty for early withdrawal and in the event interest earned on any Overseas Banking Unit is not exempt from interest withholding tax, the Corporation may not include interest earned as a component of the value of the deposit unless taxes incurred on interest earned have been paid.
- (6) The discount factor in the table assumes that the security has a rating of Aa3 or better in the case of Moody's and AA- or better in the case of S&P. In the case of S&P, these types of securities may be contained in Eligible Portfolio Property, even if they have lower ratings, subject to the following percentage restrictions (which are cumulative):

Rating	% of total Discounted Value of Eligible Portfolio Property allowed at each ratings level
Aa3/AA- or better	100%
Below Aa3/AA-	50%
Below A3/A-	25%
Below BBB3/BBB-	10%

Discount factors to be applied on these securities, to the extent they are rated less than AA- by S&P, are listed in the Leveraged Funds Market Value Ratings publication dated December, 1997.

- (7) See Australian Guaranteed and Non-Guaranteed Eurobonds.
- (8) Included in Australian Eurobonds.
- (9) Included in Australian Semi-Government categories.
- (10) In the case of Moody's, with an original principal balance of at least C\$150,000,000.
- (11) In the case of Moody's assets with a remaining maturity of greater than 20 years may not constitute more than 5% of Eligible Portfolio Property and, in the case of S&P the applicable discount factor shown is for Canadian Provincial Securities for the Provinces of British Columbia, Ontario and Quebec (the Base Discount). The applicable discount factor for the Provinces of Alberta and New Brunswick is

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110% of the Base Discount, for the Provinces of Manitoba and Saskatchewan 125% of Base Discount and for the Provinces of Newfoundland and Nova Scotia, 135% of Base Discount.

- (12) Unless the Rating Agencies shall agree in writing, GNMA Graduated Payment Securities with a coupon rate lower than 5% shall not be included in Eligible Portfolio Property.

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- (13) A Discount Factor of 1.50 applies in the case of GNMA Graduated Payment Securities as to which the Corporation notifies the Auction Agent that scheduled principal payments are being made to holders; in the case of GNMA Graduated Payment Securities as to which the Corporation notifies the Auction Agent that scheduled principal payments are not being made to holders, the Discount Factor shall be that which is determined in writing by the Rating Agencies.
- (14) In the case of Moody's, with an original principal balance of at least £600,000,000.
- (15) In the case of S&P, discount factors to be applied are listed in the Leveraged Funds Market Value Ratings publication dated December, 1997.
- (16) With respect to Moody's, a Discount Factor of 1.18 will be applied when the Eligible AMPS Interest Rate Swap Counterparty is rated Aaa, and a Discount Factor of 1.22 will be applied when the Eligible AMPS Interest Rate Swap Counterparty is rated Aa1-Aa3, to the extent the AMPS Interest Rate Swap is in the money based on the then-current marked to market valuation of the AMPS Interest Rate Swap provided by the Eligible AMPS Interest Rate Swap Counterparty. To the extent that the AMPS Interest Rate Swap is out of the money, 100% of the Market Value of the AMPS Interest Rate Swap will be deemed a current liability of the Corporation for purposes of calculating the AMPS Basic Maintenance Amount and will not be included in Eligible Portfolio Property.
- (17) With respect to S&P, to the extent the AMPS Interest Rate Swap is in the money based on the then-current marked to market valuation of the AMPS Interest Rate Swap provided by the Eligible AMPS Interest Rate Swap Counterparty, the Discount Factor in the table should be applied. To the extent that the AMPS Interest Rate Swap is out of the money, 100% of the Market Value of the AMPS Interest Rate Swap will be deemed a current liability of the Corporation for purposes of calculating the AMPS Basic Maintenance Amount and will not be included in Eligible Portfolio Property.
- (18) Provided that, in the case of S&P, the current outstanding issue size (as determined on each Quarterly Surprise Valuation Date) is equal to or greater than NZ\$10,000,000.

Discounted Value, with respect to any asset held by the Corporation, means the quotient of the Market Value of such asset divided by the applicable Discount Factor; provided that in no event shall the Discounted Value of any asset constituting Eligible Portfolio Property as of any date exceed the unpaid principal balance or face amount of such asset as of that date; provided further that the Discounted Value of all Australian Securities, Canadian Securities, United Kingdom Securities and New Zealand Securities shall be further discounted by the Discount Factor applicable to, respectively, Australian Currency, Canadian Currency, United Kingdom Currency and New Zealand Currency.

Dividend Payment Date, with respect to the AMPS, means each date of payment of dividends as provided in paragraph 3(b)(i) of this Article XII.

Dividend Period means the Initial Dividend Period, any Regular Dividend Period, and any Special Dividend Period.

Dollar or \$ shall mean U.S. dollars. Amounts in Canadian, Australian or New Zealand dollars or United Kingdom pounds sterling shall be converted to U.S. dollars at the rates reported by the Pricing Service for the Valuation Date or such other source as shall have been approved in writing by the Rating Agencies.

Eligible AMPS Interest Rate Swap Counterparty means (i) with respect to S&P, a counterparty with at least an A-1+ short term rating or, alternatively, an AA- long term rating from S&P; and (ii) with respect to Moody's, a counterparty with at least an Aa3 long term rating from Moody's. In the event that an Eligible AMPS Interest Rate Swap Counterparty's ratings are downgraded below A-1+ or AA- by S&P, or Aa3 by Moody's, respectively, the counterparty will cease to be an Eligible AMPS Interest Rate Swap Counterparty and the counterparty must be replaced promptly. In the event that an Eligible AMPS Interest Rate Swap Counterparty terminates a swap early for reasons related to its rating status (other than a downgrade), the counterparty will cease to be an Eligible AMPS Interest Rate Swap Counterparty and the counterparty must be replaced promptly.

Eligible Portfolio Property means Australian Bank Bills, Australian Currency, Australian Convertible or Exchangeable Eurobonds, Australian Eurobonds, Australian Government Securities, Australian Semi-Government Securities, Canadian Currency, Canadian Securities, Cash, New Zealand Government Securities, United Kingdom Currency, United Kingdom Securities, U.S. Government Obligations, Repurchase Agreements, Brady Bonds, Asian Yankee Bonds, Commonwealth Yankee Bonds, AMPS Interest Rate Swaps (to the extent they are in the

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money), Short Term Money Market Instruments, FNMA Certificates, FHLMC Certificates, FHLMC Multifamily Securities, GNMA Certificates, and GNMA Graduated Payment Securities and, if the calculation is being made for S&P, Australian Corporate Bonds; provided, (i) if the determination is being made by Moody's, (x) that no more than 20% in the aggregate of the total Discounted Value of Eligible Portfolio Property shall consist of Australian Government and/or Australian Semi-Government Securities with a current outstanding issue size less than A\$150,000,000 and/or New Zealand Government Securities with a current outstanding issue size less than NZ\$150,000,000; and (y) not more than 10% in the aggregate of the total Discounted Value of Eligible Portfolio Property shall consist of Australian Semi-Government Securities described under item 12 of such definition and (ii) if the determination is being made for S&P, (x) that no Australian Government Securities or Australian Semi-Government Securities contained in Eligible Portfolio Property shall have a current outstanding issue size less than A\$10,000,000 (as determined on each Quarterly Surprise Valuation Date); (y) that no New Zealand Government Securities

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contained in Eligible Portfolio Property shall have a current outstanding issue size less than NZ\$10,000,000 (as determined on each Quarterly Surprise Valuation Date); and (z) that not more than 10% in the aggregate of the total Discounted Value of the Eligible Portfolio Property shall consist of Australian Semi-Government Securities issued by any single issuer (except that in the case of New South Wales Treasury Corporation, such percentage shall be 25%) and that not more than 20% in the aggregate of the total Market Value of the Eligible Portfolio Property shall consist of Australian Semi-Government Securities guaranteed by any single state (except that in the case of each of Victoria and New South Wales, such percentage shall be 25%). The Board of Directors shall have the authority to specify from time to time other assets as Eligible Portfolio Property if the Rating Agencies advise the Corporation in writing that the specification will not adversely affect their respective then-current ratings of the AMPS; it being understood that the components of Eligible Portfolio Property may differ between S&P and Moody's.

Existing Holder means a Broker-Dealer or any such other Person as may be permitted by the Corporation that is listed as the holder of record of shares of AMPS in the records of the Auction Agent.

Failure to Cure shall mean a failure by the Corporation to maintain the AMPS Basic Maintenance Amount or the 1940 Act AMPS Asset Coverage Requirement, as the case may be, which failure is not cured by the relevant Cure Date.

FANMAC Certificates are securities issued by a trustee against housing loans made through the New South Wales Department of Housing and consist of a series of closed trusts or pools. The mortgage manager is the First Australian National Mortgage Acceptance Corporation Ltd. (FANMAC). FANMAC is owned partially by the Government of the State of New South Wales with the remainder owned by other institutions. The Government of the State of New South Wales has provided the FANMAC Trust with an assurance as to availability of funds to meet payments. The securities have been rated by Australian Ratings and S&P. FANMAC securities are subject to a call provision under which borrowers (mortgagors) can repay early and the investors in a particular pool can be repaid on a pro rata basis.

FHLMC means the Federal Home Loan Mortgage Corporation created by Title III of the Emergency Home Finance Act of 1970, and includes any successor thereto.

FHLMC Certificate means a mortgage participation certificate in physical or book-entry form, the timely payment of interest on and the ultimate collection of principal of which is guaranteed by FHLMC, and which evidences a proportional undivided interest in, or participation interest in, specified pools of fixed-, variable- or adjustable-rate, fully amortizing, level pay mortgage loans with terms up to 30 years, secured by first liens on one- to four-family residences.

FHLMC Multifamily Security means a Plan B Multifamily Security in physical or book-entry form, the timely payment of interest on and the ultimate collection of principal of which is guaranteed by FHLMC, and which evidences a proportional undivided interest in, or participation interest in, specified pools of fixed-rate, fully amortizing, level pay mortgage loans with terms up to 30 years, secured by first-priority mortgages on multifamily residences containing five or more units and which are designed primarily for residential use, the inclusion of which in the Eligible Portfolio Property will not, in and of itself, impair, or cause the AMPS to fail to retain, the rating assigned to such AMPS by each of the Rating Agencies, as evidenced by a letter to such effect from each of the Rating Agencies.

FNMA means the Federal National Mortgage Association, a United States Government-sponsored private corporation established pursuant to Title VIII of the Housing and Urban Development Act of 1968, and includes any successor thereto.

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FNMA Certificate means a mortgage pass-through certificate in physical or book-entry form, the full and timely payment of principal of and interest on which is guaranteed by FNMA, and which evidences a proportional undivided interest in specified pools of fixed-, variable- or adjustable-rate, fully amortizing, level pay mortgage loans with terms up to 30 years, secured by first liens on one- to four-family residences.

Forward Contract means a contract, entered into following a Failure to Cure, between the Corporation and a commercial bank or other financial institution whose short term debt is rated at least A-1+ by S&P or whose long term debt is rated at least AA by S&P (an **Eligible Bank**), which provides that the Corporation will sell a specified amount of Australian Currency, Canadian Currency, United Kingdom Currency or New Zealand Currency to such Eligible Bank on a specified date for a specified amount of U.S. dollars. The date of payment in U.S. dollars shall not be later than the 30th day following the Valuation Date related to the Failure to Cure and the amount of U.S. dollars shall be sufficient to redeem all shares of AMPS required to be redeemed. On the Date of Original Issue and on each Quarterly Surprise Valuation Date thereafter, the Corporation will confirm in writing to S&P that the Corporation has a credit-line with an Eligible Bank (the **Credit Line Test**). The Credit Line Test shall be deemed to be satisfied on any date if the Corporation has delivered such confirmation to S&P on the Date of Original Issue or the most recent Quarterly Surprise Valuation Date, as the case may be.

GNMA means the Government National Mortgage Association, and includes any successor thereto.

GNMA Certificate means a fully modified pass-through certificate in physical or book-entry form, the full and timely payment of principal of and interest on which is guaranteed by GNMA and which evidences a proportional undivided interest in specified pools of fixed-, variable- or adjustable-rate, fully amortizing, level pay mortgage loans with terms up to 30 years, secured by first liens on one- to four-family residences.

GNMA Graduated Payment Security means a fully modified pass-through certificate in physical or book-entry form, the full and timely payment of principal of and interest on which is guaranteed by GNMA, which obligation is backed by the full faith and credit of the United States, and which evidences a proportional undivided interest in specified pools of graduated payment mortgage loans with terms up to 30 years, with payments that increase annually at a predetermined rate for up to the first five or ten years of the mortgage loan and that are secured by first-priority mortgages on one- to four-unit residences; *provided* that such loans shall be past the graduated payment period.

GNMA Multifamily Security means a fully modified certificate in physical or book-entry form, the full and timely payment of principal of and interest on which is guaranteed by GNMA, which obligation is backed by the full faith and credit of the United States, and which evidences a proportional undivided interest in specified pools of fixed-rate mortgage, level pay loans with terms up to 30 years secured by first-priority mortgages on multifamily residences, the inclusion of which in the Eligible Portfolio Property will not, in and of itself, impair or cause the AMPS to fail to retain the rating assigned to such AMPS by each of the Rating Agencies as evidenced by a letter to such effect from each of the Rating Agencies.

Holder means a Person identified as a holder of shares of AMPS in the Stock Register.

Independent Accountant means a nationally recognized accountant, or firm of accountants, that is, with respect to the Corporation, an independent public accountant or firm of independent public accountants under the Securities Act of 1933, as amended.

Industry Category means, as to any Corporate Bond, any of the industry categories set forth in the following table:

- (1) Aerospace and Defense: Major Contractor, Subsystems, Research, Aircraft Manufacturing, Arms, Ammunition;
- (2) Automobile: Automotive Equipment, Auto-Manufacturing, Auto Parts Manufacturing, Personal Use Trailers, Motor Homes, Dealers;
- (3) Banking: Bank Holding, Savings and Loans, Consumer Credit, Small Loan, Agency, Factoring, Receivables;
- (4) Beverage, Food and Tobacco: Beer and Ale, Distillers, Wines and Liquors, Distributors, Soft Drink Syrup, Bottlers, Bakery, Mill Sugar, Canned Foods, Corn Refiners, Dairy Products, Meat Products, Poultry Products, Snacks, Packaged Foods, Distributors, Candy, Gum, Seafood, Frozen Food, Cigarettes, Cigars, Leaf/Snuff, Vegetable Oil;

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- (5) Buildings and Real Estate: Brick, Cement, Climate Controls, Contracting, Engineering, Construction, Hardware, Forest Products (building-related only), Plumbing, Roofing, Wallboard, Real Estate, Real Estate Development, REITs, Land Development;

- (6) Chemicals, Plastics and Rubber: Chemicals (non-agriculture), Industrial Gases, Sulphur, Plastics, Plastic Products, Abrasives, Coatings, Paints, Varnish, Fabricating;

- (7) Containers, Packaging and Glass: Glass, Fiberglass, Containers made of: Glass, Metal, Paper, Plastic, Wood or Fiberglass;

- (8) Personal and Non-Durable Consumer Products (Manufacturing Only): Soaps, Perfumes, Cosmetics, Toiletries, Cleaning Supplies, School Supplies;

- (9) Diversified/Conglomerate Manufacturing;

- (10) Diversified/Conglomerate Service;

- (11) Diversified Natural Resources, Precious Metals and Minerals: Fabricating, Distribution, Mining and Sales;

- (12) Ecological: Pollution Control, Waste Removal, Waste Treatment, Waste Disposal;

- (13) Electronics: Computer Hardware, Electric Equipment, Components, Controllers, Motors, Household Appliances, Information Service Communication Systems, Radios, TVs, Tape Machines, Speakers, Printers, Drivers, Technology;

- (14) Finance: Investment Brokerage, Leasing, Syndicating, Securities;

- (15) Farming and Agriculture: Livestock, Grains, Produce, Agricultural Chemicals, Agricultural Equipment, Fertilizers;

- (16) Grocery: Grocery Stores, Convenience Food Stores;

(17) Healthcare, Education and Childcare: Ethical Drugs, Proprietary Drugs, Research, Health Care Centers, Nursing Homes, HMOs, Hospitals, Hospital Supplies, Medical Equipment;

(18) Home and Office Furnishings, Housewares, and Durable Consumer Products: Carpets, Floor Coverings, Furniture, Cooking, Ranges;

(19) Hotels, Motels, Inns and Gaming;

(20) Insurance: Life, Property and Casualty, Broker, Agent, Surety;

(21) Leisure, Amusement, Motion Pictures, Entertainment: Boating, Bowling, Billiards, Musical Instruments, Fishing, Photo Equipment, Records, Tapes, Sports, Outdoor Equipment (Camping), Tourism, Resorts, Games, Toy Manufacturing, Motion Picture Production Theaters, Motion Picture Distribution;

(22) Machinery (Non-Agriculture, Non-Construction, Non-Electronic): Industrial, Machine Tools, Steam Generators;

(23) Mining, Steel, Iron and Non-Precious Metals: Coal, Copper, Lead, Uranium, Zinc, Aluminum, Stainless Steel, Integrated Steel, Ore Production, Refractories, Steel Mill Machinery, Mini-Mills, Fabricating, Distribution and Sales;

(24) Oil and Gas: Crude Producer, Retailer, Well Supply, Service and Drilling;

(25) Personal, Food and Miscellaneous Services;

(26) Printing, Publishing and Broadcasting: Graphic Arts, Paper, Paper Products, Business Forms, Magazines, Books, Periodicals, Newspapers, Textbooks, Radio, TV, Cable, Broadcasting Equipment;

(27) Cargo Transport: Rail, Shipping, Railroads, Rail-care Builders, Ship Builders, Containers, Container Builders, Parts, Overnight Mail, Trucking, Truck Manufacturing, Trailer Manufacturing, Air Cargo, Transport;

(28) Retail Stores: Apparel, Toy, Variety, Drugs, Department, Mail Order Catalog, Showroom;

(29) Telecommunications: Local, Long Distance, Independent, Telephone, Telegraph, Satellite, Equipment, Research, Cellular;

(30) Textiles and Leather: Producer, Synthetic Fiber, Apparel Manufacturer, Leather Shoes;

(31) Personal Transportation: Air, Bus, Rail, Car Rental; and

(32) Utilities: Electric, Water, Hydro Power, Gas, Diversified.

Initial Dividend Payment Date has the meaning set forth in paragraph 3(b)(i) of this Article XII.

Initial Dividend Period has the meaning specified in paragraph 3(c)(i) of this Article XII.

Initial Dividend Rate, with respect to the AMPS, means the rate per annum specified herein applicable to the Initial Dividend Period.

Interest Equivalent means a yield on a 360-day basis of a discount basis security which is equal to the yield on an equivalent interest-bearing security.

Investment Company Act means the Investment Company Act of 1940 (15 U.S. Code §§80 et seq.), as amended from time to time.

Investment Manager means Aberdeen Asset Managers (CI) Limited or any successor manager to the Corporation who acts in such capacity in conformance with Section 15 of the Investment Company Act.

Lien has the meaning set forth in paragraph 3(d)(iii) of this Article XII.

Long Term Dividend Period means a Special Dividend Period consisting of a specified period of whole years not greater than five years.

Mandatory Redemption Price means \$25,000 per share of AMPS plus an amount equal to accumulated but unpaid dividends (whether or not earned or declared) to the date fixed for redemption.

Market Value means the amount determined with respect to specific assets of the Corporation in the manner set forth below, it being understood that Market Value shall include any interest accrued thereon but, in the case of Moody's, only if the next interest coupon on such asset is due and payable within 47 days of the Reporting Date, and that a designated Pricing Service may be used where indicated.

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(a) as to Australian, Canadian and United Kingdom Securities, the Administrator or the Custodian shall value such securities at the last trade price quoted by a designated Pricing Service if such trade price reflects a trade on, or within one local business day prior to, the Reporting Date. If no such trade price is available, the Administrator or the Custodian shall value such securities, where

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practicable, at the bid prices or the mean between the bid and asked price quoted by a designated Pricing Service on the Reporting Date, or if such quotes are not readily available, at fair value as determined by a designated Pricing Service (or the Administrator or Custodian if the Rating Agencies so permit) using methods which include: consideration of yields or prices of assets of comparable quality, type of issue, coupon, maturity and rating; indications as to value from dealers; and general market conditions. Either the Administrator or the Custodian or a designated Pricing Service may employ electronic data processing techniques and/or a matrix system to determine valuations. In the event the Administrator or the Custodian or a designated Pricing Service is unable to value a security, the security shall be valued at the lower of two dealer bids (both of which shall be in writing or by telecopy, telex or other electronic transcription, computer obtained quotation reduced to written form or similar means) provided to the Corporation, by two recognized securities dealers in either (i) Australia, with respect to Australian Securities, (ii) Canada, with respect to Canadian Securities or (iii) the United Kingdom, with respect to United Kingdom Securities, such securities dealers making a market in the applicable securities.

(b) as to GNMA Certificates, GNMA Graduated Payment Securities, FNMA Certificates, FHLMC Certificates and FHLMC Multifamily Securities, the Pricing Service (or the Administrator or the Custodian, if the Rating Agencies so permit) shall value such securities as the product of (i) the aggregate unpaid principal amount of the mortgage loans evidenced by each such certificate or security, as the case may be, as of the close of business in New York City on the last Business Day prior to such Valuation Date and (ii) the lower of the bid prices for the same kind of certificate or, if not available, some other security having, as nearly as practicable, comparable interest rates and maturities, as quoted to the Corporation by two nationally recognized securities dealers, who are members of the National Association of Securities Dealers selected by the Corporation and making a market therein, with at least one such quotation in writing plus, (x) if the determination is being made for Moody's, accrued interest to the Valuation Date if the next interest coupon on such security is due and payable within 46 days of such Valuation Date and (y) if the determination is being made for S&P, accrued interest;

(c) as to Australian, Canadian and United Kingdom Currency and as to Cash, demand deposits (and in the case of S&P only, bankers acceptances) included in Short Term Money Market Instruments, the Administrator or the Custodian shall value such currency or securities as the face value thereof;

(d) as to next Business Day repurchase agreements, the face value thereof;

(e) as to U.S. Government Obligations, the Administrator or the Custodian shall value such securities at the bid prices quoted by a designated Pricing Service or the mean between the bid and asked price quoted by a designated Pricing Service on the Reporting Date, or if such quotes are not readily available, at fair value as determined by a designated Pricing Service (or the Administrator or the Custodian, if the Rating Agencies so permit) using methods which include: consideration of yields or prices of assets of comparable quality, type of issue, coupon, maturity and rating; indications as to value from dealers; and general market conditions. Either the Administrator, the Custodian or a designated Pricing Service may employ electronic data processing techniques and/or a matrix system to determine valuations. In the event the Administrator or the Custodian or a designated Pricing Service is unable to value a security, the security shall be valued at the lower of two dealer bids (at least one of which shall be in writing or by telecopy or other electronic transcription, computer obtained quotation reduced to written form or similar means) provided for the Corporation by two nationally recognized securities dealers, who are members of the National Association of Securities Dealers selected by the Corporation and making a market therein; and

(f) as to AMPS Interest Rate Swaps, the Administrator shall determine the net value of the interest rate swaps on a daily marked-to-market basis in accordance with their Valuation Procedures, as such Valuation Procedures may be amended from time to time by the Board of Directors of the Corporation, based on price information received from the Eligible AMPS Interest Rate Swap Counterparty.

Without amending the Charter, (i) the calculation of the Market Value of an asset constituting Eligible Portfolio Property may be changed to any method recognized by the Rating Agencies from that set forth in this Article XII and (ii) a method recognized by the Rating Agencies for calculating the Market Value of any asset identified as Eligible Portfolio Property may be specified if the Rating Agencies advise the Corporation in writing that the change or specification will not adversely affect their respective then-current ratings of the AMPS.

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Maximum Applicable Rate, with respect to AMPS, has the meaning set forth in paragraph 8(a)(vii) of this Article XII.

Moody's means Moody's Investors Service, Inc. or its successors.

MMSs are mortgage-backed securities issued against mortgage pools by MGICA Securities Ltd., a wholly-owned subsidiary of AMP Society Ltd., an Australian insurance company, and rated by Australian Ratings.

MTCs are securities issued against specific mortgages by a trustee and are similar to pass-through certificates. MTCs are issued on a continuous basis, insured by Australian insurance companies against both mortgage default and an early call, and rated by Australian Ratings.

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New Zealand Currency means such coin or currency of the Government of the Commonwealth of New Zealand as at the time shall be legal tender for payment of public and private debts.

New Zealand Government Securities means, in the case of S&P, all publicly traded securities issued and guaranteed by the Government of the Commonwealth of New Zealand with fixed maturities (*i.e.*, no perpetuals) and, in the case of Moody's, any publicly traded security which is (i) either issued by the Government of the Commonwealth of New Zealand and is rated Aa by Moody's or is guaranteed by the Government of the Commonwealth of New Zealand, (ii) are denominated and payable in New Zealand Currency or are convertible into a security constituting Eligible Portfolio Property by Moody's, and (iii) are not a variable rate, index-linked, zero coupon or stripped security.

New Zealand Securities means New Zealand Government Securities, New Zealand semi-government securities and other securities determined from time to time in writing by the Rating Agencies.

1940 Act AMPS Asset Coverage Ratio means, as of the Valuation Date, the ratio of the Fund's net assets to its senior securities representing indebtedness plus the liquidation value of its Preferred Stock, including the shares of AMPS.

1940 Act AMPS Asset Coverage Requirement means the requirement that the Corporation maintain, with respect to shares of AMPS, as of the last Friday of each month in which any shares of AMPS are Outstanding, asset coverage of at least 200% with respect to senior securities representing indebtedness plus the liquidation value of its Preferred Stock, including the shares of AMPS (or such other asset coverage as may in the future be specified in or under the Investment Company Act as the minimum asset coverage for senior securities which are stock of a closed-end investment company as a condition of paying dividends on its common stock).

1940 Act Cure Date, with respect to the failure by the Corporation to maintain the 1940 Act AMPS Asset Coverage Requirement (as required by paragraph 7(a) of this Article XII) as of the last Valuation Date of each month, means the last Valuation Date of the following month.

NMMC Securities are securities issued by National Mortgage Market Corporation Ltd. (NMMC), which include AUSSIE MACs, which are medium term bearer securities, and National Mortgage Market Bonds. NMMC is a private company which is owned partially by the Government of the State of Victoria and partially by private institutions. Both AUSSIE MACs and National Mortgage Bonds are rated by Australian Ratings.

Non-Call Period has the meaning set forth under the definition of Specific Redemption Provisions.

Non-Payment Period means, with respect to the AMPS, any period commencing on and including the day on which the Corporation shall fail to (i) declare, prior to the close of business on the second Business Day preceding any Dividend Payment Date, for payment on or (to the extent permitted by paragraph 3(c)(i) of this Article XII) within three Business Days after such Dividend Payment Date to the Holders as of 12:00 noon, New York City time, on the Business Day preceding such Dividend Payment Date, the full amount of any dividend on shares of AMPS payable on such Dividend Payment Date or (ii) deposit, irrevocably in trust, in same-day funds, with the Auction Agent by 12:00 noon, New York City time, (A) on such Dividend Payment Date the full amount of any cash dividend on such shares payable (if declared) on such Dividend Payment Date or (B) on any redemption date for any shares of AMPS called for redemption, the Mandatory Redemption Price per share of such AMPS or, in the case of an optional redemption, the Optional Redemption Price per share, and ending on and including the Business Day on which, by 12:00 noon, New York City time, all unpaid cash dividends and unpaid redemption prices shall have been so deposited or shall have

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otherwise been made available to Holders in same-day funds; provided that, a Non-Payment Period shall not end unless the Corporation shall have given at least five days but no more than 30 days written notice of such deposit or availability to the Auction Agent, all Existing Holders (at their addresses appearing in the Stock Books) and the Securities Depository. Notwithstanding the foregoing, the failure by the Corporation to deposit funds as provided for by clauses (ii)(A) or (ii)(B) above within three Business Days after any Dividend Payment Date or redemption date, as the case may be, in each case to the extent contemplated by paragraph 3(c)(i) of this Article XII shall not constitute a Non-Payment Period.

Non-Payment Period Rate means, initially, 300% of the applicable Reference Rate provided that the Board of Directors of the Corporation shall have the authority to adjust, modify, alter or change from time to time the initial Non-Payment Period Rate if the Board of Directors of the Corporation determines and Moody's and S&P (and any Substitute Rating Agency in lieu of Moody's or S&P in the event either of such parties shall not rate the AMPS) advise the Corporation in writing that such adjustment, modification, alteration or change will not adversely affect their then-current ratings on the AMPS.

Normal Dividend Payment Date has the meaning set forth in paragraph 3(b)(i) of this Article XII.

Notice of Redemption means any notice with respect to the redemption of shares of AMPS pursuant to paragraph 5 of this Article XII.

Notice of Revocation has the meaning set forth in paragraph 3(c)(iii) of this Article XII.

Notice of Special Dividend Period has the meaning set forth in paragraph 3(c)(iii) of this Article XII.

Offshore Banking Units means cash deposits denominated in the currency of Australia deposited with an Australian branch of a foreign bank authorized to operate as an offshore banking unit by the Government of Australia's Australian Taxation Office which, in the case of Moody's is (i) a branch carrying the same credit rating as the parent bank, (ii) is a deposit rated at least P-1 under circumstances in which the rating of the deposit is capped at the sovereign rating ceiling of the parent bank's home country, as well as the bank deposit rating ceiling of Australia, or (iii) is a deposit held by a branch whose parent bank is rated at least Aa3/P-1 under circumstances in which the rating of the parent bank is capped at the sovereign rating ceiling of the parent bank's home country, as well as the bank deposit rating ceiling of Australia and which, to date, are limited to cash deposits with an overseas banking unit of Banque Nationale de Paris.

Optional Redemption Price shall mean \$25,000 per share plus an amount equal to accumulated but unpaid dividends (whether or not earned or declared) to the date fixed for redemption plus any applicable redemption premium attributable to the designation of a Premium Call Period.

Other Permitted Assets means Australian Corporate Bonds, Australian Eurobonds, Australian Convertible or Exchangeable Eurobonds, Australian Short Term Securities, Derivatives, New Zealand Securities, FANMAC Certificates, NMMC Securities, MTCs, MMSs, ANNIE MAEs, GNMA Multifamily Securities and Corporate Bonds.

Outstanding means, as of any date (i) with respect to AMPS, shares of AMPS theretofore issued by the Corporation except, without duplication, (A) any shares of AMPS theretofore cancelled or delivered to the Auction Agent for cancellation, or redeemed by the Corporation, or as to which a Notice of Redemption shall have been given and moneys shall have been deposited in trust by the Corporation pursuant to paragraph 5(f) and (B) any shares of AMPS as to which the Corporation or any Affiliate thereof shall be an Existing Holder, provided that shares of AMPS held by an Affiliate shall be deemed Outstanding for purposes of calculating the AMPS Basic Maintenance Amount and (ii) with respect to shares of other Preferred Stock, has the equivalent meaning.

Paying Agent means Deutsche Bank Trust Company Americas and its successors or any other paying agent appointed by the Corporation to perform the functions performed by the Paying Agent.

Person means an individual, a corporation, a company, a voluntary association, a partnership, a trust, an unincorporated organization or a government or any agency, instrumentality or political subdivision thereof.

Potential Beneficial Owner means a customer of a Broker-Dealer or a Broker-Dealer that is not a Beneficial Owner of shares of AMPS but that wishes to purchase such shares, or that is a Beneficial Owner that wishes to purchase additional shares of AMPS.

Potential Holder shall mean any Broker-Dealer or any such other Person as may be permitted by the Corporation, including any Existing Holder, who may be interested in acquiring shares of AMPS (or, in the case of an Existing Holder, additional shares of AMPS).

Preferred Stock means the Preferred Stock of the Corporation, including the AMPS.

Premium Call Period has the meaning set forth under the definition of Specific Redemption Provisions.

Pricing Service shall mean any of FT Interactive, Reuters Information Services, Inc., Telerate Systems, Inc., Bloomberg L.P. or Wood Gundy Inc. or any other pricing service designated by the Board of Directors of the Corporation provided the Corporation obtains written assurance from S&P and Moody's that such designation will not impair the rating then assigned by S&P and Moody's to the AMPS.

Quarterly Surprise Valuation Date means, so long as any shares of AMPS are Outstanding, any Valuation Date during the quarter ended January, April, July or October of each year.

Rating means a rating assigned by S&P or Moody's to a particular security or to a particular issuer; provided, however, in the case of S&P, a particular unrated security will be deemed to have received the rating S&P has assigned to a rated debt security if S&P shall have received a letter from the President, Vice President, or Treasurer of the Corporation certifying that the unrated issue is identical to the rated issue in respect of (i) its terms, (ii) its ranking, (iii) its issuer and (iv) guarantees and any other support mechanisms provided by the issuer or any third party to enhance the credit of the rated security.

Rating Agencies means Moody's and S&P or their successors so long as such rating agency is then rating the AMPS.

Reference Rate means: (i) with respect to a Regular Dividend Period or a Short Term Dividend Period having fewer than 183 days, the applicable AA Composite Commercial Paper Rate, (ii) with respect to any Short Term Dividend Period having 183 or

more but fewer than 364 days, the applicable U.S. Treasury Bill Rate and (iii) with respect to any Long Term Dividend Period, the applicable U.S. Treasury Note Rate.

Regular Dividend Period means, with respect to the AMPS, a Dividend Period consisting of 28 days.

Reporting Date, with respect to any price referred to in the definition of the Market Value of an item of Eligible Portfolio Property, shall mean the date as of which the Market Value of such item of Eligible Portfolio Property is to be determined.

Repurchase Agreements means, repurchase obligations with respect to a U.S. Government Obligation, FNMA Certificate, FHLMC Certificate or GNMA Certificate under which the Fund buys such securities from counterparties who agree to buy back such securities within one Business Day from the date such repurchase obligations were entered into where the counterparty is either (i) a depository institution the deposits of which (x) are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, (y) the commercial paper or other unsecured short term debt obligations of which are rated Prime-1 by Moody's and A-1+ by S&P, and (z) the long term debt obligations of which are rated at least A-2 by Moody's; or (ii) a broker-dealer registered as such with the Securities and Exchange Commission under the Securities Act of 1934, as amended, (x) the commercial paper or other unsecured short term debt obligation of which are rated Prime-1 by Moody's and A-1+ by S&P and (y) the long term debt obligations of which are rated at least A-2 by Moody's.

Request for Special Dividend Period has the meaning set forth in paragraph 3(c)(iii) of this Article XII.

Response has the meaning set forth in paragraph 3(c)(iii) of this Article XII.

S&P means Standard & Poor's Rating Group or its successors.

Securities Depository means The Depository Trust Company and any successor thereto.

Short Term Dividend Period means a Dividend Period consisting of a specified number of days (other than the number of days in the applicable Regular Dividend Period), evenly divisible by seven and not fewer than seven or more than 364.

Short Term Money Market Instruments means the following kinds of instruments, if on the date of purchase or other acquisition by the Corporation of such instrument the remaining term to maturity thereof is not more than 30 days:

(a) demand deposits in, certificates of deposit of, and (in the case of S&P only) bankers' acceptances issued by, any depository institution, the deposits of which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, provided that, at the time of the Corporation's investment therein, the commercial paper or other unsecured short term debt obligations of such depository institution are rated Prime-1 by Moody's and A-1+ by S&P and are issued by institutions whose long term debt obligations are rated at least A2 by Moody's; and

(b) commercial paper rated at the time of the Corporation's investment therein Prime-1 by Moody's and A-1+ by S&P and issued by institutions whose long term debt obligations are rated at least A2 by Moody's; provided, however, that in the case of Moody's such commercial paper must have a maturity of 270 days or less.

Special Dividend Period means a Dividend Period consisting of (i) a specified number of days (other than the number of days in the applicable Regular Dividend Period), evenly divisible by seven, and not fewer than seven nor more than 364 or (ii) a specified number of whole years not greater than five years (in each case subject to adjustment as provided in paragraph 3(b)(i)).

Specific Redemption Provisions means, with respect to a Special Dividend Period either, or any combination of, (i) a period (a Non-Call Period) determined by the Board of Directors of the Corporation, after consultation with the Auction Agent and the Broker-Dealers, during which the shares of AMPS subject to such Dividend Period shall not be subject to redemption at the option of the Corporation and (ii) a period (a Premium Call Period), consisting of a number of whole years and determined by the Board of Directors after consultation with the Auction Agent and the Broker-Dealers, during each year of which the shares of AMPS subject to such Dividend Period shall be redeemable at the Corporation's option at a price per share equal to \$25,000 plus accumulated but unpaid dividends plus a premium expressed as a percentage of \$25,000, as determined by the Board of Directors of the Corporation after consultation with the Auction Agent and the Broker-Dealers.

Stock Books means the books maintained by the Auction Agent setting forth at all times a current list, as determined by the Auction Agent, of Existing Holders of the AMPS.

Stock Register means the register of Holders maintained on behalf of the Corporation by the Auction Agent in its capacity as transfer agent and registrar for the AMPS.

Subsequent Dividend Period has the meaning specified in paragraph 3(c)(i) of this Article XII.

Substitute Commercial Paper Dealers means such substitute Commercial Paper Dealer or Dealers as the Corporation may from time to time appoint or, in lieu of any thereof, their respective affiliates or successors.

Substitute Rating Agency and Substitute Rating Agencies mean a nationally recognized securities rating agency or two nationally recognized securities rating agencies, respectively, selected by Merrill Lynch, Pierce, Fenner & Smith Incorporated, or its affiliate or successor, in consultation with the Corporation, to act as the substitute rating agency or substitute rating agencies, as the case may be, to determine the credit ratings of the shares of AMPS.

Tender Panel shall mean, for purposes of this Article XII, a group of financial institutions that bid to purchase an issuer's security, which makes a market for the security.

United Kingdom Currency means such coin or currency of the United Kingdom as at the time shall be legal tender for payment of public and private debts, as well as time deposits denominated in such currency.

United Kingdom Government Securities means, in the case of S&P, all publicly traded securities issued and guaranteed by the Government of the United Kingdom with fixed maturities (*i.e.*, no perpetuals) and which are non-callable, non-convertible and not index-linked and in the case of Moody's, any publicly traded security which is (i) either issued by the Government of the United Kingdom and is rated Aaa by Moody's or is guaranteed by the Government of the United Kingdom or any semi-sovereign United Kingdom entity whose domestic currency long term debt is rated Aaa by Moody's (ii) is denominated and payable in United Kingdom Currency or is convertible into a security constituting Eligible Portfolio Property and (iii) is not a variable rate, index-linked, zero coupon or stripped security.

United Kingdom Securities means all United Kingdom Government Securities.

U.S. Government Obligations means direct obligations of the United States, provided that such direct obligations are entitled to the full faith and credit of the United States and that any such obligations, other than United States Treasury Bills, provide for the periodic payment of interest and the full payment of principal at maturity or call for redemption.

U.S. Treasury Bill Rate on any date means (i) the Interest Equivalent of the rate on the actively traded Treasury Bill with a maturity most nearly comparable to the length of the related Dividend Period, as such rate is made available on a discount basis or otherwise by the Federal Reserve Bank of New York in its Composite 3:30 p.m. Quotations for U.S. Government Securities report for such Business Day, or (ii) if such yield as so calculated is not available, the Alternate Treasury Bill Rate on such date. Alternate Treasury Bill Rate on any date means the Interest Equivalent of the yield as calculated by reference to the arithmetic average of the bid price quotations of the actively traded Treasury Bill with a maturity most nearly comparable to the length of the related Dividend Period, as determined by bid price quotations as of any time on the Business Day immediately preceding such date, obtained from at least three recognized primary U.S. Government securities dealers selected by the Auction Agent.

U.S. Treasury Note Rate, on any date means (i) the yield as calculated by reference to the bid price quotation of the actively traded, current coupon Treasury Note with a maturity most nearly comparable to the length of the related Dividend Period, as such bid price quotation is published on the Business Day immediately preceding such date by the Federal Reserve Bank of New York in its Composite 3:30 p.m. Quotations for U.S. Government Securities report for such Business Day, or (ii) if such yield as so calculated is not available, the Alternate Treasury Note Rate on such date. Alternate Treasury Note Rate on any date means the yield as calculated by reference to the arithmetic average of the bid price quotations of the actively traded, current coupon Treasury Note with a maturity most nearly comparable to the length of the related Dividend Period, as determined by the bid price quotations as of any time on the Business Day immediately preceding such date, obtained from at least three recognized primary U.S. Government securities dealers selected by the Auction Agent.

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Valuation Date means each Friday or, if such day is not a Business Day, the next preceding Business Day, provided, that the first Valuation Date may occur on any other date established by the Corporation; provided, further, that such date shall not be earlier than four Business Days prior to, and not later than, the Date of Original Issue.

Voting Period has the meaning specified in paragraph 6(b) of this Article XII.

Yankee Bonds means bonds issued by foreign governments or provinces, supranational agencies or foreign corporations, offered and sold in the United States and denominated in U.S. dollars, which bonds (a) provide for the periodic payment of interest thereon in cash, (b) do not provide for conversion or exchange into equity capital at any time over their respective lives, (c) have been registered under the Securities Act of 1933, as amended, (d) have a remaining term to maturity of 30 years or less, and (e) have not had notice given in respect thereof that any such corporate debt obligations are the subject of an offer by the issuer thereof of exchange or tender for cash, securities or any other type of consideration (except that Yankee Bonds and Corporate Bonds, together, in an amount not exceeding 10% of the aggregate value of the Corporation's assets at any time shall not be subject to the provisions of this clause (e)). In addition, no debt obligation held by the Corporation shall be deemed a Yankee Bond (i) if it fails to meet the criteria in column (1) below or (ii) to the extent (and only to the proportionate extent) the acquisition or holding thereof by the Corporation causes the Corporation to exceed any applicable limitation set forth in column (2) or (3) below as of any relevant Valuation Date (provided that in the event that the Corporation shall exceed any such limitation, the Corporation shall designate, in

its sole discretion, the particular Yankee Bond(s) and/or portions thereof which shall be deemed to have caused the Corporation to exceed such limitation):

Rating(1)	Column 1 Minimum Original Issue Size of Each Issue (\$ in millions)	Column 2 Maximum Percent of Value of Corporation Assets, Including Eligible Portfolio Property, Invested in any One Issuer(2)	Column 3 Maximum Percent of Value of Corporation Assets, Including Eligible Portfolio Property, Invested in any One Industry Category(2)
Aaa/AAA	\$ 100	10.0%	50.0%
Aa/AA	100	10.0	33.3

- (1) In the event that a Yankee Bond has received a different rating from each of the Rating Agencies, the lower of the two ratings will be controlling. Rating designations include (+) or (-) modifiers to the rating where appropriate.
- (2) The referenced percentages represent maximum cumulative totals for the related rating category and each lower rating category.

(b) The foregoing definitions in Paragraph 1(a) have been established by the Board of Directors of the Corporation in order to obtain a Aa rating from Moody's and a AA rating from S&P on the AMPS on the Date of Original Issue and to maintain such ratings; and the Board of Directors of the Corporation shall have the authority to adjust, modify, alter or change from time to time the foregoing definitions and the restrictions and guidelines set forth thereunder and to add additional definitions or delete definitions if, where relevant to the rating accorded by Moody's and S&P or any Substitute Rating Agency, such agency advises the Corporation in writing that such adjustment, modification, alteration, change, addition or deletion will not adversely affect its then-current rating on the AMPS.

2. Fractional Shares. No fractional shares of AMPS shall be issued.

3. Dividends.

(a) Holders of shares of AMPS shall be entitled to receive, when, as, and if declared by the Board of Directors of the Corporation, out of funds legally available therefor, cumulative cash dividends at the Applicable Rate per annum (determined as set forth below), and no more, payable on the respective dates set forth below. Dividends on the shares of AMPS so declared and payable shall be paid in preference to and in priority over any dividends declared and payable on the Common Stock.

(b) (i) Cash dividends on shares of AMPS shall accumulate from the Date of Original Issue and shall be payable, when, as, and if declared by the Board of Directors commencing on the Initial Dividend Payment Date. Accumulated dividends shall be payable commencing on August 6, 1992 (the 7th day after the Date of Original Issue), with respect to the Auction Market Preferred Stock, Series W-7 (hereinafter, such date is referred to as the Initial Dividend Payment Date). Following the Initial Dividend Payment Date, the dividends on the AMPS will be payable, at the option of the Corporation, either (A) with respect to any Regular Dividend Period or any Short Term Dividend Period of 91 or fewer days, on the day next succeeding the last day thereof, (B) with respect to any Short Term Dividend Period of more than 91 and fewer than 365 days, on the 92nd day thereof, the 183rd day thereof, if any, the 274th day thereof, if any, and on the day next succeeding the last day thereof and (C) with respect to any Long Term Dividend Period, quarterly on the first day of each January, April, July and October during such Long Term Dividend Period and on the day next succeeding the last day thereof (each such date referred to in clause (A), (B) or (C) being herein referred to as a Normal Dividend Payment Date), except that if such Normal Dividend Payment Date is not a Business Day, dividends payable on such Normal Dividend Payment Date shall be paid on the first Business Day succeeding such Normal Dividend Payment Date. The Initial Dividend Period, Regular Dividend Periods and Special Dividend Periods are hereinafter sometimes referred to as Dividend Periods. Each dividend payment date determined as provided above is hereinafter referred to as a Dividend Payment Date.

(ii) Each dividend shall be paid to Holders as they appear in the Stock Register as of 12:00 noon, New York City time, on the Business Day preceding the dividend Payment Date. Dividends in arrears for any past Dividend Period may be declared and paid at any time, without reference to any regular Dividend Payment Date, to the Holders as they appear on the Stock Register on a date, not exceeding 15 days prior to the payment date therefor, as may be fixed by the Board of Directors of the Corporation.

(c) (i) During the period from and including the Date of Original Issue to, but excluding, the Initial Dividend Payment Date (the Initial Dividend Period), the Applicable Rate shall be the Initial Dividend Rate. The Applicable Rate for the Auction Market Preferred Stock, Series W-7 shall be 3.50% per annum for the Initial Dividend Period. Commencing on the Initial Dividend Payment Date, the Applicable Rate for each subsequent dividend period (hereinafter referred to as a Subsequent Dividend Period), which Subsequent Dividend Period shall commence on and include a Dividend Payment Date and shall end on and include the calendar day prior to the next Dividend Payment Date, shall be equal to the rate per annum that results from implementation of the Auction Procedures.

The Applicable Dividend Rate for each Dividend Period commencing during a Non-Payment Period shall be equal to the Non-Payment Period Rate; and each Dividend Period, commencing after the first day of, and during, a Non-Payment Period shall be a Regular Dividend Period. Any amount of any dividend due on any Dividend Payment Date (if, prior to the close of business on the second Business Day preceding such Dividend Payment Date, the Corporation has declared such dividend payable on such Dividend Payment Date to the Holders of such shares of AMPS as of 12:00 noon, New York City time, on the Business Day preceding such Dividend Payment Date) or redemption price with respect to any shares of AMPS not paid to such Holders when due may be paid to such Holders in the same form of funds by 12:00 noon, New York City time, on any of the first three Business Days after such Dividend Payment Date or due date, as the case may be, provided that, such amount is accompanied by a late charge calculated for such period of non-payment at the Non-Payment Period Rate applied to the amount of such non-payment based on the actual number of days comprising such period divided by 365. For the purposes of the foregoing, payment to a person in same-day funds on any Business Day at any time shall be considered equivalent to payment to such person in New York Clearing House (next-day) funds at the same time on the preceding Business Day, and any payment made after 12:00 noon, New York City time, on any Business Day shall be considered to have been made instead in the same form of funds and to the same person before 12:00 noon, New York City time, on the next Business Day.

(ii) The amount of cash dividends per share of AMPS payable (if declared) on each Dividend Payment Date of each Regular Dividend Period and each Short Term Dividend Period shall be computed by multiplying the Applicable Rate for such Dividend Period by a fraction, the numerator of which will be the number of days in such Dividend Period such share was outstanding and the denominator of which will be 365, multiplying the amount so obtained by \$25,000, and rounding the amount so obtained to the nearest cent. During any Long Term Dividend Period, the amount of dividends per share payable on any Dividend Payment Date shall be computed on the basis of a year consisting of twelve 30-day months.

(iii) With respect to each Dividend Period that is a Special Dividend Period, the Corporation may, at its sole option and to the extent permitted by law, by telephonic and written notice (a Request for Special Dividend Period) to the Auction Agent and to each Broker-Dealer, request that the next succeeding Dividend Period for the AMPS be a number of days (other than the number of days in the applicable Regular Dividend Period), evenly divisible by seven, and not fewer than seven or more than 364 in the case of a Short Term Dividend Period or a number of whole years not greater than five years in the case of a Long Term Dividend Period, specified in such notice, provided that for any Auction occurring after the initial Auction, the Corporation may not give a Request for Special Dividend Period (and any such request shall be null and void) unless the Corporation has received written confirmation from Moody's and S&P that such action would not impair the ratings then assigned to the AMPS by Moody's and S&P and unless Sufficient Clearing Bids were made in the last occurring Auction and unless full cumulative dividends and any amounts due with respect to redemptions payable prior to such date have been paid in full. Such Request for Special Dividend Period, in the case of a Short Term Dividend Period, shall be given on or prior to the fourth day but not more than seven days prior to an Auction Date for the AMPS and, in the case of a Long Term Dividend Period, shall be given on or prior to the 14th day but not more than 28 days prior to an Auction Date for the AMPS. Upon receiving such Request for Special Dividend Period, the Broker-Dealer(s) shall jointly determine whether, given the factors set forth below, it is advisable that the Corporation issue a Notice of Special Dividend Period for the AMPS as contemplated by such Request for Special Dividend Period and the Optional Redemption Price of the AMPS during such Special Dividend Period and the Specific Redemption Provisions and shall give the Corporation and the Auction Agent written notice (a Response) of such determination by no later than the third day prior to such Auction Date. In making such determination the Broker-Dealer(s) will consider (A) existing short term and long term market rates and indices of such short term and long term rates, (B) existing market supply and demand for short term and long term securities, (C) existing yield curves for short term and long term securities comparable to the AMPS, (D) industry and financial conditions which may affect the AMPS, (E) the investment objective of the Corporation, and (F) the Dividend Periods and dividend rates at which current and potential beneficial holders of the AMPS would remain or become beneficial holders. If the Broker-Dealer(s) shall not give the Corporation and the Auction Agent a Response by such third day or if the Response states that given the factors set forth above it is not advisable that the Corporation give a Notice of Special Dividend Period for the AMPS, the Corporation may not give a Notice of Special Dividend Period in respect of such Request for Special Dividend Period. In the event the Response indicates that it is advisable that the Corporation give a Notice of Special Dividend Period for the AMPS, the Corporation may by no later than the second day prior to such Auction Date give a notice (a Notice of Special Dividend Period) to the Auction Agent, the Securities Depository and each Broker-Dealer which notice will specify (A) the duration of the Special Dividend Period, (B) the Optional Redemption Price as specified in the related Response and (C) the Specific Redemption Provisions, if any, as specified in the related Response. The Corporation shall not give a Notice of Special Dividend Period or, if the Corporation shall have already given a Notice of Special Dividend Period, the Corporation is required to give telephonic and written notice (a Notice of Revocation) to the Auction Agent, each Broker-Dealer, and the Securities Depository on or prior to the Business Day prior to the relevant Auction Date if (x) either the 1940 Act AMPS Asset Coverage is not satisfied or the Corporation shall fail to maintain the AMPS Basic Maintenance Amount on each of the two Valuation Dates immediately preceding the Business Day prior to the relevant Auction Date on an actual basis and on a pro forma basis giving effect to the proposed Special Dividend Period (using as a pro forma dividend rate with respect to such special Dividend Period the dividend rate which the Broker-Dealers shall advise the Corporation is an approximately equal rate for

securities similar to the AMPS with an equal dividend period), provided that in

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calculating the aggregate Discounted Value of Eligible Portfolio Property, the Moody's exposure period shall be deemed to be one week longer than the period utilized to produce the discount factors assigned by Moody's under the definition of Discount Factors found in paragraph 1(a), (y) sufficient funds for the payment of dividends payable on the immediately succeeding Dividend Payment Date have not been irrevocably deposited with the Auction Agent by the close of business on the third Business Day preceding the related Auction Date or (z) the Broker-Dealer(s) jointly advise the Corporation that after consideration of the factors listed above they have concluded that it is advisable to give a Notice of Revocation. If the Corporation is prohibited from giving a Notice of Special Dividend Period as a result of any of the factors enumerated in clause (x), (y) or (z) of the prior sentence or if the Corporation gives a Notice of Revocation with respect to a Notice of Special Dividend Period for the AMPS, the next succeeding Dividend Period for that series will be a Regular Dividend Period. In addition, in the event Sufficient Clearing bids are not made in the applicable Auction or such Auction is not held for any reason, such next succeeding Dividend Period will be a Regular Dividend Period and the Corporation may not again give a Notice of Special Dividend Period for the AMPS (and any such attempted notice shall be null and void) until Sufficient Clearing Bids have been made in an Auction with respect to a Regular Dividend Period.

(d) (i) Holders shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of full cumulative dividends and applicable late charge, as herein provided, on the shares of AMPS. Except for the late charge payable pursuant to paragraph 3(c)(i) of this Article XII, no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment on the shares of AMPS that may be in arrears.

(ii) For so long as any share of AMPS is Outstanding, the Corporation shall not declare, pay or set apart for payment any dividend or other distribution (other than a dividend or distribution paid in shares of, or options, warrants or rights to subscribe for or purchase, Common Stock or other stock, if any, ranking junior to the shares of AMPS as to dividends or upon liquidation) in respect of the Common Stock or any other stock of the Corporation ranking junior to or on a parity with the shares of AMPS as to dividends or upon liquidation, or call for redemption, redeem, purchase or otherwise acquire for consideration any shares of the Common Stock or any other such junior stock (except by conversion into or exchange for stock of the Corporation ranking junior to the shares of AMPS as to dividends and upon liquidation), unless, in each case, immediately thereafter, (A) the AMPS Basic Maintenance Amount would be met, (B) the 1940 Act AMPS Assets Coverage Requirement would be met, (C) all mandatory redemptions of shares of Preferred Stock pursuant to paragraph 5(b) of this Article XII have been completed, and (D) all accumulated and unpaid dividends for all past dividend periods for all Preferred Stock shall have been or are contemporaneously paid in full (or declared and sufficient Deposit Securities have been set apart for their payment). Prior to the payment of any such dividend or other distribution, the Corporation will provide the Auction Agent and the Rating Agencies with an AMPS Basic Maintenance Report (which may be the regular weekly report) and a certificate demonstrating compliance with the foregoing conditions.

(iii) For so long as any shares of AMPS are Outstanding, the Corporation shall not create, incur or suffer to exist, or agree to create, incur or suffer to exist, or consent to cause or permit in the future (upon the happening of a contingency or otherwise) the creation, incurrence or existence of any lien, mortgage, pledge, charge, security interest, security agreement, conditional sale or trust receipt or other material encumbrance of any kind (collectively Liens) upon any of its Eligible Portfolio Property, except for (A) Liens the validity of which are being contested in good faith by appropriate proceedings, (B) Liens for taxes that are not then due and payable or that can be paid thereafter without penalty, (C) Liens to secure payment for services rendered by the Auction Agent in connection with the AMPS, and (D) Liens otherwise incurred in connection with borrowings made in the ordinary course of business in accordance with the Corporation's stated investment objective, policies and restrictions.

(iv) Any dividend payment made on the shares of AMPS shall first be credited against the dividends accumulated with respect to the earliest Dividend Period for which dividends have not been paid.

(v) For so long as the AMPS shall be rated by S&P or Moody's, the Corporation shall not:

(A) issue any other series or class of stock which is senior to the AMPS;

(B) issue any series or class of stock which is on a parity with the shares of AMPS unless it has been advised in writing by the Rating Agencies that such issuance will not adversely affect their respective then-current ratings of the AMPS; or

(C) engage in short sales of securities or reverse repurchase agreements.

(e) Not later than 12:00 noon, New York City time, on the Business Day next preceding each Dividend Payment Date, the Corporation shall deposit with the Paying Agent Deposit Securities constituting immediately available funds in an amount sufficient to pay the dividends that are payable on such Dividend Payment Date. The Corporation may direct the Paying Agent with respect to the investment of any such Deposit Securities, provided that the proceeds of any such investment will be available at the opening of business on such Dividend Payment Date in immediately available funds.

(f) The Board of Directors, or any duly authorized committee thereof, may make or change allocations of income and/or any designation of sources with respect to dividends declared on the AMPS, if, in its sole judgment, it deems it advisable to do so for the purpose of maintaining the qualification of the Corporation as a regulated investment company for federal income tax purposes and/or to avoid tax consequences which, in the sole judgment of the Board of Directors, would be adverse to the Corporation or its shareholders.

4. Liquidation Rights.

(a) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the Holders of shares of AMPS shall be entitled to receive, out of the assets of the Corporation available for distribution to shareholders, before any distribution or payment is made upon any Common Stock or any other capital stock of the Corporation ranking junior to the AMPS as to liquidation payments, the sum of \$25,000 per share, plus an amount equal to all unpaid dividends accumulated to and including the date fixed for such distribution or payment (whether or not earned or declared by the Corporation, but excluding interest thereon), but such Holders shall be entitled to no further participation in any distribution or payment in connection with any such liquidation, dissolution or winding up.

(b) If, upon any such liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the assets of the Corporation available for distribution among the Holders of all Outstanding shares of AMPS shall be insufficient to permit the payment in full of such Holders of the amounts to which they are entitled, then such available assets shall be distributed among the Holders of shares of Preferred Stock, including the AMPS, ratably in any such distribution of assets according to the respective amounts which would be payable on all such shares if all amounts thereon were paid in full.

(c) Neither the consolidation or merger of the Corporation with or into any other corporation or entity, nor the sale, lease or exchange by the Corporation of all, substantially all, or any part of the property or assets of the Corporation, shall be deemed or construed to be a voluntary or involuntary liquidation, dissolution or winding up of the Corporation for purposes of this paragraph 4.

5. Redemption.

Shares of the AMPS shall be redeemable by the Corporation as provided below:

(a) To the extent permitted under the Investment Company Act and Maryland law, the Corporation at its option, upon filing with the Commission, mailing and publishing a Notice of Redemption as described in paragraph 5(e) of this Article XII, may redeem shares of AMPS, in whole or in part, on the next succeeding scheduled Dividend Payment Dates for those shares of AMPS called for redemption, out of funds legally available therefor, at the Optional Redemption Price per share, provided that no share of AMPS may be redeemed at the option of the Corporation during a Non-Call Period to which such share is subject. The Corporation may not give a Notice of Redemption relating to an optional redemption as described in this paragraph 5 unless, at the time of giving such Notice of Redemption, the Corporation has available Deposit Securities with maturity or tender dates not later than the day preceding the applicable redemption date and having a value not less than the amount due to Holders of shares of AMPS by reason of the redemption of their shares on such redemption date.

(b) The Corporation shall redeem, out of funds legally available therefor, at the Mandatory Redemption Price, shares of AMPS to the extent permitted under the Investment Company Act and Maryland law, on a date fixed by the Board of Directors applicable to those shares of AMPS called for redemption, if the Corporation fails to maintain the AMPS Basic Maintenance Amount or 1940 Act AMPS Asset Coverage

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Requirement, as the case may be, and such failure is not cured on or before the AMPS Basic Maintenance Cure Date or the 1940 Act Cure Date (hereinafter respectively referred to as a Cure Date), as the case may be, as reflected in an AMPS Basic Maintenance Report delivered to the Auction Agent and the Rating Agencies and confirmed by the Corporation's Independent Accountants. The number of shares of AMPS to be redeemed shall be equal to the lesser of (i) the minimum number of shares of AMPS the redemption of which, if deemed to have occurred immediately prior to the opening of business on the Cure Date, together with all shares of other Preferred Stock subject to redemption or retirement, would result in the satisfaction of the AMPS Basic Maintenance Amount or the 1940 Act AMPS Asset Coverage Requirement, as the case may be, on such Cure Date (provided that, if there is no such minimum number of shares of AMPS and shares of other Preferred Stock the redemption of which would have such result, all shares of AMPS together with all shares of other Preferred Stock subject to redemption or retirement then Outstanding shall be redeemed), and (ii) the maximum number of shares of AMPS, together with all shares of other Preferred Stock subject to redemption or retirement, that can be redeemed out of funds expected to be legally available therefor on such redemption date. In determining the number of shares of AMPS required to be redeemed in accordance with the foregoing, the Corporation shall allocate the amount required to be redeemed which would result in the achievement of (x) the 1940 Act AMPS Asset Coverage Requirement, and (y) the AMPS Basic Maintenance Amount, pro rata, among the AMPS and any other Preferred Stock, subject to redemption pursuant to provisions similar to those contained in this paragraph 5(b); provided that, shares of AMPS which may not be redeemed at the option of the Corporation due to the designation of a Non-Call Period applicable to such shares (A) will be subject to mandatory redemption only to the extent that other shares are not available to satisfy the number of shares required to be redeemed and (B) will be selected for redemption in an ascending order of outstanding number

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of days in the Non-Call Period (with shares with the lowest number of days to be redeemed first) and by lot in the event of shares having an equal number of days in such Non-Call Period. The Corporation shall effect such redemption on a Business Day which is not later than 30 days after such Cure Date, except that if the Corporation does not have funds legally available for the redemption of all of the required number of shares of AMPS and shares of other Preferred Stock which are subject to mandatory redemption or the Corporation otherwise is unable to effect such redemption on or prior to such 30th day after such Cure Date, the Corporation shall redeem those shares of AMPS which it is unable to redeem on the earliest practicable date on which it is able to effect such redemption out of funds legally available therefor.

(c) Notwithstanding any other provision of this paragraph 5, no shares of AMPS may be redeemed other than as specified below, unless (i) all accumulated and unpaid dividends on all Outstanding shares of AMPS and all remaining Outstanding shares of other Preferred Stock for all past dividend periods shall have been or are contemporaneously paid or declared and Deposit Securities maturing on or prior to the date fixed for redemption are set apart for the payment of such dividends and (ii) if redemption thereof would result in the Corporation's failure to maintain the 1940 Act AMPS Asset Coverage Requirement and the AMPS Basic Maintenance Amount; provided, however, that the Corporation without regard to such limitations, (x) may redeem, purchase or otherwise acquire shares of AMPS (A) with other Preferred Stock as a whole, pursuant to an optional redemption or (B) pursuant to a purchase or exchange offer made for all of the Outstanding shares of AMPS and other Preferred Stock, and (y) shall redeem, purchase or otherwise acquire shares of AMPS with other Preferred Stock as a whole if required pursuant to a mandatory redemption, to the extent permitted under the Investment Company Act, Maryland law and the Charter. In the event that less than all the outstanding shares of AMPS are to be redeemed and there is more than one Holder, the shares of AMPS to be redeemed shall be selected by lot, on a pro rata basis, or in such other manner as will not discriminate unfairly against any record holder of shares of such AMPS.

(d) So long as the AMPS shall be rated by Moody's, the Corporation shall, by the fifth Business Day after a Failure to Cure, be required to hold an amount, composed of Cash or any other asset constituting Eligible Portfolio Property which has a Moody's Discount Factor as of such fifth Business Day of 1.000 and which matures prior to the date set for redemption which has an aggregate Discounted Value at least equal to the redemption payment for the shares of AMPS to be redeemed; provided, however, that this obligation may be satisfied by depositing Cash in trust as contemplated by paragraph 5(f) below; and provided further that the Corporation shall sell assets prior to such fifth Business Day if necessary to meet the requirements of this paragraph (d), it being understood that in no event shall it sell any asset prior to maturity which had a Moody's Discount Factor of 1.000 measured as of the last Valuation Date on which the AMPS Basic Maintenance Amount was met if it would be necessary to utilize such asset in order to make any redemption payment contemplated by this paragraph 5.

(e) Whenever shares of AMPS are to be redeemed, the Corporation shall, not less than five nor more than 30 days prior to the applicable redemption date, file with the Commission as required under the Investment Company Act, a written notice of redemption (a Notice of Redemption). The Notice of Redemption shall be (i) mailed by first-class mail, postage prepaid or sent by facsimile transmission, to each Holder of shares of AMPS to be redeemed, and (ii) published by the Corporation in an Authorized Newspaper, not fewer than 15 nor more than 20 days prior to such redemption date. Not fewer than five nor more than 10 days before such mailing date, the Corporation shall mail the Notice of Redemption to the Paying Agent. Each Notice of Redemption shall state (A) the series of AMPS or other Preferred Stock to be redeemed, (B) the redemption date, (C) the redemption price, (D) the place or places where such AMPS are to be surrendered for payment of the redemption price, (E) that dividends on the shares to be redeemed will cease to accumulate on such redemption date, (F) the provision of this Article XII under which the redemption is being made, (G) if less than all the Outstanding shares of AMPS are to be redeemed, the number of shares to be redeemed and the basis upon which the shares to be redeemed are to be selected, and (H) the CUSIP number or numbers of the shares to be redeemed. No defect in the Notice of Redemption or in the mailing or publication thereof shall affect the validity of the redemption proceedings, except as required by applicable law.

(f) If the Corporation shall give a Notice of Redemption, then by 12:00 noon, New York City time, on the Business Day next preceding the date fixed for redemption the Corporation shall deposit with the Paying Agent Deposit Securities constituting immediately available funds in an amount sufficient to redeem the shares of AMPS to be redeemed. In such event the Corporation shall give the Paying Agent irrevocable instructions and authority to pay the redemption price to the Holders of the shares of AMPS called for redemption upon the redemption date. The Corporation may direct the Paying Agent with respect to the investment of any Deposit Securities so deposited provided that the proceeds of any such investment will be available at the opening of business on such redemption date. The Deposit Securities deposited with the Paying Agent pursuant to the immediately preceding sentence and the shares of AMPS to be redeemed and funds deposited with a paying agent with irrevocable instructions to pay the redemption price with respect to any other shares of Preferred Stock for which a notice of redemption has been duly given shall be excluded from the calculation of the AMPS Basic Maintenance Amount, the 1940 Act AMPS Asset Coverage Ratio, and the 1940 Act AMPS Asset Coverage Requirement. Upon the date of such deposit, or if no such deposit is made, then upon such date fixed

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for redemption (unless the Corporation shall default in making payment of the redemption price), all rights of the Holders of the shares of AMPS so called for redemption shall cease and terminate except the right of the Holders thereof to receive the redemption price

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thereof inclusive of accumulated but unpaid dividends, but without any interest, and such shares shall no longer be deemed Outstanding for any purpose. The Corporation shall be entitled to receive, promptly after the date fixed for redemption, any cash in excess of the aggregate redemption price of the shares of AMPS called for redemption on such date and any remaining Deposit Securities. Any assets so deposited which are unclaimed at the end of one year from such redemption date shall, to the extent permitted by law, be repaid to the Corporation, after which the Holders of the shares of AMPS so called for redemption shall look only to the Corporation for payment thereof. The Corporation shall be entitled to receive, from time to time after the date fixed for redemption, any interest on the Deposit Securities so deposited.

(g) Shares of AMPS that have been redeemed, purchased or otherwise acquired by the Corporation may not be reissued, shall not be deemed Outstanding, and shall be retired and cancelled.

(h) In addition to redemption rights expressly established under this Article XII, the Corporation may repurchase shares of AMPS to the extent now or hereafter permitted by the laws of the State of Maryland and by the Investment Company Act.

(i) If the Corporation shall not have funds legally available for the redemption of all the shares of the AMPS to be redeemed on any redemption date (or is otherwise legally unable to effect such redemption), the Corporation shall redeem on such redemption date the number of shares of AMPS as it shall be legally able to redeem, ratably from each Existing Holder whose shares are to be redeemed and the remainder of the shares of the AMPS required to be redeemed shall be redeemed, as provided in paragraph 5(b) above.

6. Voting Rights.

(a) General. Each holder of AMPS shall be entitled to one vote for each share held on each matter on which the holders of the AMPS are entitled to vote and, except as otherwise provided in the Charter, the By-Laws, this Article XII or by law, the holders of the AMPS and the Common Stock shall vote together as one class on all matters submitted to the shareholders; provided, however, that at any meeting of shareholders of the Corporation at which directors are to be elected, the holders of Preferred Stock of all series, voting separately as a single class, shall be entitled to elect two members of the Board of Directors, and the holders of Common Stock, voting separately as a single class, shall be entitled to elect the balance of the members of the Board of Directors.

(b) Right to Elect Majority of Board of Directors.

(i) During any period in which (A) dividends on any Outstanding Preferred Stock of any series shall be due and unpaid in an amount equal to two full years' dividends; or (B) the Corporation fails to redeem any shares of Preferred Stock that are required to be redeemed pursuant to paragraph 5(b) above or that would have been so redeemed but for the requirement that redemption be made out of legally available funds, or (C) holders of any other shares of Preferred Stock are entitled to elect a majority of the directors of the Corporation (the Voting Period), the number of directors constituting the Board of Directors shall automatically be increased by the smallest number that, when added to the two directors elected by the holders of Preferred Stock pursuant to paragraph 6(a) above, will constitute a majority of the total number of directors so increased; and at a special meeting of shareholders, which shall be called and held as soon as practicable, and at all subsequent meetings at which directors are to be elected, the holders of Preferred Stock of all series voting separately as a single class shall be entitled to elect the smallest number of additional directors of the Corporation who, together with the two directors elected by the holders of Preferred Stock pursuant to paragraph 6(a) above, will constitute a majority of the total number of directors of the Corporation so increased. The terms of office of the persons who are directors at the time of that election shall continue.

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(ii) If the Corporation thereafter shall pay, or declare and set apart for payment, in full all dividends payable on all Outstanding shares of Preferred Stock of all series for all past dividend periods and if the Corporation has remedied any failure to redeem shares of Preferred Stock that are required to be redeemed pursuant to paragraph 5(b) above, and holders of no other series of Preferred Stock are entitled to elect a majority of the directors of the Corporation, the Voting Period and the voting rights stated in this paragraph 6(b) shall cease, and the terms of office of all additional directors elected by the holders of Preferred Stock (but not of the directors elected by the holders of Common Stock or the two directors regularly elected by the holders of Preferred Stock as provided in paragraph 6(a)) shall terminate automatically, subject always, however, to the revesting of such voting rights in the holders of shares of Preferred Stock upon the further occurrence of any of the events described in clauses (A), (B) or (C) of paragraph 6(b)(i).

(c) Voting Procedures.

(i) As soon as practicable after the accrual of any right of the holders of shares of Preferred Stock to elect directors pursuant to paragraph 6(b), the Corporation shall call a special meeting of, and mail a notice to, such holders of shares of Preferred Stock. Such special meeting shall be held not less than 10 nor more than 80 days after the date of mailing of such notice. If the Corporation fails to send such notice, the meeting may be called by any holder of shares of Preferred Stock on like notice. The record date for determining the holders of shares of Preferred Stock entitled to notice of and to vote at such special meeting shall be the close of business on the fifth Business Day preceding the day on which such notice is given. At any such special meeting and at each

meeting at which directors are elected held during a Voting Period, the holders of shares of Preferred Stock, voting together as a class (to the exclusion of the holders of shares of Common Stock), shall be entitled to elect the number of directors prescribed in paragraph 6(b) above on a one-vote-per-share basis. At any such meeting or adjournment thereof in the absence of a quorum, a majority of the holders of shares of Preferred Stock, present in person or by proxy or any officer of the Corporation present entitled to preside or act as Secretary of such meeting shall have the power to adjourn the meeting without further notice to a date not more than 120 days after the original record date for such meeting.

(ii) For purposes of determining any rights of the holders of shares of Preferred Stock to vote on any matter, whether such right is created by the Charter, this Article XII, by statute or otherwise, only Holders of shares of Outstanding Preferred Stock shall be entitled to vote.

(iii) The directors elected by the holders of shares of Preferred Stock pursuant to paragraph 6(b) shall (subject to the provisions of any applicable law) be subject to removal for cause only by the vote of the holders of at least 80% of the shares of Preferred Stock Outstanding and any vacancy resulting from such removal shall be filled for the unexpired term by the same vote. Any vacancy on the Board of Directors occurring for any other reason (in the case of directors subject to election by the holders of shares of Preferred Stock) may be filled only by vote of the holders of at least a majority of shares of Preferred Stock Outstanding, and if not so filled, such vacancy shall (subject to the provisions of any applicable law) be filled by a majority of the remaining directors (or the remaining director) who were elected by the holders of shares of Preferred Stock. Any other vacancy on the Board of Directors during a Voting Period shall be filled as provided in the Corporation's By-Laws.

(iv) At any time when the holders of shares of Preferred Stock become entitled to elect additional directors pursuant to paragraph 6(b), the maximum number of directors fixed by the By-Laws of the Corporation or otherwise shall automatically be increased by the number of such additional directors if required; and at such time as the holders of shares of Preferred Stock shall no longer be entitled to elect directors pursuant to paragraph 6(b), such exact number shall automatically be decreased by the number by which they were increased by reason of this provision.

(d) Corporate Acts. So long as any shares of AMPS are Outstanding, the Corporation shall not, subject to the requirements of the Investment Company Act and Maryland law, without the affirmative vote of the holders of a majority of the shares of Preferred Stock Outstanding at the time, voting separately as one class: (i) authorize, create or issue, or increase the authorized or issued amount of, any class or series of stock ranking prior to or on a parity with any series of Preferred Stock with respect to payment of dividends or the distribution of assets on liquidation, other than the authorization, creation or issuance of other series of AMPS or increase the authorized amount of AMPS or any other Preferred Stock, (ii) amend, alter or repeal the provisions of the Charter, whether by merger, consolidation or otherwise, so as to materially and adversely affect any of the contract rights expressly set forth in the Charter of holders of shares of AMPS or any other Preferred Stock, or (iii) create, authorize, issue, incur or suffer to exist any indebtedness for borrowed money or any direct or indirect guarantee of any such indebtedness, provided, however, that the Corporation may authorize the issuance of indebtedness for borrowed money, for temporary or emergency purposes or for the clearance of transactions, in an aggregate amount not to exceed the lesser of \$10,000,000 or 10% of the aggregate liquidation preference of the shares of AMPS Outstanding at any one time without any such consent or approval, provided that, with or without the consent or approval of the holders, such action would not result in the lowering of the then-current rating of the shares of AMPS by the Rating Agencies (as evidenced in writing by the Rating Agencies). To the extent permitted under the Investment Company Act, in the event shares of more than one series of AMPS are outstanding, the Corporation shall not approve any of the actions set forth in clause (i) or (ii) which materially and adversely affects the contract rights expressly set forth in the Charter of a Holder of shares of a series of AMPS differently than those of a Holder of shares of any other series of AMPS without the affirmative vote of the holders of at least a majority of the shares of AMPS of each series materially and adversely affected and outstanding at such time (each such materially and adversely affected series voting separately as a class). Unless a higher percentage is provided for under the Charter, the affirmative vote of the holders of a majority of the Outstanding shares of Preferred Stock, including AMPS, voting together as a single class, will be required to approve any plan of reorganization (including bankruptcy proceedings) adversely affecting such shares or any action requiring a vote of security holders under Section 13(a) of the Investment Company Act. The class vote of holders of shares of Preferred Stock, including AMPS, described above will, in each case, be in addition to a separate vote of the requisite percentage of shares of Common Stock and shares of Preferred Stock, including AMPS, voting together as a single class necessary to authorize the action in question.

The foregoing voting provisions shall not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all Outstanding shares of AMPS shall have been redeemed or called for redemption and sufficient funds shall have

been deposited in trust to effect such redemption.

(e) Exclusive Remedy. Unless otherwise required by law, the Holders shall not have any relative rights or preferences or other special rights other than those specifically set forth herein. In the event that the Corporation fails to pay any dividends on the shares of AMPS or the Corporation fails to redeem any shares of AMPS which it is required to redeem, or any other event occurs which requires the mandatory redemption of AMPS and the required Notice of Redemption has not been given, the exclusive

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remedy of the Holders shall be the right to vote for directors pursuant to the provisions of this paragraph 6. In no event shall the Holders have any right to sue for, or bring a proceeding with respect to, such dividends or redemptions or damages for the failure to receive the same.

(f) Notification to Rating Agencies. In the event a vote of Holders of AMPS is required pursuant to the provisions of Section 13(a) of the Investment Company Act, the Corporation shall, not later than ten Business Days prior to the date on which such vote is to be taken, notify the Rating Agencies that such vote is to be taken and the nature of the action with respect to which such vote is to be taken and, not later than ten Business Days after the vote is taken, notify S&P and Moody's of the result of such vote.

7. Asset Coverage.

(a) 1940 Act AMPS Asset Coverage Requirement.

The Corporation shall maintain, as of the last Valuation Date of each month in which any share of AMPS is Outstanding, the 1940 Act AMPS Asset Coverage Requirement. The calculation of the 1940 Act AMPS Asset Coverage Ratio shall be included in each AMPS Basic Maintenance Report.

(b) AMPS Basic Maintenance Amount.

(i) For so long as any shares of AMPS are Outstanding, the Corporation will maintain, on each Valuation Date, as evidenced by the completion of an AMPS Basic Maintenance Report, Eligible Portfolio Property having an aggregate Discounted Value at least equal to the AMPS Basic Maintenance Amount, each as of such Valuation Date. Upon any failure to maintain the AMPS Basic Maintenance Amount, the Corporation will use its best efforts to alter the composition of its portfolio so as to satisfy such test on or prior to the AMPS Basic Maintenance Cure Date.

(ii) On or before 10:00 A.M., New York City time, on the fourth Business Day after (A) the Date of Original Issuance, (B) each Quarterly Surprise Valuation Date thereafter, (C) any Valuation Date on which the Corporation shall fail to meet the AMPS Basic Maintenance Amount, (D) any Valuation Date on which it cures its failure to satisfy the AMPS Basic Maintenance Amount, (E) any Valuation Date on which it fails to meet the AMPS Basic Maintenance Amount by 25% or more, or (F) any Valuation Date as may be specified by S&P, the Corporation shall complete and deliver to Moody's and S&P and the Auction Agent, in the case of clauses (A) and (B) and to the relevant Rating Agency, in the case of clauses (C)-(F), an AMPS Basic Maintenance Report as of the relevant Valuation Date. All such AMPS Basic Maintenance Reports shall be deemed to have been delivered to Moody's, S&P or the Auction Agent upon receipt of a copy or telecopy or other electronic transcription thereof if on the same day the Corporation mails the AMPS Basic Maintenance Report for delivery on the next possible Business Day. A failure by the Corporation to deliver an AMPS Basic Maintenance Report as contemplated by this paragraph 7(b)(ii) shall be deemed to be delivery of an AMPS Basic Maintenance Report indicating a failure to satisfy the AMPS Basic Maintenance Amount.

(iii) Within seven Business Days after the required date of delivery of the initial AMPS Basic Maintenance Report or any AMPS Basic Maintenance Report delivered with respect to a Quarterly Surprise Valuation Date in accordance with paragraph 7(b)(ii) above, the Corporation shall deliver to the Auction Agent and the Rating Agencies a report or reports (the Accountant's Confirmation) reviewing the portfolio calculations, prepared by the Corporation's Independent Accountants, relating to such AMPS Basic Maintenance Report substantially to the effect that (A) the Independent Accountants have read such AMPS Basic Maintenance Reports (each, a Report); (B) with respect to the 1940 Act AMPS Asset Coverage Ratio and the AMPS Basic Maintenance Amount, the result of the calculations set forth in each Report have been recalculated and are numerically correct; (C) with respect to the excess or deficiency of the aggregate Discounted Value of the Eligible Portfolio Property amount when compared to the AMPS Basic Maintenance Amount, the results of the calculation set forth in each Report have been

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recalculated and are numerically correct; (D) with respect to (x) any trade price, bid or mean price (or such alternative permissible factor used in calculating the Market Value) provided to the Corporation for purposes of valuing securities in the Corporation's portfolio, the Independent Accountant has compared the price used in such Report to the trade price, the bid or mean price listed in such Report as provided to the Corporation and verified that such information agrees; (y) with respect to the lower of two bid prices provided to the Corporation for purposes of valuing securities in the portfolio, the Independent Accountants have compared the price used in each Report with the lower of the two bid prices listed in the Report and verified that such information agrees (in the event such information does not agree, the Independent Accountants will provide a listing in their report of such differences); and (E) that the assets listed in each Report conform with the definition of Eligible Portfolio Property. If any letter reviewing the portfolio calculations delivered pursuant to this paragraph shows that an error was made in an AMPS Basic Maintenance Report for a particular Valuation Date for which such Accountant's Confirmation was required to be delivered or shows that a lower aggregate Discounted Value for the aggregate of all Eligible Portfolio Property was determined by the Independent Accountants, the calculation or determination made by such Independent Accountants shall be final and conclusive and shall be binding on the Corporation, and the Corporation shall promptly amend the AMPS Basic Maintenance Report and deliver the amended AMPS Basic Maintenance Report to the Auction Agent, S&P and Moody's.

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(iv) For so long as shares of AMPS are rated by Moody's, in managing the Corporation's portfolio, the Investment Manager will not alter the composition of the Corporation's portfolio if, in the reasonable belief of the Investment Manager, the effect of any such alteration would be to cause the Corporation to have Eligible Portfolio Property with an aggregate Discounted Value, as of the immediately preceding Valuation Date, less than the AMPS Basic Maintenance Amount as of such Valuation Date; provided, however, that in the event that, as of the immediately preceding Valuation Date, the aggregate Discounted Value of Eligible Portfolio Property exceeded the AMPS Basic Maintenance Amount by 25% or less, the Investment Manager will not alter the composition of the Corporation's portfolio in a manner reasonably expected to reduce the aggregate Discounted Value of Eligible Portfolio Property unless the Corporation shall have confirmed that, after giving effect to such alteration, the aggregate Discounted Value of Eligible Portfolio Property would exceed the AMPS Basic Maintenance Amount.

(c) Calculation of AMPS Basic Maintenance Amount; Accounting Treatment.

(i) Eligible Portfolio Property of the Corporation shall be determined on an accrual basis in accordance with customary practice under which Eligible Portfolio Property purchased and not yet received are so reflected as Eligible Portfolio Property.

(ii) Dividends on the Common Stock which are payable in Common Stock shall, after the effective date of any election by a holder of Common Stock to receive such dividend, be excluded from current liabilities.

(iii) Withholding taxes with respect to interest earned on any asset of the Corporation if such interest is not included in Eligible Portfolio Property, shall be excluded from current liabilities.

(iv) With respect to Eligible Portfolio Property sold by the Corporation as of or prior to the Valuation Date, the Market Value of such property will be reflected in Eligible Portfolio Property and will be discounted at the appropriate Discount Factor, provided, however, that if the determination is being made by Moody's, the sales price of such property will be reflected as Cash or Australian Currency, Canadian Currency or United Kingdom Currency, as appropriate, to the extent that such receivable is due and payable within five Business Days (determined as for a Valuation Date) and trades generating the receivable are (A) settled through clearing house firms with respect to which the issuer has received prior authorization from Moody's or (B) with counterparties having a long term rating by Moody's of at least Baa3 and if the determination is being made for S&P, the sales price of such property will be reflected in Cash or Australian Currency, Canadian Currency or United Kingdom Currency, as appropriate, to the extent that such receivable is due and payable within five Business Days (determined as for a Valuation Date).

(d) Other Permitted Assets.

(i) In addition to Eligible Portfolio Property, the Corporation may own Other Permitted Assets and may also own other securities, if the inclusion of any such type of other securities is deemed by the Board of Directors to be in the best interest of the Corporation.

(ii) Other Permitted Assets and such other securities may be included in Eligible Portfolio Property if the Rating Agencies have advised the Corporation in writing that the inclusion of such Other Permitted Assets or other securities in Eligible Portfolio Property would not adversely affect their respective then-current ratings of the shares of AMPS.

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(iii) The Fund may engage in transactions in Derivatives, subject to any limitations imposed by the Rating Agencies. Derivatives may be included in a Rating Agency's Eligible Portfolio Property if such Rating Agency has advised the Corporation in writing that the inclusion of such assets or securities in Eligible Portfolio Property would not adversely affect its respective then-current ratings of the shares of AMPS. With respect to options, the Fund may purchase and sell (write) options, subject to any limitations imposed by the Rating Agencies.

8. Auction Procedures.

(a) Certain Definitions.

As used in this paragraph 8, the following terms shall have the following meanings, unless the context otherwise requires:

- (i) **AMPS** shall mean the shares of AMPS being auctioned pursuant to this paragraph 8.
- (ii) **Auction Date** shall mean the first Business Day preceding the first day of a Dividend Period.
- (iii) **Available AMPS** shall have the meaning specified in paragraph 8(d)(i) below.
- (iv) **Bid** shall have the meaning specified in paragraph 8(b)(i) below.
- (v) **Bidder** shall have the meaning specified in paragraph 8(b)(i) below.

(vi) Hold Order shall have the meaning specified in paragraph 8(b)(i) below.

(vii) Maximum Applicable Rate for any Dividend Period will be the greater of (A) the Applicable Percentage of the Reference Rate on the date of such Auction or (B) the Applicable Spread plus the Reference Rate on the date of such Auction. The Applicable Percentage and the Applicable Spread will be determined as set forth below based on the lower of the credit rating or ratings assigned on such date to the AMPS by Moody's and S&P (or if Moody's or S&P or both shall not make such rating available, the equivalent of either or both of such ratings by a Substitute Rating Agency or two Substitute Rating Agencies or, in the event that only one such rating shall be available, the percentage will be based on such rating).

Credit Ratings		Applicable Percentage of Reference Rate	Applicable Spread Plus Reference Rate
Moody's	S&P		
aa3 or higher	AA- or higher	200%	200 bps
a3 to a1	A- to A+	210%	210 bps
baa3 to baa1	BBB- to BBB+	300%	300 bps
Below baa3	Below BBB-	325%	325 bps

The Corporation shall take all reasonable action necessary to enable S&P and Moody's to provide a rating for the AMPS. If either S&P or Moody's shall not make such a rating available, or if neither S&P nor Moody's shall make such a rating available, Merrill Lynch, Pierce, Fenner & Smith Incorporated or its affiliates and successors, after consultation with the Corporation, shall select a nationally recognized statistical rating organization or two nationally recognized statistical rating organizations to act as a Substitute Rating Agency or Substitute Rating Agencies, as the case may be.

(viii) Order shall have the meaning specified in paragraph 8(b)(i) below.

(ix) Sell Order shall have the meaning specified in paragraph 8(b)(i) below.

(x) Submission Deadline shall mean 1:00 P.M., New York City time, on any Auction Date or such other time on any Auction Date as may be specified by the Auction Agent from time to time as the time by which each Broker-Dealer must submit to the Auction Agent in writing all Orders obtained by it for the Auction to be conducted on such Auction Date.

(xi) Submitted Bid shall have the meaning specified in paragraph 8(d)(i) below.

(xii) Submitted Hold Order shall have the meaning specified in paragraph 8(d)(i) below.

(xiii) Submitted Order shall have the meaning specified in paragraph 8(d)(i) below.

(xiv) Submitted Sell Order shall have the meaning specified in paragraph 8(d)(i) below.

(xv) Sufficient Clearing Bids shall have the meaning specified in paragraph 8(d)(i) below.

(xvi) Winning Bid Rate shall have the meaning specified in paragraph 8(d)(i) below.

(b) Orders by Beneficial Owners, Potential Beneficial Owners, Existing Holders and Potential Holders.

(i) Unless otherwise permitted by the Corporation, Beneficial Owners and Potential Beneficial Owners may only participate in Auctions through their Broker-Dealers. Broker-Dealers will submit the Orders of their respective customers who are Beneficial Owners and Potential Beneficial Owners to the Auction Agent, designating themselves as Existing Holders in respect of shares subject to Orders submitted or deemed submitted to them by Beneficial Owners and as Potential Holders in respect of shares subject to Orders submitted to them by Potential Beneficial Owners. A Broker-Dealer may also hold shares of AMPS in its own account as a Beneficial Owner. A Broker-Dealer may thus submit Orders to the Auction Agent as a Beneficial Owner or a Potential Beneficial Owner and therefore participate in an Auction as an Existing Holder or Potential Holder on behalf of both itself and its customers. On or prior to the Submission Deadline on each Auction Date:

(A) each Beneficial Owner may submit to its Broker-Dealer information as to:

(1) the number of Outstanding shares, if any, of AMPS held by such Beneficial Owner which such Beneficial Owner desires to continue to hold without regard to the Applicable Rate for the next succeeding Dividend Period;

(2) the number of Outstanding shares, if any, of AMPS held by such Beneficial Owner which such Beneficial Owner desires to continue to hold, provided that the Applicable Rate for the next succeeding Dividend Period shall not be less than the rate per annum specified by such Beneficial Owner; and/or

(3) the number of Outstanding shares, if any, of AMPS held by such Beneficial Owner which such Beneficial Owner offers to sell without regard to the Applicable Rate for the next succeeding Dividend Period; and

(B) each Broker-Dealer, using a list of Potential Beneficial Owners that shall be maintained in good faith for the purpose of conducting a competitive Auction, shall contact Potential Beneficial Owners, including Persons that are not Beneficial Owners, on such list to determine the number of Outstanding shares, if any, of AMPS which each such Potential Beneficial Owner offers to purchase, provided that the Applicable Rate for the next succeeding Dividend Period shall not be less than the rate per annum specified by such Potential Beneficial Owner.

For the purposes hereof, the communications by a Beneficial Owner or Potential Beneficial Owner to a Broker-Dealer, or the communication by a Broker-Dealer acting for its own account to the Auction Agent, or the communications by a Broker-Dealer on behalf of a Beneficial Owner or Potential Beneficial Owner to the Auction Agent, of information referred to in clause (A) or (B) of this paragraph 8(b)(i) is hereinafter referred to as an Order and each Beneficial Owner and each Potential Beneficial Owner placing an Order, including a Broker-Dealer acting in such capacity for its own account and each Broker-Dealer placing an Order on behalf of a Beneficial Owner or Potential Beneficial Owner, is hereinafter referred to as a Bidder; an Order containing the information referred to in clause (A)(1) of this paragraph 8(b)(i) or clause (C) of paragraph 8(b)(ii) is hereinafter referred to as a Hold Order; an Order containing the information referred to in clause (A)(2) or (B) of this paragraph 8(b)(i) is hereinafter referred to as a Bid; and an Order containing the information referred to in clause (A)(3) of this paragraph 8(b)(i) is hereinafter referred to as a Sell Order. Inasmuch as a Broker-Dealer participates in an Auction as an Existing Holder or a Potential Holder only to represent the interests of a Beneficial Owner or Potential Beneficial Owner, whether it be its customers or itself, all discussion herein relating to the consequences of an Auction for Existing Holders and Potential Holders also applies to the underlying beneficial ownership interests represented.

(ii) (A) A Bid by an Existing Holder shall constitute an irrevocable offer to sell:

(1) the number of Outstanding shares of AMPS specified in such Bid if the Applicable Rate determined on such Auction Date shall be less than the rate per annum specified in such Bid; or

(2) such number or a lesser number of Outstanding shares of AMPS to be determined as set forth in paragraph 8(e)(i)(D) if the Applicable Rate determined on such Auction Date shall be equal to the rate per annum specified therein; or

(3) a lesser number of Outstanding shares of AMPS to be determined as set forth in paragraph 8(e)(ii)(C) if such specified rate per annum shall be higher than the Maximum Applicable Rate and Sufficient Clearing Bids do not exist.

(B) A Sell Order by an Existing Holder shall constitute an irrevocable offer to sell:

(1) the number of Outstanding shares of AMPS specified in such Sell Order; or

(2) such number or a lesser number of Outstanding shares of AMPS to be determined as set forth in paragraph 8(e)(ii)(C) if Sufficient Clearing Bids do not exist.

(C) A Bid by a Potential Holder shall constitute an irrevocable offer to purchase:

(1) the number of Outstanding shares of AMPS specified in such Bid if the Applicable Rate determined on such Auction Date shall be higher than the rate per annum specified in such Bid; or

(2) such number or a lesser number of Outstanding shares of AMPS to be determined as set forth in paragraph 8(e)(i)(E) if the Applicable Rate determined on such Auction Date shall be equal to the rate per annum specified therein.

(c) Submissions of Orders by Broker-Dealers to Auction Agent.

(i) Each Broker-Dealer shall submit in writing or through the Auction Agent's Auction Processing System to the Auction Agent prior to the Submission Deadline on each Auction Date all Orders obtained by such Broker-Dealer, designating itself (unless otherwise permitted by the Corporation) as an Existing Holder in respect of shares subject to Orders submitted or deemed submitted to it by Beneficial Owners and as a Potential Holder in respect of shares subject to Orders submitted to it by Potential Beneficial Owners, and specifying with respect to each Order:

(A) the name of the Bidder placing such Order (which shall be the Broker-Dealer unless otherwise permitted by the Corporation);

(B) the aggregate number of Outstanding shares of AMPS that are the subject of such Order;

(C) to the extent that such Bidder is an Existing Holder:

(1) the number of Outstanding shares, if any, of AMPS subject to any Hold Order placed by such Existing Holder;

(2) the number of Outstanding shares, if any, of AMPS subject to any Bid placed by such Existing Holder and the rate per annum specified in such Bid; and

(3) the number of Outstanding shares, if any, of AMPS subject to any Sell Order placed by such Existing Holder; and

(D) to the extent such Bidder is a Potential Holder, the rate per annum specified in such Potential Holder's Bid.

(ii) If any rate per annum specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one-thousandth (.001) of 1%.

(iii) If an Order or Orders covering all of the Outstanding shares of AMPS held by an Existing Holder are not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order (in the case of an Auction relating to a Dividend Period which is not a Special Dividend Period) and a Sell Order (in the case of an Auction relating to a Special Dividend Period) to have been submitted on behalf of such Existing Holder covering the number of Outstanding shares of AMPS held by such Existing Holder and not subject to Orders submitted to the Auction Agent.

(iv) If one or more Orders on behalf of an Existing Holder covering in the aggregate more than the number of Outstanding shares of AMPS held by such Existing Holder are submitted to the Auction Agent, such Orders shall be considered valid as follows and in the following order of priority:

(A) any Hold Order submitted on behalf of such Existing Holder shall be considered valid up to and including the number of Outstanding shares of AMPS held by such Existing Holder; provided that if more than one Hold Order is submitted on behalf of such Existing Holder and the number of shares of AMPS subject to such Hold Orders exceeds the number of Outstanding shares of AMPS held by such Existing Holder, the number of shares of AMPS subject to each of such Hold Orders shall be reduced pro rata so that such Hold Orders, in the aggregate, will cover exactly the number of Outstanding shares of AMPS held by such Existing Holder;

(B) any Bids submitted on behalf of such Existing Holder shall be considered valid, in the ascending order of their respective rates per annum if more than one Bid is submitted on behalf of such Existing Holder, up to and including the excess of the number of Outstanding shares of AMPS held by such Existing Holder over the number of shares of AMPS subject to any Hold Order referred to in paragraph 8(c)(iv)(A) above (and if more than one Bid submitted on behalf of such Existing Holder specifies the same rate per annum and together they cover more than the remaining number of shares that can be the subject of valid Bids after application of paragraph 8(c)(iv)(A) above and of the foregoing portion of this paragraph 8(c)(iv)(B) to any Bid or Bids specifying a lower rate or rates per annum, the number of shares subject to each of such Bids shall be reduced pro rata so that such Bids, in the aggregate, cover exactly such remaining number of shares); and the number of shares, if any, subject to Bids not valid under this paragraph 8(c)(iv)(B) shall be treated as the subject of a Bid by a Potential Holder; and

(C) any Sell Order shall be considered valid up to and including the excess of the number of Outstanding shares of AMPS held by such Existing Holder over the number of shares of AMPS subject to Hold Orders referred to in paragraph 8(c)(iv)(A) and Bids referred to in paragraph 8(c)(iv)(B); provided that if more than one Sell Order is submitted on behalf of any Existing Holder and the number of shares of AMPS subject to such Sell Orders is greater than such excess, the number of shares of AMPS subject to each of such Sell Orders shall be reduced pro rata so that such Sell Orders, in the aggregate, cover exactly the number of shares of AMPS equal to such excess.

(v) If more than one Bid is submitted on behalf of any Potential Holder, each Bid submitted shall be a separate Bid with the rate per annum and number of shares of AMPS therein specified.

(vi) Any Order submitted by a Beneficial Owner or a Potential Beneficial Owner to its Broker-Dealer, or by a Broker-Dealer to the Auction Agent, prior to the Submission Deadline on any Auction Date shall be irrevocable.

(d) Determination of Sufficient Clearing Bids, Winning Bid Rate and Applicable Rate.

(i) Not earlier than the Submission Deadline on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to individually as a Submitted Hold Order, a Submitted Bid or a Submitted Sell Order, as the case may be, or as a Submitted Order) and shall determine:

(A) the excess of the total number of Outstanding shares of AMPS over the number of Outstanding shares of AMPS that are the subject of Submitted Hold Orders (such excess being hereinafter referred to as the Available AMPS);

(B) from the Submitted Orders whether the number of Outstanding shares of AMPS that are the subject of Submitted Bids by Potential Holders specifying one or more rates per annum equal to or lower than the Maximum Applicable Rate exceeds or is equal to the sum of:

(1) the number of Outstanding shares of AMPS that are the subject of Submitted Bids by Existing Holders specifying one or more rates per annum higher than the Maximum Applicable Rate; and

(2) the number of Outstanding shares of AMPS that are subject to Submitted Sell Orders.

If such excess or such equality exists (other than because the number of Outstanding shares of AMPS in clauses (1) and (2) above are each zero because all of the Outstanding shares of AMPS are the subject of Submitted Hold Orders), then Sufficient Clearing Bids exist; and

(C) if Sufficient Clearing Bids exist, the lowest rate per annum specified in the Submitted Bids (the Winning Bid Rate) that if:

(1) each Submitted Bid from Existing Holders specifying the Winning Bid Rate and all other Submitted Bids from Existing Holders specifying lower rates per annum were rejected, thus entitling such Existing Holders to continue to hold the shares of AMPS that are the subject of such Submitted Bids, and

(2) each Submitted Bid from Potential Holders specifying the Winning Bid Rate and all other Submitted Bids from Potential Holders specifying lower rates per annum were accepted, thus entitling those Potential Holders to purchase the shares of AMPS that are the subject of such Submitted Bids, would result in the number of shares subject to all Submitted Bids specifying the Winning Bid Rate or a lower rate per annum being at least equal to the Available AMPS.

(ii) Promptly after the Auction Agent has made the determinations pursuant to paragraph 8(d)(i), the Auction Agent shall advise the Corporation of the Maximum Applicable Rate and, based on such determinations, the Applicable Rate for the next succeeding Dividend Period as follows:

(A) if Sufficient Clearing Bids exist, that the Applicable Rate for the next succeeding Dividend Period shall be equal to the Winning Bid Rate;

(B) if Sufficient Clearing Bids do not exist (other than because all of the Outstanding shares of AMPS are the subject of Submitted Hold Orders), that the Applicable Rate for the next succeeding Dividend Period shall be equal to the Maximum Applicable Rate; or

(C) if all of the Outstanding shares of AMPS are the subject of Submitted Hold Orders, that the Dividend Period next succeeding the Auction shall automatically be the same length as the immediately preceding Dividend Period and the Applicable Rate for the next succeeding Dividend Period shall be equal to 90% of the Reference Rate on the date of the Auction.

(e) Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of Shares.

Based on the determinations made pursuant to paragraph 8(d)(i), the Submitted Bids and Submitted Sell Orders shall be accepted or rejected and the Auction Agent shall take such other action as set forth below:

(i) If Sufficient Clearing Bids have been made, subject to the provisions of paragraph 8(e)(iii) and paragraph 8(e)(iv), Submitted Bids and Submitted Sell Orders shall be accepted or rejected in the following order of priority and all other Submitted Bids shall be rejected:

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(A) the Submitted Sell Orders of Existing Holders shall be accepted and the Submitted Bid of each of the Existing Holders specifying any rate per annum that is higher than the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to sell the Outstanding shares of AMPS that are the subject of such Submitted Sell Order or Submitted Bid;

(B) the Submitted Bid of each of the Existing Holders specifying any rate per annum that is lower than the Winning Bid Rate shall be accepted, thus entitling each such Existing Holder to continue to hold the Outstanding shares of AMPS that are the subject of such Submitted Bid;

(C) the Submitted Bid of each of the Potential Holders specifying any rate per annum that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Holder to purchase the shares of AMPS that are the subject of such Submitted Bids;

(D) the Submitted Bid of each of the Existing Holders specifying a rate per annum that is equal to the Winning Bid Rate shall be rejected, thus entitling each such Existing Holder to continue to hold the Outstanding shares of AMPS that are the subject of such Submitted Bid, unless the number of Outstanding shares of AMPS subject to all such Submitted Bids shall be greater than the number of Outstanding shares of AMPS (Remaining Shares) equal to the excess of Available AMPS over the number of Outstanding shares of AMPS subject to Submitted Bids described in paragraph 8(e)(i)(B) and paragraph 8(e)(i)(C), in which event the Submitted Bids of each such Existing Holder shall be accepted, and each such Existing Holder shall be required to sell Outstanding shares of AMPS, but only in an amount equal to the difference between (1) the number of Outstanding shares of AMPS then held by such Existing Holder subject to such Submitted Bid and (2) the number of shares of AMPS obtained by multiplying (x) the number of Remaining Shares by (y) a fraction, the numerator of which shall be the number of Outstanding shares of AMPS held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the sum of the numbers of Outstanding shares of

AMPS subject to such Submitted Bids made by all such Existing Holders that specified a rate per annum equal to the Winning Bid Rate; and

(E) the Submitted Bid of each of the Potential Holders specifying a rate per annum that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Holder to purchase the shares of AMPS that are the subject of such Submitted Bids, but only in an amount equal to the number of Outstanding shares of AMPS obtained by multiplying (x) the difference between the Available AMPS and the number of Outstanding shares of AMPS subject to Submitted Bids described in paragraph 8(e)(i)(B), paragraph 8(e)(i)(C) and paragraph 8(e)(i)(D) by (y) a fraction the numerator of which shall be the number of Outstanding shares of AMPS subject to such Submitted Bids and the denominator of which shall be the sum of the number of Outstanding shares of AMPS subject to such Submitted Bids made by all such Potential Holders that specified rates per annum equal to the Winning Bid Rate.

(ii) If Sufficient Clearing Bids have not been made (other than because all of the Outstanding shares of AMPS are subject to Submitted Hold Orders), subject to the provisions of paragraph 8(e)(iii), Submitted Orders shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) the Submitted Bid of each Existing Holder specifying any rate per annum that is equal to or lower than the Maximum Applicable Rate shall be rejected, thus entitling such Existing Holder to continue to hold the Outstanding shares of AMPS that are the subject of such Submitted Bid;

(B) the Submitted Bid of each Potential Holder specifying any rate per annum that is equal to or lower than the Maximum Applicable Rate shall be accepted, thus requiring such Potential Holder to purchase the Outstanding shares of AMPS that are the subject of such Submitted Bid; and

(C) the Submitted Bids of each Existing Holder specifying any rate per annum that is higher than the Maximum Applicable Rate shall be accepted and the Submitted Sell Orders of each Existing Holder shall be accepted, thus requiring each such Existing Holder to sell shares of AMPS that are the subject of such Submitted Bid or Submitted Sell Order, in both cases only in an amount equal to the difference between (1) the number of Outstanding shares of AMPS then held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and (2) the number of shares of AMPS obtained by multiplying (x) the difference between the Available AMPS and the aggregate number of Outstanding shares of AMPS subject to Submitted Bids described in paragraph 8(e)(ii)(A) and paragraph 8(e)(ii)(B) by (y) a fraction the numerator of which shall be the number of Outstanding shares of AMPS held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and the denominator of which shall be the number of Outstanding shares of AMPS subject to all such Submitted Bids and Submitted Sell Orders.

(iii) If, as a result of the procedures described in paragraph 8(e)(i) or paragraph 8(e)(ii), any Existing Holder would be entitled or required to sell, or any Potential Holder would be entitled or required to purchase, a fraction of a share of AMPS on any Auction Date, the Auction Agent shall, in such manner as in its sole discretion it shall determine, round up or down the number of shares of AMPS to be purchased or sold by an Existing Holder or Potential Holder on such Auction Date so that each Outstanding share of AMPS purchased or sold by each Existing Holder or Potential Holder on such Auction Date shall be a whole share of AMPS.

(iv) If, as a result of the procedures described in paragraph 8(e)(i), any Potential Holder would be entitled or required to purchase less than a whole share of AMPS on any Auction Date, the Auction Agent, in such manner as in its sole discretion it shall determine, shall allocate shares of AMPS for purchase among Potential Holders so that only whole shares of AMPS are purchased on such Auction Date by any Potential Holder, even if such allocation results in one or more of such Potential Holders not purchasing any shares of AMPS on such Auction Date.

(v) Based on the results of each Auction, the Auction Agent shall determine, with respect to each Broker-Dealer that submitted Bids or Sell Orders on behalf of Existing Holders or Potential Holders, the aggregate number of Outstanding shares of AMPS to be purchased and the

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aggregate number of Outstanding shares of AMPS to be sold by such Potential Holders and Existing Holders and, to the extent that such aggregate number of Outstanding shares to be purchased and such aggregate number of Outstanding shares to be sold differ, the Auction Agent shall determine to which other Broker-Dealer or Broker-Dealers acting for one or more purchasers such Broker-Dealer shall deliver, or from which other Broker-Dealer or Broker-Dealers acting for one or more sellers such Broker-Dealer shall receive, as the case may be, Outstanding shares of AMPS.

(f) Force Majeure. Notwithstanding any other provision of this Article XII, in the event that an Auction does not occur on an Auction Date because of any act of God, strike, riot, act of war, act of terrorism, equipment failure, power failure or damage or other causes reasonably beyond the control of the Corporation or the Auction Agent, each Existing Holder as of such Auction Date will continue to hold the shares of AMPS held by such Existing Holder until the next Auction Date. The Applicable Rate for any Dividend Period during which Existing Holders continue to hold such shares of AMPS by operation of this paragraph 8(f) shall be the same Applicable Rate as applied during the last Dividend Period following an Auction at which there were Sufficient Clearing

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Bids prior to the applicability of this paragraph 8(f). Any Dividend Period during which Existing Holders continue to hold such shares of AMPS by operation of this paragraph 8(f) shall consist of the same number of days as the last Dividend Period following an Auction at which there were Sufficient Clearing Bids prior to the applicability of this paragraph 8(f).

9. Miscellaneous.

(a) To the extent permitted by applicable law, the Board of Directors may interpret or adjust the provisions of this Article XII to resolve any inconsistency or ambiguity, remedy any formal defect or make any other change or modification which does not substantially adversely affect the rights of Beneficial Owners of shares of AMPS and if such inconsistency or ambiguity reflects an incorrect provision hereof then the Board of Directors may authorize the filing of a Certificate of Amendment or a Certificate of Correction, as the case may be.

(b) A Beneficial Owner or an Existing Holder (A) may sell, transfer or otherwise dispose of shares of AMPS only pursuant to a Bid or Sell Order in accordance with the procedures described in paragraph 8 or to or through a Broker-Dealer, provided that in the case of all transfers other than pursuant to Auctions such Existing Holder or Broker-Dealer (acting on its own behalf or on behalf of a Beneficial Owner), if applicable, or its Agent Member advises the Auction Agent of such transfer and (B) except as otherwise required by law, shall have the ownership of the shares of AMPS held by it maintained in book entry form by the Securities Depository in the account of its Agent Member, which in turn will maintain records of such Beneficial Owner's beneficial ownership. Neither the Corporation nor any Affiliate shall submit an Order in any Auction. Any Beneficial Owner that is an Affiliate shall not sell, transfer or otherwise dispose of shares of AMPS to any Person other than the Corporation. All of the Outstanding shares of AMPS shall be represented by a single certificate registered in the name of the nominee of the Securities Depository unless otherwise required by law or unless there is no Securities Depository. If there is no Securities Depository, at the Corporation's option and upon its receipt of such documents as it deems appropriate, any shares of AMPS may be registered in the Stock Register in the name of the Beneficial Owner thereof and such Beneficial Owner thereupon will be entitled to receive certificates therefor and required to deliver certificates therefor upon transfer or exchange thereof.

(c) The Corporation will exercise its best efforts to maintain an Auction Agent pursuant to an agreement containing terms not materially less favorable to the Corporation than the terms of the Auction Agent Agreement first entered into by the Corporation on July 30, 1992.

(d) The Corporation will use its best efforts to maintain a rating of the AMPS from each of the Rating Agencies.

(e) All notices or communications, unless otherwise specified in the By-Laws of the Corporation or this Article XII, will be sufficiently given if in writing and delivered in person or mailed by first-class mail, postage prepaid. Notice will be deemed given on the earlier of the date received or the date seven days after which such notice is mailed.

10. Notice and Amendments.

In addition to the authority given the Board of Directors to from time to time, adjust, modify, alter, change, add to or delete certain definitions and related terms set forth in paragraph 1(a) as contemplated by paragraph 1(b) of this Article XII and the authority given the Corporation to interpret the provisions of paragraph 8 as contemplated by paragraph 9(a), the Board of Directors of the Corporation shall have the authority to amend, adjust, modify, alter or change the terms of this Article XII establishing the Series W-7 AMPS also without shareholder approval to reflect changes required in connection with the creation of one or more additional series of Auction Market Preferred Stock of the same class as the Series W-7 AMPS; *provided, however*, that no such additional series shall have any rights or preferences upon liquidation as to payments of dividends or conditions of redemption or voting power which are superior to the rights and conditions applicable to the Series W-7 AMPS, it

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being intended that every series of Auction Market Preferred Stock issued by the Corporation is to constitute a series of the same class for purposes of the Investment Company Act.

ARTICLE XIII:

The Corporation through its Board, has elected to be subject to the following provisions of Subtitle 8 of the MGCL:

(i) Section 3-804(a): Under Section 3-804(a), the stockholders of the Corporation may remove any director by the affirmative vote of at least two-thirds of all the votes entitled to be cast by the stockholders generally in the election of directors.

(ii) Section 3-804(b): Under Section 3-804(b), the number of directors of the Corporation shall be fixed only by the vote of the Board.

(iii) Section 3-804(c): Under Section 3-804(c), a vacancy on the Board due to an increase in the size of the Board or the death, resignation, or removal of a director, may be filled only by the affirmative vote of the majority of the remaining directors in office, even if the remaining directors do not constitute a quorum. Any director so elected to fill a vacancy shall

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hold office for the remainder of the full term of the class of directors in which the vacancy occurred, and until a successor is elected and qualifies.

(iv) Section 3-805: Under Section 3-805, the Secretary of the Corporation may call a special meeting of stockholders only on the written request of the stockholders entitled to cast at least a majority of all votes entitled to be cast at the meeting; and in accordance with the procedures set forth under Section 2-502(b)(2) and (3) and (e) of the MGCL.

* * * * *

3. The number of shares of authorized stock of the Corporation is not increased by this amendment to and restatement of the Charter.

4. The amendment to and restatement of the Charter as hereinabove set forth have been duly advised by the Board of Directors and approved by the stockholders of the Corporation as required by law.

5. The current address of the principal office of the Corporation is as set forth in Article IV of the foregoing amendment and restatement of the Charter.

6. The name and address of the Corporation's resident agent is as set forth in Article IV of the foregoing amendment and restatement of the Charter.

7. The number of directors of the Corporation and the names of those currently in office are as set forth in Article VI of the foregoing amendment and restatement of the Charter.

8. The number of directors of the Corporation is ten and the names of the Corporation's current ten directors are as follows: David L. Elsum, Laurence S. Freedman, Martin J. Gilbert, Neville J. Miles, William J. Potter, Peter D. Sacks, Anton E. Schrafl, E. Duff Scott, John T. Sheehy and Warren C. Smith.

The undersigned President acknowledges these Articles of Amendment and Restatement to be the corporate act of the Corporation and as to all matters or facts required to be verified under oath, the undersigned President acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

IN WITNESS WHEREOF, the Corporation has caused these Articles of Amendment and Restatement to be signed in its name and on its behalf by its President and attested to by its Secretary on this day of , 2003.

ATTEST:

ABERDEEN GLOBAL INCOME FUND, INC.

By:

Sander M. Bieber
Assistant Secretary

By:

Hugh Young
President

(SEAL)

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ABERDEEN GLOBAL INCOME FUND, INC.

AUDIT AND VALUATION COMMITTEE

AUDIT CHARTER

Mission

The mission of the Audit and Valuation Committee (the **Committee**) of Aberdeen Global Income Fund, Inc. (the **Fund**), under this Audit Charter, is to oversee the Fund's accounting and financial reporting policies and practices, its internal controls and, as appropriate, the internal controls of certain service providers, and to oversee the quality and objectivity of the Fund's financial statements and the independent audit thereof. The Committee will also report to the Board of Directors (the **Board**), if necessary, any relationships between the auditor and the Fund, or any other relationships, which come to the Committee's attention that may adversely affect the independence of the auditor.

The function of the Committee is to provide oversight; it is the responsibility of the Fund and the Fund's investment manager and investment adviser to maintain appropriate systems for accounting and internal control, and it is the responsibility of the Fund's independent auditors to plan and carry out a proper audit. The independent auditors are directly accountable to the Committee.

Committee Membership

The Committee shall be composed of at least three members. Each member must have been determined not to be an interested person (as that term is defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (**1940 Act**)) of the Fund (an **Independent Director**) and, in addition, each member shall have the additional qualifications indicated below. The President of the Fund, although not a member of the Committee, will nonetheless be expected to have a significant role in assisting the Committee to discharge its responsibilities, including ensuring adequate access to, and support from, the staff of the Fund's investment manager, Aberdeen Asset Managers (C.I.) Limited (the **Manager**), and the staff of the Fund's investment adviser, Aberdeen Asset Management Limited (the **Adviser**).

Qualifications of Committee Members

1. Members of the Committee may not be officers of the Fund and should be free of any relationships that would interfere with the exercise of independent judgment. A director with any of the following relationships will not be considered independent for this purpose:
 - A. **Employee.** A director who is or has been an employee (including non-employee executive officers) of the Fund or any of its affiliates may not serve on the Committee until three years following the termination of his or her employment. An affiliate includes a subsidiary, sibling company, predecessor, parent company, or former parent company.
 - B.

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Business Relationship. A director (i) who is a partner, controlling stockholder, or executive officer of an organization that has a business relationship with the Fund, or (ii) who has a direct business relationship with the Fund (*e.g.*, a consultant) may serve on the Committee only if the Fund's Board determines in its business judgment that the relationship does not interfere with the director's exercise of independent judgment. In making a determination regarding the independence of a director pursuant to this paragraph, the Board will consider, among other things, the materiality of the relationship to the Fund, to the director, and, if applicable, to the organization with which the director is affiliated.

Business relationships can include commercial, industrial, banking, consulting, legal, accounting and other relationships. A director can have this relationship directly with the Fund, or the director can be a partner, officer or employee of an organization that has such a relationship. The director may serve on the Committee without the above-referenced Board determination after three years following the termination of, as applicable, either (1) the relationship between the organization with which the director is affiliated and the Fund, (2) the relationship between the director and his or her partnership status, shareholder interest or executive officer position, or (3) the direct business relationship between the director and the Fund.

- C. **Cross Compensation Committee Link.** A director who is employed as an executive of another corporation where any of the Fund's executives serves on that Fund's compensation committee may not serve on the Committee.

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- D. **Immediate Family.** A director who is an immediate family member of an individual who is an executive officer of the Fund or any of its affiliates cannot serve on the Committee until three years following the termination of such employment relationship. An immediate family member includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than employees) who shares such person's home.
2. Notwithstanding the requirements of Parts A through D above, one director who is no longer an employee or who is an immediate family member of a former executive officer of the Fund or its affiliates, but is not considered independent pursuant to these provisions due to the three-year restriction period, may be appointed, under exceptional and limited circumstances, to the Committee if the Fund's Board determines in its business judgment that membership on the Committee by the individual is required in the best interests of the Fund and its shareholders, and the Fund discloses, in the next annual proxy statement subsequent to such determination, the nature of the relationship and the reasons for that determination.
 3. Each member of the Committee must be financially literate, or become financially literate within a reasonable period of time after his or her appointment to the Committee, as such qualification is interpreted by the Fund's Board in its business judgment. At least one member of the Committee must have accounting or related financial experience, as the Fund's Board interprets such qualification in its business judgment.
 4. Unless exempted by order of the SEC, each member of the Committee may not, other than in his or her capacity as a member of the Committee, the Board, or any other committee of the Board accept any consulting, advisory, or other compensatory fee from the Fund.
 5. If at least one member of the Committee is not a financial expert (as that term is defined in the rules and regulations of the SEC), the Fund's periodic reports shall disclose the reason why.

Duties and Powers

To carry out its mission under this Audit Charter, the Committee shall, to the extent it deems appropriate, carry out the following functions:

1. To recommend annually to the Board the selection, retention or termination of independent auditors and, in connection therewith, to evaluate the independence of the auditors, including whether the auditors provide any consulting, auditing or tax services to the Manager or the Adviser, and to receive the auditors' specific representations as to their independence, delineating all relationships between the auditor and the Fund, consistent with Independence Standards Board (ISB) Standard No. 1. The Committee is responsible for actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and for taking, or recommending that the full Board take, appropriate action to oversee the independence of the outside auditor;

¹ ISB Standard No. 1 requires the auditor to annually: (1) disclose to the Committee, in writing, all relationships between the auditor and its related entities and the Fund and its related entities that in the auditor's professional judgment may reasonably be thought to bear on independence; (2) confirm in the letter that, in its professional judgment, it is independent of the Fund within the meaning of the Securities Acts administered by the SEC; and (3) discuss the auditor's independence with the audit committee.

2. To review in advance, and consider approval of, any and all proposals by management of the Fund or the Manager or the Adviser that the Fund, the Manager or the Adviser, or their affiliated persons, employ the independent auditor to render permissible non-audit services² to the Fund and to consider whether such services are consistent with the independent auditor's independence.³ The Committee may delegate to one or more of its members (Delegates) authority to pre-approve permissible non-audit services to be provided to the Fund. Any pre-approval determination of a Delegate shall be presented to the full Committee at its next meeting. The Committee shall communicate any pre-approval made by it or a Delegate to the Fund's Manager, who will ensure that the appropriate disclosure is made in the Fund's periodic reports required by Section 13(a) of the Securities Exchange Act of 1934, as amended, and other documents as required under the federal securities laws;
3. To recommend new independent auditors, should it prove necessary, subject to ratification by the Board and shareholder approval, if required;
4. To review, in advance and in consultation with the independent auditor, the staffing of the audit of the Fund's financial statements and obtain from the independent auditors a written representation that they have appointed a lead auditor and/or review partner who has not acted in such capacity for the Fund in each of the Fund's previous five fiscal years;
5. To meet with the Fund's independent auditors, including private meetings, as necessary (i) to review the arrangements for and scope of the annual audit and any special audits, and the fees proposed to be charged in connection with such services, (ii) to discuss any matters of concern relating to the Fund's financial statements, including any adjustments to such statements recommended by the auditors, or other results of said audit(s), including matters required to be discussed by the Statements on Auditing Standards (SAS) No. 61(iii) to consider the auditors' comments with respect to the Fund's financial policies, procedures and internal accounting controls and management's responses thereto, (iv) to review the form of opinion the auditors propose to render to the Board and shareholders, and (v) to review the performance of the auditor;
6. To consider the effect upon the Fund of any changes in accounting principles or practices proposed by management or the auditors;
7. To consider, in consultation with the independent auditor, (i) material questions of choice with respect to appropriate accounting principles and practices to be used in the preparation of the financial statements of the Fund and the effect upon the Fund of any proposed changes in accounting principles or practices, (ii) all critical accounting policies and practices to be used; (iii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officials of the Fund, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors; (iv) reasons for major year-to-year variations in financial statements; (v) reports of any significant accounting accruals, reserves, estimates made by management, and provisions for contingent

² Permissible non-audit services include any professional services, including tax services, provided to the Fund by the independent auditor, other than those provided to the Fund in connection with an audit or a review of the financial statements of the Fund. Permissible non-audit services may not include: (i) bookkeeping or other services related to the accounting records or financial statements of the Fund; (ii) financial information systems design and implementation; (iii) appraisal or valuation services, fairness opinions or contribution-in-kind reports; (iv) actuarial services; (v) internal audit outsourcing services; (vi) management functions or human resources; (vii) broker or dealer, investment adviser or investment banking services; (viii) legal services and expert services unrelated to the audit; and (ix) any other service the Public Company Accounting Oversight Board determines, by regulation, is impermissible.

³ Pre-approval by the Committee of any permissible non-audit services is not required so long as: (i) the aggregate amount of all such permissible non-audit services provided to the Fund constitutes not more than 5% of the total amount of revenues paid by the Fund to its auditor during the fiscal year in which the permissible non-audit services are provided; (ii) the permissible non-audit services were not recognized by the Fund at the time of the engagement to be non-audit services; and (iii) such services are promptly brought to the attention of the Committee and approved by the Committee or its Delegate(s) prior to the completion of the audit.

⁴ SAS 61 requires independent auditors to communicate certain matters related to the conduct of an audit to those who have responsibility for oversight of the financial reporting process, specifically the audit committee. Among the matters to be communicated to the audit committee are: (1) methods used to account for significant unusual transactions; (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus; (3) the process used by management in formulating particularly sensitive accounting estimates and the basis for the auditor's conclusions regarding the reasonableness of those estimates; and (4) disagreements with management over the application of accounting principles, the basis for management's accounting estimates, and the disclosures in the financial statements.

liabilities; and (vi) any other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.

8. To review the fees charged by the auditors for audit and permissible non-audit services;
9. To review the Fund's system of internal controls, including (i) the security of tangible and intangible Fund assets and the security of computer systems and facilities; (ii) instances of employee defalcation and violations of the Code of Ethics and other Fund policies and procedures; and (iii) reports from Fund legal counsel with respect to compliance with laws and regulations, significant litigation, and possible impact on financial results;
10. To establish rules and procedures necessary for the Committee to fulfill its responsibilities and conduct its business;
11. To investigate improprieties or suspected improprieties in Fund operations, as they are presented to the Committee or brought to the attention of the Committee;
12. To review the Fund's tax compliance and status, including the status of the Fund's position relative to tax audits and significant issues disputed by tax authorities;
13. To investigate matters brought to its attention within the scope of its duties;
14. To develop, establish and periodically review procedures for: (i) the receipt, retention and treatment of complaints received by the Fund from any source regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Fund or its service providers of concerns regarding questionable accounting or auditing matters related to the Fund;
15. To assure that all its actions are recorded in minutes of its meetings and maintained with the Fund's records; and
16. To report its activities to the full Board on a regular basis and to make such recommendations with respect to the above and other matters as the Committee may deem necessary or appropriate.

Other Powers and Responsibilities

1. The Committee normally shall meet in person twice yearly, in June and December, prior to the meetings of the full Board, and may meet at such other time or times as the Committee or Board may determine appropriate or necessary, and is empowered to hold special meetings as circumstances require.
2. Each December, the Committee shall make a report indicating whether the Committee (i) reviewed and discussed the financial statements with management; (ii) discussed the matters required by SAS 61, as modified or supplemented; and (iii) received from the auditors the letter and written disclosure required by ISB Standard No. 1, and discussed with the auditors their independence. The Committee's report should also indicate whether the Committee, based on its review and its discussions with management and the auditors, recommends to the Board that the financial statements be included in the Fund's annual report for the last fiscal year.
3. The Fund's officers shall provide, or arrange to provide, such information, data and service as the Committee may request. The Committee shall conduct interviews or discussions as it deems appropriate with personnel of the Fund, and/or others whose views would be considered helpful to the Committee. The Committee may ask management and representatives of the service providers to attend meetings

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as necessary.

4. The Committee shall have the resources and authority appropriate to discharge its responsibilities, including authority to engage legal counsel and to retain experts or other persons with specific competence at the expense of the Fund.
5. The Committee shall review this Charter at least annually and recommend any changes to the full Board of Directors.

December 11, 2002

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DETACH HERE IF YOU ARE RETURNING YOUR PROXY CARD BY MAIL

COMMON STOCK

PROXY

COMMON STOCK

ABERDEEN GLOBAL INCOME FUND, INC.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

Annual Meeting of Stockholders April 15, 2003

The undersigned stockholder of Aberdeen Global Income Fund, Inc., a Maryland corporation (the Fund), hereby appoints Beverley Hendry, William J. Potter and Timothy Sullivan, or any of them, with full power of substitution in each of them, to attend the Annual Meeting of Stockholders of the Fund to be held at Dryden Hall, 7th Floor, Plaza Building, 751 Broad Street, Newark, New Jersey on Tuesday, April 15, 2003, at 2:30 p.m. (Eastern time), and any adjournment or postponement thereof, to cast on behalf of the undersigned all votes that the undersigned is entitled to cast at such meeting and otherwise to represent the undersigned at the meeting with all powers possessed by the undersigned if personally present at the meeting. The undersigned hereby acknowledges receipt of the Notice of Annual Meeting of Stockholders and of the accompanying Proxy Statement and revokes any proxy heretofore given with respect to such meeting.

The votes entitled to be cast by the undersigned will be cast as instructed on the reverse side hereof. If this Proxy is executed but no instructions are given, the votes entitled to be cast by the undersigned will be cast FOR each of the nominees for director for three-year terms and until their successors are duly elected and qualify (Proposal 1), FOR Proposal 3, and in the discretion of the Proxy holder on any other matter that may properly come before the meeting or any adjournment or postponement thereof.

PLEASE VOTE, DATE AND SIGN ON THE REVERSE SIDE AND

RETURN PROMPTLY IN THE ENCLOSED ENVELOPE.

HAS YOUR ADDRESS CHANGED?

DO YOU HAVE ANY COMMENTS?

Four horizontal lines for address change response.

Four horizontal lines for comments response.

Signature

Date

Signature (if held jointly)

Date

DETACH HERE IF YOU ARE RETURNING YOUR PROXY CARD BY MAIL

PREFERRED STOCK

PROXY

PREFERRED STOCK

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The votes entitled to be cast by the undersigned will be cast as instructed on the reverse side hereof. If this Proxy is executed but no instructions are given, the votes entitled to be cast by the undersigned will be cast FOR each of the nominees for director to serve until the next annual meeting of stockholders and until their successors are duly elected and qualify (Proposal 2), FOR Proposal 3, and in the discretion of the Proxy holder on any other matter that may properly come before the meeting or any adjournment or postponement thereof.

PLEASE VOTE, DATE AND SIGN ON THE REVERSE SIDE AND

RETURN PROMPTLY IN THE ENCLOSED ENVELOPE.

HAS YOUR ADDRESS CHANGED?

DO YOU HAVE ANY COMMENTS?

Signature

Date

Signature (if held jointly)

Date