ABLE ENERGY INC
Form NT 10-Q
November 17, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 12B-25

COMMISSION FILE NUMBER-0-21931
NOTIFICATION OF LATE FILING

(CHECK ONE)

¨ FORM 10-K	¨ FORM 20-F	¨ FORM 11-K
x FORM 10-Q	¨ FORM N-SAR	

FOR PERIOD ENDED September 30, 2008

¨ TRANSITION REPORT ON FORM 10-K
¨ TRANSITION REPORT ON FORM 20-F
¨ TRANSITION REPORT ON FORM 11-K
¨ TRANSITION REPORT ON FORM 10-Q
¨ TRANSITION REPORT ON FORM N-SAR
FOR THE TRANSITION PERIOD ENDED: ___________________

READ INSTRUCTIONS (ON BACK PAGE) BEFORE PREPARING FORM.
PLEASE PRINT OR TYPE.

NOTHING IN THIS FORM SHALL BE CONSTRUED TO IMPLY THAT THE COMMISSION HAS VERIFIED ANY INFORMATION CONTAINED HEREIN.

IF THE NOTIFICATION RELATES TO A PORTION OF THE FILING CHECKED ABOVE, IDENTIFY THE ITEM(S) TO WHICH THE NOTIFICATION RELATES:
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PART I—REGISTRANT INFORMATION

Full Name of Registrant: ABLE ENERGY, INC.

Former Name of Registrant: ______________________

Address of Principal Executive Office (Street and Number):

198 GREEN POND ROAD, ROCKAWAY, NEW JERSEY 07866

PART II—RULES 12B-25(B) AND (C)

If the subject report could not be filed without unreasonable effort or expense and the registrant seeks relief pursuant to Rule 12b-25b, the following should be completed. (Check box if appropriate):

x (a) The reasons described in reasonable detail in Part III of this form could not be eliminated without unreasonable effort or expense;

x (b) The subject annual report, semi-annual report, transition report on Forms 10-K, 10-KSB, Form 20-F, 11-K, Form N-SAR, or portion thereof, will be filed on or before the fifteenth calendar day following the prescribed due date; or the subject quarterly report or transition report on Forms 10-Q, or portion thereof will be filed on or before the fifth calendar day following the prescribed due date; and

¨ (c) The accountant's statement or other exhibit required by Rule 12b-25(c) has been attached if applicable.

PART III—NARRATIVE

State below in reasonable detail the reasons why the Forms 10-K, 10-KSB, 20-F, 11-K, 10-Q, N-SAR, or the transition report or portion thereof, could not be filed within the prescribed time period. (ATTACH EXTRA SHEETS IF NEEDED)

The Company has not been able to complete the Quarterly Report of the Company on Form 10-Q by November 17, 2008, the required filing date, due to undue financial hardship.

PART IV—OTHER INFORMATION

(1) Name and telephone number of person to contact in regard to this notification

Gregory D. Frost	(212)	835-0200
(NAME)	(AREA CODE)	(TELEPHONE NUMBER)

(2) Have all other periodic reports required under Section 13 or 15(d) of the Securities Exchange Act of 1934 or Section 30 of the Investment Company Act of 1940 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) been filed? If answer is no, identify report(s). x Yes ¨ No

(3) Is it anticipated that any significant change in results of operations from the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report or portion thereof? o Yes T No

If so, attach an explanation of the anticipated change, both narratively and quantitatively, and, if appropriate, state the reasons why a reasonable estimate of the results cannot be made.

ABLE ENERGY, INC.

(Name of Registrant as Specified In Charter)

has caused this notification to be signed on its behalf by the undersigned hereto duly authorized

Dated: November 17, 2008	ABLE ENERGY, INC.	
	By:	/s/ Gregory D. Frost Chief Executive Officer, Chairman and Director

INSTRUCTION: The form may be signed by an executive officer of the registrant or by any other duly authorized representative. The name and title of the person signing the form shall be typed or printed beneath the signature. If the statement is signed on behalf of the registrant by an authorized representative (other than an executive officer), evidence of the representative's authority to sign on behalf of the registrant shall be filed with the form.

ATTENTION
INTENTIONAL MISSTATEMENTS OR OMISSIONS OF FACT CONSTITUTE FEDERAL CRIMINAL VIOLATIONS (SEE 18 U.S.C. 1001).

GENERAL INSTRUCTIONS

1. This form is required by Rule 12b-25 (17 CFR 240.12b-25) of the General Rules and Regulations under the Securities Exchange Act of 1934.

2. One signed original and four conformed copies of this form and amendments thereto must be completed and filed with the Securities and Exchange Commission, Washington, D.C. 20549, in accordance with Rule 0-3 of the General Rules and Regulations under the Act. The information contained in or filed with the form will be made a matter of public record in the Commission files.

3. A manually signed copy of the form and amendments thereto shall be filed with each national securities exchange on which any class of securities of the registrant is registered.

4. Amendments to the notifications must also be filed on form 12b-25 but need not restate information that has been correctly furnished. The form shall be clearly identified as an amendment notification.
padding-top:2px;padding-bottom:2px;">
(2
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$
—

$
—

$
—

$
—

$
13

International companies
92

2

4

(38
)

1

(55
)

6

Commingled funds
3

—

—

—

—

—

3

Derivative financial instruments
—

—

—

—

—

—

—

Total equity
110

—

4

(38

)

1

(55
)

22

Fixed Income

U.S. government
—

—

—

—

—

—

—

U.S. government-sponsored enterprises
7

—

—

8

—

(1
)

14

Non-U.S. government
256

15

7

91

1

(90
)

280

Corporate bonds

Investment grade
85

—

5

(42
)

13

(33
)

28

High yield
15

—

(9
)

—

—

(4

)

2

Other credit
21

2

1

30

—

(4
)

50

Mortgage/other asset-backed
278

4

47

(23
)

30

(211
)

125

Derivative financial instruments

Interest rate contracts
(42
)

—

10

32

1

(3
)

(2
)
Credit contracts
—

—

—

—

—

—

—

Other contracts
—

—

—

—

—

—

—

Total fixed income
620

21

61

96

45

(346
)

497

Alternatives

Hedge funds
1,986

330

—

538

—

—

2,854

Private equity
1,005

104

—

382

—

—

1,491

Real estate
1

2

—

117

—

—

120

Total alternatives
2,992

436

—

1,037

—

—

4,465

Other
(3
)

—

—

—

—

—

(3
)
Total Level 3 fair value
$
3,719

$
457

$
65

$
1,095

$
46

$
(401
)

$
4,981

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FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. RETIREMENT BENEFITS (Continued)

Non-U.S. Plans	2010	Return on plan assets			Transfers		
	Fair Value at January 1, 2010	Attributable to Assets Held at December 31, 2010	Attributable to Assets Sold	Net Purchases/ (Settlements)	Into Level 3	Out of Level 3	Fair Value at December 31, 2010
Asset Category							
Equity							
U.S. companies	$—	$—	$—	$—	$—	$—	$—
International companies	21	—	1	(9)	6	(9)	10
Commingled funds	—	—	—	—	—	—	—
Total equity	21	—	1	(9)	6	(9)	10
Fixed Income							
U.S. government	—	—	—	—	—	—	—
U.S. government-sponsored enterprises	—	—	—	—	—	—	—
Non-U.S. government	77	9	2	(3)	26	(8)	103
Corporate bonds							
Investment grade	28	—	(2)	2	5	(18)	15
High yield	19	1	(2)	4	—	(2)	20
Other credit	7	—	—	(7)	—	—	—
Mortgage/other asset-backed	43	2	—	—	2	(13)	34
Commingled funds	—	—	1	7	—	—	8
Derivative financial instruments	2	—	—	(2)	—	—	—
Total fixed income	176	12	(1)	1	33	(41)	180
Alternatives							
Hedge funds	244	23	—	444	—	—	711
Private equity	4	—	—	27	—	—	31
Real estate	—	2	—	9	—	—	11
Total alternatives	248	25	—	480	—	—	753
Other (a)	3,989	391	—	—	—	—	4,380
Total Level 3 fair value	$4,434	$428	$—	$472	$39	$(50)	$5,323

(a) Primarily Ford-Werke plan assets (insurance contract valued at $3,371 million).

NOTE 18. 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, Ford Credit 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 is recorded on our balance sheet at par value adjusted for unamortized discount or premium and adjustments related to designated fair value hedges (see Note 25 for policy detail). Discounts, premiums, and costs directly related to the issuance of debt generally are capitalized and amortized over the life of the debt and are recorded in Interest expense using the interest method. Gains and losses on the extinguishment of debt are recorded in Automotive interest income and other non-operating income/(expense), net and Financial Services other income/(loss), net.

Amounts borrowed and repaid are reported in our Statement of Cash Flows as Net cash (used in)/provided by financing activities. Interest, fees and deferred charges paid in excess of the amount borrowed are reported as Net cash (used in)/provided by operating activities.

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FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 18. DEBT AND COMMITMENTS (Continued)

The carrying value of our debt at December 31 was as follows (in millions):

			Interest Rates (a) Average Contractual (b)		Average Effective (c)	
Automotive Sector	2011	2010	2011	2010	2011	2010
Debt payable within one year						
Short-term with non-affiliates (d)	$559	$478	1.6 %	2.5 %	1.6 %	2.5 %
Short-term with unconsolidated affiliates	18	382				
Long-term payable within one year						
Secured term loan	—	140				
Secured revolving loan	—	838				
U.S. Department of Energy ("DOE") loans	240	—				
Other debt	216	211				
Total debt payable within one year	1,033	2,049				
Long-term debt payable after one year						
Public unsecured debt securities	5,260	5,260				
Unamortized discount	(77)	(81)				
Convertible notes	908	908				
Unamortized discount	(172)	(199)				
Subordinated convertible debentures	—	2,985				
Secured term loan	—	3,946				
DOE loans	4,556	2,752				
EIB loan	698	699				
Other debt	888	758				
Total long-term debt payable after one year	12,061	17,028	4.9 %	4.1 %	5.5 %	5.3 %
Total Automotive sector	$13,094	$19,077				
Fair value of debt	$13,451	$19,260				
Financial Services Sector						
Short-term debt						
Asset-backed commercial paper	$6,835	$6,634				
Other asset-backed short-term debt	2,987	1,447				
Ford Interest Advantage (e)	4,713	4,525				
Other short-term debt	2,061	801				
Total short-term debt	16,596	13,407	1.4 %	1.4 %	1.4 %	1.4 %
Long-term debt						
Unsecured debt						
Notes payable within one year	6,144	9,524				
Notes payable after one year	26,167	26,390				
Asset-backed debt						
Notes payable within one year	16,538	16,684				
Notes payable after one year	20,621	19,208				
Unamortized discount	(152)	(403)				
Fair value adjustments (f)	681	302				
Total long-term debt	69,999	71,705	4.3 %	4.6 %	4.6 %	5.0 %
Total Financial Services sector	$86,595	$85,112				
Fair value of debt	$88,823	$88,569				

Total Automotive and Financial Services sectors	$99,689	$104,189
Intersector elimination (g)	(201)	(201)
Total Company	$99,488	$103,988

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(a) Interest rates are presented for the fourth quarter of 2011 and the fourth quarter of 2010.
(b) Average contractual rates reflect the stated contractual interest rate; excludes amortization of discounts, premiums, and issuance fees.
(c) Average effective rates reflect the average contractual interest rate plus amortization of discounts, premiums, and issuance fees.
(d) Includes Export-Import Bank of the United States secured loan of $250 million at December 31, 2011 and 2010.
(e) The Ford Interest Advantage program consists of Ford Credit's floating-rate demand notes.
(f) Adjustments related to designated fair value hedges of unsecured debt.
(g) Debt related to Ford's acquisition of Ford Credit debt securities.

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FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 18. DEBT AND COMMITMENTS (Continued)

The fair value of debt presented above reflects interest accrued but not yet paid. Interest accrued on Automotive debt is reported in Automotive accrued liabilities and deferred revenue and was $205 million and $275 million at December 31, 2011 and 2010, respectively. Interest accrued on Financial Services debt is reported in Financial Services other liabilities and deferred income and was $836 million and about $1 billion at December 31, 2011 and 2010, respectively. See Note 4 for fair value methodology.

Maturities

Debt maturities at December 31, 2011 were as follows (in millions):

	2012	2013	2014	2015	2016	Thereafter	Total Debt Maturities
Automotive Sector							
Public unsecured debt securities	$—	$—	$—	$—	$—	$5,260	$5,260
Unamortized discount (a)	—	—	—	—	—	(77)	(77)
Convertible notes	—	—	—	—	883	25	908
Unamortized discount (a)	—	—	—	—	(166)	(6)	(172)
U.S. DOE loans	240	480	480	480	480	2,636	4,796
Short-term and other debt (b)	793	401	52	744	108	281	2,379
Total Automotive debt	1,033	881	532	1,224	1,305	8,119	13,094
Financial Services Sector							
Unsecured debt	12,918	5,749	3,643	6,986	1,812	7,977	39,085
Asset-backed debt	26,360	10,010	5,432	2,598	2,581	—	46,981
Unamortized (discount)/premium (a)	(14)	(11)	(104)	(5)	(7)	(11)	(152)
Fair value adjustments (a) (c)	18	71	42	107	24	419	681
Total Financial Services debt	39,282	15,819	9,013	9,686	4,410	8,385	86,595
Intersector elimination	(201)	—	—	—	—	—	(201)
Total Company	$40,114	$16,700	$9,545	$10,910	$5,715	$16,504	$99,488

(a) Unamortized discount and fair value adjustments are presented based on contractual payment date of related debt.
(b) Primarily non-U.S. affiliate debt and includes the EIB secured loan.
(c) Adjustments related to designated fair value hedges of unsecured debt.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 18. DEBT AND COMMITMENTS (Continued)

Automotive Sector

Public Unsecured Debt Securities

Our public unsecured debt securities outstanding at December 31 were as follows (in millions):

	Aggregate Principal Amount Outstanding	
Title of Security	2011	2010
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)	$5,260	$5,260

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(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 9.215% Debentures due September 15, 2021 with an outstanding balance at December 31, 2011 of $180 million. The proceeds from these securities were on-lent by Ford to Ford Holdings to fund Financial Services activity and are reported as Financial Services debt.

Convertible Notes

At December 31, 2011, we had outstanding $883 million and $25 million principal of 4.25% Senior Convertible Notes due December 15, 2016 ("2016 Convertible Notes") and December 15, 2036 ("2036 Convertible Notes"), respectively. Subject to certain limitations relating to the price of Ford Common Stock, 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). 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, either cash or a combination of cash and Ford Common Stock. Holders may require us to purchase all or a portion of the 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 Convertible Notes being repurchased plus any accrued and unpaid interest to, but not including, the date of repurchase. Additionally, holders of the 2036 Convertible Notes may require us to purchase all or a portion for cash on December 20, 2016 and December 15, 2026.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 18. DEBT AND COMMITMENTS (Continued)

We may terminate the conversion rights related to the 2016 Convertible Notes at 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. Also, 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 may terminate the conversion rights related to the 2036 Convertible Notes 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, equity, and if-converted components of our Convertible Notes at December 31 are summarized as follows (in millions):

			Total Effective Interest Rate	
	2011	2010	2011	2010
Liability component				
4.25% Debentures due December 15, 2016	$768	$768	9.2%	9.2%
4.25% Debentures due December 15, 2016 (underwriter option)	115	115	8.6%	8.6%
Subtotal Convertible Debt due December 15, 2016	883	883		
4.25% Debentures due December 20, 2036	25	25	10.5%	10.5%
Unamortized discount	(172)	(199)		
Net carrying amount	$736	$709		
Equity component of outstanding debt (a)	$(225)	$(225)		
Share value in excess of principal value, if converted (b)	$143	$732		

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(a) Recorded in Capital in excess of par value of stock.
(b) Based on share price of $10.76 and $16.79 as of December 31, 2011 and 2010, respectively.

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

	2011	2010	2009
Contractual interest coupon	$38	$138	$92
Amortization of discount	27	87	59
Total interest cost on Convertible Notes	$65	$225	$151

2010 Conversion Offer. In the fourth quarter of 2010, pursuant to an exchange offer we conducted, about $2 billion and $554 million principal amount of the 2016 Convertible Notes and 2036 Convertible Notes, respectively, were exchanged for an aggregate of 274,385,596 shares of Ford Common Stock, $534 million in cash ($215 in cash per $1,000 principal amount and $190 in cash per $1,000 principal amount of 2016 Convertible Notes and 2036 Convertible Notes exchanged, respectively) and the applicable accrued and unpaid interest on such 2016 Convertible Notes and 2036 Convertible Notes. As a result of the conversion, we recorded a pre-tax loss of $962 million, net of unamortized discounts, premiums and fees, in Automotive interest income and other non-operating income/(expense), net.

2009 Conversion Offer. In the second quarter of 2009, pursuant to an exchange offer we conducted, $4.3 billion principal amount of 2036 Convertible Notes was exchanged for an aggregate of 467,909,227 shares of Ford Common Stock, $344 million in cash ($80 in cash per $1,000 principal amount of 2036 Convertible Notes exchanged) and the applicable accrued and unpaid interest on such 2036 Convertible Notes. As a result of the conversion, we recorded a pre-tax gain of $1.2 billion, net of unamortized discounts, premiums, and fees, in Automotive interest income and other non-operating income/(expense), net.

Subordinated Convertible Debentures

In the first quarter of 2011, we redeemed in whole the Subordinated Convertible Debentures held by Trust II at a price of $100.66 per $100 principal amount of such debentures, plus accrued and unpaid interest of $1.08 per debenture. The proceeds from the redemption of the Subordinated Convertible Debentures were used by Trust II to redeem in whole the Trust Preferred Securities at a price of $50.33 per $50 liquidation preference of such securities, plus accrued and unpaid distributions of $0.54 per security. Redemption of these securities resulted in a reduction of about $3 billion in Automotive debt and lower annualized interest costs of about $190 million. It also resulted in a 2011 first quarter pre-tax charge of $60 million in Automotive interest income and other non-operating income/(expense), net.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 18. DEBT AND COMMITMENTS (Continued)

At December 31, 2010, we had outstanding $3 billion of 6.50% Subordinated Convertible Debentures due 2032 ("Subordinated Convertible Debentures"), reported in Automotive long-term debt. The $3 billion of Subordinated Convertible Debentures were held by Trust II, an unconsolidated entity, and were the sole assets of Trust II (for additional discussion of Trust II, see Note 13).

At December 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 were convertible into shares of Ford Common Stock, based on a conversion rate (subject to adjustment) of 2.8769 shares per $50 liquidation preference amount of Trust Preferred Securities (which is equal to a conversion price of $17.38 per share). We guaranteed 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 had made a payment of interest or principal on the Subordinated Convertible Debentures.

Secured Term Loan

2011 Secured Term Loan Actions. In the second and third quarters of 2011, we made optional prepayments of $2.2 billion and $1.8 billion, respectively, to the term loan lenders under our secured Credit Agreement dated December 15, 2006, as amended and restated on November 24, 2009 and as further amended (the "Credit Agreement"). In addition, in the second quarter of 2011 we also made a required payment of $67 million to the term lenders as a result of the completion of the true-up of the purchase price adjustments related to the sale of Volvo. As a result, we have repaid in full all amounts related to the term loans under our Credit Agreement.

2010 Secured Term Loan Actions. Pursuant to the requirement to use a portion of the cash proceeds from the sale of Volvo upon the closing thereof to partially prepay certain outstanding term loans under the Credit Agreement, we paid $288 million to the term loan lenders on August 3, 2010 following completion of the sale of Volvo. On December 15, 2010, we voluntarily paid $810 million on term loans that were scheduled to mature on December 15, 2013.

2009 Secured Term Loan Actions. In the first quarter of 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). 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 Automotive interest income and other non-operating income/(expense), net.

Ford Leasing purchased from the lenders under the Credit Agreement $45 million principal amount of our secured term loan thereunder for an aggregate cost of $37 million. Ford Holdings elected to receive the $37 million from Ford Leasing as a dividend, whereupon the debt was immediately forgiven. As a result of this transaction, we recorded a pre-tax gain of $8 million in Automotive interest income and other non-operating income/(expense), net.

Revolving Loan

2011 Secured Revolver Actions. In the second quarter of 2011, we made an optional prepayment of $838 million on revolving loans under our Credit Agreement that were scheduled to mature on December 15, 2011.

2010 Secured Revolver Actions. On April 6, 2010, September 9, 2010, and December 15, 2010, we paid $3 billion, $2 billion, and $1.7 billion, respectively, on revolving loans that were scheduled to mature on November 30, 2013.

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FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 18. DEBT AND COMMITMENTS (Continued)

Notes Due to UAW VEBA Trust

On December 31, 2009, as part of the settlement of our UAW postretirement health care obligation (as described in our 2009 Form 10-K Report) we issued two non-interest bearing notes, $6.7 billion Amortizing Guaranteed Secured Note maturing June 30, 2022 ("Note A") and $6.5 billion Amortizing Guaranteed Secured Note maturing June 30, 2022 ("Note B"), to the UAW VEBA Trust.

2010 Actions on Note A and Note B. In the second quarter of 2010, we made the scheduled payment due on Note A and Note B to the UAW VEBA Trust of $249 million and $610 million in cash, respectively. In addition, Ford and Ford Credit together purchased from the UAW VEBA Trust the remaining outstanding principal amount of Note A for cash of $2.9 billion, of which $1.6 billion was paid by us and $1.3 billion was paid by Ford Credit. Upon settlement, Ford Credit immediately transferred the portion of Note A it purchased to us in satisfaction of $1.3 billion of Ford Credit's tax liabilities to us. The purchase price for Note A was based on the contractual pre-payment amount less an agreed-upon discount of 2%. Immediately prior to our payments on Note A, the carrying value of the note was $3.2 billion. As a result of the purchase of Note A at a discount, we recorded a pre-tax gain of $40 million in the third quarter of 2010 in Automotive interest income and other non-operating income/(expense), net. In relation to the combined $859 million scheduled principal payments made under Note A and Note B on June 30, 2010, $448 million of discount was amortized and reported in Interest expense in the first nine months of 2010.

In the fourth quarter of 2010, we pre-paid the remaining outstanding principal amount of Note B, which fully satisfied our obligations to the UAW VEBA Trust.

DOE Advanced Technology Vehicles Manufacturing ("ATVM") Program

Pursuant to the Loan Arrangement and Reimbursement Agreement (the "Arrangement Agreement") with the DOE entered into on September 16, 2009, we had outstanding $4.8 billion in loans as of December 31, 2011. 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 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") to enter into 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 may be used only to finance certain costs eligible under the ATVM Program ("Eligible Project Costs") that are incurred through the end of 2012. Eligible Project Costs are those incurred in the implementation of 12 advanced technology vehicle programs approved for funding 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. 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.

EIB Credit Facility

On July 12, 2010, Ford Motor Company Limited, our operating subsidiary in the United Kingdom ("Ford of Britain"), entered into a credit facility for an aggregate amount of £450 million with the EIB. Proceeds of loans drawn under the facility are being used to fund costs for the research and development of fuel-efficient engines and commercial vehicles with lower emissions, and related upgrades to an engine manufacturing plant. The facility was fully drawn in the third quarter of 2010, and Ford of Britain had outstanding $698 million of loans at December 31, 2011. The loans are five-year, non-amortizing loans secured by a guarantee from the U.K. government for 80% of the outstanding principal amount and cash collateral from Ford of Britain equal to 20% of the outstanding principal amount, and bear interest at a fixed rate of approximately 3.6% per annum (excluding a commitment fee of 0.30% to the U.K. government). Ford of Britain has pledged substantially all of its fixed assets, receivables and inventory to the U.K. government as collateral, and we have guaranteed Ford of Britain's obligations to the U.K. government related to the government's guarantee.

Automotive Credit Facilities

Commitments under the revolving credit facility of our secured Credit Agreement totaled $8.9 billion which will mature on November 30, 2013. Pursuant to our Credit Agreement, at December 31, 2011, we had $8.8 billion available to be drawn under the revolving facility and had outstanding $131 million of letters of credit under the revolving facility.

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FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 18. DEBT AND COMMITMENTS (Continued)

Covenants. The Credit Agreement requires ongoing compliance with a borrowing base covenant until the collateral pledged under the Credit Agreement is released, and contains other restrictive covenants. Our ability to pay dividends (other than dividends payable in stock) is subject to certain limits under the Credit Agreement. 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, until the collateral pledged under the Credit Agreement is released, 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 such that the total debt outstanding does not exceed the value of the collateral as calculated in accordance with the Credit Agreement.

At December 31, 2011, we had $817 million of local credit facilities to foreign Automotive affiliates, of which $74 million has been utilized. Of the $817 million of committed credit facilities, $66 million expires in 2012, $165 million expires in 2013, $223 million expires in 2014, and $363 million expires in 2015.

Financial Services Sector

Debt Repurchases and Calls

From time to time and based on market conditions, our Financial Services sector may repurchase or call some of its outstanding unsecured and asset-backed debt. If our Financial Services sector has excess liquidity, and it is an economically favorable use of its available cash, it may repurchase or call debt at a price lower or higher than its carrying value, resulting in a gain or loss on extinguishment.

2011 Debt Repurchases. Through private market transactions, our Financial Services sector repurchased and called an aggregate principal amount of $2.3 billion (including $268 million maturing in 2011) of our unsecured debt. As a result, we recorded a pre-tax loss of $68 million, net of unamortized premiums, discounts and fees in Other income, net in 2011. There were no repurchase or call transactions for asset-backed debt during 2011.

2010 Debt Repurchases. Through private market transactions, our Financial Services sector repurchased and called an aggregate principal amount of $5.6 billion (including $683 million maturing in 2010) of its unsecured debt and asset-backed debt. As a result, our Financial Services sector recorded a pre-tax loss of $139 million, net of unamortized premiums and discounts, in Financial Services other income/(loss), net in 2010.

2009 Debt Repurchases. Through private market transactions, our Financial Services sector repurchased and called an aggregate principal amount of $3.9 billion (including $1.6 billion maturing in 2009) of its unsecured debt and asset-backed debt. As a result, our Financial Services sector recorded a pre-tax gain of $67 million, net of unamortized premiums and discounts, in Financial Services other income/(loss), net in 2009.

Asset-Backed Debt

Ford Credit engages in securitization transactions to fund operations and to maintain liquidity. Ford Credit's securitization transactions are recorded as asset-backed debt and the associated assets are not derecognized and continue to be included in our financial statements.

The finance receivables and net investment in operating leases that have been included in securitization transactions are only available for payment of the debt and other obligations issued or arising in the securitization transactions. They are not available to pay Ford Credit's other obligations or the claims of its other creditors. Ford Credit does, however, hold the right to the excess cash flows not needed to pay the debt and other obligations issued or arising in each of the securitization transactions. The debt is the obligation of our consolidated securitization entities and not Ford Credit's legal obligation or of its other subsidiaries.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 18. DEBT AND COMMITMENTS (Continued)

The following table shows the assets and liabilities related to our Financial Services sector's asset-backed debt arrangements that are included in our financial statements for the years ended December 31 (in billions):

	2011		
	Cash and Cash Equivalents	Finance Receivables, Net and Net Investment in Operating Leases	Related Debt
VIEs (a)			
Finance receivables	$3.0	$49.8	$37.2
Net investment in operating leases	0.4	6.4	4.2
Total	$3.4	$56.2	$41.4
Non-VIE			
Finance receivables (b)	$0.3	$6.2	$5.6
Total securitization transactions			
Finance receivables	$3.3	$56.0	$42.8
Net investment in operating leases	0.4	6.4	4.2
Total	$3.7	$62.4	$47.0

	2010		
	Cash and Cash Equivalents	Finance Receivables, Net and Net Investment in Operating Leases	Related Debt
VIEs (a)			
Finance receivables	$3.3	$50.5	$37.2
Net investment in operating leases	0.8	6.1	3.0
Total	$4.1	$56.6	$40.2
Non-VIE			
Finance receivables (b)	$0.2	$4.1	$3.7
Total securitization transactions			
Finance receivables	$3.5	$54.6	$40.9
Net investment in operating leases	0.8	6.1	3.0
Total	$4.3	$60.7	$43.9

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(a) Includes assets to be used to settle liabilities of the consolidated VIEs. See Note 13 for additional information on Financial Services sector VIEs.

(b) Certain debt issued by the VIEs to affiliated companies served as collateral for accessing the ECB open market operations program. This external funding of $246 million and $334 million at December 31, 2011 and 2010, respectively was not reflected as a liability of the VIEs and is reflected as a non-VIE liability above. The finance receivables backing this external funding are reflected in VIE finance receivables.

Financial Services sector asset-backed debt also included $75 million and $87 million at December 31, 2011 and 2010, respectively, that is secured by property.

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 $1,048 million of Ford Credit debt and related interest of $20 million. We recognized a gain on extinguishment of debt of $68 million on the transaction in Automotive interest income and other non-operating income/(expense), net. During the second quarter of 2010, we utilized cash of $192 million to purchase $200 million of Ford Credit debt and related interest of about $1 million. We recognized a gain on extinguishment of debt of $9 million on the transaction in Automotive interest income and other non-operating income/(expense), net.

On our consolidated balance sheet, we net the remaining debt purchased by Ford with the outstanding debt of Ford Credit, reducing our consolidated marketable securities and debt balances by $201 million and $201 million at December 31, 2011 and 2010, respectively. On our sector balance sheet, the debt is reported separately as Automotive marketable securities and Financial Services debt as it has not been retired or cancelled by Ford Credit.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 18. DEBT AND COMMITMENTS (Continued)

Credit Facilities

At December 31, 2011, Ford Credit and its majority-owned subsidiaries had about $714 million of contractually committed unsecured credit facilities with financial institutions, including FCE's £440 million (equivalent to $683 million at December 31, 2011) credit facility (the "FCE Credit Agreement") which matures in 2014. FCE drew $200 million as part of its plans for periodic usage of the facility and at December 31, 2011, FCE had $483 million available for use. The FCE Credit Agreement contains certain covenants, including an obligation for FCE to maintain its ratio of regulatory capital to risk weighted assets at no less than the applicable regulatory minimum, and for the support agreement between FCE and Ford Credit to remain in full force and effect (and enforced by FCE to ensure that its net worth is maintained at no less than $500 million). In addition to customary payment, representation, bankruptcy, and judgment defaults, the FCE Credit Agreement contains cross-payment and cross-acceleration defaults with respect to other debt.

In addition, at December 31, 2011, Ford Credit had about $7.9 billion of contractually-committed liquidity facilities provided by banks to support its FCAR program of which $4.3 billion expire in 2012 and $3.6 billion expire in 2014. Utilization of these facilities is subject to conditions specific to the FCAR program and Ford Credit having a sufficient amount of eligible retail assets for securitization. The FCAR program must be supported by liquidity facilities equal to at least 100% of its outstanding balance. At December 31, 2011, about $7.9 billion of FCAR’s bank liquidity facilities were available to support FCAR’s asset-backed commercial paper, subordinated debt or FCAR’s purchase of Ford Credit asset-backed securities. At December 31, 2011, the outstanding commercial paper balance for the FCAR program was $6.8 billion.

Committed Liquidity Programs

Ford Credit and its subsidiaries, including FCE, have entered into agreements with a number of bank-sponsored asset-backed commercial paper conduits and other financial institutions. Such counterparties are contractually committed, at Ford Credit's option, to purchase from Ford Credit eligible retail or wholesale assets or to purchase or make advances under asset-backed securities backed by retail, lease, or wholesale assets for proceeds of up to $24 billion at December 31, 2011 ($12.6 billion retail, $8 billion wholesale, and $3.4 billion lease assets), of which $7 billion are commitments to FCE. These committed liquidity programs have varying maturity dates, with $21.6 billion having maturities within the next twelve months (of which about $6.6 billion relates to FCE commitments) and the remaining balance having maturities between January 2013 and August 2014. Ford Credit plans to achieve capacity renewals to protect its global funding needs, optimize capacity utilization and maintain sufficient liquidity. Ford Credit's ability to obtain funding under these programs is subject to having a sufficient amount of assets eligible for these programs as well as its ability to obtain interest rate hedging arrangements for certain securitization transactions. Ford Credit's capacity in excess of eligible receivables and operating leases would protect it against the risk of lower than planned renewal rates. At December 31, 2011, $14.5 billion of these commitments were in use. These programs are free of material adverse change clauses, restrictive financial covenants (for example, debt-to-equity limitations and minimum net worth requirements), and generally credit rating triggers that could limit Ford Credit's ability to obtain funding. However, the unused portion of these commitments may be terminated if the performance of the underlying assets deteriorates beyond specified levels. Based on Ford Credit's experience and knowledge as servicer of the related assets, it does not expect any of these programs to be terminated due to such events.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 19. OTHER INCOME/(LOSS)

Automotive Sector

The following table summarizes amounts included in Automotive interest income and other non-operating income/(expense), net for the years ending December 31 (in millions):

	2011	2010	2009
Interest income	$387	$262	$205
Realized and unrealized gains/(losses) on cash equivalents and marketable securities	(77)	125	373
Gains/(Losses) on the sale of held-for-sale operations, equity and cost investments, and other dispositions	436	5	(7)
Gains/(Losses) on extinguishment of debt (a)	(60)	(844)	4,666
Other	139	90	47
Total	$825	$(362)	$5,284

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(a) See Note 18 for a description of the debt transactions.

Financial Services Sector

The following table summarizes the amounts included in Financial Services other income/(loss), net for the years ending December 31 (in millions):

	2011	2010	2009
Interest income (investment-related)	$84	$86	$107
Realized and unrealized gains/(losses) on cash equivalents and marketable securities	15	22	42
Gains/(Losses) on the sale of held-for-sale operations, equity and cost investments, and other dispositions	51	9	16
Gains/(Losses) on extinguishment of debt (a)	(68)	(139)	71
Investment and other income related to sales of receivables	1	2	(25)
Insurance premiums earned, net	100	98	100
Other	230	237	241
Total	$413	$315	$552

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(a) 2009 includes a gain of $4 million based on extinguishment of debt from the exercise of a contractually-permitted put option. See Note 18 for a description of the debt transactions.

NOTE 20. SHARE-BASED COMPENSATION

At December 31, 2011, a variety of Ford stock-based compensation grants and awards were outstanding for employees (including officers) and members of the Board of Directors. All stock-based compensation plans are approved by the shareholders.

We grant performance and time-based restricted stock units to our employees. Restricted stock units awarded in stock ("RSU-stock") provide the recipients with the right to shares of stock after a restriction period. We have stock-based compensation outstanding under two Long-Term Incentive Plans ("LTIP"): the 1998 LTIP and the 2008 LTIP. No further grants may be made under the 1998 LTIP. All outstanding stock-based compensation under the 1998 LTIP continues to be governed by the terms and conditions of the existing agreements for those grants. Grants may continue to be made under the 2008 LTIP through April 2018. Under the 2008 LTIP, 2% of our issued Common Stock as of December 31 becomes available for granting plan awards in the succeeding calendar year. Any unused portion is available for later years. The limit may be increased up to 3% in any year, with a corresponding reduction in shares available for grants in future years. At December 31, 2011 the number of unused shares carried forward was 96 million shares.

The fair value of the awards under the two plans is calculated differently:

1998 LTIP - Fair value is the average of the high and low market price of our Common Stock on the grant date.

2008 LTIP - Fair value is the closing price of our Common Stock on the grant date.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 20. SHARE-BASED COMPENSATION (Continued)

Outstanding RSU-stock are either strictly time-based or a combination of performance and time-based awards. Expenses associated with RSU-stock are recorded in Selling, administrative, and other expense.

- Time-based RSU-stock generally have a graded vesting feature whereby one-third of each RSU-stock vests after the first anniversary of the grant date, one-third after the second anniversary, and one-third after the third anniversary. The expense is recognized using the graded vesting method.
- Performance RSU-stock have a performance period (usually 1-3 years) and usually a restriction period (usually 1-3 years). Compensation expense for performance RSU-stock is recognized when it is probable and estimable as measured against the performance metrics. Expense is then recognized over the performance and restriction periods, if any, based on the fair market value of Ford Common Stock at grant date.

We also grant stock options to our employees. We measure the fair value of the majority of our stock options using the Black-Scholes option-pricing model, using historical volatility and our determination of the expected term. The expected term of stock options is the time period that the stock options are expected to be outstanding. Historical data are used to estimate option exercise behaviors and employee termination experience.

Stock options generally have a vesting feature whereby one-third of the stock options are exercisable after the first anniversary of the grant date, one-third after the second anniversary, and one-third after the third anniversary. Stock options expire ten years from the grant date and are expensed in Selling, administrative, and other expenses using a three-year graded vesting methodology.

We issue new shares of Common Stock upon settlement of RSU-stock and options settleable in shares. During 2012, we intend to implement a modest anti-dilutive share repurchase plan to offset share-based compensation.

Restricted Stock Units

RSU-stock activity during 2011 was as follows:

	Shares (millions)	Weighted-Average Grant-Date Fair Value	Aggregate Intrinsic Value (millions)
Outstanding, beginning of year	72.4	$3.96	
Granted	8.6	14.47	
Vested	(44.4)	3.19	
Forfeited	(0.5)	11.03	
Outstanding, end of year	36.1	7.31	$388.4
RSU-stock expected to vest	35.5	N/A	381.9

Intrinsic value of RSU-stock is measured by applying the closing stock price as of December 31 to the applicable number of units. The fair value and intrinsic value of RSU-stock during 2011, 2010, and 2009 were as follows (in millions, except RSU-stock per unit amounts):

	2011	2010	2009
Fair value			
Granted	$123	$130	$171
Weighted average for multiple grant dates (per unit)	14.47	12.69	2.13

Vested	141	112	66
Intrinsic value			
Vested	478	522	95

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FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 20. SHARE-BASED COMPENSATION (Continued)

Compensation cost for RSU-stock was as follows (in millions):

	2011	2010	2009
Compensation cost (a)	$84	$138	$117

(a) Net of tax benefit of $49 million, $0, and $0 in 2011, 2010, and 2009, respectively.

As of December 31, 2011, there was approximately $49 million in unrealized compensation cost related to non-vested RSU-stock. This expense will be recognized over a weighted average period of 1.3 years.

Stock Options

Stock option activity was as follows:

	2011		2010		2009	
	Shares (millions)	Weighted-Average Exercise Price	Shares (millions)	Weighted-Average Exercise Price	Shares (millions)	Weighted-Average Exercise Price
Outstanding, beginning of year	172.5	$13.07	225.4	$13.36	226.2	$16.37
Granted	4.4	14.76	6.7	12.75	26.5	2.06
Exercised (a)	(8.2)	9.25	(36.5)	8.41	(1.3)	7.35
Forfeited (including expirations)	(24.3)	29.18	(23.1)	23.18	(26.0)	28.28
Outstanding, end of year	144.4	10.63	172.5	13.07	225.4	13.36
Exercisable, end of year	126.8	11.00	143.7	14.63	185.0	15.47

(a) Exercised at option price ranging from $1.96 to $16.91 during 2011, option price ranging from $1.96 to $16.91 during 2010, and option price ranging from $5.49 to $7.83 during 2009.

The total grant date fair value of options that vested during the years ended December 31 was as follows (in millions):

	2011	2010	2009
Fair value of vested options	$36	$37	$41

We have 126.8 million fully-vested stock options, with a weighted-average exercise price of $11.00 and average remaining term of 3 years. We expect 17.2 million stock options (after forfeitures), with a weighted-average exercise price of $7.96 and average remaining term of 8 years, to vest in the future.

The intrinsic value for vested and unvested options during the years ended December 31 was as follows (in millions):

	2011	2010	2009
Intrinsic value of vested options (a)	$257	$623	$132
Intrinsic value of unvested options (after forfeitures) (a)	74	324	246

(a) The intrinsic value for stock options is measured by comparing the awarded option price to the closing stock price at December 31.

We received approximately $76 million from the exercise of stock options in 2011. The tax benefit realized was de minimis. An equivalent of about $73 million in new issues were used to settle exercised options. For options exercised during the years ended December 31, 2011, 2010, and 2009, the difference between the fair value of the

Common Stock issued and the respective exercise price was $54 million, $187 million, and $2 million, respectively.

Compensation cost for stock options was as follows (in millions):

	2011	2010	2009
Compensation cost (a)	$30	$34	$29

(a) Net of tax benefit of $17 million, $0, and $0 in 2011, 2010, and 2009, respectively.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 20. SHARE-BASED COMPENSATION (Continued)

As of December 31, 2011, there was about $13 million in unrealized compensation cost related to non-vested stock options. This expense will be recognized over a weighted-average period of 1.3 years. A summary of the status of our non-vested shares and changes during 2011 follows:

	Shares (millions)	Weighted-Average Grant-Date Fair Value
Non-vested, beginning of year	28.8	$2.77
Granted	4.4	8.48
Vested	(15.1)	2.43
Forfeited	(0.5)	2.79
Non-vested, end of year	17.6	4.49

The estimated fair value of stock options at the time of grant using the Black-Scholes option-pricing model was as follows:

	2011	2010	2009
Fair value per stock option	$8.48	$7.21	$1.07
Assumptions:			
Annualized dividend yield	— %	— %	— %
Expected volatility	53.2 %	53.4 %	52.0 %
Risk-free interest rate	3.2 %	3.0 %	2.7 %
Expected stock option term (in years)	7.1	6.9	6.0

Details on various stock option exercise price ranges are as follows:

	Outstanding Options			Exercisable Options	
Range of Exercise Prices	Shares (millions)	Weighted-Average Life (years)	Weighted-Average Exercise Price	Shares (millions)	Weighted-Average Exercise Price
$1.96 – $2.84	22.4	7.20	$2.10	13.7	$2.11
$5.11 – $10.18	41.5	4.21	7.42	41.5	7.42
$11.10 – $15.98	48.3	3.85	13.20	39.4	13.08
$16.09 – $17.05	32.2	0.30	16.88	32.2	16.88
Total stock options	144.4			126.8	

Other Share-Based Awards

Under the 1998 LTIP and 2008 LTIP, we have granted other share-based awards to certain employees. These awards include restricted stock grants, cash-settled restricted stock units, and stock appreciation rights. These awards have various vesting criteria which may include service requirements, individual performance targets, and company-wide performance targets.

Other share-based compensation cost was as follows (in millions):

	2011	2010	2009
Compensation cost (a)	$(9)	$6	$11

(a) Net of tax of $3 million, $0, and $0 in 2011, 2010, and 2009, respectively.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 21. EMPLOYEE SEPARATION ACTIONS

As part of our plan to realign our vehicle assembly capacity to operate profitably at the current demand and changing model mix, we have implemented a number of different employee separation plans. The accounting for employee separation plans is dependent on the specific design of the plans.

Under certain labor agreements, we are required to pay transitional benefits to our employees who are idled. For employees who will be temporarily idled, we expense the benefits on an as-incurred basis. For employees who will be permanently idled, we expense all of the future benefits payments in the period when it is probable that the employees will be permanently idled. Our reserve balance for these future benefit payments to permanently idled employees takes into account several factors: the demographics of the population at each affected facility, redeployment alternatives, estimate of benefits to be paid, and recent experience relative to voluntary redeployments.

We also incur payments to employees for separation actions. The costs of voluntary employee separation actions are recorded at the time of employee acceptance, unless the acceptance requires explicit approval by the Company. The costs of involuntary separation programs are accrued when management has approved the program and the affected employees are identified.

Automotive Sector

Transitional Benefits

Our collective bargaining agreements with the UAW and the CAW require us to pay a portion of wage and benefits for a specified period of time to employees who are considered permanently idled and who meet certain conditions. We have established a reserve for employee benefits that we expect to provide under our collective bargaining agreements. At December 31, 2011 and 2010, this reserve was $153 million and $372 million, respectively.

The balance in the reserve primarily relates to the closure of our St. Thomas Assembly Plant in Canada, which was announced in the fourth quarter of 2009.

Separation Actions

The following table shows pre-tax charges for hourly and salaried employee separation actions, which are recorded in Automotive cost of sales and Selling, administrative and other expenses for the years ended December 31
(in millions):

	2011	2010	2009
Ford Europe	$67	$56	$109
Ford North America	154	110	225
Ford South America	15	3	20
Ford Asia Pacific Africa	38	1	17

The charges above exclude costs for pension and OPEB.

Financial Services Sector

Separation Actions

We recorded in Selling, administrative and other expenses pre-tax charges of $32 million, $33 million, and $64 million for 2011, 2010, and 2009, respectively, for employee separation actions. These charges exclude costs for pension and OPEB.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 22. INCOME TAXES

Income Taxes

In accordance with GAAP, we have elected to recognize accrued interest related to unrecognized tax benefits and tax-related penalties in the Provision for/(Benefit from) income taxes on our consolidated statement of operations.

Valuation of Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are recognized based on the future tax consequences attributable to temporary differences that exist between the financial statement carrying value of assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards on a taxing jurisdiction basis. We measure deferred tax assets and liabilities using enacted tax rates that will apply in the years in which we expect the temporary differences to be recovered or paid.

Our accounting for deferred tax consequences represents our best estimate of the likely future tax consequences of events that have been recognized in our financial statements or tax returns and their future probability. In assessing the need for a valuation allowance, we consider both positive and negative evidence related to the likelihood of realization of the deferred tax assets. If, based on the weight of available evidence, it is more likely than not that the deferred tax assets will not be realized, we record a valuation allowance.

Components of Income Taxes

Components of income taxes excluding discontinued operations, cumulative effects of changes in accounting principles, other comprehensive income, and equity in net results of affiliated companies accounted for after-tax, are as follows:

	2011		2010		2009	
Income/(Loss) before income taxes, excluding equity in net results of affiliated companies accounted for after-tax (in millions)						
U.S.	$6,043		$4,057		$1,724	
Non-U.S.	2,138		2,554		680	
Total	$8,181		$6,611		$2,404	
Provision for/(Benefit from) income taxes (in millions)						
Current						
Federal	$(4	)	$(69	)	$(274	)
Non-U.S.	298		289		269	
State and local	(24	)	(5	)	7	
Total current	270		215		2	
Deferred						
Federal	(9,785	)	—		(100	)
Non-U.S.	(1,590	)	292		44	
State and local	(436	)	85		(59	)
Total deferred	(11,811	)	377		(115	)
Total	$(11,541	)	$592		$(113	)
Reconciliation of effective tax rate						
U.S. statutory rate	35.0	%	35.0	%	35.0	%
Non-U.S. tax rates under U.S. rates	(1.5	)	(0.1	)	(0.6	)
State and local income taxes	1.1		1.5		(1.9	)

General business credits	(1.9)	(1.8)	(6.2)
Dispositions and restructurings	6.8	(9.5)	(4.3)
U.S. tax on non-U.S. earnings	(0.8)	0.1	0.6
Prior year settlements and claims	(0.2)	(10.0)	10.4
Tax-related interest	(0.9)	(0.7)	(1.5)
Tax-exempt income	(3.9)	(4.7)	(10.4)
Other	(2.5)	0.2	0.2
Valuation allowances	(172.3)	(1.0)	(26.0)
Effective rate	(141.1)%	9.0 %	(4.7)%

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FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 22. INCOME TAXES (Continued)

We historically have provided deferred taxes for the presumed repatriation to the United States of earnings from nearly all non-U.S. subsidiaries. During 2011, we determined that $6.9 billion of these non-U.S. subsidiaries' undistributed earnings are now indefinitely reinvested outside the United States. As management has determined that the earnings of these subsidiaries are not required as a source of funding for U.S. operations, such earnings are not planned to be distributed to the U.S. in the foreseeable future. As a result of this change in assertion, deferred tax liabilities related to undistributed foreign earnings decreased by $63 million.

As of December 31, 2011, $8.4 billion of non-U.S. earnings are considered indefinitely reinvested in operations outside the United States, for which deferred taxes have not been provided. These earnings have been subject to significant non-U.S. taxes; repatriation in their entirety would result in a residual U.S. tax liability of about $300 million.

At the end of 2011, our U.S. operations had returned to a position of cumulative profits for the most recent three-year period. We concluded that this record of cumulative profitability in recent years, our ten consecutive quarters of pre-tax operating profits, our successful completion of labor negotiations with the UAW, and our business plan showing continued profitability, provide assurance that our future tax benefits more likely than not will be realized. Accordingly, at year-end 2011, we released almost all of our valuation allowance against net deferred tax assets for entities in the United States, Canada, and Spain.

At December 31, 2011, we have retained a valuation allowance against approximately $500 million in North America related to various state and local operating loss carryforwards that are subject to restrictive rules for future utilization, and a valuation allowance totaling $1 billion primarily against deferred tax assets for our South American operations.

Components of Deferred Tax Assets and Liabilities

The components of deferred tax assets and liabilities at December 31 were as follows (in millions):

	2011	2010
Deferred tax assets		
Employee benefit plans	$8,189	$6,332
Net operating loss carryforwards	3,163	4,124
Tax credit carryforwards	4,534	4,546
Research expenditures	2,297	2,336
Dealer and customer allowances and claims	1,731	1,428
Other foreign deferred tax assets	694	1,513
Allowance for credit losses	194	252
All other	1,483	2,839
Total gross deferred tax assets	22,285	23,370
Less: valuation allowances	(1,545)	(15,664)
Total net deferred tax assets	20,740	7,706
Deferred tax liabilities		
Leasing transactions	932	928
Deferred income	2,098	2,101
Depreciation and amortization (excluding leasing transactions)	1,659	1,146
Finance receivables	551	716
Other foreign deferred tax liabilities	360	334
All other	711	1,613

Total deferred tax liabilities	6,311	6,838
Net deferred tax assets/(liabilities)	$14,429	$868

Operating loss carryforwards for tax purposes were $8.5 billion at December 31, 2011, resulting in a deferred tax asset of $3.2 billion. A substantial portion of these losses begin to expire in 2029; the remaining losses will begin to expire in 2018. Tax credits available to offset future tax liabilities are $4.5 billion. A substantial portion of these credits have a remaining carryforward period of 10 years or more. Tax benefits of operating loss and tax credit carryforwards are evaluated on an ongoing basis, including a review of historical and projected future operating results, the eligible carryforward period, and other circumstances.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 22. INCOME TAXES (Continued)

Other

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows for the years listed (in millions):

	2011	2010
Balance at January 1	$1,063	$1,173
Increase – tax positions in prior periods	1,045	138
Increase – tax positions in current period	59	52
Decrease – tax positions in prior periods	(134)	(141)
Settlements	(186)	(109)
Lapse of statute of limitations	(21)	(29)
Foreign currency translation adjustment	(8)	(21)
Balance at December 31	$1,818	$1,063

The amount of unrecognized tax benefits at December 31, 2011 and 2010 that would affect the effective tax rate if recognized was $1.2 billion and $510 million, respectively.

Examinations by tax authorities have been completed through 2005 in Germany, and through 2007 in Canada, the United States, and the United Kingdom. Although examinations have been completed in these jurisdictions, various unresolved transfer pricing disputes exist for years dating back to 1994.

We recorded in our consolidated statement of operations approximately $77 million, $45 million, and $54 million in tax-related interest income for the years ended December 31, 2011, 2010, and 2009. As of December 31, 2011 and 2010, we had recorded a net payable of $171 million and $77 million, respectively, for tax-related interest.

NOTE 23. HELD-FOR-SALE OPERATIONS, DISPOSITIONS, AND ACQUISITIONS

We classify assets and liabilities as held for sale ("disposal group") when management, having the authority to approve the action, commits to a plan to sell the disposal group, the sale is probable within one year, and the disposal group is available for immediate sale in its present condition. We also consider whether an active program to locate a buyer has been initiated, whether the disposal group is marketed actively for sale at a price that is reasonable in relation to its current fair value, and whether actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. We classify a disposal group as a discontinued operation when the criteria to be classified as held for sale have been met and we will not have any significant involvement with the disposal group after the sale.

When we classify a disposal group as held for sale, we test for impairment. An impairment charge is recognized when the carrying value of the disposal group exceeds the estimated fair value, less transaction costs.

We aggregate the assets and liabilities of all held-for-sale disposal groups on the balance sheet for the period in which the disposal group is held for sale. To provide comparative balance sheets, we also aggregate the assets and liabilities for significant held-for-sale disposal groups on the prior-period balance sheet.

Automotive Sector

Held-for-Sale Operations

Ford Russia. In the second quarter of 2011, we signed an agreement with Sollers OJSC ("Sollers") establishing a 50/50 joint venture in Russia, FordSollers, and classified the assets and liabilities of our operations in Russia as held for sale and suspended depreciation and amortization on those assets. A joint application by Ford and Sollers to the Russian government for participation in the new industrial assembly regime, which will qualify the joint venture for reduced import duties for parts imported into Russia, was approved by the Ministry of Economic Development and Trade on June 1, 2011.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 23. HELD-FOR-SALE OPERATIONS, DISPOSITIONS, AND ACQUISITIONS (Continued)

On October 1, 2011, we contributed our wholly-owned operations in Russia, consisting primarily of a manufacturing plant near St. Petersburg and access to our Russian dealership network to the joint venture. Additionally, we entered into an agreement with FordSollers for the granting of an exclusive right to manufacture, assemble, and distribute certain Ford-brand vehicles in Russia through the licensing of certain trademarks and intellectual property rights. Sollers contributed two production facilities. The joint venture will be engaged in the manufacturing and distribution of a range of Ford passenger cars and light commercial vehicles in Russia. As part of our ongoing relationship with FordSollers, we will supply parts and other vehicle components to the joint venture and receive a royalty of five percent of the joint venture's net sales revenue.

The assets and liabilities of Ford Russia that were classified as held for sale were as follows (in millions):

	October 1, 2011
Assets	
Cash and cash equivalents	$69
Receivables	54
Inventories	145
Net property	221
Other assets	13
Total assets of held-for-sale operations	$502
Liabilities	
Trade payables	$222
Other payables	5
Accrued liabilities	89
Total liabilities of held-for-sale operations	$316

Upon contribution of our wholly-owned operations in Russia to the joint venture in exchange for a 50% equity interest, we deconsolidated the assets and liabilities shown above, recorded an equity method investment in FordSollers at its fair value of $364 million, and recognized a pre-tax gain of $178 million attributable to the remeasurement of the retained investment to its fair value. In addition, we received cash proceeds of $174 million, recorded a note receivable in the amount of $133 million, recorded a payable of $27 million, and recognized loss in accumulated foreign currency adjustment of $57 million. The total pre-tax gain of $401 million is reported in Automotive interest income and other non-operating income/(expense), net.

We measured the fair value of our equity interest using the income approach. We used cash flows that were developed jointly by Ford and Sollers. The significant assumptions used in this approach included:

- Projected growth in the Russian automobile market;
- Reduced import duties on certain auto parts; and
- A discount rate of 16% based on an appropriate weighted average cost of capital, adjusted for perceived business risks related to regulatory concerns, foreign exchange volatility, execution risk, and risk associated with the Russian automotive industry.

We, along with Sollers, pledged 100% of the shares in the joint venture to the State Corporation Bank for Development and Foreign Economic Operations - Vnesheconombank ("VEB") as collateral securing the joint venture's debt.

Dispositions

Automotive Components Holdings, LLC ("ACH"). On June 1, 2011, ACH completed the legal sale of its blow-molded fuel tank business located at its Milan plant to Inergy Automotive Systems. As a result of the terms of the arrangement, the value of the property remains on our balance sheet and is being amortized over the term of the new supply agreement with Inergy Automotive.

Volvo. On August 2, 2010, we completed the sale of Volvo and related assets to Zhejiang Geely Holding Group Company Limited ("Geely"). As agreed, Volvo retained or acquired certain assets used by Volvo, consisting principally of licenses to use certain intellectual property. During the first quarter of 2011, the final true-up of the purchase price was adjusted upward by $9 million, lowering our pre-tax loss on the sale to $14 million reported in Automotive interest income and other non-operating income/(expense), net.

As part of the agreement between Ford and Geely, we continue to supply Volvo with various vehicle components. Due to our continued involvement with Volvo after separation, we did not classify Volvo as a discontinued operation.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 23. HELD-FOR-SALE OPERATIONS, DISPOSITIONS, AND ACQUISITIONS (Continued)

Progress Ford Sales Limited ("PFS"). In 2009, PFS was liquidated. As a result, we recognized in Automotive cost of sales a $281 million foreign exchange translation loss previously deferred in Accumulated other comprehensive income/(loss).

NuCellSys. In 2009, we reached an agreement with Daimler AG ("Daimler") to sell our entire ownership interest in NuCellSys to Daimler. NuCellSys was a joint venture created by Ford and Daimler in 2005 for research into and development and manufacture of fuel cell systems. As a result of the sale, we recognized a loss of $29 million in Automotive interest income and other non-operating income/(expense), net.

Acquisitions

CPF. On March 15, 2011, we acquired the remaining interest in CPF, formerly Tekfor Cologne GmbH. CPF was a 50/50 joint venture with Neumayer Tekfor GmbH which previously was consolidated as a VIE. For additional discussion on the CPF acquisition, see Note 13.

ACSA. In 2008, we acquired 72.4% of the shares of ACSA, a Romanian carmaker located in Craiova, from Romania's Authority for State Assets Recovery ("AVAS"). During 2010 we completed the acquisition of the remaining minority interest, and now own 100% of ACSA.

We manage the day-to-day operations at ACSA and its subsidiary, Ford Romania S.A. However, as a result of the contractual commitments in the sale and purchase agreement, the Romanian government maintains the ability to influence certain key decisions regarding the business until March 2012. For example, during this period the Romanian government has the ability to influence the following:

- Implementation of the business plan, including investment and strategic decisions to achieve minimum vehicle production levels;
- The minimum level of full-time employees used in automobile production;
- Capital expenditure and investment levels, including environmental protection improvements; and
- Completion of restructuring plans requiring us to return non-core assets to the Romanian government.

We have been in discussions with the Romanian government to renegotiate some of the terms of the agreement, including an extension of the agreement to January 2013. We anticipate that we will consolidate the operations upon the cessation of control and participation in the operations by AVAS.

Financial Services Sector

Held-for-Sale Operations

Held-for-Sale Finance Receivables. During the third quarter of 2009, Ford Credit classified $911 million of Ford Credit Australia finance receivables as held for sale that it no longer had the intent to hold for the foreseeable future or until maturity or payoff. We recorded a valuation allowance of $52 million in Financial Services other income/(loss), net related to these assets. The receivables were sold on October 1, 2009.

Dispositions

Asia Pacific Markets. In 2011, Ford Credit recorded foreign currency translation adjustments of $60 million (including $72 million recorded in the fourth quarter of 2011), related to the strategic decision to exit retail and wholesale financing in certain Asia Pacific markets. These adjustments decreased Accumulated other comprehensive income (foreign currency translation) and increased pre-tax income, which was recorded to Financial Services other income/loss, net.

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FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 24. CAPITAL STOCK AND AMOUNTS PER SHARE

Capital Stock. All general voting power is vested in the holders of Common Stock and Class B Stock. Holders of our Common Stock have 60% of the general voting power and holders of our Class B Stock are entitled to such number of votes per share as will give them the remaining 40%. Shares of Common Stock and Class B Stock share equally in dividends when and as paid, with stock dividends payable in shares of stock of the class held. Our ability to pay dividends (other than dividends payable in stock) is subject to certain limits under the terms of our Credit Agreement, which is discussed in more detail in Note 18.

If liquidated, each share of Common Stock will be entitled to the first $0.50 available for distribution to holders of Common Stock and Class B Stock, each share of Class B Stock will be entitled to the next $1.00 so available, each share of Common Stock will be entitled to the next $0.50 so available and each share of Common and Class B Stock will be entitled to an equal amount thereafter.

We present both basic and diluted earnings per share ("EPS") amounts in our financial reporting. EPS is computed independently each quarter for income from continuing operations, income/(loss) from discontinued operations, and net income; as a result, the sum of per-share amounts from continuing operations and discontinued operations may not equal the total per-share amount for net earnings. Basic EPS excludes dilution and is computed by dividing income available to Common and Class B Stock holders by the weighted-average number of Common and Class B Stock outstanding for the period. Diluted EPS, on the other hand, reflects the maximum potential dilution that could occur if all our equity-linked securities and other share-based compensation, including stock options, warrants, and rights under our convertible notes, were exercised. Potential dilutive shares are excluded from the calculation if they have an anti-dilutive effect in the period.

Convertible Securities

As discussed in Note 18, 2016 Convertible Notes with a principal amount of $883 million and 2036 Convertible Notes with a principal amount of $25 million were each outstanding at December 31, 2011.

Subject to certain limitations relating to the price of our Common Stock, at the option of the holder, each 2016 Convertible Note is convertible on or before November 16, 2016, into shares of Common Stock at a rate of 107.5269 shares per $1,000 principal amount of 2016 Convertible Note (equivalent to a conversion price of $9.30 per share). Conversion of all remaining shares of 2016 Convertible Notes would result in the issuance of about 95 million shares of our Common Stock.

At the option of the holder, each 2036 Convertible Note is convertible on or before December 15, 2036, into shares of Ford Common Stock at a rate of 108.6957 shares per $1,000 principal amount of Convertible Notes (equivalent to a conversion price of $9.20 per share). Conversion of all remaining shares of 2036 Convertible Notes would result in the issuance of about 2.7 million shares of our Common Stock.

Warrants

In conjunction with the transfer of assets to the UAW VEBA Trust on December 31, 2009, we issued warrants to purchase 362,391,305 shares of Ford Common Stock at an exercise price of $9.20 per share. On April 6, 2010, the UAW VEBA Trust sold all such warrants to parties unrelated to us. In connection with the sale, the terms of the warrants were modified to provide for, among other things, net share settlement as the only permitted settlement method thereby eliminating full physical settlement as an option, and elimination of certain of the transfer restrictions applicable to the underlying stock. We received no proceeds from the offering. All warrants are fully exercisable and expire January 1, 2013. The net dilutive effect for warrants, shown below, includes approximately 111 million dilutive shares for 2011, representing the net share settlement methodology for the 362 million warrants outstanding as of December 31, 2011.

Dividend Reinstatement

On December 8, 2011, our Board of Directors declared a dividend on our Common and Class B Stock of $0.05 per share payable on March 1, 2012, to stockholders of record on January 31, 2012. Accordingly, we recorded a reduction to retained earnings of $190 million in the fourth quarter of 2011.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 24. CAPITAL STOCK AND AMOUNTS PER SHARE (Continued)

Dividends will affect our diluted earnings per share calculation because they likely will cause an adjustment to the conversion and exercise prices of our outstanding convertible debt securities and warrants described above. Pursuant to the terms of these securities, the conversion and exercise prices will be adjusted (i) when dividends on our Common and Class B stock are paid in a sufficient amount so as to trigger a 1 percent or greater change in the conversion and/or exercise prices or (ii) on the anniversary date of issuance of those securities -- November 9, 2012 for the 2016 Convertible Notes, December 15, 2012 for the 2036 Convertible Notes, and December 11, 2012 for the warrants, whichever occurs first. At that time we will adjust the exercise price in the calculation of the additional dilutive shares for our convertible debt and for warrants.

Other Transactions Related to Capital Stock

On May 18, 2009, we issued 345 million shares of Ford Common Stock pursuant to a public offering at a price of $4.75 per share, resulting in total gross proceeds of $1.6 billion.

As discussed in Note 18, we issued shares of Ford Common Stock from time to time pursuant to an equity distribution agreement and used the proceeds to purchase outstanding Ford Credit debt securities maturing prior to 2012. In the third quarter of 2009, we issued 71,587,743 shares of Ford Common Stock resulting in proceeds of $565 million.

On December 4, 2009, we entered into an equity distribution agreement with certain broker-dealers pursuant to which we offered and sold shares of Ford Common Stock from time to time. Sales under this agreement were completed in September 2010. Under this agreement we issued 85.8 million shares of Common Stock for an aggregate price of $1 billion, with 75.9 million shares of Common Stock for an aggregate price of $903 million issued in 2010.

Amounts Per Share Attributable to Ford Motor Company Common and Class B Stock

Basic and diluted income/(loss) per share were calculated using the following (in millions):

	2011	2010	2009
Basic and Diluted Income/(Loss) Attributable to Ford Motor Company			
Basic income/(loss) from continuing operations	$20,213	$6,561	$2,712
Effect of dilutive 2016 Convertible Notes (a)	64	173	27
Effect of dilutive 2036 Convertible Notes (a)	2	37	119
Effect of dilutive Trust Preferred Securities (a) (b) (c)	40	182	—
Diluted income/(loss) from continuing operations	$20,319	$6,953	$2,858
Basic and Diluted Shares			
Average shares outstanding	3,793	3,449	2,992
Restricted and uncommitted-ESOP shares	—	—	(1)
Basic shares	3,793	3,449	2,991
Net dilutive options and warrants	187	217	87
Dilutive 2016 Convertible Notes	95	291	45
Dilutive 2036 Convertible Notes	3	58	189
Dilutive Trust Preferred Securities (b) (c)	33	163	—
Diluted shares	4,111	4,178	3,312

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(a) As applicable, includes interest expense, amortization of discount, amortization of fees, and other changes in income or loss that would result from the assumed conversion.

(b) On March 15, 2011, the Trust Preferred Securities, which were convertible into Ford Common Stock, were fully redeemed and, as a result, for purposes of dilution effect, the full year average shares outstanding will reflect the Common Stock underlying the Trust Preferred Securities only through March 15.

(c) Not included in the calculation of diluted earnings per share due to their antidilutive effect are 162 million shares for 2009 and the related income effect for Trust Preferred Securities.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 25. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

In the normal course of business, our operations are exposed to global market risks, including the effect of changes in foreign currency exchange rates, certain commodity prices, and interest rates. To manage these risks, we enter into various derivatives contracts:

- Foreign currency exchange contracts, including forwards and options, that are used to manage foreign exchange exposure;
- Commodity contracts, including forwards and options, that are used to manage commodity price risk;
- Interest rate contracts including swaps, caps, and floors that are used to manage the effects of interest rate fluctuations; and
- Cross-currency interest rate swap contracts that are used to manage foreign currency and interest rate exposures on foreign-denominated debt.

Our derivatives are over-the-counter customized derivative transactions and are not exchange-traded. We review our hedging program, derivative positions, and overall risk management strategy on a regular basis.

Derivative Financial Instruments and Hedge Accounting. All derivatives are recognized on the balance sheet at fair value. We do not net our derivative position by counterparty for purposes of balance sheet presentation and disclosure. We do, however, consider our net position for determining fair value.

We have elected to apply hedge accounting to certain derivatives. Derivatives that are designated in hedging relationships are evaluated for effectiveness using regression analysis at the time they are designated and throughout the hedge period. Cash flows and the profit impact associated with designated hedges are reported in the same category as the underlying hedged item.

Some derivatives do not qualify for hedge accounting; for others, we elect not to apply hedge accounting. Regardless, we only enter into transactions that we believe will be highly effective at offsetting the underlying economic risk. We report changes in the fair value of derivatives not designated as hedging instruments through Automotive cost of sales, Automotive interest income and other non-operating income/(expense), net, or Financial Services other income/(loss), net depending on the sector and underlying exposure. Cash flows associated with non-designated or de-designated derivatives are reported in Net cash (used in)/provided by investing activities in our statements of cash flows.

Cash Flow Hedges. Our Automotive sector has designated certain forward contracts as cash flow hedges of forecasted transactions with exposure to foreign currency exchange risk.

The effective portion of changes in the fair value of cash flow hedges is deferred in Accumulated other comprehensive income/(loss) and is recognized in Automotive cost of sales when the hedged item affects earnings. The ineffective portion is reported in Automotive cost of sales. Our policy is to de-designate cash flow hedges prior to the time forecasted transactions are recognized as assets or liabilities on the balance sheet and report subsequent changes in fair value through Automotive cost of sales. If it becomes probable that the originally-forecasted transaction will not occur, the related amount also is reclassified from Accumulated other comprehensive income/(loss) and recognized in earnings. Our cash flow hedges mature in two years or less.

Fair Value Hedges. Our Financial Services sector uses derivatives to reduce the risk of changes in the fair value of liabilities. We have designated certain receive-fixed, pay-float interest rate swaps as fair value hedges of fixed-rate debt. The risk being hedged is the risk of changes in the fair value of the hedged debt attributable to changes in the benchmark interest rate. If the hedge relationship is deemed to be highly effective, we record the changes in the fair value of the hedged debt related to the risk being hedged in Financial Services debt with the offset in Financial Services other income/(loss), net. The change in fair value of the related derivative (excluding accrued interest) also is recorded in Financial Services other income/(loss), net. Hedge ineffectiveness, recorded directly in earnings, is the difference between the change in fair value of the derivative and the change in the value of the hedged debt that is attributable to the changes in the benchmark interest rate.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 25. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

For our Financial Services sector, net interest settlements and accruals on fair value hedges are excluded from the assessment of hedge effectiveness. We report net interest settlements and accruals on fair value hedges in Interest expense, with the exception of foreign currency revaluation on accrued interest, which is reported in Selling, administrative, and other expenses. Ineffectiveness on fair value hedges and gains and losses on interest rate contracts not designated as hedging instruments are reported in Financial Services other income/(loss), net. Gains and losses on foreign exchange and cross-currency interest rate swap contracts not designated as hedging instruments are reported in Selling, administrative, and other expenses.

When a fair value hedge is de-designated, or when the derivative is terminated before maturity, the fair value adjustment to the hedged debt continues to be reported as part of the carrying value of the debt and is amortized over its remaining life.

Net Investment Hedges. We have used foreign currency exchange derivatives to hedge the net assets of certain foreign entities to offset the translation and economic exposures related to our investment in these entities. The effective portion of changes in the value of designated instruments is included in Accumulated other comprehensive income/(loss) as a foreign currency translation adjustment until the hedged investment is sold or liquidated. When the investment is sold or liquidated, the hedge gains and losses previously reported in Accumulated other comprehensive income/(loss) are recognized in Automotive interest income and other non-operating income/(expense), net as part of the gain or loss on sale. Presently, we have had no derivative instruments in an active net investment hedging relationship. We have elected the spot to spot method.

Normal Purchases and Normal Sales Classification. We have elected to apply the normal purchases and normal sales classification for physical supply contracts that are entered into for the purpose of procuring commodities to be used in production over a reasonable period in the normal course of our business.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 25. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

Income Effect of Derivative Instruments

The following tables summarize by hedge designation the pre-tax gains/(losses) recorded in Other comprehensive income/(loss) ("OCI"), reclassified from Accumulated other comprehensive income/(loss) ("AOCI") to income and/or recognized directly in income (in millions):

	2011			2010			2009		
	Gain/(Loss) Recorded in OCI	Gain/(Loss) Reclassified from AOCI to Income	Gain/(Loss) Recognized in Income	Gain/(Loss) Recorded in OCI	Gain/(Loss) Reclassified from AOCI to Income	Gain/(Loss) Recognized in Income	Gain/(Loss) Recorded in OCI	Gain/(Loss) Reclassified from AOCI to Income	Gain/(Loss) Recognized in Income
Automotive Sector									
Cash flow hedges:									
Foreign currency exchange contracts	$(100)	$ 119 (a)	$ (3)	$(7)	$ 17	$ —	$(86)	$ 37 (b)	$ (1)
Commodity contracts	—	—	—	—	—	—	—	4	—
Total	$(100)	$ 119	$ (3)	$(7)	$ 17	$ —	$(86)	$ 41	$ (1)
Derivatives not designated as hedging instruments:									
Foreign currency exchange contracts - operating exposures			$ 20			$ (183)			$ (120)
Foreign currency exchange contracts - investment portfolios			—			—			(11)
Commodity contracts			(423)			68			(4)
Other – warrants			(1)			2			(12)
Total			$ (404)			$ (113)			$ (147)
Financial Services Sector									
Fair value hedges:									
Interest rate contracts									
Net interest settlements and accruals excluded			$ 217			$ 225			$ 164

from the assessment of hedge effectiveness			
Ineffectiveness (c)	(30)	(6)	(13)
Total	$ 187	$ 219	$ 151
Derivatives not designated as hedging instruments:			
Interest rate contracts	$ (5)	$ 38	$ (63)
Foreign currency exchange contracts	(48)	(88)	(268)
Cross-currency interest rate swap contracts	(3)	(1)	12
Other (d)	65	—	—
Total	$ 9	$ (51)	$ (319)

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(a) Includes $3 million loss reclassified from AOCI to income in fourth quarter 2011 attributable to transactions no longer probable to occur, related to Ford of Thailand.

(b) Includes $4 million gain reclassified from AOCI to income in first quarter 2009 attributable to transactions no longer probable to occur, primarily related to Volvo.

(c) For 2011, 2010 and 2009, hedge ineffectiveness reflects change in fair value on derivatives of $433 million gain, $117 million gain, and $46 million loss, respectively, and change in fair value on hedged debt of $463 million loss, $123 million loss, and $33 million gain, respectively.

(d) Reflects gains/(losses) for derivative features included in the FUEL notes (see Note 4).

In 2010, a net gain of $7 million of foreign currency translation on net investment hedges was transferred from Accumulated other comprehensive income/(loss) to earnings due to the sale of investments in foreign affiliates.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 25. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

Accumulated Other Comprehensive Income/(Loss) Activity

The following table summarizes activity on a pre-tax basis in Accumulated other comprehensive income/(loss) related to designated cash flow hedges for the years ended December 31 (in millions):

	2011	2010	2009
Beginning of year: net unrealized gain/(loss) on derivative financial instruments	$(22)	$2	$129
Increase/(Decrease) in fair value of derivatives	(100)	(7)	(86)
Gains reclassified from Accumulated other comprehensive income/(loss)	(119)	(17)	(41)
End of year: net unrealized gain/(loss) on derivative financial instruments	$(241)	$(22)	$2

We expect to reclassify existing net losses of $158 million from Accumulated other comprehensive income/(loss) to Automotive cost of sales during the next twelve months as the underlying exposures are realized.

Balance Sheet Effect of Derivative Instruments

The following tables summarize the notional amount and estimated fair value of our derivative financial instruments at December 31 (in millions):

	2011		
	Notionals	Fair Value of Assets	Fair Value of Liabilities
Automotive Sector			
Cash flow hedges:			
Foreign currency exchange contracts	$14,535	$120	$368
Derivatives not designated as hedging instruments:			
Foreign currency exchange contracts	5,692	92	80
Commodity contracts	2,396	2	372
Other – warrants	12	4	—
Total derivatives not designated as hedging instruments	8,100	98	452
Total Automotive sector derivative instruments	$22,635	$218	$820
Financial Services Sector			
Fair value hedges:			
Interest rate contracts	$7,786	$526	$—
Derivatives not designated as hedging instruments:			
Interest rate contracts	70,639	670	237
Foreign currency exchange contracts	3,582	30	50
Cross-currency interest rate swap contracts	987	12	12
Other (a)	2,500	137	—
Total derivatives not designated as hedging instruments	77,708	849	299
Total Financial Services sector derivative instruments	$85,494	$1,375	$299

(a) Represents derivative features included in the FUEL notes (see Note 4).

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FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 25. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

	2010		
	Notionals	Fair Value of Assets	Fair Value of Liabilities
Automotive Sector			
Cash flow hedges:			
Foreign currency exchange contracts	$1,324	$8	$15
Derivatives not designated as hedging instruments:			
Foreign currency exchange contracts	6,100	50	78
Commodity contracts	846	69	6
Other – warrants	12	5	—
Total derivatives not designated as hedging instruments	6,958	124	84
Total Automotive sector derivative instruments	$8,282	$132	$99
Financial Services Sector			
Fair value hedges:			
Interest rate contracts	$8,826	$503	$7
Derivatives not designated as hedging instruments:			
Interest rate contracts	52,999	709	322
Foreign currency exchange contracts	3,835	24	73
Cross-currency interest rate swap contracts	1,472	25	189
Total derivatives not designated as hedging instruments	58,306	758	584
Total Financial Services sector derivative instruments	$67,132	$1,261	$591

On our consolidated balance sheet, derivative assets are reported in Other assets for Automotive and Financial Services sectors, and derivative liabilities are reported in Payables for our Automotive sector and in Accrued liabilities and deferred revenue for our Financial Services sector.

The notional amounts of the derivative financial instruments do not represent amounts exchanged by the parties and, therefore, are not a direct measure of our exposure to the financial risks described above. Notional amounts are presented on a gross basis with no netting of offsetting exposure positions. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates, foreign currency exchange rates or commodity volumes and prices.

Counterparty Risk and Collateral

Use of derivatives exposes us to the risk that a counterparty may default on a derivative contract. We establish exposure limits for each counterparty to minimize this risk and provide counterparty diversification. Substantially all of our derivative exposures are with counterparties that have an investment grade rating. The aggregate fair value of derivative instruments in asset positions on December 31, 2011 was $1.6 billion, representing the maximum loss that we would recognize at that date if all counterparties failed to perform as contracted. We enter into master agreements with counterparties that generally allow for netting of certain exposures; therefore, the actual loss we would recognize if all counterparties failed to perform as contracted would be significantly lower.

We include an adjustment for non-performance risk in the fair value of derivative instruments. Our adjustment for non-performance risk is relative to a measure based on an unadjusted inter-bank deposit rate (e.g., LIBOR). For our

Automotive sector, at December 31, 2011 and 2010, our adjustment reduced derivative assets by $3 million and less than $1 million, respectively, and reduced derivative liabilities by $10 million and less than $1 million, respectively. For our Financial Services sector, at December 31, 2011 and 2010, our adjustment reduced derivative assets by $54 million and $10 million, respectively, and reduced derivative liabilities by $7 million and $4 million, respectively. See Note 4 for more detail on valuation methodologies.

We post cash collateral with certain counterparties based on our net position with regard to foreign currency and commodity derivative contracts. We posted $70 million and $11 million as of December 31, 2011 and December 31, 2010, respectively, which is reported in Other assets on our consolidated balance sheet.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 26. OPERATING CASH FLOWS

The reconciliation of Net income/(loss) attributable to Ford Motor Company to Net cash (used in)/provided by operating activities for the years ended December 31 was as follows (in millions):

	2011		
	Automotive	Financial Services	Total (a)
Net income/(loss) attributable to Ford Motor Company	$18,447	$1,766	$20,213
Depreciation and special tools amortization	3,533	1,843	5,376
Other amortization	80	(1,200)	(1,120)
Provision for credit and insurance losses	—	(33)	(33)
Net (gain)/loss on extinguishment of debt	60	68	128
Net (gain)/loss on investment securities	76	6	82
Net losses/(earnings) from equity investments in excess of dividends received	(169)	—	(169)
Foreign currency adjustments	(35)	(2)	(37)
Net (gain)/loss on sale of businesses	(410)	(11)	(421)
Stock compensation	163	8	171
Cash changes in operating assets and liabilities were as follows:			
Provision for deferred income taxes	(11,566)	495	(11,071)
Decrease/(Increase) in intersector receivables/payables	642	(642)	—
Decrease/(Increase) in accounts receivable and other assets	(1,649)	722	(927)
Decrease/(Increase) in inventory	(367)	—	(367)
Increase/(Decrease) in accounts payable and accrued and other liabilities	(230)	(450)	(680)
Other	793	(165)	628
Net cash (used in)/provided by operating activities	$9,368	$2,405	$11,773

	2010		
	Automotive	Financial Services	Total (a)
Net income/(loss) attributable to Ford Motor Company	$4,690	$1,871	$6,561
Depreciation and special tools amortization	3,876	2,024	5,900
Other amortization	703	(1,019)	(316)
Provision for credit and insurance losses	—	(216)	(216)
Net (gain)/loss on extinguishment of debt	844	139	983
Net (gain)/loss on investment securities	(102)	19	(83)
Net (gain)/loss on pension and OPEB curtailment	(29)	—	(29)
Net losses/(earnings) from equity investments in excess of dividends received	(198)	—	(198)
Foreign currency adjustments	(347)	(1)	(348)
Net (gain)/loss on sale of businesses	23	(5)	18
Stock option expense	32	2	34
Cash changes in operating assets and liabilities were as follows:			
Provision for deferred income taxes	300	(266)	34
Decrease/(Increase) in intersector receivables/payables	321	(321)	—
Decrease/(Increase) in accounts receivable and other assets	(918)	1,683	765
Decrease/(Increase) in inventory	(903)	—	(903)
Increase/(Decrease) in accounts payable and accrued and other liabilities	(1,179)	475	(704)

Other	(750)	(587)	(1,337)
Net cash (used in)/provided by operating activities	$6,363	$3,798	$10,161

(a) See Note 1 for a reconciliation of the sum of the sector net cash (used in)/provided by operating activities to the consolidated net cash (used in)/provided by operating activities.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 26. OPERATING CASH FLOWS (Continued)

	2009		
	Automotive	Financial Services	Total (a)
Net income/(loss) attributable to Ford Motor Company	$1,563	$1,154	$2,717
(Income)/Loss of discontinued operations	(3)	(2)	(5)
Depreciation and special tools amortization	3,743	3,924	7,667
Other amortization	174	(1,261)	(1,087)
Impairment charges	157	154	311
Held-for-sale impairment	650	—	650
Provision for credit and insurance losses	—	1,030	1,030
Net (gain)/loss on extinguishment of debt	(4,666)	(71)	(4,737)
Net (gain)/loss on investment securities	(385)	(25)	(410)
Net (gain)/loss on pension and OPEB curtailment	(4)	—	(4)
Net (gain)/loss on settlement of U.S. hourly retiree health care obligation	248	—	248
Net losses/(earnings) from equity investments in excess of dividends received	(38)	(7)	(45)
Foreign currency adjustments	415	(323)	92
Net (gain)/loss on sale of businesses	29	4	33
Stock option expense	27	2	29
Cash changes in operating assets and liabilities were as follows:			
Provision for deferred income taxes	590	(1,336)	(746)
Decrease/(Increase) in intersector receivables/payables	(598)	598	—
Decrease/(Increase) in equity method investments	74	—	74
Decrease/(Increase) in accounts receivable and other assets	407	2,205	2,612
Decrease/(Increase) in inventory	2,201	—	2,201
Increase/(Decrease) in accounts payable and accrued and other liabilities	(1,838)	(994)	(2,832)
Other	128	753	881
Net cash (used in)/provided by operating activities	$2,874	$5,805	$8,679

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(a) See Note 1 for a reconciliation of the sum of the sector net cash (used in)/provided by operating activities to the consolidated net cash (used in)/provided by operating activities.

Cash paid/(received) for interest and income taxes for continuing operations for the years ended December 31 was as follows (in millions):

	2011	2010	2009
Interest			
Automotive sector	$1,059	$1,336	$1,302
Financial Services sector	3,348	4,018	5,572
Total interest paid	$4,407	$5,354	$6,874
Income taxes	$268	$73	$(764)

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 27. SEGMENT INFORMATION

Our operating activity consists of two operating sectors, Automotive and Financial Services. Segment selection is based on the organizational structure we use to evaluate performance and make decisions on resource allocation, as well as availability and materiality of separate financial results consistent with that structure.

Automotive Sector

In 2010, we changed the reporting structure of our Automotive sector to separately disclose the following four segments: 1) Ford North America, 2) Ford South America, 3) Ford Europe, and 4) Ford Asia Pacific Africa. Included in each segment, described below, are the associated costs to develop, manufacture, distribute, and service vehicles and parts. Automotive sector prior period information includes Volvo.

Ford North America segment includes primarily the sale of Ford, Lincoln, and Mercury brand vehicles and related service parts and accessories in North America (the United States, Canada and Mexico).

Ford South America segment includes primarily the sale of Ford-brand vehicles and related service parts and accessories in South America.

Ford Europe segment, including all parts of Turkey and Russia, includes primarily the sale of Ford-brand vehicles and related service parts and accessories in Europe.

Ford Asia Pacific Africa segment includes primarily the sale of Ford-brand vehicles and related service parts and accessories in the Asia Pacific region and South Africa.

Revenue from certain vehicles (specifically, Ford brand vehicles produced and distributed by our unconsolidated affiliates, including our unconsolidated joint venture FordSollers that began operations in the fourth quarter of 2011, as well as by our Chinese unconsolidated affiliate Jiangling Motors Corporation (JMC) brand vehicles) is not included in our revenue.

Prior to the sale of the brand, the Volvo segment included primarily the sale of Volvo-brand vehicles and related service parts throughout the world (including in North America, South America, Europe, Asia Pacific, and Africa), which were reported as operating results through 2009. In August 2010 we completed the sale of Volvo. Results for Volvo are reported as special items in 2010 and as segment operating results in 2009.

The Other Automotive component of the Automotive sector consists primarily of centrally-managed net interest expense and related fair market value adjustments.

Transactions among Automotive segments generally are presented on a "where-sold," absolute-cost basis, which reflects the profit/(loss) on the sale within the segment making the ultimate sale to an external entity. This presentation generally eliminates the effect of legal entity transfer prices within the Automotive sector for vehicles, components, and product engineering. Beginning with the first quarter of 2008 and until their sale in August 2010, income/(loss) before income taxes on vehicle component sales by Volvo to other segments and by the Ford-brand segments to Volvo were reflected in the results for the segment making the vehicle component sale.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 27. SEGMENT INFORMATION (Continued)

Financial Services Sector

The Financial Services sector includes the following segments: 1) Ford Credit, and 2) Other Financial Services. Ford Credit provides vehicle-related financing, leasing, and insurance. Other Financial Services includes a variety of businesses including holding companies, real estate, and the financing and leasing of some Volvo vehicles in Europe.

Special Items

In the second quarter of 2010, we changed our presentation of special items. We now show special items as a separate reconciling item to reconcile segment results to consolidated results of the Company. These special items include (i) personnel and dealer-related items stemming from our efforts to match production capacity and cost structure to market demand and changing model mix, and (ii) certain infrequent significant items that we generally do not consider to be indicative of our ongoing operating activities. Prior to this change, special items were included within the operating segments and the Other Automotive reconciling item. Our current presentation reflects the fact that management excludes these items from its review of the results of the operating segments for purposes of measuring segment profitability and allocating resources. Results for prior periods herein are presented on the same basis.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 27. SEGMENT INFORMATION (Continued)

(In millions)	Automotive Sector Operating Segments					Reconciling Items			
	Ford North America	Ford South America	Ford Europe	Ford Asia Pacific Africa	Volvo	Other Automotive	Special Items	Total	
2011									
Revenues									
External customer	$75,022	$10,976	$33,758	$8,412	$—	$—	$—	$128,168	
Intersegment	244	—	836	—	—	—	—	1,080	
Income									
Income/(Loss) before income taxes	6,191	861	(27)	(92)	—	(601)	(82)	6,250	
Other disclosures:									
Depreciation and special tools amortization	1,769	265	1,225	274	—	—	—	3,533	
Amortization of intangibles	9	2	—	1	—	—	—	12	
Interest expense	—	—	—	—	—	817	—	817	
Interest income	60	—	—	—	—	327	—	387	
Cash outflow for capital expenditures	2,164	581	1,034	493	—	—	—	4,272	
Unconsolidated affiliates									
Equity in net income/(loss)	179	—	61	239	—	—	—	479	
Total assets at year-end	46,038	6,878	19,737	6,133	—	—	—	78,786	(a)
2010									
Revenues									
External customer	$64,428	$9,905	$29,486	$7,381	$—	$—	$8,080	$119,280	
Intersegment	674	—	732	—	—	—	13	1,419	
Income									
Income/(Loss) before income taxes	5,409	1,010	182	189	—	(1,493)	(1,151)	4,146	
Other disclosures:									
Depreciation and special tools amortization	2,058	247	1,199	262	—	—	110	3,876	
Amortization of intangibles	9	77	—	1	—	—	10	97	
Interest expense	—	—	—	—	—	1,807	—	1,807	
Interest income	47	—	—	—	—	215	—	262	
Cash outflow for capital expenditures	2,127	364	971	467	—	—	137	4,066	
Unconsolidated affiliates									
Equity in net income/(loss)	155	—	128	242	—	—	1	526	

Total assets at year-end	29,955	6,623	22,260	5,768	—	—	—	64,606	(a)
2009									
Revenues									
External customer	$49,713	$7,947	$28,304	$5,548	$12,356	$—	$—	$103,868	
Intersegment	347	—	608	—	48	—	—	1,003	
Income									
Income/(Loss) before income taxes	(639)	765	(144)	(86)	(662)	(1,091)	2,642	785	
Other disclosures:									
Depreciation and special tools amortization	2,033	187	1,153	229	141	—	—	3,743	
Amortization of intangibles	10	68	—	1	7	—	—	86	
Interest expense	—	—	—	—	—	1,477	—	1,477	
Interest income	55	—	—	—	—	150	—	205	
Cash outflow for capital expenditures	2,374	300	742	215	412	—	—	4,043	
Unconsolidated affiliates									
Equity in net income/(loss)	91	—	30	164	45	—	—	330	
Total assets at year-end (b)								79,118	(a)

(a) As reported on our sector balance sheet.
(b) Total assets by operating segment not available.

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FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 27. SEGMENT INFORMATION (Continued)

	Financial Services Sector						Total Company	
	Operating Segments		Reconciling Items					
	Ford Credit	Other Financial Services	Special Items	Elims	Total		Elims (a)	Total
2011								
Revenues								
External customer	$7,764	$332	$—	$—	$8,096		$—	$136,264
Intersegment	557	5	—	—	562		(1,642)	—
Income								
Income/(Loss) before income taxes	2,404	27	—	—	2,431		—	8,681
Other disclosures:								
Depreciation and special tools amortization	1,813	30	—	—	1,843		—	5,376
Amortization of intangibles	—	—	—	—	—		—	12
Interest expense	3,507	107	—	—	3,614		—	4,431
Interest income (b)	83	1	—	—	84		—	471
Cash outflow for capital expenditures	15	6	—	—	21		—	4,293
Unconsolidated affiliates								
Equity in net income/(loss)	21	—	—	—	21		—	500
Total assets at year-end	100,242	8,634	—	(7,302)	101,574	(c)	(2,012)	178,348
2010								
Revenues								
External customer	$9,357	$317	$—	$—	$9,674		$—	$128,954
Intersegment	469	10	—	—	479		(1,898)	—
Income								
Income/(Loss) before income taxes	3,054	(51)	—	—	3,003		—	7,149
Other disclosures:								
Depreciation and special tools amortization	1,989	35	—	—	2,024		—	5,900
Amortization of intangibles	—	—	—	—	—		—	97
Interest expense	4,222	123	—	—	4,345		—	6,152
Interest income (b)	86	—	—	—	86		—	348
Cash outflow for capital expenditures	13	13	—	—	26		—	4,092
Unconsolidated affiliates								
Equity in net income/(loss)	12	—	—	—	12		—	538
Total assets at year-end	101,696	8,708	—	(7,134)	103,270	(c)	(3,189)	164,687
2009								
Revenues								
External customer	$12,079	$336	$—	$—	$12,415		$—	$116,283
Intersegment	462	15	—	—	477		(1,480)	—
Income								
Income/(Loss) before income taxes	2,001	(106)	(81)	—	1,814		—	2,599
Other disclosures:								
	3,903	34	—	—	3,937		—	7,680

Depreciation and special tools amortization								
Amortization of intangibles	—	—	—	—	—		—	86
Interest expense	5,162	151	—	—	5,313		—	6,790
Interest income (b)	107	—	—	—	107		—	312
Cash outflow for capital expenditures	11	5	—	—	16		—	4,059
Unconsolidated affiliates								
Equity in net income/(loss)	1	(4)	(132)	—	(135)		—	195
Total assets at year-end	117,344	8,727	—	(6,959)	119,112	(c)	(6,190)	192,040

(a) Includes intersector transactions occurring in the ordinary course of business and deferred tax netting.

(b) Interest income reflected on this line for Financial Services sector is non-financing related. Interest income in the normal course of business for Financial Services sector is reported in Financial Services revenues.

(c) As reported on our sector balance sheet.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 28. GEOGRAPHIC INFORMATION

The following table includes information for both Automotive and Financial Services sectors for the years ended December 31 (in millions):

	2011 Net Sales and Revenues	Long-Lived Assets (a)	2010 Net Sales and Revenues	Long-Lived Assets (a)	2009 Net Sales and Revenues	Long-Lived Assets (a)
North America						
United States	$71,165	$ 19,311	$63,318	$ 17,423	$53,595	$ 20,390
Canada	9,525	2,525	9,351	3,456	7,974	4,717
Mexico/Other	1,436	1,420	1,537	1,411	1,335	1,322
Total North America	82,126	23,256	74,206	22,290	62,904	26,429
Europe						
United Kingdom	9,486	1,721	9,172	1,817	8,661	2,081
Germany	8,717	3,060	7,139	3,395	8,161	3,180
Italy	3,038	3	3,656	3	4,529	4
France	2,806	102	2,754	105	3,081	307
Spain	2,189	1,185	2,235	1,211	2,174	1,256
Russia	1,913	—	2,041	228	1,573	240
Belgium	1,288	735	1,539	964	1,484	1,187
Other	5,843	28	8,238	33	8,934	53
Total Europe	35,280	6,834	36,774	7,756	38,597	8,308
All Other	18,858	3,763	17,974	3,526	14,782	2,962
Total Company	$136,264	$ 33,853	$128,954	$ 33,572	$116,283	$ 37,699

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(a) Includes Net property from our consolidated balance sheet and Financial Services Net investment in operating leases from the sector balance sheet.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 29. SELECTED QUARTERLY FINANCIAL DATA (unaudited)

Selected financial data by calendar quarter were as follows (in millions, except per share amounts):

	2011				2010			
Automotive Sector	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Sales	$31,038	$33,476	$31,043	$32,611	$28,894	$32,564	$27,592	$30,230
Operating income/(loss)	2,119	1,878	1,224	542	1,535	2,312	1,334	608
Income/(Loss) before income taxes	2,070	2,004	1,241	935	1,320	1,972	1,126	(272)
Financial Services Sector								
Revenues	2,076	2,051	2,004	1,965	2,672	2,503	2,301	2,198
Income/(Loss) before income taxes	706	602	605	518	815	875	761	552
Total Company								
Income/(Loss) before income taxes	2,776	2,606	1,846	1,453	2,135	2,847	1,887	280
Amounts Attributable to Ford Motor Company Common and Class B Shareholders								
Income/(Loss) from continuing operations before cumulative effects of changes in accounting principles	2,551	2,398	1,649	13,615	2,085	2,599	1,687	190
Net income/(loss)	2,551	2,398	1,649	13,615	2,085	2,599	1,687	190
Common and Class B per share from income/(loss) from continuing operations before cumulative effects of changes in accounting principles								
Basic	0.68	0.63	0.43	3.58	0.62	0.76	0.49	0.05
Diluted	0.61	0.59	0.41	3.40	0.50	0.61	0.43	0.05

Certain of the quarterly results identified above include material unusual or infrequently occurring items as follows:

The pre-tax income of $1.5 billion in the fourth quarter of 2011 includes a $401 million gain related to the sale of our Russian operations to the newly-created FordSollers joint venture, which began operations on October 1, 2011.

The net income/(loss) attributable to Ford Motor Company of $13.6 billion in the fourth quarter of 2011 includes a $12.4 billion favorable item, reflecting the release of almost all of the valuation allowance against our net deferred tax assets.

The pre-tax income of $280 million in the fourth quarter of 2010 includes a $962 million loss on the conversion of our 2016 and 2036 Convertible Notes to Ford Common Stock.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 30. COMMITMENTS AND CONTINGENCIES

Guarantees are recorded at fair value at the inception of the guarantee. Litigation and claims are accrued when losses are deemed probable and reasonably estimable.

Estimated warranty costs and additional service actions are accrued for at the time the vehicle is sold to a dealer, including costs for basic warranty coverage on vehicles sold, product recalls, and other customer service actions. Fees or premiums for the issuance of extended service plans are recognized in income over the contract period in proportion to the costs expected to be incurred in performing services under the contract.

Guarantees

At December 31, 2011 and 2010, the following guarantees and indemnifications were issued and outstanding:

Guarantees related to affiliates and third parties. We guarantee debt and lease obligations of certain joint ventures, as well as certain financial obligations of outside third parties, including suppliers, to support our business and economic growth. Expiration dates vary through 2017, and guarantees will terminate on payment and/or cancellation of the obligation. A payment by us would be triggered by failure of the joint venture or other third party to fulfill its obligation covered by the guarantee. In some circumstances, we are entitled to recover from the third party amounts paid by us under the guarantee. However, our ability to enforce these rights is sometimes stayed until the guaranteed party is paid in full, and may be limited in the event of insolvency of the third party or other circumstances. The maximum potential payments under guarantees and the carrying value of recorded liabilities related to guarantees at December 31 were as follows (in millions):

	2011	2010
Maximum potential payments	$444	$500
Carrying value of recorded liabilities related to guarantees	31	43

We regularly review our performance risk under these guarantees, which has resulted in no changes to our initial valuations.

Indemnifications. In the ordinary course of business, we execute contracts involving indemnifications standard in the industry and indemnifications specific to a transaction, such as the sale of a business. These indemnifications might include claims relating to any of the following: environmental, tax, and shareholder matters; intellectual property rights; power generation contracts; governmental regulations and employment-related matters; dealers, supplier, and other commercial contractual relationships; and financial matters, such as securitizations. Performance under these indemnities generally would be triggered by a breach of terms of the contract or by a third-party claim. We also are party to numerous indemnifications which do not limit potential payment; therefore, we are unable to estimate a maximum amount of potential future payments that could result from claims made under these indemnities.

Litigation and Claims

Various legal actions, proceedings and claims (generally, "matters") are pending or may be instituted or asserted against us. These include but are not limited to matters arising out of alleged defects in our products; product warranties; governmental regulations relating to safety, emissions and fuel economy or other matters; government incentives; tax matters; financial services; employment-related matters; dealer, supplier, and other contractual relationships; intellectual property rights; environmental matters; shareholder or investor matters; and financial reporting matters. Certain of the pending legal actions are, or purport to be, class actions. Some of the matters involve or may involve compensatory, punitive, or antitrust or other treble damage claims in very large amounts, or demands for recall campaigns, environmental remediation programs, sanctions, loss of government incentives, assessments, or other relief, which, if granted, would require very large expenditures.

The extent of our financial exposure to these matters is difficult to estimate. Many matters do not specify a dollar amount for damages, and many others specify only a jurisdictional minimum. To the extent an amount is asserted, our historical experience suggests that in most instances the amount asserted is not a reliable indicator of the ultimate outcome.

FORD MOTOR COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 30. COMMITMENTS AND CONTINGENCIES (Continued)

In evaluating for accrual and disclosure purposes matters filed against us, we take into consideration factors such as our historical experience with matters of a similar nature, the specific facts and circumstances asserted, the likelihood of our prevailing, and the severity of any potential loss. We reevaluate and update our accruals as matters progress over time.

For the majority of matters, which generally arise out of alleged defects in our products, we establish an accrual based on our extensive historical experience with similar matters, and we do not believe that there is a reasonably possible outcome materially in excess of our accrual.

For the remaining matters, where our historical experience with similar matters is of more limited value (i.e., "non-pattern matters"), we evaluate matters primarily based on the individual facts and circumstances. For non-pattern matters, we evaluate whether there is a reasonable possibility of material loss in excess of any accrual. Our current estimate of this reasonably possible loss in excess of our accruals for all material matters currently includes items of the following nature: (i) a civil matter in which we are appealing an adverse judgment, and (ii) non-U.S. indirect tax matters. We currently estimate the aggregate risk of this reasonably possible loss in excess of our accruals for all material matters to be a range of up to about $3.4 billion. Our estimate includes matters in which an adverse judgment has been entered against the Company that we believe is unlikely to be upheld on appeal.

As noted, the litigation process is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. Our assessments are based on our knowledge and experience, but the ultimate outcome of any matter could require payment substantially in excess of the amount that we have accrued and/or disclosed.

Warranty

Included in warranty cost accruals are the costs for basic warranty coverages and product recalls on products sold. These costs are estimates based primarily on historical warranty claim experience. Warranty accruals accounted for in Accrued liabilities and deferred revenue were as follows (in millions):

	2011	2010
Beginning balance	$3,855	$4,204
Payments made during the period	(2,799)	(2,475)
Changes in accrual related to warranties issued during the period	2,215	1,801
Changes in accrual related to pre-existing warranties	690	387
Foreign currency translation and other	(46)	(62)
Ending balance	$3,915	$3,855

Excluded from the table above are costs accrued for customer satisfaction actions.

FORD MOTOR COMPANY AND SUBSIDIARIES
Schedule II — Valuation and Qualifying Accounts
(in millions)

Description	Balance at Beginning of Period	Charged to Costs and Expenses		Deductions		Balance at End of Period
For the Year Ended December 31, 2011						
Allowances deducted from assets						
Credit losses	$984	$(115	)	$299	(a)	$570
Doubtful receivables	116	(69	)	(63	)(c)	110
Inventories (primarily service part obsolescence)	245	4	(d)	—		249
Deferred tax assets	15,664	(14,119	)(e)	—		1,545
Total allowances deducted from assets	$17,009	$(14,299	)	$236		$2,474
For the Year Ended December 31, 2010						
Allowances deducted from assets						
Credit losses	$1,757	$(211	)	$562	(a)	$984
Doubtful receivables (b)	276	(98	)	62	(c)	116
Inventories (primarily service part obsolescence) (b)	242	3	(d)	—		245
Deferred tax assets	17,396	194	(e)	1,926	(f)	15,664
Total allowances deducted from assets	$19,671	$(112	)	$2,550		$17,009
For the Year Ended December 31, 2009						
Allowances deducted from assets						
Credit losses	$1,713	$1,172		$1,128	(a)	$1,757
Doubtful receivables (b)	142	93		(41	)(c)	276
Inventories (primarily service part obsolescence) (b)	272	(30	)(d)	—		242
Deferred tax assets	17,268	128	(e)	—		17,396
Total allowances deducted from assets	$19,395	$1,363		$1,087		$19,671

(a) Finance receivables and lease investments deemed to be uncollectible and other changes, principally amounts related to finance receivables sold and translation adjustments.
(b) Excludes Volvo.
(c) Accounts and notes receivable deemed to be uncollectible as well as translation adjustments.
(d) Net change in inventory allowances.
(e) Includes $0, $572 million, and $1.1 billion in 2011, 2010, and 2009, respectively, of valuation allowance for deferred tax assets through Accumulated other comprehensive income/(loss) and $(14.1) billion, $(378) million, and $(1) billion in 2011, 2010, and 2009, respectively, of valuation allowance for deferred tax assets through the statement of operations.
(f) Deductions relate primarily to the disposition of Volvo.

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