

FORD MOTOR CO  
Form 10-Q  
May 07, 2010

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2010

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

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

Commission File Number: 1-3950

FORD MOTOR COMPANY  
(Exact name of registrant as specified in its charter)

Delaware  
(State of Incorporation)

38-0549190  
(IRS Employer Identification No.)

One American Road, Dearborn, Michigan  
(Address of principal executive offices)

48126  
(Zip Code)

(313) 322-3000  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of April 29, 2010, the registrant had outstanding 3,335,728,639 shares of Common Stock and 70,852,076 shares of Class B Stock.

Exhibit index located on page number 73.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. Financial Statements.

## FORD MOTOR COMPANY AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF OPERATIONS

For the Periods Ended March 31, 2010 and 2009

(in millions, except per share amounts)

	First Quarter	
	2010	2009
	(unaudited)	
Sales and revenues		
Automotive sales	\$28,894	\$20,980
Financial Services revenues	2,672	3,410
Total sales and revenues	31,566	24,390
Costs and expenses		
Automotive cost of sales	25,139	21,413
Selling, administrative and other expenses	3,089	3,692
Interest expense	1,701	1,921
Financial Services provision for credit and insurance losses	(41 )	402
Total costs and expenses	29,888	27,428
Automotive interest income and other non-operating income/(expense), net (Note 10)	189	1,352
Financial Services other income/(loss), net (Note 10)	126	113
Equity in net income/(loss) of affiliated companies	142	(89 )
Income/(Loss) before income taxes	2,135	(1,662 )
Provision for/(Benefit from) income taxes	50	(227 )
Income/(Loss) from continuing operations	2,085	(1,435 )
Income/(Loss) from discontinued operations	—	—
Net income/(loss)	2,085	(1,435 )
Less: Income/(Loss) attributable to noncontrolling interests	—	(8 )
Net income/(loss) attributable to Ford Motor Company	\$2,085	\$(1,427 )
<b>NET INCOME/(LOSS) ATTRIBUTABLE TO FORD MOTOR COMPANY</b>		
Income/(Loss) from continuing operations	\$2,085	\$(1,427 )
Income/(Loss) from discontinued operations	—	—
Net income/(loss)	\$2,085	\$(1,427 )
<b>AMOUNTS PER SHARE ATTRIBUTABLE TO FORD MOTOR COMPANY</b>		
<b>COMMON AND CLASS B STOCK (Note 13)</b>		
Basic income/(loss)		
Income/(Loss) from continuing operations	\$0.62	\$(0.60 )
Income/(Loss) from discontinued operations	—	—
Net income/(loss)	\$0.62	\$(0.60 )
Diluted income/(loss)		
Income/(Loss) from continuing operations	\$0.50	\$(0.60 )
Income/(Loss) from discontinued operations	—	—

Net income/(loss)	\$0.50	\$(0.60)	)
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The accompanying notes are part of the financial statements.

## Item 1. Financial Statements (Continued)

## FORD MOTOR COMPANY AND SUBSIDIARIES

SECTOR STATEMENT OF OPERATIONS  
For the Periods Ended March 31, 2010 and 2009  
(in millions, except per share amounts)

	First Quarter	
	2010	2009
	(unaudited)	
<b>AUTOMOTIVE</b>		
Sales	\$28,894	\$20,980
Costs and expenses		
Cost of sales	25,139	21,413
Selling, administrative and other expenses	2,220	2,009
Total costs and expenses	27,359	23,422
Operating income/(loss)	1,535	(2,442 )
Interest expense	542	469
Interest income and other non-operating income/(expense), net (Note 10)	189	1,352
Equity in net income/(loss) of affiliated companies	138	49
Income/(Loss) before income taxes — Automotive	1,320	(1,510 )
<b>FINANCIAL SERVICES</b>		
Revenues	2,672	3,410
Costs and expenses		
Interest expense	1,159	1,452
Depreciation	660	1,435
Operating and other expenses	209	248
Provision for credit and insurance losses	(41 )	402
Total costs and expenses	1,987	3,537
Other income/(loss), net (Note 10)	126	113
Equity in net income/(loss) of affiliated companies	4	(138 )
Income/(Loss) before income taxes — Financial Services	815	(152 )
<b>TOTAL COMPANY</b>		
Income/(Loss) before income taxes	2,135	(1,662 )
Provision for/(Benefit from) income taxes	50	(227 )
Income/(Loss) from continuing operations	2,085	(1,435 )
Income/(Loss) from discontinued operations	—	—
Net income/(loss)	2,085	(1,435 )
Less: Income/(Loss) attributable to noncontrolling interests	—	(8 )
Net income/(loss) attributable to Ford Motor Company	\$2,085	\$(1,427 )
<b>NET INCOME/(LOSS) ATTRIBUTABLE TO FORD MOTOR COMPANY</b>		

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Income/(Loss) from continuing operations	\$2,085	\$(1,427 )
Income/(Loss) from discontinued operations	—	—
Net income/(loss)	\$2,085	\$(1,427 )

AMOUNTS PER SHARE ATTRIBUTABLE TO FORD MOTOR COMPANY  
COMMON AND CLASS B STOCK (Note 13)

Basic income/(loss)		
Income/(Loss) from continuing operations	\$0.62	\$(0.60 )
Income/(Loss) from discontinued operations	—	—
Net income/(loss)	\$0.62	\$(0.60 )
Diluted income/(loss)		
Income/(Loss) from continuing operations	\$0.50	\$(0.60 )
Income/(Loss) from discontinued operations	—	—
Net income/(loss)	\$0.50	\$(0.60 )

The accompanying notes are part of the financial statements.

## Item 1. Financial Statements (Continued)

## FORD MOTOR COMPANY AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET

(in millions)

	March 31, 2010 (unaudited)	December 31, 2009
<b>ASSETS</b>		
Cash and cash equivalents	\$24,356	\$20,894
Marketable securities	21,883	21,387
Finance receivables, net (Note 4)	73,837	76,996
Other receivables, net	6,925	7,257
Net investment in operating leases	15,818	17,270
Inventories (Note 5)	6,292	5,041
Equity in net assets of affiliated companies	2,544	2,428
Net property	22,826	22,637
Deferred income taxes	2,861	3,479
Goodwill and other net intangible assets (Note 7)	192	208
Assets of held-for-sale operations (Note 12)	8,076	7,618
Other assets	6,358	6,825
<b>Total assets</b>	<b>\$191,968</b>	<b>\$192,040</b>
<b>LIABILITIES</b>		
Payables	\$15,611	\$14,301
Accrued liabilities and deferred revenue	44,445	46,144
Debt (Note 9)	130,105	131,635
Deferred income taxes	1,600	2,421
Liabilities of held-for-sale operations (Note 12)	5,644	5,321
<b>Total liabilities</b>	<b>197,405</b>	<b>199,822</b>
<b>EQUITY</b>		
Capital stock		
Common Stock, par value \$0.01 per share (3,345 million shares issued)	33	33
Class B Stock, par value \$0.01 per share (71 million shares issued)	1	1
Capital in excess of par value of stock	17,382	16,786
Accumulated other comprehensive income/(loss)	(11,199 )	(10,864 )
Treasury stock	(178 )	(177 )
Retained earnings/(Accumulated deficit)	(11,514 )	(13,599 )
<b>Total equity/(deficit) attributable to Ford Motor Company (Note 17)</b>	<b>(5,475 )</b>	<b>(7,820 )</b>
Equity/(Deficit) attributable to noncontrolling interests (Note 17)	38	38
<b>Total equity/(deficit) (Note 17)</b>	<b>(5,437 )</b>	<b>(7,782 )</b>
<b>Total liabilities and equity</b>	<b>\$191,968</b>	<b>\$192,040</b>

The following table includes assets to be used to settle liabilities of the consolidated variable interest entities ("VIEs"). These assets and liabilities are included in the consolidated balance sheet above. See Note 6 for additional information on our VIEs.

ASSETS		
Cash and cash equivalents	\$5,117	\$4,922
Finance receivables, net	54,471	57,353
Other receivables, net	25	34
Net investment in operating leases	10,765	10,246
Inventories	22	106
Net property	31	154
Other assets	39	56
LIABILITIES		
Payables	22	23
Accrued liabilities and deferred revenue	504	560
Debt	47,929	46,167

The accompanying notes are part of the financial statements.



## Item 1. Financial Statements (Continued)

## FORD MOTOR COMPANY AND SUBSIDIARIES

## SECTOR BALANCE SHEET

(in millions)

	March 31, 2010 (unaudited)	December 31, 2009
<b>ASSETS</b>		
Automotive		
Cash and cash equivalents	\$12,801	\$9,762
Marketable securities	12,491	15,169
Total cash and marketable securities	25,292	24,931
Receivables, net	3,332	3,378
Inventories (Note 5)	6,292	5,041
Deferred income taxes	493	479
Other current assets	2,797	2,832
Current receivable from Financial Services	2,834	2,568
Total current assets	41,040	39,229
Equity in net assets of affiliated companies	2,420	2,307
Net property	22,655	22,455
Deferred income taxes	5,600	5,660
Goodwill and other net intangible assets (Note 7)	183	199
Assets of held-for-sale operations (Note 12)	8,076	7,618
Other assets	1,726	1,650
Non-current receivable from Financial Services	256	—
Total Automotive assets	81,956	79,118
Financial Services		
Cash and cash equivalents	11,555	11,132
Marketable securities	9,824	6,864
Finance receivables, net (Note 4)	77,439	80,885
Net investment in operating leases	13,780	15,062
Equity in net assets of affiliated companies	124	121
Goodwill and other net intangible assets (Note 7)	9	9
Other assets	4,330	5,039
Total Financial Services assets	117,061	119,112
Intersector elimination	(3,532 )	(3,224 )
Total assets	\$195,485	\$195,006
<b>LIABILITIES</b>		
Automotive		
Trade payables	\$11,898	\$10,599
Other payables	2,480	2,466
Accrued liabilities and deferred revenue	17,642	18,138
Deferred income taxes	2,949	3,091
Debt payable within one year (Note 9)	5,009	1,638
Total current liabilities	39,978	35,932

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Long-term debt (Note 9)	29,242	31,972
Other liabilities	22,337	23,132
Deferred income taxes	524	561
Liabilities of held-for-sale operations (Note 12)	5,644	5,321
Total Automotive liabilities	97,725	96,918
Financial Services		
Payables	1,233	1,236
Debt (Note 9)	96,286	98,671
Deferred income taxes	1,644	1,735
Other liabilities and deferred income	4,476	4,884
Payable to Automotive	3,090	2,568
Total Financial Services liabilities	106,729	109,094
Intersector elimination	(3,532 )	(3,224 )
Total liabilities	200,922	202,788
EQUITY		
Capital stock		
Common Stock, par value \$0.01 per share (3,345 million shares issued)	33	33
Class B Stock, par value \$0.01 per share (71 million shares issued)	1	1
Capital in excess of par value of stock	17,382	16,786
Accumulated other comprehensive income/(loss)	(11,199 )	(10,864 )
Treasury stock	(178 )	(177 )
Retained earnings/(Accumulated deficit)	(11,514 )	(13,599 )
Total equity/(deficit) attributable to Ford Motor Company (Note 17)	(5,475 )	(7,820 )
Equity/(Deficit) attributable to noncontrolling interests (Note 17)	38	38
Total equity/(deficit) (Note 17)	(5,437 )	(7,782 )
Total liabilities and equity	\$195,485	\$195,006

The accompanying notes are part of the financial statements.

## Item 1. Financial Statements (Continued)

## FORD MOTOR COMPANY AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Periods Ended March 31, 2010 and 2009

(in millions)

	2010	First Quarter (unaudited) 2009
Cash flows from operating activities of continuing operations		
Net cash (used in)/provided by operating activities	\$ 2,683	\$ 4,016
Cash flows from investing activities of continuing operations		
Capital expenditures	(1,068 )	(1,069 )
Acquisitions of retail and other finance receivables and operating leases	(6,979 )	(6,032 )
Collections of retail and other finance receivables and operating leases	9,602	10,047
Purchases of securities	(18,341 )	(22,002 )
Sales and maturities of securities	17,987	19,071
Settlements of derivatives	46	1,163
Proceeds from sale of businesses	—	166
Cash change due to deconsolidation of joint ventures	—	(343 )
Other	(80 )	(336 )
Net cash (used in)/provided by investing activities	1,167	665
Cash flows from financing activities of continuing operations		
Sales of Common Stock	530	—
Changes in short-term debt	(1,042 )	(3,869 )
Proceeds from issuance of other debt	8,827	15,410
Principal payments on other debt	(8,506 )	(16,355 )
Other	79	(87 )
Net cash (used in)/provided by financing activities	(112 )	(4,901 )
Effect of exchange rate changes on cash	(276 )	(310 )
Cumulative correction of Financial Services prior period error	—	(630 )
Net increase/(decrease) in cash and cash equivalents from continuing operations	3,462	(1,160 )
Cash flows from discontinued operations		
Cash flows from operating activities of discontinued operations	—	—
Cash flows from investing activities of discontinued operations	—	—
Cash flows from financing activities of discontinued operations	—	—
Net increase/(decrease) in cash and cash equivalents	\$ 3,462	\$ (1,160 )
Cash and cash equivalents at January 1	\$ 20,894	\$ 21,804
	—	—

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Cash and cash equivalents of discontinued/held-for-sale operations at January

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Net increase/(decrease) in cash and cash equivalents	3,462	(1,160 )
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Less: cash and cash equivalents of discontinued/held-for-sale operations at  
March 31

Cash and cash equivalents at March 31	\$ 24,356	\$ 20,644
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The accompanying notes are part of the financial statements.

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## Item 1. Financial Statements (Continued)

## FORD MOTOR COMPANY AND SUBSIDIARIES

## CONDENSED SECTOR STATEMENT OF CASH FLOWS

For the Periods Ended March 31, 2010 and 2009

(in millions)

	First Quarter 2010		First Quarter 2009	
	Automotive (unaudited)	Financial Services	Automotive (unaudited)	Financial Services
Cash flows from operating activities of continuing operations				
Net cash (used in)/provided by operating activities	\$ 603	\$ 1,488	\$ (2,410 )	\$ 1,911
Cash flows from investing activities of continuing operations				
Capital expenditures	(1,064 )	(4 )	(1,064 )	(5 )
Acquisitions of retail and other finance receivables and operating leases	—	(6,979 )	—	(6,032 )
Collections of retail and other finance receivables and operating leases	—	9,673	—	10,124
Net (acquisitions)/collections of wholesale receivables	—	521	—	4,438
Purchases of securities	(9,102 )	(9,239 )	(17,513 )	(5,544 )
Sales and maturities of securities	11,917	6,284	13,352	5,854
Settlements of derivatives	(128 )	174	242	921
Proceeds from sale of businesses	—	—	1	165
Cash change due to deconsolidation of joint ventures	—	—	(343 )	—
Other	(7 )	(73 )	(327 )	(9 )
Net cash (used in)/provided by investing activities	1,616	357	(5,652 )	9,912
Cash flows from financing activities of continuing operations				
Sales of Common Stock	530	—	—	—
Changes in short-term debt	269	(1,311 )	359	(4,228 )
Proceeds from issuance of other debt	310	8,517	10,138	5,272
Principal payments on other debt	(117 )	(8,603 )	(150 )	(15,285 )
Other	116	(37 )	(72 )	(15 )
Net cash (used in)/provided by financing activities	1,108	(1,434 )	10,275	(14,256 )
Effect of exchange rate changes on cash	(80 )	(196 )	(102 )	(208 )
Net change in intersector receivables/payables and other liabilities	(208 )	208	(590 )	590

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Cumulative correction of prior period error	—	—	—	(630 )
Net increase/(decrease) in cash and cash equivalents from continuing operations	3,039	423	1,521	(2,681 )
Cash flows from discontinued operations				
Cash flows from operating activities of discontinued operations	—	—	—	—
Cash flows from investing activities of discontinued operations	—	—	—	—
Cash flows from financing activities of discontinued operations	—	—	—	—
Net increase/(decrease) in cash and cash equivalents	\$ 3,039	\$ 423	\$ 1,521	\$ (2,681 )
Cash and cash equivalents at January 1	\$ 9,762	\$ 11,132	\$ 6,132	\$ 15,672
Cash and cash equivalents of discontinued/held-for-sale operations at January 1	—	—	—	—
Net increase/(decrease) in cash and cash equivalents	3,039	423	1,521	(2,681 )
Less: cash and cash equivalents of discontinued/held-for-sale operations at March 31	—	—	—	—
Cash and cash equivalents at March 31	\$ 12,801	\$ 11,555	\$ 7,653	\$ 12,991

The accompanying notes are part of the financial statements.

## Item 1. Financial Statements (Continued)

## FORD MOTOR COMPANY AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Periods Ended March 31, 2010 and 2009

(in millions)

	2010	First Quarter (unaudited)	2009
Net income/(loss)	\$ 2,085		\$ (1,435 )
Other comprehensive income/(loss), net of tax:			
Foreign currency translation	(489 )		(447 )
Net gain/(loss) on derivative instruments	(1 )		(87 )
Employee benefit-related	157		(5 )
Net holding gain/(loss)	(2 )		(1 )
Total other comprehensive income/(loss), net of tax	(335 )		(540 )
Comprehensive income/(loss)	1,750		(1,975 )
Less: Comprehensive income/(loss) attributable to noncontrolling interests (Note 17)	—		(8 )
Comprehensive income/(loss) attributable to Ford Motor Company	\$ 1,750		\$ (1,967 )

The accompanying notes are part of the financial statements.

## Item 1. Financial Statements (Continued)

FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

Footnote		Page
Note 1	Principles of Presentation and Consolidation	10
Note 2	Fair Value Measurements	13
Note 3	Cash and Restricted Cash	21
Note 4	Finance Receivables – Financial Services Sector	22
Note 5	Inventories	22
Note 6	Variable Interest Entities	22
Note 7	Goodwill and Other Net Intangible Assets	26
Note 8	Retirement Benefits	27
Note 9	Debt and Commitments	28
Note 10	Other Income/(Loss)	36
Note 11	Income Taxes	36
Note 12	Held-For-Sale Operations, Discontinued Operations, Other Dispositions, and Acquisitions	36
Note 13	Amounts Per Share Attributable to Ford Motor Company Common and Class B Stock	38
Note 14	Derivative Financial Instruments and Hedging Activities	39
Note 15	Segment Information	44
Note 16	Commitments	44
Note 17	Equity/(Deficit) Attributable to Ford Motor Company and Noncontrolling Interests	46



## NOTE 1. PRINCIPLES OF PRESENTATION AND CONSOLIDATION

Our financial statements are presented in accordance with generally accepted accounting principles ("GAAP") in the United States for interim financial information, and instructions to the Quarterly Report on Form 10-Q and Rule 10-01 of Regulation S-X. We show certain of our financial statements on both a consolidated and a sector basis for our Automotive and Financial Services sectors. All intercompany items and transactions have been eliminated in both the consolidated and sector basis financial statements. Reconciliations of certain line items are explained below in this Note, where the presentation of these intercompany eliminations or consolidated adjustments differs between the consolidated and sector financial statements.

In the opinion of management, these unaudited financial statements reflect a fair statement of the results of operations and financial condition of Ford Motor Company and its consolidated subsidiaries and consolidated VIEs of which we are the primary beneficiary for the periods and at the dates presented. The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. Reference should be made to the financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2009, updated by the revised disclosures in Exhibit 99 to our Current Report on Form 8-K dated May 7, 2010 showing retrospective application of the new accounting standard on VIE consolidation effective January 1, 2010 ("2009 Form 10-K Report"). For purposes of this report, "Ford," the "Company," "we," "our," "us" or similar references mean Ford Motor Company and our consolidated subsidiaries and our consolidated VIEs of which we are the primary beneficiary, unless the context requires otherwise. All held-for-sale assets and liabilities are excluded from the footnotes unless otherwise noted. See Note 12 for details of held-for-sale operations.

In the first quarter of 2009, our wholly-owned subsidiary Ford Motor Credit Company LLC ("Ford Credit") recorded a \$630 million cumulative adjustment to correct for the overstatement of Financial Services sector cash and cash equivalents and certain accounts payable that originated in prior periods. The impact on previously-issued annual and interim financial statements was not material.

### Adoption of New Accounting Standards

**Fair Value Measurements.** We adopted the new accounting standard on fair value measurements on January 1, 2010 which both requires new disclosures and clarifies existing disclosure requirements. The standard requires a greater level of disaggregated information in the fair value hierarchy and expands disclosures about valuation techniques and inputs to measure fair value. Refer to Note 2 for further information regarding our fair value measurements.

**Transfers of Financial Assets.** On January 1, 2010, we adopted the new accounting standard related to transfers of financial assets. The standard provides greater transparency about transfers of financial assets and a company's continuing involvement in the transferred financial assets. The standard also removes the concept of a qualifying special-purpose entity from U.S. GAAP and changes the requirements for derecognizing financial assets. The new accounting standard did not have a material impact on our financial condition, results of operations, or financial disclosures.

**Variable Interest Entities.** On January 1, 2010, we adopted the new accounting standard on VIEs. The standard requires ongoing assessments of whether an entity is the primary beneficiary of a VIE, and enhances the disclosures about an entity's involvement with a VIE. This standard requires the consolidation of a VIE if an entity has both (i) the power to direct the activities of the VIE, and (ii) the obligation to absorb losses or the right to receive residual returns that could potentially be significant to the VIE.

In applying this new standard, we deconsolidated certain entities. These entities were primarily Automotive joint ventures previously consolidated due to contractual agreements that resulted in a disproportionate relationship

between our voting interest in these entities and our exposure to the economic risks and potential rewards of the entities. We held a majority of the variable interests in the VIEs, and therefore, were deemed to be the primary beneficiary. We did not, however, possess the power to direct the activities of the VIEs that most significantly impacted the VIEs' economic performance. Due to the absence of this power, adoption of the new standard resulted in the deconsolidation of the majority of these Automotive joint ventures. The most significant Automotive joint ventures deconsolidated were Ford Otomotiv Sanayi Anonim Sirketi ("Ford Otosan") and AutoAlliance, Inc. ("AAI"). Ford Otosan is a joint venture between Ford (41% partner), Koc Group of Turkey (41% partner), and public investors (18%). AAI is a joint venture between Ford (50% partner) and Mazda Motor Corporation ("Mazda") (50%) in North America. We concluded in each case that the power to direct the activities that most significantly impact the entity's economic performance were shared equally among unrelated parties. As a result, we account for the ownership in each of these joint ventures as equity method investments.

The new accounting standard did not result in any deconsolidation or consolidation of new entities within our Financial Services sector.

## NOTE 1. PRINCIPLES OF PRESENTATION AND CONSOLIDATION (Continued)

Refer to Note 6 for further information regarding our VIEs. We have retrospectively applied this new accounting standard and revised our prior year financial statements herein accordingly.

The following table sets forth selected financial data as the data would have appeared had we applied the new consolidation standard for the first quarter of 2009, compared to the originally reported amount in our Quarterly Report on Form 10-Q for the period ended March 31, 2009 (dollar amounts in millions, except for per share amounts). As noted, 2009 data herein have been adjusted to reflect the new accounting standard on VIE consolidation.

	Revised	First Quarter 2009 As Originally Reported	Effect of Change
<b>SUMMARY OF OPERATIONS</b>			
<b>Total Company</b>			
Sales and revenues	\$ 24,390	\$ 24,778	\$ (388 )
Income/(Loss) before income taxes	\$ (1,662 )	\$ (1,620 )	\$ (42 )
Provision for/(Benefit from) income taxes	(227 )	(204 )	(23 )
Income/(Loss) from continuing operations	(1,435 )	(1,416 )	(19 )
Income/(Loss) from discontinued operations	—	—	—
Net income/(loss)	(1,435 )	(1,416 )	(19 )
Less: Income/(Loss) attributable to noncontrolling interests	(8 )	11	(19 )
Net income/(loss) attributable to Ford Motor Company	\$ (1,427 )	\$ (1,427 )	\$ —
<b>Automotive Sector</b>			
Sales	\$ 20,980	\$ 21,368	\$ (388 )
Operating income/(loss)	(2,442 )	(2,338 )	(104 )
Income/(Loss) before income taxes	(1,510 )	(1,468 )	(42 )
<b>Amounts Per Share Attributable to Ford Motor Company Common and Class B Stock</b>			
<b>Basic:</b>			
Income/(Loss) from continuing operations	\$ (0.60 )	\$ (0.60 )	\$ —
Income/(Loss) from discontinued operations	—	—	—
Net income/(loss)	\$ (0.60 )	\$ (0.60 )	\$ —
<b>Diluted:</b>			
Income/(Loss) from continuing operations	\$ (0.60 )	\$ (0.60 )	\$ —
Income/(Loss) from discontinued operations	—	—	—
Net income/(loss)	\$ (0.60 )	\$ (0.60 )	\$ —

## Reconciliations between Consolidated and Sector Financial Statements

Deferred Tax Assets and Liabilities. The difference between the total assets and total liabilities as presented in our sector balance sheet and consolidated balance sheet is the result of netting of deferred income tax assets and liabilities. The reconciliation between total sector and consolidated balance sheets is as follows (in millions):

	March 31, 2010	December 31, 2009
Sector balance sheet presentation of deferred income tax assets:		
Automotive sector current deferred income tax assets	\$ 493	\$ 479
Automotive sector non-current deferred income tax assets	5,600	5,660
Financial Services sector deferred income tax assets*	285	306
Total	6,378	6,445
Reclassification for netting of deferred income taxes	(3,517 )	(2,966 )
Consolidated balance sheet presentation of deferred income tax assets	\$ 2,861	\$ 3,479
Sector balance sheet presentation of deferred income tax liabilities:		
Automotive sector current deferred income tax liabilities	\$ 2,949	\$ 3,091
Automotive sector non-current deferred income tax liabilities	524	561
Financial Services sector deferred income tax liabilities	1,644	1,735
Total	5,117	5,387
Reclassification for netting of deferred income taxes	(3,517 )	(2,966 )
Consolidated balance sheet presentation of deferred income tax liabilities	\$ 1,600	\$ 2,421

\* Financial Services deferred income tax assets are included in Financial Services other assets on our sector balance sheet.

NOTE 1. PRINCIPLES OF PRESENTATION AND CONSOLIDATION (Continued)

Debt Reduction Actions

Automotive Acquisition of Financial Services Debt. During 2008 and 2009, we issued 159,913,115 shares of Ford Common Stock through an equity distribution agreement and used the proceeds of \$1 billion to purchase Ford Credit debt and related interest of \$20 million. We recognized a gain on extinguishment of debt of \$68 million on the transactions, recorded in Automotive interest income and other non-operating income/(expense), net. As of March 31, 2010, approximately \$349 million of the debt purchased has matured (\$214 million and \$135 million matured in the first quarter of 2010 and 2009, respectively), and \$267 million was repurchased (during the third quarter of 2009) from us by Ford Credit.

On our consolidated balance sheet, we net the remaining debt purchased by us with the outstanding debt of Ford Credit, reducing our consolidated marketable securities and debt balances by \$432 million and \$646 million at March 31, 2010 and December 31, 2009, respectively. On our sector balance sheet, the acquisition is reported separately as Automotive marketable securities and Financial Services debt as it has not been retired or cancelled by Ford Credit.

Financial Services Acquisition of Automotive Debt. During the first quarter of 2009, the Financial Services sector acquired \$2.2 billion principal amount of Automotive secured term loan for an aggregate cost of \$1.1 billion (including transaction costs). This transaction settled on March 27, 2009, following which Ford Credit distributed the secured term loan to its immediate parent, Ford Holdings LLC ("Ford Holdings"), whereupon the debt was forgiven. As a result, we recorded a gain on extinguishment of debt in the amount of \$1.1 billion, net of transaction costs, in Automotive interest income and other non-operating income/(expense), net. At March 31, 2010, the debt acquired is no longer outstanding.

See the table below for the reconciliation between total sector and consolidated cash flows.

## NOTE 1. PRINCIPLES OF PRESENTATION AND CONSOLIDATION (Continued)

Sector to Consolidated Cash Flow Reconciliation. We present certain cash flows from the wholesale receivables, finance receivables and the debt reduction actions differently on our sector and consolidated statements of cash flows. The reconciliation between total sector and consolidated cash flows is as follows (in millions):

	First Quarter	
	2010	2009
Automotive cash flows from operating activities of continuing operations	\$603	\$(2,410 )
Financial Services cash flows from operating activities of continuing operations	1,488	1,911
Total sector cash flows from operating activities of continuing operations	2,091	(499 )
Reclassifications from investing to operating cash flows:		
Wholesale receivables (a)	521	4,438
Finance receivables (b)	71	77
Consolidated cash flows from operating activities of continuing operations	\$2,683	\$4,016
Automotive cash flows from investing activities of continuing operations	\$1,616	\$(5,652 )
Financial Services cash flows from investing activities of continuing operations	357	9,912
Total sector cash flows from investing activities of continuing operations	1,973	4,260
Reclassifications from investing to operating cash flows:		
Wholesale receivables (a)	(521 )	(4,438 )
Finance receivables (b)	(71 )	(77 )
Reclassifications from investing to financing cash flows:		
Automotive sector acquisition of Financial Services sector debt (c)	(214 )	(134 )
Financial Services sector acquisition of Automotive sector debt (d)	—	1,054
Consolidated cash flows from investing activities of continuing operations	\$1,167	\$665
Automotive cash flows from financing activities of continuing operations	\$1,108	\$10,275
Financial Services cash flows from financing activities of continuing operations	(1,434 )	(14,256 )
Total sector cash flows from financing activities of continuing operations	(326 )	(3,981 )
Reclassifications from investing to financing cash flows:		
Automotive sector acquisition of Financial Services sector debt (c)	214	134
Financial Services sector acquisition of Automotive sector debt (d)	—	(1,054 )
Consolidated cash flows from financing activities of continuing operations	\$(112 )	\$(4,901 )

- (a) In addition to the cash flow from vehicles sold by us, the cash flow from wholesale finance receivables (being reclassified from investing to operating) includes financing by Ford Credit of used and non-Ford vehicles. 100% of cash flows from wholesale finance receivables have been reclassified for consolidated presentation as the portion of these cash flows from used and non-Ford vehicles is impracticable to separate.
- (b) Includes cash flows of finance receivables purchased/collected from certain divisions and subsidiaries of the Automotive sector.
- (c) See "Debt Reduction Actions" above for further discussion. Cash inflows related to these transactions are reported as financing activities on the consolidated statement of cash flows and investing activities on the sector statement of cash flows. For first quarter 2009, this includes \$135 million related to the maturity of Ford Credit debt previously acquired by our Automotive sector.
- (d) See "2009 Secured Term Loan Actions" within the Automotive section of Note 9 for further discussion of these transactions. Cash outflows related to these transactions are reported as financing activities on the consolidated statement of cash flows and investing or operating activities on the sector statement of cash flows.

## NOTE 2. FAIR VALUE MEASUREMENTS

Certain assets and liabilities are presented on our financial statements at fair value. Assets and liabilities measured at fair value on a recurring basis on our balance sheet include cash equivalents, marketable securities, derivative financial instruments and retained interest in securitized assets. Assets and liabilities measured at fair value on a recurring basis for disclosure only include finance receivables and debt. Fair value of these items are presented together with the related carrying value in Notes 4 and 9, respectively. Assets and liabilities measured at fair value on a recurring basis vary based on specific circumstances such as impairments.

#### Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value should be based on assumptions that market participants would use, including a consideration of non-performance risk. In determining fair value, we use various valuation methodologies and prioritize the use of observable inputs. We assess the inputs used to measure fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market:

- Level 1 – inputs include quoted prices for identical instruments and are the most observable.
- Level 2 – inputs include quoted prices for similar assets and observable inputs such as interest rates, currency exchange rates and yield curves.
- Level 3 – inputs are not observable in the market and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

NOTE 2. FAIR VALUE MEASUREMENTS (Continued)

For instruments measured using Level 3 inputs, a reconciliation of the beginning and ending balances is disclosed.

Valuation Methodologies

Cash, Cash Equivalents and Marketable Securities. Cash and all highly liquid investments with a maturity of 90 days or less at date of purchase are classified as Cash and cash equivalents. Investments in securities with a maturity date greater than 90 days at the date of purchase are classified as Marketable securities. Cash on hand, time deposits, certificates of deposit, and money market accounts are reported at par value, which approximates fair value. For other investment securities, we generally measure fair value based on a market approach using prices obtained from pricing services. We review all pricing data for reasonability and observability of inputs. Pricing methodologies and inputs to valuation models used by the pricing services depend on the security type (i.e., asset class). Where possible, fair values are generated using market inputs including quoted prices (the closing price in an exchange market), bid prices (the price at which a dealer stands ready to purchase) and other market information. For securities that are not actively traded, the pricing services obtain quotes for similar fixed-income securities or utilize matrix pricing, benchmark curves or other factors to determine fair value. In certain cases, when observable pricing data is not available, we estimate the fair value of investment securities based on an income approach using industry standard valuation models and estimates regarding non-performance risk.

Derivative Financial Instruments. Our derivatives are over-the-counter customized derivative transactions and are not exchange traded. We estimate the fair value of these instruments based on an income approach using industry standard valuation models. These models project future cash flows and discount the future amounts to a present value using market-based expectations for interest rates, foreign exchange rates and the contractual terms of the derivative instruments. The discount rate used is the relevant interbank deposit rate (e.g., LIBOR) plus an adjustment for non-performance risk. The adjustment reflects the full credit default swap ("CDS") spread applied to a net exposure, by counterparty (considering effects of collateral). We use our counterparty's CDS spread when we are in a net asset position and our own CDS spread when we are in a net liability position.

In certain cases, market data are not available and we use management judgment to develop assumptions which are used to determine fair value. This includes situations where there is illiquidity for a particular currency or commodity or for longer-dated instruments. Also, for interest rate swaps and cross-currency interest rate swaps used in securitization transactions, the notional amount of the swap is based on actual payments on the securitized contracts. We use management judgment to estimate the timing and amount of the swap cash flows based on historical pre-payment speeds.

Retained Interests in Securitized Assets. We estimate the fair value of retained interests based on income approach using internal valuation models. These models project future cash flows of the monthly collections on the sold finance receivables in excess of amounts needed for payment of the debt and other obligations issued or arising in the securitization transactions. The projected cash flows are discounted to a present value based on market inputs and our own assumptions regarding credit losses, prepayment speed, and discount rate. Our assumptions regarding prepayment speed and credit losses are based on historical performance.

Finance Receivables. We estimate the fair value of finance receivables based on an income approach using internal valuation models. These models project future cash flows of financing contracts incorporating appropriate funding pricing and enhancement requirements. The projected cash flows are discounted to a present value based on market inputs and our own assumptions regarding credit losses, pre-payment speed, and discount rate. Our assumptions regarding prepayment speed and credit losses are based on historical performance.



Debt. We estimate the fair value of debt based on a market approach using quoted market prices or current market rates for similar debt with approximately the same remaining maturities, where possible. Where market prices are not available, we estimate fair value based on an income approach using discounted cash flow models. These models project future cash flows and discount the future amounts to a present value using market-based expectations for interest rates, our own credit risk and the contractual terms of the debt instruments. For asset-backed debt issued in securitization transactions, the principal payments are based on the actual payments on the securitized contracts. We use management judgment to estimate the timing and amount of the debt cash flows based on historical pre-payment speeds.

## NOTE 2. FAIR VALUE MEASUREMENTS (Continued)

## Input Hierarchy of Items Measured at Fair Value on a Recurring Basis

The following tables summarize the fair values by input hierarchy of items measured at fair value on a recurring basis on our balance sheet (in millions):

	March 31, 2010			Total
	Level 1	Level 2	Level 3	
Automotive Sector				
Assets				
Cash equivalents – financial instruments (a)				
U.S. government	\$1,085	\$—	\$—	\$1,085
Government-sponsored enterprises	—	2,399	—	2,399
Government – non-U.S.	—	99	—	99
Corporate debt	—	2,353	—	2,353
Total cash equivalents – financial instruments	1,085	4,851	—	5,936
Marketable securities (b)				
U.S. government	5,706	—	—	5,706
Government-sponsored enterprises	—	3,782	—	3,782
Corporate debt	—	99	—	99
Mortgage-backed and other asset-backed	—	114	2	116
Equity	583	—	—	583
Government – non-U.S.	—	750	—	750
Other liquid investments (c)	—	1,023	—	1,023
Total marketable securities	6,289	5,768	2	12,059
Derivative financial instruments				
Foreign exchange contracts	—	59	—	59
Commodity contracts	—	4	8	12
Other – warrants	—	—	3	3
Total derivative financial instruments (d)	—	63	11	74
Total assets at fair value	\$7,374	\$10,682	\$13	\$18,069
Liabilities				
Derivative financial instruments				
Foreign exchange contracts	\$—	\$128	\$—	\$128
Commodity contracts	—	29	—	29
Total derivative financial instruments (d)	—	157	—	157
Total liabilities at fair value	\$—	\$157	\$—	\$157

(a) "Cash equivalents – financial instruments" in this table excludes time deposits, certificates of deposit, money market accounts, and other cash equivalents reported at par value on our balance sheet totaling \$4.6 billion as of March 31, 2010 for the Automotive sector, which approximates fair value. In addition to these cash equivalents, we also had cash on hand totaling \$2.3 billion as of March 31, 2010.

(b) Excludes an investment in Ford Credit debt securities held by the Automotive sector with a carrying value of \$432 million and an estimated fair value of \$439 million as of March 31, 2010; see Note 1 for additional detail.

(c) Includes certificates of deposit and time deposits with a maturity of more than 90 days at date of purchase.

(d) See Note 14 for additional information regarding derivative financial instruments.



## NOTE 2. FAIR VALUE MEASUREMENTS (Continued)

	March 31, 2010			Total
	Level 1	Level 2	Level 3	
Financial Services Sector				
Assets				
Cash equivalents – financial instruments (a)				
U.S. government	\$1,179	\$—	\$—	\$1,179
Government-sponsored enterprises	—	850	—	850
Government – non-U.S.	—	427	—	427
Corporate debt	—	300	—	300
Total cash equivalents – financial instruments	1,179	1,577	—	2,756
Marketable securities				
U.S. government	6,860	—	—	6,860
Government-sponsored enterprises	—	1,996	—	1,996
Corporate debt	—	165	—	165
Mortgage-backed	—	244	—	244
Government – non-U.S.	—	323	—	323
Other liquid investments (b)	—	236	—	236
Total marketable securities	6,860	2,964	—	9,824
Derivative financial instruments (c)				
Interest rate contracts	—	1,124	350	1,474
Foreign exchange contracts	—	6	—	6
Cross currency interest rate swap contracts	—	72	—	72
Total derivative financial instruments	—	1,202	350	1,552
Retained interest in securitized assets (d)	—	—	13	13
Total assets at fair value	\$8,039	\$5,743	\$363	\$14,145
Liabilities				
Derivative financial instruments (c)				
Interest rate contracts	\$—	\$312	\$365	\$677
Foreign exchange contracts	—	85	—	85
Cross-currency interest rate swap contracts	—	134	168	302
Total derivative financial instruments	—	531	533	1,064
Total liabilities at fair value	\$—	\$531	\$533	\$1,064

(a) "Cash equivalents – financial instruments" in this table excludes time deposits, certificates of deposit, money market accounts, and other cash equivalents reported at par value on our balance sheet totaling \$6.7 billion as of March 31, 2010 for the Financial Services sector, which approximates fair value. In addition to these cash equivalents, we also had cash on hand totaling \$2.1 billion as of March 31, 2010 for the Financial Services sector.

(b) Includes certificates of deposit and time deposits with a maturity of more than 90 days at date of purchase.

(c) See Note 14 for additional information regarding derivative financial instruments.

(d) Retained interest in securitized assets is reported in Other assets on our consolidated balance sheet.

## NOTE 2. FAIR VALUE MEASUREMENTS (Continued)

	December 31, 2009			Total
	Level 1	Level 2	Level 3	
Automotive Sector				
Assets				
Cash equivalents – financial instruments (a)				
U.S. government	\$30	\$—	\$—	\$30
Government-sponsored enterprises	—	949	—	949
Government – non-U.S.	—	238	—	238
Corporate debt	—	2,557	—	2,557
Total cash equivalents – financial instruments	30	3,744	—	3,774
Marketable securities(b)				
U.S. government	9,130	—	—	9,130
Government-sponsored enterprises	—	2,408	—	2,408
Corporate debt	—	108	8	116
Mortgage-backed and other asset-backed	—	191	17	208
Equity	477	—	—	477
Government – non-U.S.	—	1,283	—	1,283
Other liquid investments (c)	—	901	—	901
Total marketable securities	9,607	4,891	25	14,523
Derivative financial instruments				
Foreign exchange contracts	—	59	—	59
Commodity contracts	—	8	7	15
Other - warrants	—	—	2	2
Total derivative financial instruments	—	67	9	76
Total assets at fair value	\$9,637	\$8,702	\$34	\$18,373
Liabilities				
Derivative financial instruments				
Foreign exchange contracts	\$—	\$85	\$—	\$85
Commodity contracts	—	54	—	54
Total derivative financial instruments	—	139	—	139
Total liabilities at fair value	\$—	\$139	\$—	\$139

(a) "Cash equivalents – financial instruments" in this table excludes time deposits, certificates of deposit, money market accounts, and other cash equivalents reported at par value on our balance sheet totaling \$2.1 billion as of December 31, 2009 for the Automotive sector, which approximates fair value. In addition to these cash equivalents, we also had cash on hand totaling \$3.9 billion as of December 31, 2009.

(b) Marketable securities excludes an investment in Ford Credit debt securities held by the Automotive sector with a carrying value of \$646 million and an estimated fair value of \$656 million as of December 31, 2009; see Note 1 for additional detail.

(c) Other liquid investments include certificates of deposit and time deposits with a maturity of more than 90 days at date of purchase.

## NOTE 2. FAIR VALUE MEASUREMENTS (Continued)

	December 31, 2009			
	Level 1	Level 2	Level 3	Total
Financial Services Sector				
Assets				
Cash equivalents – financial instruments (a)				
U.S. government	\$75	\$—	\$—	\$75
Government-sponsored enterprises	—	400	—	400
Government-non-U.S.	—	29	—	29
Corporate debt.	—	75	—	75
Total cash equivalents – financial instruments	75	504	—	579
Marketable securities				
U.S. government	5,256	—	—	5,256
Government-sponsored enterprises	—	1,098	—	1,098
Corporate debt	—	159	4	163
Mortgage-backed	—	237	—	237
Government – non-U.S.	—	65	—	65
Other liquid investments (b)	—	45	—	45
Total marketable securities	5,256	1,604	4	6,864
Derivative financial instruments				
Interest rate contracts	—	1,234	420	1,654
Foreign exchange contracts	—	22	—	22
Cross currency interest rate swap contracts	—	203	—	203
Total derivative financial instruments	—	1,459	420	1,879
Retained interest in securitized assets	—	—	26	26
Total assets at fair value	\$5,331	\$3,567	\$450	\$9,348
Liabilities				
Derivative financial instruments				
Interest rate contracts	\$—	\$409	\$437	\$846
Foreign exchange contracts	—	46	—	46
Cross-currency interest rate swap contracts	—	144	138	282
Total derivative financial instruments	—	599	575	1,174
Total liabilities at fair value	\$—	\$599	\$575	\$1,174

(a) "Cash equivalents – financial instruments" in this table excludes time deposits, certificates of deposit, money market accounts, and other cash equivalents reported at par value on our balance sheet totaling \$7.7 billion as of December 31, 2009 for the Financial Services sector, which approximates fair value. In addition to these cash equivalents, we also had cash on hand totaling \$2.8 billion as of December 31, 2009.

(b) Other liquid investments include certificates of deposit and time deposits with a maturity of more than 90 days at date of purchase.

## NOTE 2. FAIR VALUE MEASUREMENTS (Continued)

## Reconciliation of Changes in Level 3 Balances

The following tables summarize the changes in Level 3 items measured at fair value on a recurring basis on our balance sheet for the periods ending March 31 (in millions):

	2010					
	Fair Value at December 31, 2009	Total Realized/ Unrealized Gains/ (Losses)	Net Purchases/ (Settlements) (a)	Net Transfers Into/(Out of) Level 3	Fair Value at March 31, 2010	Change In Unrealized Gains/ (Losses) on Instruments Still Held (b)
<b>Automotive Sector</b>						
<b>Marketable securities</b>						
Corporate debt	\$8	\$—	\$ (8 )	\$—	\$—	\$—
Mortgage-backed and other asset-backed	17	(1 )	(14 )	—	2	—
<b>Total marketable securities</b>	<b>25</b>	<b>(1 )</b>	<b>(22 )</b>	<b>—</b>	<b>2</b>	<b>—</b>
<b>Derivative financial</b>						
instruments, net	9	3	(1 )	—	11	2
<b>Total Level 3 fair value</b>	<b>\$34</b>	<b>\$2</b>	<b>\$ (23 )</b>	<b>\$—</b>	<b>\$13</b>	<b>\$2</b>
<b>Financial Services Sector</b>						
<b>Marketable securities -</b>						
corporate debt	\$4	\$(4 )	\$ —	\$—	\$—	\$—
<b>Derivative financial</b>						
instruments, net	(155 )	(63 )	35	—	(183 )	(34 )
<b>Retained interest in securitized</b>						
assets	26	—	(13 )	—	13	—
<b>Total Level 3 fair value</b>	<b>\$(125 )</b>	<b>\$(67 )</b>	<b>\$ 22</b>	<b>\$—</b>	<b>\$(170 )</b>	<b>\$(34 )</b>

(a) Includes option premiums (paid)/received on options traded during the quarter.

(b) For those assets and liabilities still held at reporting date.

	2009					
	Fair Value at December 31, 2008	Total Realized/ Unrealized Gains/ (Losses)	Net Purchases/ (Settlements) (a)	Net Transfers Into/(Out of) Level 3 (b)	Fair Value at March 31, 2009 (c)	Change In Unrealized Gains/ (Losses) on Instruments Still Held (d)
<b>Automotive Sector</b>						
<b>Marketable securities</b>						
Corporate debt	\$22	\$(2 )	\$ (13 )	\$—	\$7	\$(2 )
Mortgage-backed and other asset-backed	127	(4 )	(62 )	(9 )	52	(2 )

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Equity	1	—	—	(1	)	—	—	
Total marketable securities	150	(6	)	(75	)	(10	) 59 (4	
Derivative financial instruments, net	(32	)	(3	)	21	—	(14	) (2
Total Level 3 fair value	\$118	\$(9	)	\$(54	)	\$(10	) \$45 \$(6	
<b>Financial Services Sector</b>								
Marketable securities - corporate debt	\$5	\$(4	)	\$—	\$—	\$1	\$(4	
Derivative financial instruments, net	(74	)	(15	)	18	—	(71	) (1
Retained interest in securitized assets	92	2	(7	)	—	87	(2	
Total Level 3 fair value	\$23	\$(17	)	\$ 11	\$—	\$17	\$(7	

(a) Includes option premiums (paid)/received on options traded during the quarter.

(b) "Transfers Into" represent the value at the end of the reporting period and "Transfers Out of" represent the value at the beginning of the reporting period.

(c) Refer to our 2009 Form 10-K Report for reconciliation of full year 2009.

(d) For those assets and liabilities still held at reporting date.



## NOTE 2. FAIR VALUE MEASUREMENTS (Continued)

The following tables summarize the realized/unrealized gains/(losses) on Level 3 items by financial statement position for the period ending March 31 (in millions):

	2010				
	Automotive Cost of Sales	Automotive Interest Income and Other Non- Operating Income/ (Loss), Net	Financial Services Other Income/ (Loss), Net	Other Comprehensive Income/ (Loss) (a)	Total Realized/ Unrealized Gains/ (Losses)
<b>Automotive Sector</b>					
Marketable securities	\$—	\$(1 )	\$—	\$ —	\$(1 )
Derivative financial instruments, net (b)	2	1	—	—	3
<b>Total Automotive sector</b>	<b>2</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2</b>
<b>Financial Services Sector</b>					
Marketable securities	—	—	(4 )	—	(4 )
Derivative financial instruments, net (b)	—	—	(56 )	(7 )	(63 )
Retained interest in securitized assets	—	—	(2 )	2	—
<b>Total Financial Services sector</b>	<b>\$—</b>	<b>\$—</b>	<b>\$(62 )</b>	<b>\$ (5 )</b>	<b>\$(67 )</b>

(a) "Other Comprehensive Income/(Loss)" on derivative financial instruments reflects foreign currency translation on non-U.S. dollar foreign affiliates.

(b) See Note 14 for detail on financial statement presentation by hedge designation.

	2009				
	Automotive Cost of Sales	Automotive Interest Income and Other Non- Operating Income/ (Loss), Net	Financial Services Other Income/ (Loss), Net	Other Comprehensive Income/ (Loss) (a)	Total Realized/ Unrealized Gains/ (Losses)
<b>Automotive Sector</b>					
Marketable securities	\$—	\$(6 )	\$—	\$ —	\$(6 )
Derivative financial instruments, net (b)	(4 )	1	—	—	(3 )
<b>Total Automotive sector</b>	<b>(4 )</b>	<b>(5 )</b>	<b>—</b>	<b>—</b>	<b>(9 )</b>
<b>Financial Services Sector</b>					
Marketable securities	—	—	(4 )	—	(4 )
Derivative financial instruments, net (b)	—	—	(20 )	5	(15 )
Retained interest in securitized assets	—	—	4	(2 )	2
<b>Total Financial Services sector</b>	<b>\$—</b>	<b>\$—</b>	<b>\$(20 )</b>	<b>\$ 3</b>	<b>\$(17 )</b>

(a)

"Other Comprehensive Income/(Loss)" on derivative financial instruments reflects foreign currency translation on non-U.S. dollar foreign affiliates.

(b) See Note 14 for detail on financial statement presentation by hedge designation.

## NOTE 2. FAIR VALUE MEASUREMENTS (Continued)

## Non-Recurring Fair Value Measurements

There were no non-recurring fair value measurements subsequent to initial recognition recorded during the first quarter of 2010.

## Automotive Sector

During the first quarter of 2009, we recorded an other-than-temporary impairment of our investment in our U.S. consolidated dealerships of \$78 million in Automotive cost of sales. The fair value measurement used to determine the impairment was based on the market approach and reflected anticipated proceeds, expected to be de minimis. The fair value of our investment was classified in Level 2 of our fair value hierarchy. During the second quarter of 2009, we recorded an other-than-temporary impairment of our investment in the Bordeaux automatic transmission plant. The fair value measurement of \$241 million used to determine the impairment was based on the cost approach and considered the condition of the plant's fixed assets. The fair value of our investment was classified in Level 3 of our fair value hierarchy. See Note 12 for discussion of our held-for-sale impairment of Volvo.

## Financial Services Sector

In March 2009, our Board of Directors approved potential sale of the Financial Services sector's investment in DFO Partnership. As a result, during the first quarter of 2009, we recorded an other-than-temporary impairment of the investment of \$141 million in Financial Services equity in net income/(loss) of affiliated companies. The investment in DFO Partnership was subsequently sold during the third quarter of 2009 and was no longer held on our balance sheet at December 31, 2009.

## NOTE 3. CASH AND RESTRICTED CASH

Cash and cash equivalents that are restricted as to withdrawal or usage under the terms of certain contractual agreements are recorded as restricted in Other assets on our consolidated balance sheet.

Our Automotive sector restricted cash balances primarily include cash collateral required for letters of credit related to the sale of Hertz (see Note 16), cash collateral posted with counterparties related to derivatives (see Note 14) and cash collateral for bank guarantees. Additionally, restricted cash includes various escrow agreements related to insurance, customs, environmental matters and contractual obligations related to the sale or disposition of a business. Our Financial Services sector restricted cash balances primarily include cash collateral required to be held against loans with the European Investment Bank and cash held to meet certain local governmental and regulatory reserve requirements.

Restricted cash does not include required minimum balances, or cash securing debt issued through securitization transactions ("securitization cash"). See Note 9 for discussion of the minimum balance requirement related to the secured credit agreement that we initially entered into in December 2006, and securitization cash.

## Restricted Cash

Restricted cash reflected on our balance sheet is as follows (in millions):

	March 31, 2010	December 31, 2009
Automotive sector	\$ 736	\$ 777

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Financial Services sector	408	335
Total Company	\$ 1,144	\$ 1,112

21

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## NOTE 4. FINANCE RECEIVABLES – FINANCIAL SERVICES SECTOR

Retail finance receivables consist primarily of installment loans and direct financing lease contracts for new and used vehicles with retail customers, daily rental companies, government entities, and fleet customers. Wholesale finance receivables include dealer financing of new and used vehicles in inventory. Other finance receivables consist primarily of real estate, commercial and other collateralized loans, and accrued interest.

Net finance receivables were as follows (in millions):

	March 31, 2010		December 31, 2009
Retail (including direct financing leases)	\$ 55,574		\$ 58,229
Wholesale	21,456		22,370
Other finance receivables	3,638		3,611
Total finance receivables	80,668		84,210
Unearned interest supplements	(2,048	)	(1,994
Allowance for credit losses	(1,196	)	(1,351
Other	15		20
Finance receivables, net – sector balance sheet	\$ 77,439		\$ 80,885
Finance receivables, net, subject to fair value	\$ 72,879		\$ 76,991
Fair value	\$ 74,251		\$ 76,066
Finance receivables, net – sector balance sheet	\$ 77,439		\$ 80,885
Reclassification of receivables purchased from Automotive sector to			
Other receivables, net	(3,602	)	(3,889
Finance receivables, net – consolidated balance sheet	\$ 73,837		\$ 76,996

## NOTE 5. INVENTORIES

All inventories are stated at the lower of cost or market. Cost for a substantial portion of U.S. inventories is determined on a last-in, first-out ("LIFO") basis. LIFO was used for approximately 35% and 31% of inventories at March 31, 2010 and December 31, 2009, respectively. Cost of other inventories is determined on a first-in, first-out ("FIFO") basis.

Inventories are summarized as follows (in millions):

	March 31, 2010		December 31, 2009
Raw materials, work-in-process and supplies	\$ 2,816		\$ 2,456
Finished products	4,276		3,383
Total inventories under first-in, first-out method ("FIFO")	7,092		5,839
Less: Last-in, first-out method ("LIFO") adjustment	(800	)	(798
Total inventories	\$ 6,292		\$ 5,041

## NOTE 6. VARIABLE INTEREST ENTITIES

A VIE is an entity that either (i) has insufficient equity to permit the entity to finance its activities without additional subordinated financial support or (ii) has equity investors who lack the characteristics of a controlling financial interest. A VIE is consolidated by its primary beneficiary. The primary beneficiary has both the power to direct the

activities that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the VIE.

If we determine that we have operating power and the obligation to absorb losses or receive benefits, we consolidate the VIE as the primary beneficiary, and if not, we do not consolidate. Our involvement constitutes power that is most significant to the entity when we have unconstrained decision-making ability over key operational functions within the entity or we have the ability to exercise discretion in the servicing of financial assets related to securitization entities.

Assets recognized as a result of consolidating these VIEs do not represent additional assets that could be used to satisfy claims against our general assets. Conversely, liabilities recognized as a result of consolidating these VIEs do not represent additional claims on our general assets; rather, they represent claims against the specific assets of the consolidated VIEs.

## NOTE 6. VARIABLE INTEREST ENTITIES (Continued)

## Automotive Sector

VIEs of which we are the primary beneficiary:

At March 31, 2010, we have one VIE of which we are the primary beneficiary:

Tekfor Cologne GmbH ("Tekfor") is a 50/50 joint venture with Neumayer Tekfor GmbH. Tekfor produces transmission and chassis components for use in our vehicles. We provide financial support to Tekfor in the form of a revolving loan agreement. This loan is being used by Tekfor to refinance external debt.

At December 31, 2009, in addition to Tekfor, we held interests in certain dealerships in North America. During the first quarter of 2009 we consolidated 64 dealerships as part of our Dealer Development Program. As we sold our ownership interest and liquidated certain other dealerships, that number was reduced during the year to 13 at December 31, 2009. In the first quarter of 2010, we acquired the remaining outside ownership interest and now consolidate the dealerships under the voting interest model.

The total consolidated VIE assets and liabilities reflected on our balance sheet are as follows (in millions):

	March 31, 2010	December 31, 2009
Assets		
Cash and cash equivalents	\$ 4	\$ 27
Other receivables, net	25	34
Inventories	22	106
Net property	31	154
Other assets	—	1
Total assets	\$ 82	\$ 322
Liabilities		
Payables	\$ 22	\$ 23
Accrued liabilities and deferred revenue	—	32
Debt	—	14
Total liabilities	\$ 22	\$ 69

The financial performance of Tekfor reflected on our statement of operations at March 31, 2010 includes sales of \$15 million and cost of sales, selling, administrative, and interest expense of \$18 million. The financial performance of Tekfor and the dealerships reflected on our statement of operations at March 31, 2009 include sales of \$497 million and cost of sales, selling, administrative, and interest expense of \$604 million.

VIEs of which we are not the primary beneficiary:

Joint Ventures that constitute significant VIEs of which we are not the primary beneficiary, and which are not consolidated as of March 31, 2010 and December 31, 2009, include:

- Getrag Ford Transmissions GmbH ("GFT") is a 50/50 joint venture with Getrag Deutsche Venture GmbH and Co. KG. Ford and its related parties purchase substantially all of the joint venture's output.
- Pininfarina Sverige, AB is a 40/60 joint venture between Volvo Cars and Pininfarina, S.p.A. Volvo purchases substantially all of the joint venture's output.

- Getrag All Wheel Drive AB is a 40/60 joint venture between Volvo Cars and Getrag Dana Holding GmbH. Volvo and its related parties purchase substantially all of the joint venture's output.

We purchase substantially all of the output of the joint ventures listed above. However, the associated operating agreements indicate that the power to direct economically significant activities of these joint ventures is either shared or rests with an unrelated party.



## NOTE 6. VARIABLE INTEREST ENTITIES (Continued)

Additionally, the following entities (that are not joint ventures) are significant VIEs of which we are not the primary beneficiary, which are not consolidated as of March 31, 2010 and December 31, 2009:

- Hertz Vehicle Financing LLC was established in 2005, as part of the transaction to sell our interest in The Hertz Corporation ("Hertz"). We provided cash-collateralized letters of credit to support the payment obligations of Hertz Vehicle Financing LLC, a bankruptcy-remote special purpose entity which is thinly capitalized and wholly owned by Hertz. The arrangements outlined in the letters of credit do not grant Ford the power to direct activities that most significantly impact the entity's economic performance. The carrying value of our obligation related to these letters of credit, which will expire no later than December 21, 2011, was approximately \$8 million at March 31, 2010. For additional discussion of these letters of credit, see Note 16.
- Ford Motor Company Capital Trust II ("Trust II") was formed in 2002. We own 100% of Trust II's common stock, which is equal to 5% of Trust II's total equity. Operation of the trust is predetermined by Trust documents which cannot be modified.
- First Aquitaine Industries SAS ("First Aquitaine") operates a transmission plant in Bordeaux, France which manufactures automatic transmissions for Ford Explorer, Ranger and Mustang vehicles. During 2009 we transferred legal ownership of First Aquitaine to HZ Holding France and entered into a volume-dependent pricing agreement with the new owner to purchase transmissions through the end of the product cycle. After the transfer, Ford relinquished all decision-making rights within the entity.

Our maximum exposure to VIEs of which we are not the primary beneficiary at March 31, 2010 and December 31, 2009 are detailed as follows (in millions):

	March 31, 2010	December 31, 2009	Change in Maximum Exposure
Investments	\$ 440	\$ 421	\$ 19
Liabilities	(8 )	(9 )	1
Guarantees (off-balance sheet)	192	191	1
Total maximum exposure	\$ 624	\$ 603	\$ 21

## Financial Services Sector

VIEs of which the Financial Services sector is the primary beneficiary:

Our Financial Services sector (for these purposes, Ford Credit and Volvo Auto Bank) uses VIEs to issue asset-backed securities in transactions to public and private investors, bank conduits, and government-sponsored entities or others who obtain funding from government programs. The asset-backed securities are secured by finance receivables and interests in net investments in operating leases. Our Financial Services sector retains interests in its securitization transactions, including senior and subordinated securities issued by VIEs, rights to cash held for the benefit of the securitization investors such as cash reserves, and residual interests. Our Financial Services sector's involvement constitutes power that is most significant to the entity when we have unconstrained decision-making ability within the entity over key operational functions such as our ability to exercise discretion in the servicing of financial assets, to issue additional debt, to exercise a unilateral call option, to add assets to revolving structures, and to control the investment decisions. Therefore, the assets continue to be consolidated by our Financial Services sector.

The VIE transactions create and pass along risks to the variable interest holders, depending on the assets securing the debt and the specific terms of the transactions.

Our Financial Services sector aggregates and analyzes its transactions based on the risk profile of the product and the type of funding structure, including:

- Retail transactions – consumer credit risk and prepayment risk.
- Wholesale transactions – dealer credit risk.
- Net investments in operating lease transactions – vehicle residual value risk, consumer credit risk, and prepayment risk.

As residual interest holder, our Financial Services sector is exposed to underlying residual and credit risk of the collateral, and may be exposed to interest rate risk. However, this risk is not incremental to the exposure our Financial Services sector has on the underlying assets. The amount of risk absorbed by our Financial Services sector's residual interests is generally represented by and limited to the amount of overcollateralization of its assets securing the debt and any cash reserves.

## NOTE 6. VARIABLE INTEREST ENTITIES (Continued)

Our Financial Services sector has no obligation to repurchase or replace any securitized asset that subsequently becomes delinquent in payment or otherwise is in default. Securitization investors have no recourse to our Financial Services sector or its other assets for credit losses on the securitized assets, and have no right to require the Financial Services sector to repurchase the investments. Although not contractually required, Ford Credit regularly supports their wholesale securitization programs by repurchasing receivables of a dealer from the VIEs when the dealer's performance is at risk, which transfers the corresponding risk of loss from the VIE to Ford Credit. In order to continue to fund the wholesale receivables, Ford Credit also may contribute additional cash or wholesale receivables if the collateral falls below the required level. The cash contributions were \$20 million and \$0 at March 31, 2010 and December 31, 2009, respectively, and ranged from \$0 to \$375 million during the first quarter of 2010. In addition, while not contractually required, Ford Credit may purchase the commercial paper issued by Ford Credit's FCAR asset-backed commercial paper program.

From time to time, Ford Credit renegotiates the terms of its funding commitments and may reallocate the commitments globally. The Financial Services sector does not guarantee any asset-backed securities and generally has no obligation to provide liquidity or contribute cash or additional assets to the VIEs. However, in certain securitization transactions, Ford Credit has dynamic enhancements where it is required to support the performance of the securitization transactions by purchasing additional subordinated notes or increasing cash reserves.

VIEs that are exposed to interest rate or currency risk have reduced their exposure by entering into derivatives. In certain instances, Ford Credit has entered into offsetting derivative transactions with the VIE or the counterparty to protect the VIE from these risks that are not mitigated through derivative transactions between the VIE and its counterparty. See Note 14 for additional information regarding Ford Credit's derivatives.

The following table includes assets to be used to settle the debt and obligations of the Financial Services sector consolidated VIEs. The Financial Services sector may retain debt issued by the consolidated VIEs and this debt is excluded from the table below. The Financial Services sector holds the right to the excess cash flows from the assets that are not needed to pay the debt and obligations of the consolidated VIEs. The assets and debt reflected on our consolidated balance sheet are as follows (in billions):

	Cash and Cash Equivalents	March 31, 2010 Finance Receivables, Net and Net Investment in Operating Leases	Debt
Finance receivables			
Retail	\$ 3.4	\$ 38.6	\$ 30.6
Wholesale	0.5	15.8	10.2
Total finance receivables	3.9	54.4	40.8
Net investment in operating leases	1.2	10.8	7.1
Total*	\$ 5.1	\$ 65.2	\$ 47.9

\* Certain notes issued by the VIEs to affiliated companies served as collateral for accessing the European Central Bank ("ECB") open market operations program. This external funding of \$736 million at March 31, 2010 was not reflected as debt of the VIEs and is excluded from the table above, but was included in our consolidated debt. The finance receivables backing this external funding are included in the table above.

		December 31, 2009	
		Finance	
		Receivables, Net	
		and	
	Cash and Cash	Net Investment in	Debt
	Equivalents	Operating Leases	
Finance receivables			
Retail	\$ 3.1	\$ 40.9	\$ 31.2
Wholesale	0.5	16.5	8.4
Total finance receivables	3.6	57.4	39.6
Net investment in operating leases	1.3	10.2	6.6
Total*	\$ 4.9	\$ 67.6	\$ 46.2

\* Certain notes issued by the VIEs to affiliated companies served as collateral for accessing the ECB open market operations program. This external funding of \$1.8 billion at December 31, 2009, was not reflected as debt of the VIEs and is excluded from the table above, but was included in our consolidated debt. The finance receivables backing this external funding are included in the table above.

## NOTE 6. VARIABLE INTEREST ENTITIES (Continued)

Ford Credit's exposure based on the fair value of derivative instruments related to consolidated VIEs that support its securitization transactions is as follows (in millions):

	March 31, 2010		December 31, 2009	
	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability
Total derivative financial instruments*	\$ 39	\$ 504	\$ 55	\$ 528

\* Ford Credit derivative assets and liabilities are included in Other assets and Accrued liabilities and deferred revenue, respectively, on our consolidated balance sheet.

The financial performance of the consolidated VIEs that support Ford Credit's securitization transactions reflected in our statement of operations is as follows (in millions):

	First Quarter 2010		First Quarter 2009	
	Derivative Expense	Interest Expense	Derivative Expense	Interest Expense
VIE financial performance	\$ 145	\$ 332	\$ 64	\$ 478

VIEs of which the Financial Services sector is not the primary beneficiary:

Ford Credit has an investment in a certain joint venture determined to be a VIE of which it is not the primary beneficiary. The joint venture provides consumer and dealer financing in its local markets and is financed by external debt and additional subordinated interest provided by the joint venture partner. The operating agreement indicates that the power to direct economically significant activities is shared with its joint venture partner, and the obligation to absorb losses or rights to receive benefits resides primarily with its joint venture partner. Ford Credit's investment in the joint venture is accounted for as an equity method investment and is included in Equity in net assets of affiliated companies. Ford Credit's maximum exposure to any potential losses associated with this VIE is limited to its equity investment, and amounted to \$64 million and \$67 million at March 31, 2010 and December 31, 2009, respectively.

## NOTE 7. GOODWILL AND OTHER NET INTANGIBLE ASSETS

The components of goodwill and other net intangible assets are as follows (in millions):

	March 31, 2010			December 31, 2009		
	Gross Carrying Amount	Less: Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Less: Accumulated Amortization	Net Carrying Amount
Automotive Sector						
Ford Europe goodwill	\$32	\$ —	\$32	\$34	\$ —	\$34
Manufacturing and production incentive rights	297	(241 )	56	305	(228 )	77
License and advertising agreements	96	(34 )	62	96	(32 )	64
Other intangible assets	74	(41 )	33	74	(50 )	24
Total Automotive sector	499	(316 )	183	509	(310 )	199
Financial Services Sector						
Ford Credit goodwill	9	—	9	9	—	9

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Other intangible assets	1	(1	)	—	1	(1	)	—
Total Financial Services sector	10	(1	)	9	10	(1	)	9
Total Company	\$509	\$ (317	)	\$192	\$519	\$ (311	)	\$208

Changes in the goodwill balances are primarily attributable to the impact of foreign currency translation. We also have goodwill recorded within Equity in net assets of affiliated companies of \$34 million at March 31, 2010 and December 31, 2009.

## NOTE 7. GOODWILL AND OTHER NET INTANGIBLE ASSETS (Continued)

Our intangible assets are comprised primarily of manufacturing and production incentive rights acquired in 2006 with a useful life of 4 years, license and advertising agreements with amortization periods of 5 years to 25 years, and other intangibles with various amortization periods (primarily patents, customer contracts, technology, and land rights).

Pre-tax amortization expense was as follows for the period ending March 31 (in millions):

	2010	2009
Pre-tax amortization expense	\$23	\$18

Amortization for current intangible assets is forecasted to be approximately \$80 million to \$90 million in 2010, \$10 million in 2011 through 2014, and \$7 million thereafter.

## NOTE 8. RETIREMENT BENEFITS

We provide pension benefits and OPEB, such as health care and life insurance, to employees in many of our operations around the world.

Pension and OPEB expense is summarized as follows (in millions):

	First Quarter					
	Pension Benefits				OPEB	
	U.S. Plans		Non-U.S. Plans		2010	2009
	2010	2009	2010	2009	2010	2009
Service cost	\$94	\$86	\$85	\$68	\$14	\$102
Interest cost	631	674	325	292	84	223
Expected return on assets	(791 )	(822 )	(347 )	(303 )	—	(33 )
Amortization of:						
Prior service costs/(credits)	93	94	19	19	(154 )	(227 )
(Gains)/Losses and Other	2	2	65	37	24	21
Separation programs	3	7	4	30	—	2
(Gain)/Loss from curtailment	—	—	—	—	—	(2 )
Net expense/(income)	\$32	\$41	\$151	\$143	\$(32 )	\$86

## Plan Contributions

Our policy for funded plans is to contribute annually, at a minimum, amounts required by applicable laws and regulations. From time to time, we make contributions beyond those legally required.

Pension. In the first quarter of 2010, we contributed \$500 million to our worldwide pension plans (including Volvo), including \$100 million of benefit payments paid directly by the Company for unfunded plans. We expect to contribute from Automotive cash and cash equivalents an additional \$1 billion in 2010, including \$300 million of benefit payments paid directly by the Company for unfunded plans, for a total of \$1.5 billion this year (excluding any purchase price adjustment for pension plans at closing in connection with the sale of Volvo). Based on current assumptions and regulations, we do not expect to have a legal requirement to fund our major U.S. pension plans in 2010.





## NOTE 9. DEBT AND COMMITMENTS

Our debt consists of short-term and long-term unsecured debt securities, convertible debt securities, and unsecured and secured borrowings from banks and other lenders. Debt issuances are placed directly by us or through securities dealers or underwriters and are held by institutional and retail investors. In addition, our Financial Services sector sponsors securitization programs that provide short-term and long-term asset-backed financing through institutional investors in the U.S. and international capital markets.

Debt outstanding is shown below (in millions):

	March 31, 2010	December 31, 2009
Automotive Sector		
Debt payable within one year		
Short-term (a)	\$739	\$502
Long-term payable within one year		
Public unsecured debt securities	334	334
Notes due to UAW Retiree Medical Benefits Trust (the "UAW VEBA Trust") unsecured portion (b)	859	859
Secured term loan	77	77
Secured revolving loan	3,000	—
Other debt (a)	166	199
Unamortized discount	(166 )	(333 )
Total debt payable within one year	5,009	1,638
Long-term debt payable after one year		
Public unsecured debt securities	5,260	5,260
Convertible notes	3,454	3,454
Subordinated convertible debentures	3,173	3,124
Secured term loan	5,165	5,184
Secured revolving loan	4,527	7,527
Notes due to UAW VEBA Trust (b)		
Unsecured portion	6,720	6,720
Secured portion	3,000	3,000
U.S. Department of Energy loans	1,475	1,221
Other debt	688	727
Unamortized discount	(4,220 )	(4,245 )
Total long-term debt payable after one year	29,242	31,972
Total Automotive sector	\$34,251	\$33,610
Fair value of debt	\$33,305	\$30,492
Financial Services Sector		
Short-term debt		
Asset-backed commercial paper	\$6,468	\$6,369
Other asset-backed short-term debt	2,603	4,482
Ford Interest Advantage (c)	4,178	3,680
Other short-term debt	879	1,088
Total short-term debt	14,128	15,619
Long-term debt		
Unsecured debt		
Notes payable within one year	8,825	7,338

Notes payable after one year	29,799	33,888
Asset-backed debt		
Notes payable within one year	19,652	18,962
Notes payable after one year	24,102	23,163
Unamortized discount	(478 )	(530 )
Fair value adjustments (d)	258	231
Total long-term debt	82,158	83,052
Total Financial Services sector	\$96,286	\$98,671
Fair value of debt	\$98,580	\$100,231
Total Automotive and Financial Services sectors	\$130,537	\$132,281
Intersector elimination (e)	(432 )	(646 )
Total Company	\$130,105	\$131,635

(a) Includes \$519 million (short-term of \$514 million and long-term payable within one year of \$5 million) and \$177 million (short-term of \$174 million and long-term payable within one year of \$3 million) of debt with affiliated companies at March 31, 2010 and December 31, 2009, respectively.

(b) Amortizing Guaranteed Secured Notes maturing June 30, 2022 owed to UAW VEBA Trust.

(c) The Ford Interest Advantage program consists of Ford Credit's floating rate demand notes.

(d) Adjustments related to designated fair value hedges of unsecured debt.

(e) Debt related to Ford's acquisition of Ford Credit debt securities; see Note 1 for additional detail.

## NOTE 9. DEBT AND COMMITMENTS (Continued)

The fair value of debt presented above reflects interest accrued but not yet paid. Interest accrued on Automotive sector debt is reported in Automotive accrued liabilities and deferred revenue and was \$353 million and \$351 million at March 31, 2010 and December 31, 2009, respectively. Interest accrued on Financial Services sector debt is reported in Financial Services other liabilities and deferred income and was \$839 million and \$1.1 billion at March 31, 2010 and December 31, 2009, respectively. The change in the fair value of our debt in the first quarter of 2010 was primarily driven by improvements in the credit markets generally, and an improved market view of Ford specifically.

## Maturities

Debt maturities at March 31, 2010 were as follows (in millions):

	2010	2011	2012	2013	2014	Thereafter	Total Debt Maturities
<b>Automotive Sector</b>							
Public unsecured debt securities	\$ 334	\$ —	\$ —	\$ —	\$ —	\$ 5,260	\$ 5,594
Unamortized discount (a)	—	—	—	—	—	(84 )	(84 )
Convertible notes	—	—	—	—	—	3,454	3,454
Unamortized discount (a)	—	—	—	—	—	(855 )	(855 )
Subordinated convertible debentures	—	—	—	—	188	2,985	3,173
Secured term loan	58	77	77	5,030	—	—	5,242
Secured revolving loan (b)	3,000	838	—	3,689	—	—	7,527
Notes due to UAW VEBA Trust (c)	859	859	1,238	1,238	1,238	5,147	10,579
Unamortized discount (a)	(166 )	(617 )	(593 )	(531 )	(463 )	(1,077 )	(3,447 )
U.S. Department of Energy loans	—	—	74	148	148	1,105	1,475
Short-term and other debt (d)	550	520	177	114	23	209	1,593
<b>Total Automotive debt</b>	<b>4,635</b>	<b>1,677</b>	<b>973</b>	<b>9,688</b>	<b>1,134</b>	<b>16,144</b>	<b>34,251</b>
<b>Financial Services Sector</b>							
Unsecured debt	9,495	11,969	7,283	4,775	3,699	6,460	43,681
Asset-backed debt	24,485	15,812	8,540	2,041	240	1,707	52,825
Unamortized discount (a)	(1 )	(2 )	(180 )	(67 )	(186 )	(42 )	(478 )
Fair value adjustments (a) (e)	3	89	107	46	13	—	258
<b>Total Financial Services debt</b>	<b>33,982</b>	<b>27,868</b>	<b>15,750</b>	<b>6,795</b>	<b>3,766</b>	<b>8,125</b>	<b>96,286</b>

Intersector elimination (f)	(432 )	—	—	—	—	—	(432 )
Total Company	\$ 38,185	\$ 29,545	\$ 16,723	\$ 16,483	\$ 4,900	\$ 24,269	\$ 130,105

- (a) Unamortized discount and fair value adjustments are presented based on maturity date of related debt.
- (b) \$3 billion debt maturity in 2010 represents our election to make a prepayment in the second quarter of 2010 as committed on March 29, 2010.
- (c) Amortizing Guaranteed Secured Notes maturing June 30, 2022 owed to UAW VEBA Trust.
- (d) Primarily non-U.S. affiliate debt.
- (e) Adjustments related to designated fair value hedges of unsecured debt.
- (f) Debt related to Ford's acquisition of Ford Credit debt securities; see Note 1 for additional detail.

## NOTE 9. DEBT AND COMMITMENTS (Continued)

## Automotive Sector

## Public Unsecured Debt Securities

Our public unsecured debt securities outstanding were as follows (in millions):

Title of Security	Aggregate Principal Amount Outstanding	
	March 31, 2010	December 31, 2009
9.50% Guaranteed Debentures due June 1, 2010	\$ 334	\$ 334
6 1/2% Debentures due August 1, 2018	361	361
8 7/8% Debentures due January 15, 2022	86	86
6.55% Debentures due October 3, 2022 (a)	15	15
7 1/8% Debentures due November 15, 2025	209	209
7 1/2% Debentures due August 1, 2026	193	193
6 5/8% Debentures due February 15, 2028	104	104
6 5/8% Debentures due October 1, 2028 (b)	638	638
6 3/8% Debentures due February 1, 2029 (b)	260	260
5.95% Debentures due September 3, 2029 (a)	8	8
6.15% Debentures due June 3, 2030 (a)	10	10
7.45% GLOBLS due July 16, 2031 (b)	1,794	1,794
8.900% Debentures due January 15, 2032	151	151
9.95% Debentures due February 15, 2032	4	4
5.75% Debentures due April 2, 2035 (a)	40	40
7.50% Debentures due June 10, 2043 (c)	593	593
7.75% Debentures due June 15, 2043	73	73
7.40% Debentures due November 1, 2046	398	398
9.980% Debentures due February 15, 2047	181	181
7.70% Debentures due May 15, 2097	142	142
Total public unsecured debt securities (d)	\$ 5,594	\$ 5,594

(a) Unregistered industrial revenue bonds.

(b) Listed on the Luxembourg Exchange and on the Singapore Exchange.

(c) Listed on the New York Stock Exchange.

(d) Excludes 9 1/2% Debentures due September 15, 2011 and 9.215% Debentures due September 15, 2021 with outstanding balances at March 31, 2010 of \$167 million and \$180 million, respectively. These securities are on-lent to Ford Holdings to fund Financial Services activity and are reported as Financial Services debt.

2009 Debt Repurchases. In the first quarter of 2009, we repurchased through a private market transaction \$165 million principal amount of our outstanding public unsecured debt securities. As a result, we recorded a pre-tax gain of \$127 million (net of unamortized discounts, premiums and fees) in Automotive interest income and other non-operating income/(expense), net.

## Convertible Notes

Convertible Notes due December 15, 2016

At March 31, 2010, we had outstanding \$2.875 billion of 4.25% Senior Convertible Notes due December 15, 2016 ("2016 Convertible Notes"), which includes \$375 million from the underwriters option to purchase additional convertible notes ("Over-Allotment Option"). The 2016 Convertible Notes pay interest semiannually at a rate of 4.25% per annum. The 2016 Convertible Notes are convertible into shares of Ford Common Stock, based on a conversion rate (subject to adjustment) of 107.5269 shares per \$1,000 principal amount of 2016 Convertible Notes (which is equal to a conversion price of \$9.30 per share, representing a 25% conversion premium based on the closing price of \$7.44 per share on November 3, 2009).

Upon conversion, we have the right to deliver, in lieu of shares of Ford Common Stock, cash or a combination of cash and Ford Common Stock. Holders may require us to purchase all or a portion of the 2016 Convertible Notes upon a change in control of the Company, or for shares of Ford Common Stock upon a designated event that is not a change in control, in each case for a price equal to 100% of the principal amount of the 2016 Convertible Notes being repurchased plus any accrued and unpaid interest to, but not including, the date of repurchase. We also may terminate the conversion rights at

## NOTE 9. DEBT AND COMMITMENTS (Continued)

any time on or after November 20, 2014 if the closing price of Ford Common Stock exceeds 130% of the then-applicable conversion price for 20 trading days during any consecutive 30-trading day period.

Liability and equity components of our 2016 Convertible Notes are summarized as follows (in millions):

	March 31, 2010	December 31, 2009
Liability component		
Principal	\$ 2,875	\$ 2,875
Unamortized discount	(684 )	(702 )
Net carrying amount	\$ 2,191	\$ 2,173
Equity component (recorded in Capital in excess of par value of stock)	\$ (702 )	\$ (702 )

We recognized interest cost on our 2016 Convertible Notes as follows (in millions):

	2010	First Quarter 2009
Contractual interest coupon	\$ 30	\$ —
Amortization of discount	18	—
Total interest cost on 2016 Convertible Notes	\$ 48	\$ —

The discount on the liability components of the 2016 Convertible Notes will amortize through November 16, 2016. The total effective rate on the liability component was 9.2% on the original offering and 8.6% on the Over-Allotment Option. If all \$2.9 billion of 2016 Convertible Notes were converted into shares as of March 31, 2010 at a share price of \$12.57, the share value would exceed the principal value of debt by about \$1 billion.

## Convertible Notes due December 15, 2036

At March 31, 2010, we had outstanding \$579 million of 4.25% Senior Convertible Notes due December 15, 2036 ("2036 Convertible Notes"). The 2036 Convertible Notes pay interest semiannually at a rate of 4.25% per annum. The 2036 Convertible Notes are convertible into shares of Ford Common Stock, based on a conversion rate (subject to adjustment) of 108.6957 shares per \$1,000 principal amount of 2036 Convertible Notes (which is equal to a conversion price of \$9.20 per share, representing a 25% conversion premium based on the closing price of \$7.36 per share on December 6, 2006).

Upon conversion we have the right to deliver, in lieu of shares of Ford Common Stock, cash or a combination of cash and Ford Common Stock. Holders may require us to purchase all or a portion of the 2036 Convertible Notes for cash on December 20, 2016 and December 15, 2026 or upon a change in control of the Company, or for shares of Ford Common Stock upon a designated event that is not a change in control, in each case for a price equal to 100% of the principal amount of the 2036 Convertible Notes being repurchased plus any accrued and unpaid interest to, but not including, the date of repurchase. We may redeem for cash all or a portion of the 2036 Convertible Notes at our option at any time or from time to time on or after December 20, 2016 at a price equal to 100% of the principal amount of the 2036 Convertible Notes to be redeemed, plus accrued and unpaid interest to, but not including, the redemption date. We also may terminate the conversion rights at any time on or after December 20, 2013 if the closing price of Ford Common Stock exceeds 140% of the then-applicable conversion price for 20 trading days during any consecutive 30-trading day period.

Liability and equity components of our 2036 Convertible Notes are summarized as follows (in millions):

	March 31, 2010	December 31, 2009
Liability component		
Principal	\$ 579	\$ 579
Unamortized discount	(171 )	(175 )
Net carrying amount	\$ 408	\$ 404
Equity component (recorded in Capital in excess of par value of stock)	\$ (3,207 )	\$ (3,207 )

31

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## NOTE 9. DEBT AND COMMITMENTS (Continued)

We recognized interest cost on our 2036 Convertible Notes as follows (in millions):

		2010	First Quarter	2009
Contractual interest coupon	\$	6	\$	52
Amortization of discount		4		34
Total interest cost on 2036 Convertible Notes	\$	10	\$	86

The discount on the liability component of the 2036 Convertible Notes will amortize through December 20, 2016, the first put date. The total effective rate on the liability component was 10.5%. If all \$579 million of 2036 Convertible Notes were converted into shares as of March 31, 2010 at a share price of \$12.57, the share value would exceed the principal value of debt by \$212 million.

## Subordinated Convertible Debentures

At March 31, 2010, we had outstanding \$3 billion of 6.50% Junior Subordinated Convertible Debentures due 2032 ("Subordinated Convertible Debentures") and \$188 million of deferred interest, reported in Automotive long-term debt. The \$3 billion of Subordinated Convertible Debentures are due to Trust II, a subsidiary trust, and are the sole assets of Trust II. As of January 15, 2007, the Subordinated Convertible Debentures have become redeemable at our option.

At March 31, 2010, Trust II had outstanding 6.50% Cumulative Convertible Trust Preferred Securities with an aggregate liquidation preference of \$2.8 billion ("Trust Preferred Securities"). The Trust Preferred Securities are convertible into shares of Ford Common Stock, based on a conversion rate (subject to adjustment) of 2.8769 shares per \$50 principal amount of Trust Preferred Securities (which is equal to a conversion price of \$17.38 per share). We guarantee the payment of all distribution and other payments of the Trust Preferred Securities to the extent not paid by Trust II, but only if and to the extent we have made a payment of interest or principal on the Subordinated Convertible Debentures. As announced on March 27, 2009, we elected to defer future interest payments related to the Trust Preferred Securities for up to 5 years. Trust II is not consolidated by us as it is a VIE in which we do not have a significant variable interest and of which we are not the primary beneficiary.

During the first quarter of 2009, pursuant to a request for conversion, we issued an aggregate of 2,437,562 shares of Ford Common Stock, par value \$0.01 per share, in exchange for \$43 million principal amount of our Subordinated Convertible Debentures.

## Secured Term Loan and Revolving Loan

Pursuant to our secured credit agreement (the "Credit Agreement"), at March 31, 2010, we had outstanding:

- \$838 million of revolving loans which bear interest of LIBOR plus a margin of 2.25%, maturing on December 15, 2011;
- \$6.7 billion of revolving loans which bear interest of LIBOR plus a margin of 3.25%, maturing on November 30, 2013, of which \$3 billion was repaid on April 6, 2010 and remains available for borrowing; and
- \$5.2 billion of a secured term loan maturing on December 15, 2013. The term loan principal amount amortizes at a rate of \$77 million (1% of original loan) per annum and bears interest at LIBOR plus a margin of 3.00%. We are required to use a portion of the cash proceeds from the sale of Volvo (discussed in Note 12) upon the closing thereof (expected in the third quarter of 2010) to partially prepay certain outstanding term loans under the Credit Agreement.

Under the Credit Agreement, we may designate certain of our domestic and foreign subsidiaries, including Ford Credit, as borrowers under the revolving facility. We and certain of our domestic subsidiaries that constitute a substantial portion of our domestic Automotive assets (excluding cash) are guarantors under the Credit Agreement, and future material domestic subsidiaries will become guarantors when formed or acquired.

Collateral. The borrowings of the Company, the subsidiary borrowers, and the guarantors under the Credit Agreement are secured by a substantial portion of our domestic Automotive assets (excluding cash). The collateral includes a majority of our principal domestic manufacturing facilities, excluding facilities to be closed, subject to limitations set forth in existing public indentures and other unsecured credit agreements; domestic accounts receivable; domestic inventory; up to \$4 billion of marketable securities or cash proceeds therefrom; 100% of the stock of our principal domestic subsidiaries,

NOTE 9. DEBT AND COMMITMENTS (Continued)

including Ford Credit (but excluding the assets of Ford Credit); certain intercompany notes of Volvo Holding Company Inc., a holding company for Volvo, Ford Motor Company of Canada, Limited and Grupo Ford S. de R.L. de C.V. (a Mexican subsidiary); 66% to 100% of the stock of all major first tier foreign subsidiaries (including Volvo); and certain domestic intellectual property, including trademarks.

Covenants. The Credit Agreement requires ongoing compliance with a borrowing base covenant and contains other restrictive covenants, including a restriction on our ability to pay dividends. The Credit Agreement prohibits the payment of dividends (other than dividends payable solely in stock) on Ford Common and Class B Stock, subject to certain limited exceptions. In addition, the Credit Agreement contains a liquidity covenant requiring us to maintain a minimum of \$4 billion in the aggregate of domestic cash, cash equivalents, loaned and marketable securities and short-term VEBA assets and/or availability under the revolving credit facility.

With respect to the borrowing base covenant, we are required to limit the outstanding amount of debt under the Credit Agreement as well as certain permitted additional indebtedness secured by the collateral described above such that the total debt outstanding does not exceed the value of the collateral as calculated in accordance with the Credit Agreement.

Events of Default. In addition to customary payment, representation, bankruptcy and judgment defaults, the Credit Agreement contains cross-payment and cross-acceleration defaults with respect to other debt for borrowed money and a change in control default.

2010 Secured Revolver Actions. On March 29, 2010, we gave notice to our administrative agent under the Credit Agreement that we would make an optional prepayment of \$3 billion on April 6, 2010 of our revolving loans that are scheduled to mature on November 30, 2013. Such amount, which was repaid on April 6, 2010, will remain available for borrowing through November 2013 as the commitments of the revolving lenders were not reduced. As a result, at March 31, 2010, \$3 billion of revolving loans were reflected in the Automotive sector as Debt payable within one year.

2009 Secured Term Loan Actions. On March 27, 2009, Ford Credit purchased from term loan lenders under the Credit Agreement \$2.2 billion principal amount of the secured term loan for an aggregate cost of \$1.1 billion (including transaction costs). Consistent with previously-announced plans to return capital from Ford Credit to us, Ford Credit distributed the repurchased secured term loan to its immediate parent, Ford Holdings, whereupon the debt was forgiven. As a result of this transaction, we recorded a pre-tax gain of \$1.1 billion in the first quarter of 2009 in Automotive interest income and other non-operating income/(expense), net.

Notes Due to UAW VEBA Trust

At March 31, 2010 we had outstanding \$7.1 billion in amortizing notes due to the UAW VEBA Trust made up of a non-interest bearing Amortizing Guaranteed Secured Note maturing June 30, 2022 with a par value of \$6.7 billion ("Note A") and a non-interest bearing Amortizing Guaranteed Secured Note maturing June 30, 2022 with a par value of \$6.5 billion ("Note B"). For Note A, we had outstanding \$3.1 billion (\$4.7 billion par value net of \$1.6 billion unamortized discount) using an effective yield of 9.2%. For Note B, we had outstanding \$4 billion (\$5.9 billion par value net of \$1.9 billion unamortized discount) using an effective yield of 9.9%. The Notes allow for prepayments on the annual scheduled principal payment dates. The Notes are secured on a second lien basis, limited to the lesser of an aggregate \$3 billion or the outstanding principal amount of obligations thereunder, with collateral securing our obligations under the Credit Agreement.

Under Note B, we have the option, subject to certain conditions, of making each payment in cash, Ford Common Stock, or a combination of cash and Ford Common Stock. Any Ford Common Stock to be delivered in satisfaction of such payment obligation is to be valued based on its volume-weighted average price per share for the 30 trading-day period ending on the second business day prior to the relevant payment date.

#### DOE Loan

Pursuant to the Loan Arrangement and Reimbursement Agreement (the "Arrangement Agreement") with the DOE entered into on September 16, 2009, we had outstanding \$1.5 billion in loans as of March 31, 2010. Under the terms of the Arrangement Agreement, the DOE agreed to (i) arrange a 13-year multi-draw term loan facility (the "Facility") under the Advanced Technology Vehicles Manufacturing ("ATVM") Program in the aggregate principal amount of up to \$5.9 billion, (ii) designate us as a borrower under the ATVM Program and (iii) cause the Federal Financing Bank ("FFB")

NOTE 9. DEBT AND COMMITMENTS (Continued)

to enter into the Note Purchase Agreement (the "Note Purchase Agreement") for the purchase of notes to be issued by us evidencing such loans under the Arrangement Agreement. Loans under the ATVM are made by and through the FFB, an instrumentality of the U.S. government that is under the general supervision of the U.S. Secretary of the Treasury.

The proceeds of advances under the Facility will be used to finance certain costs eligible for financing under the ATVM Program ("Eligible Project Costs") that are incurred through mid-2012 in the implementation of 13 advanced technology vehicle programs approved by the DOE (each, a "Project"). The Arrangement Agreement limits the amount of advances that may be used to fund Eligible Project Costs for each Project, and our ability to finance Eligible Project Costs with respect to a Project is conditioned on us meeting agreed timing milestones and fuel economy targets for that Project.

**Maturity, Interest Rate and Amortization.** Advances under the Facility may be requested through June 30, 2012, and the loans will mature on June 15, 2022 (the "Maturity Date"). Each advance bears interest at a blended rate based on the Treasury yield curve at the time such advance is borrowed, based on the principal amortization schedule for that advance, with interest payable quarterly in arrears. The principal amount of the loans is payable in equal quarterly installments commencing on September 15, 2012 and continuing through the Maturity Date. Per the Arrangement Agreement, we have the ability to voluntarily prepay all or a portion of any advance under the Facility at a prepayment price based on the Treasury yield curve at the time the prepayment is made. It is intended to replicate the price for such advance that would, if it were purchased by a third party and held to maturity, produce a yield to the third-party purchaser for the period from the date of purchase to the Maturity Date substantially equal to the interest rate that would be set on a loan from the Secretary of Treasury to the FFB to purchase an obligation having a payment schedule identical to the payment schedule of such advance for the period from the intended prepayment date to the Maturity Date.

**Collateral.** The \$5.9 billion commitment is comprised of two loans: (i) a \$1.5 billion note secured by a first priority lien on any assets purchased or developed with the proceeds of the loans, and (ii) a \$4.4 billion note secured by a junior lien on all of the collateral pledged under our Credit Agreement subordinated solely to (a) prior perfected security interests securing certain indebtedness, letters of credit, cash-management obligations and hedging obligations in an aggregate principal amount not to exceed \$19.1 billion as described in the First Amendment to the Arrangement Agreement and (b) certain other permitted liens described in the Arrangement Agreement.

**Guarantees.** Certain of our subsidiaries that, together with us, hold a substantial portion of the consolidated domestic Automotive assets (excluding cash) and that guarantee the Credit Agreement will guarantee our obligations under the Facility, and future material domestic subsidiaries will become guarantors when formed or acquired.

**Affirmative Covenants.** The Arrangement Agreement contains affirmative covenants substantially similar to those in the Credit Agreement (including similar baskets and exceptions), as well as certain other affirmative covenants required in connection with the ATVM Program, including compliance with ATVM Program requirements, introduction of advanced technology vehicles to meet or exceed projected overall annual fuel economy improvements and delivery of progress reports and independent auditor reports with respect to the Projects.

**Negative Covenants.** The Arrangement Agreement contains negative covenants substantially similar to those in the Credit Agreement. The Arrangement Agreement also contains a negative covenant substantially similar to the liquidity covenant in the Credit Agreement requiring that we not permit Available Liquidity (as defined in the Arrangement Agreement) to be less than \$4 billion.

Events of Default. In addition to customary payment, representation, bankruptcy and judgment defaults, the Arrangement Agreement contains cross-payment and cross-acceleration defaults with respect to other debt for borrowed money and a change in control default, as well as events of default specific to the facility.

#### Financial Services Sector

#### Unsecured Debt

Debt Repurchases. Through private market transactions, our Financial Services sector repurchased an aggregate of \$201 million and \$341 million principal amount of its outstanding notes in the first quarter of 2010 and 2009, respectively. As a result, our Financial Services sector recorded a pre-tax loss of \$7 million and a pre-tax gain of \$65 million (\$51 million related to Ford Holdings and \$14 million related to Ford Credit), net of unamortized premiums and discounts, in Financial Services other income/(loss), net in the first quarter of 2010 and 2009, respectively.

## NOTE 9. DEBT AND COMMITMENTS (Continued)

## Asset-Backed Debt

Our Financial Services sector transfers finance receivables and net investments in operating leases in structured transactions to fund operations and to maintain liquidity and the transactions are recorded as secured borrowings. The majority of our Financial Services sector's transactions are secured borrowings and the associated assets are not derecognized and continue to be reported on our financial statements.

The finance receivables and net investment in operating leases that have been included in structured transactions are only available for payment of the debt and other obligations issued or arising in the structured transactions. Cash and cash equivalent and marketable securities balances related to structured transactions are used only to support the structured transactions. The Financial Services sector holds the right to the excess cash flows not needed to pay the debt and other obligations issued or arising in each of the structured transactions. The debt has been issued either directly by us or by consolidated entities.

The following table shows the assets and liabilities related to our Financial Services sector's secured debt arrangements that are included in our financial statements (in billions):

	Cash and Cash Equivalents and Marketable Securities (a)	March 31, 2010 Finance Receivables, Net and Net Investment in Operating Leases	Related Debt
VIEs (b)			
Finance receivables	\$ 3.9	\$ 54.4	\$ 40.8
Net investment in operating leases	1.2	10.8	7.1
Total	5.1	65.2	47.9
Non-VIE			
Finance receivables (c)	0.5	5.1	4.8
Total securitization transactions			
Finance receivables	4.4	59.5	45.6
Net investment in operating leases	1.2	10.8	7.1
Total	\$ 5.6	\$ 70.3	\$ 52.7

	Cash and Cash Equivalents	December 31, 2009 Finance Receivables, Net and Net Investment in Operating Leases	Related Debt
VIEs (b)			
Finance receivables	\$ 3.6	\$ 57.4	\$ 39.6
Net investment in operating leases	1.3	10.2	6.6
Total	4.9	67.6	46.2
Non-VIE			
Finance receivables (c)			