

EXHIBIT 1		
Sample of Electric Utility Companies		
Dividend Yield	Dividend Payout Ratio	Dividend Payout Ratio
8.6%	100.3%	100.3%
8.6	93.3	93.3
8.7	92.2	92.2
10.0	90.9	90.9
8.4	90.8	90.8
9.9	88.7	88.7
9.3	88.0	88.0
7.9	87.2	87.2
7.7	87.0	87.0
5.7	84.2	84.2
6.6	81.9	81.9
8.6	81.4	81.4
9.0	81.1	81.1
4.2	79.4	79.4
7.1	73.2	73.2
6.1	74.2	74.2
7.1	72.3	72.3
6.2	71.2	71.2
8.2	71.2	71.2
6.2	66.7	66.7
6.6	63.9	63.9
6.3	64.8	64.8
7.7	61.7	61.7
6.8	60.8	60.8

EXHIBIT 2		
Sample of Electric Utility Companies		
Dividend Yield	Dividend Payout Ratio	Dividend Payout Ratio
8.6%	100.3%	100.3%
8.6	93.3	93.3
8.7	92.2	92.2
10.0	90.9	90.9
8.4	90.8	90.8
9.9	88.7	88.7
9.3	88.0	88.0
7.9	87.2	87.2
7.7	87.0	87.0
5.7	84.2	84.2
6.6	81.9	81.9
8.6	81.4	81.4
9.0	81.1	81.1
4.2	79.4	79.4
7.1	73.2	73.2
6.1	74.2	74.2
7.1	72.3	72.3
6.2	71.2	71.2
8.2	71.2	71.2
6.2	66.7	66.7
6.6	63.9	63.9
6.3	64.8	64.8
7.7	61.7	61.7
6.8	60.8	60.8

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EXHIBIT 2

(Continued)

Sample of Electric Utility Companies

Dividend Yield

Dividend Payout Ratio

Dividend Payout Ratio

8.6%

100.3%

100.3%

8.6

93.3

93.3

8.7

92.2

92.2

10.0

90.9

90.9

8.4

90.8

90.8

9.9

88.7

88.7

9.3

88.0

88.0

7.9

87.2

87.2

7.7

87.0

87.0

5.7

84.2

84.2

6.6

81.9

81.9

8.6

81.4

81.4

9.0

81.1

81.1

4.2

79.4

79.4

7.1

73.2

73.2

6.1

74.2

74.2

7.1

72.3

72.3

6.2

71.2

71.2

8.2

71.2

71.2

6.2

66.7

66.7

6.6

63.9

63.9

6.3

64.8

64.8

7.7

61.7

61.7

6.8

60.8

60.8

On April 14, 2000, Ford Motor Co. announced a shareholder Value Enhancement Plan (VEP) to significantly recapitalize the firm's ownership structure. Ford had accumulated \$23 billion in cash reserves, close to the company's largest ever cash position and significant relative to Ford's \$57 billion equity market capitalization. Under the VEP, Ford would return as much as \$10 billion of this cash to shareholders. In exchange for each share currently held, the plan would give stockholders one new share plus the choice of receiving \$20 either in cash or additional new Ford common shares. Ford also announced that it would distribute ownership of its Visteon Corp. parts unit to shareholders.

Ford's share price had performed poorly over the previous year (Exhibit 1), and the proposal drew a positive reaction from analysts who had been urging the company for months to distribute cash to stockholders. Some hailed the VEP as the boldest step yet by Ford Chairman William Clay Ford Jr. and Chief Executive Officer Jacques Nasser to convince investors that they were undervaluing the world's No. 2 automaker.

However, the plan raised a number of questions for investors. Why was Ford proposing this transaction instead of a traditional share repurchase or a cash dividend? How did the interests of the Ford family factor into this decision, and what did the transaction imply about the future involvement of the family in the company? Why was Ford distributing such a significant amount of cash at this particular point in time? Did the distribution signal a change in the company's appetite for making acquisitions or future capital expenditures? If shareholders collectively elected to receive less than \$10 billion in cash, how would Ford distribute the remaining cash?

Ford Motor Company

Headquartered in Dearborn, Michigan, Ford Motor Company was the world's largest producer of trucks and, after General Motors, the second-largest producer of cars and trucks combined. Ford also engaged in other businesses, including manufacturing automotive components and systems and financing and renting vehicles and equipment. The company had engaged in limited diversification in the 1950s and 1960s, but by the 1990s it had refocused attention on its automotive businesses and financial services. Ford also had grown significantly by acquisition. Recent major transactions included Ford's purchase of Hertz Corporation in 1987, Jaguar Cars in 1989, Volvo Cars in 1999, and Land Rover in early 2000.

Ford competed in an industry that was notoriously sensitive to the economic cycle. (See Exhibit 2 for the relationship between U.S. auto industry sales and GDP growth.)

Professor André F. Perold prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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Car companies would see large swings in their cash flows as economic growth and the interest rates fluctuated. The industry was particularly badly hit during the oil crisis of the late 1970s and early 1980s when the United States experienced record double-digit inflation and treasury bills yielded almost 20%. In 1980, Chrysler was saved from bankruptcy by a government bailout that took the form of \$1.5 billion of loan guarantees. Over the five years ending December 31, 1981, Ford's equity market value fell from \$5.8 billion to \$2.0 billion. It rebounded rapidly the next year—more than doubling—as economic conditions improved.

The history of Ford Motor Company dates back to its founding by Henry Ford and 11 investors in 1903. At that time, cars were custom made, unreliable, and costly novelties. Ford wanted to make them simple, inexpensive necessities. “The way to make automobiles is to make one automobile like another automobile, to make them all alike, to make them come through the factory just alike, just as one pin is like another pin when it comes from the pin factory,” he said when the company was founded.¹ Unwavering in this vision, Henry Ford did not easily share control and, by 1906, he had acquired a majority position in the company's stock. In 1919, when the minority stockholders balked at building the giant (and expensive) River Rouge Plant in Dearborn, Michigan, Henry Ford bought them out. As a result, Ford, his wife, Clara, and their only son, Edsel, acquired full ownership. Ford would soon become the nation's third billionaire after Andrew Carnegie (steel) and John D. Rockefeller (oil). “Rockefeller at the height of his involvement in Standard Oil had owned no more than 27 percent of that company's stock. By contrast, Henry owned all of the Ford Motor Company, which gave him a power no other American industrialist had ever possessed.”²

In January 1956, Ford Motor Company sold shares to the public. Until then, the Ford family and the Ford Foundation (formed in 1936) had been the company's sole stockholders. The Ford Foundation held by far the majority of the shares outstanding, although its holdings were non-voting Class A shares received upon the deaths of Edsel Ford in 1942 and Henry Ford in 1947. The Ford Foundation pressured the company to create a public market for Ford common shares so that it could sell its Ford shares and reduce its reliance on income received in the form of Ford dividends. Class A shares sold by the Ford Foundation became voting common shares. As shown in Exhibit 3, the Ford Foundation disposed of the last of these shares in 1973.

Going public also gave the company increased access to the capital markets. At that time, Ford was in the midst of a large research and development expenditure related to the Edsel, a car the company hoped would return it to parity with General Motors. The Edsel was introduced with great fanfare in 1957, but production was discontinued in 1959. Ford acknowledged a net loss of \$350 million on a project that still ranks among the greatest flops in world business history.

The positions of chairman of the board and chief executive officer of Ford Motor Company were held by Ford family members, Henry Ford and his grandson, Henry Ford II, until Philip Caldwell assumed those roles in 1979. The family continued to be represented on the company's board of directors, and chairmanship of the board again came to be held by a family member when William Clay Ford, Jr. was appointed in January 1999. The composition of Ford's board of directors as of March 1, 2000, is shown in Exhibit 4. An abbreviated Ford family tree is shown in Exhibit 5.

In 1999, Ford recorded record net income of \$7.2 billion on record revenues of \$162.6 billion. Ford U.S. car and truck sales represented a 24.1% share of that market. The company had manufacturing facilities located in 25 countries on six continents,

¹Source: Peter Collier and David Horowitz, *The Fords* (New York: Simon & Schuster, 1987, p. 49).

²Source: *Ibid.*, p. 90.

and manufacturing employment represented about 80% of Ford's approximately 335,000 employees. Ford was now the world's most profitable auto company, and many believed the firm had achieved efficiencies that would enable it to sustain this position. Exhibit 6 provides selected financial information on Ford, while Exhibit 7 gives a breakdown of the company's cash flows. Exhibits 8 and 9 contain selected financial information on General Motors and DaimlerChrysler, respectively. Exhibit 10 provides auto company valuation information and interest rates as of April 14, 2000.

Ownership Structure

At the time of its initial public offering, Ford modified its structure of multiple share classes in order to preserve family control. In particular, Class B shares had special voting rights and could be owned only by Ford family members. As long as they owned a minimum number of Class B shares, the Ford family would retain 40% of the voting power. When Class B shares were sold outside the Ford family, they reverted to common stock. As shown in Exhibit 3, outstanding Class B shares declined by about 50% over the period 1956–2000 on a split-adjusted basis, but by much more in relation to total shares outstanding. Class B shares received the same per share dividends as paid on Ford's common shares.

As of February 2000, Ford had 1.15 billion common shares and 70.9 million Class B shares outstanding. The Ford family retained its 40% vote as long as it owned at least 60.7 million shares of the Class B stock. If Class B holdings fell between 33.7 million and 60.7 million shares, the family retained voting power of only 30%. Below 33.7 million Class B shares, all special privileges were lost.

Ford's special ownership structure meant that the interests of the Ford family would play a role in determining the company's financial policies. For example, institutional shareholders had for years urged Ford to conduct share repurchases over paying cash dividends. Yet, the family strongly preferred receiving dividends despite the fact that dividends were tax inefficient for many shareholders.³ Cash dividends provided family members with liquidity without having to sell Class B shares and run the risk of diluting the family's control. Liquidity needs could be especially large in cases of divorce settlements or at times when Ford heirs died and large estate taxes had to be paid. In February 2000, there were 101 holders of Class B shares.

The Value Enhancement Plan

Under the terms of the Value Enhancement Plan, shareholders would exchange their existing common and Class B shares one-for-one for new Ford common and new Class B shares, respectively. In addition, all shareholders would receive either \$20 per share in cash or the equivalent value in new Ford common shares based on Ford's stock price in late July 2000. For example, at a pre-distribution share price of \$60 for existing common shares, new Ford shares would be worth \$40. Stockholders thus would have the choice to receive \$20 of cash or half a share of new Ford common. Shareholders also could elect to receive a combination of cash and new Ford common stock with an

³Shareholders were taxed on cash dividends at ordinary income rates, whereas gains realized on shares that were repurchased received capital gains treatment. For individual taxpayers in 2000, the highest U.S. federal tax bracket for ordinary income was 39.6% while long-term capital gains were generally taxed at a maximum rate of 20%. For the company, cash paid out in the form of dividends versus share repurchases was tax neutral since deductions were not allowed in either case.

aggregate value of \$20. Shareholders who did not make an election would be treated as if they made a \$20 all-cash election.

Ford officials said they thought 40% of shareholders would take the cash option. In the event that the cash option was oversubscribed, the \$20-per-share payment would be distributed pro rata to ensure that the company distributed at most \$10 billion. Dividends on new Ford shares would be reduced such that shareholders who elected stock only would get about the same dividend payment on their package of new shares as the quarterly \$0.50 per share currently being paid.

The company later amended the VEP to offer shareholders a third option under which they could elect to receive a combination of cash and stock worth \$20, where the relative cash/stock proportions would be chosen to allow shareholders to maintain the same percentage interest in the company as they had before the transaction. These proportions could only be determined once the shareholder elections had been received. This option was aimed at passive investors, including index funds, who invested in companies in proportions based on the market capitalization of their shares. Observers thought that 20% or more of Ford's shareholders might elect this option.

With respect to taxation, the company said that since shareholders receiving the cash distribution would suffer a "meaningful reduction" in their percentage ownership of the company, they would be taxed on that amount as a capital gain. Shareholders who received shares in lieu of cash would pay capital gains taxes on those shares only when they were sold.⁴

As part of the Value Enhancement Plan, Ford also announced that Visteon, its parts unit with \$19 billion in revenues, would be spun off to shareholders. (The actual spin-off of Visteon would occur on June 28, 2000, and its market capitalization would be approximately \$2 billion.) Visteon was the second-largest auto supplier, after Delphi Automotive Systems Corp., which General Motors Corp. had spun off to shareholders in 1999. The decision to spin off Visteon had been expected for months, but had met with opposition from U.S. employees represented by the United Auto Workers union. Protesters worried that it could mean fewer union jobs and lower wages. Strike plans were aborted after Ford agreed to keep Visteon workers on its payroll, guaranteeing wages and benefits under the current contract.

The Visteon part of the plan represented the second major spin-off of a Ford subsidiary in less than two years. In April 1998, Ford had distributed to shareholders its 80.7% interest in Associates First Capital valued at \$26.6 billion.

Effect on Employee Savings Plans and Stock Options

Employees presently owned approximately 200 million shares of Ford common stock through various company savings plans for salaried and hourly employees. As with other shareholders, participants in these plans would receive cash by default if they did not make an election. However, any cash received for employees who made no election would be invested on their behalf in Ford common shares through open market purchases.

Employee stock options to buy Ford common shares would be adjusted as if the employees elected to receive all shares. For example, at an exchange rate of 1.5 new shares for each existing share, an employee who had an option to purchase 100 shares with a current exercise price of \$30 would receive a new option to purchase 150 new shares with an exercise price of \$20 per share. As of December 31, 1999, employees held options to purchase 75.3 million shares at an average exercise price of \$32.66.

⁴The special tax treatment of the cash disbursement as a capital gain rather than ordinary income did not necessarily apply to shareholders owning more than 1% of Ford's shares outstanding or to shareholders who exercised control over corporate affairs.

Ford's Stated Rationale for the Recapitalization

Ford gave the following explanation for the recapitalization:⁵

Ford believes the recapitalization will provide value, flexibility, liquidity, and alignment for Ford stockholders, and tie Ford management even more closely to the interests of Ford stockholders. Ford believes that its stock is undervalued, limiting, among other things, the Company's ability to use its stock for acquisitions or to attract, retain or incentivize employees. Ford believes the recapitalization will highlight its cash reserves and cash flow generating capacity, which have not been adequately reflected in its stock price.

The recapitalization also will reshuffle ownership interests in the Company's revised capital structure, as Ford stockholders elect to increase or reduce their relative equity investment in the Company. Moreover, in Ford's judgment, certain objectives in the recapitalization, such as stockholder liquidity, could not be achieved as effectively through a conventional share repurchase. In particular, the recapitalization is responsive to the interests of stockholders who would ordinarily be disinclined to sell any portion of their existing Ford shares. The commitment to Ford of these long-term stockholders, which include current and retired employees, holders of Class B stock, and certain retail and institutional investors, is a source of strategic advantage to the Company. Finally, by allowing for the distribution of additional new common shares to holders of Class B stock, the recapitalization will more closely align the interests of all Ford stockholders.

Executive officers of Ford generally are expected to elect to receive only stock in the recapitalization. More broadly, Ford's employee stock option and restricted stock programs will be adjusted to reflect the issuance of new shares in the recapitalization. As a consequence of the executive elections and the adjustments in the employee incentive plans, the recapitalization will tie Ford management's compensation even more closely to the performance of Ford's stock price.

In a company press release when the VEP was first announced, Chairman Bill Ford commented that "this innovative and unprecedented plan reflects our confidence in the outlook for our business and an absolute commitment to rewarding our shareholders. This action is indicative of the new mindset at Ford Motor Co. and our confidence in the future. It is shareholder-friendly because it offers all shareholders an option, the choice of cash or increased ownership." He added that by allowing the distribution of common shares to holders of Class B stock, the VEP would more closely align the interests of all Ford stockholders.

With respect to the Visteon spin-off, Mr. Ford said, "We believe independence for Visteon will result in it being a stronger competitor and is in the best long-term interest of both Visteon employees and Ford Motor Company shareholders." He said the separation would allow the automaker to focus on its core business and give Visteon a chance to build its client base outside Ford.⁶

Ford CEO and President Jacques Nasser said, "These pioneering actions will allow us to immediately reward our shareholders and accelerate our transformation into a leading consumer-focused company. Today's actions reflect our intense effort to transform and strengthen our overall business, unleash the spirit of the Ford team, better connect with customers, and reward shareholders while maintaining strategic flexibility."⁷

⁵Source: Ford SEC filings.

⁶Source: Company press release on April 14, 2000.

⁷Source: Ibid.

Immediate Outside Reaction

On Wall Street the reaction was generally very positive. Morgan Stanley auto analyst Stephen Girsky noted that "it is the first time in over a decade that Ford is returning excess cash to shareholders. It sends a message as to management's confidence in the future of the business."⁸

Girsky also noted that the deal rewarded shareholders much faster than would a traditional stock buyback, which could have taken as long as a year to execute without significantly affecting Ford's stock price. Companies conducting open market repurchases were in any event limited by SEC rules on any given day to repurchasing no more than 25% of average daily volume during the prior four weeks. Ford's average daily volume in March 2000 was 8.3 million shares. Alternative mechanisms for conducting share repurchases included fixed price tender offers (usually at a premium to prevailing prices) or auctions (at prices determined by the marketplace).

Goldman Sachs auto analyst Gary Lapidus said: "It's a powerful statement about the strength of Ford Motor Company's new business model. Great products, strong brands, shareholder and customer focused, Web-enabled, less asset intensive, less cyclical, and reinvesting capital for profitable growth, not for growth's sake." Lapidus also noted that Ford had not received much credit for its large cash position or its strong cash flow, which he estimated at \$5 billion a year. He thought that Ford shares should be trading at \$70 per share.⁹ (Goldman Sachs had a relationship with Ford dating back to as early as the company's initial public offering and had advised Ford on the VEP transaction.)

Analysts further contended that the VEP avoided the difficulties a share buyback would have posed for the Ford family. By participating in a share repurchase, the family would have risked reducing its voting rights in the company. Mr. Ford had said that the family had agreed to take its portion of the distribution in the form of new Ford common shares, not cash. The family thus would have tens of millions of common shares to sell for liquidity purposes without reducing their holding of Class B shares.

Some analysts wondered whether the distribution of cash meant that Ford no longer would be spending heavily on acquisitions. Given the already significant consolidation in the global auto industry, the list of remaining acquisition candidates had grown shorter. Nevertheless, Mr. Nasser insisted during a press conference that the company would retain the flexibility to make more deals. Indeed, in June 2000, Ford would post the winning bid of \$6.9 billion to purchase the troubled Korean auto manufacturer Daewoo Motor Company. (The deal ultimately was not consummated and Daewoo filed for bankruptcy in November 2000.)

In the stock market on April 14, 2000, investors initially welcomed the announcements. Ford shares rose 2% to \$55.56 in morning trading on the New York Stock Exchange. But in a rapidly falling market, with the S&P 500 index down 5.8% for the day, Ford's shares closed down \$3.07, or 5.6%, at \$51.38.

Credit-rating agencies downgraded Ford's debt (from A+ to A) after the announcement of the VEP, warning that the restructuring reduced the company's ability to weather a downturn. But Ford officials said they expected this reaction and were comfortable with their new credit ratings.

⁸Source: "Ford Announces Shareholder Value Actions," Morgan Stanley research report, April 14, 2000.

⁹Source: Mark Yost, "Analysts Applaud Ford's Visteon Spinoff, \$10 Billion Dividend," *Dow Jones Business News*, April 16, 2000.

Shareholder Objections

Certain Ford shareholders were quite critical about the structure of the transaction. In particular, Teachers Annuity and Insurance Association-College Retirement Equities Fund (TIAA-Cref) and the California Public Employees' Retirement System (Calpers), which owned 8.4 million and 6.5 million shares of Ford common stock, respectively, announced that they would oppose the VEP on the grounds that the transaction unfairly favored the Ford family over common shareholders.

In a proxy statement filed on July 18, 2000, TIAA-Cref and Calpers argued that:

The Ford family would be able to maintain its 40-percent voting power with only 3.6 percent of the company's total equity after the transaction, versus the five-percent equity stake it currently holds. This is fundamentally at odds with the one share, one vote principle that constitutes perhaps the single most important tenet of good corporate governance. . . . Completion of the recapitalization would set an ominous precedent for the company to engage in similar restructurings going forward, in each case allowing the family to decrease its equity stake without giving up voting control. The establishment of such a precedent is clearly inimical to the interests of common shareholders and exposes the public to the risks of continuing dilution of their voting rights in the future.

We are also skeptical of management's attempts to distinguish the present transaction from a stock dividend. The Class B shareholders will, in fact, receive shares of common stock in the recapitalization, in violation of the spirit (though not the letter) of the certificate's prohibition against the paying of common stock dividends on the Class B shares. We believe that common shareholders should, at a minimum, have the right to independently approve or reject a transaction that would result in the issuance of common shares to the Ford family.

Finally, we note that Ford could have achieved the primary averred goal of the VEP—namely, the enhancement of shareholder value—through any number of mechanisms that avoided the VEP's dilutive effect on holders of the common stock. A straight stock repurchase or the declaration of a . . . dividend, for instance, could have satisfied investors and potentially reassured the market. Management made a conscious choice to pursue the VEP in lieu of such more basic alternatives, however, in an apparent attempt to preserve the Ford family's voting power.

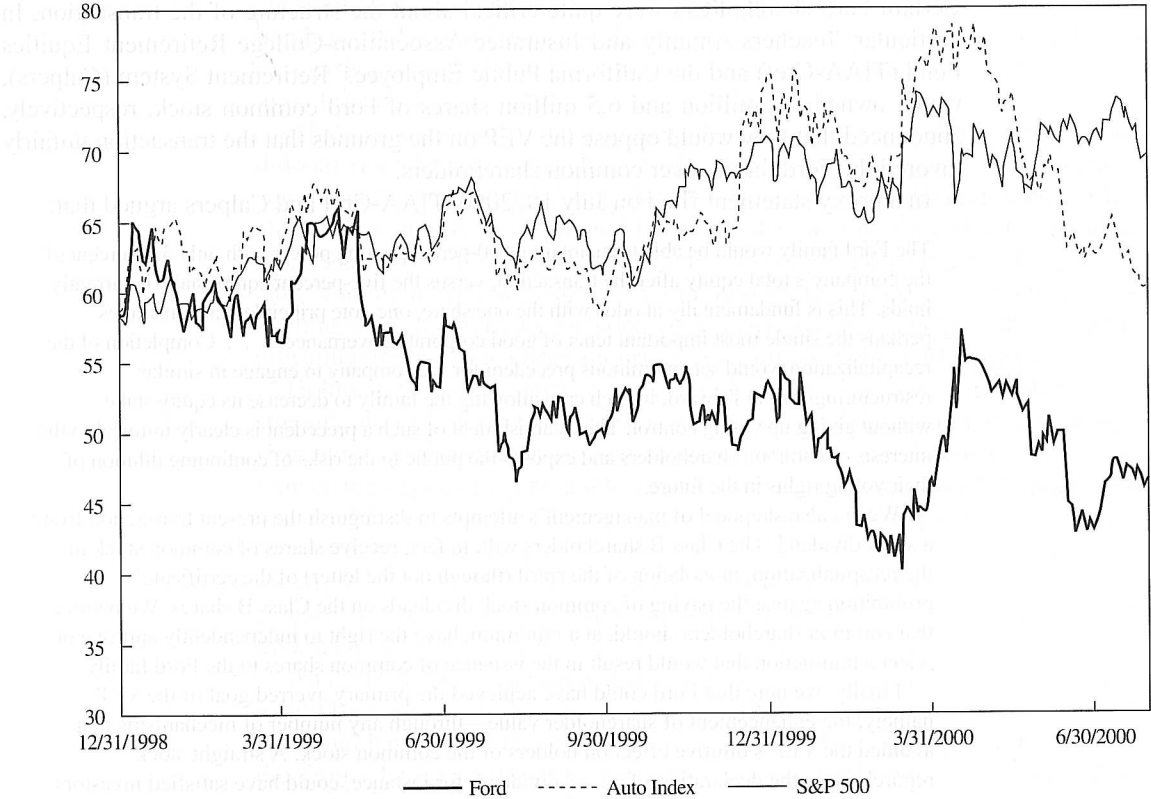
Final Terms

On July 28, 2000, Ford announced that stockholders electing the share option would receive 0.748 new Ford common shares in lieu of \$20 cash. This exchange rate was based on the \$46.7317 volume-weighted average trading price of Ford common stock on the New York Stock Exchange during the five-day trading period ending July 28.

On Tuesday, August 1, Ford's shares closed at \$46.875. Shareholders had to vote for or against the recapitalization proposal, and they had to elect the form in which to receive the distribution of \$20 per share. The votes and elections were due the next day by 8:30 A.M.

EXHIBIT 1 Ford's Stock Price vs. the S&P 500 and the Auto Industry Except for Ford since December 31, 1998^a

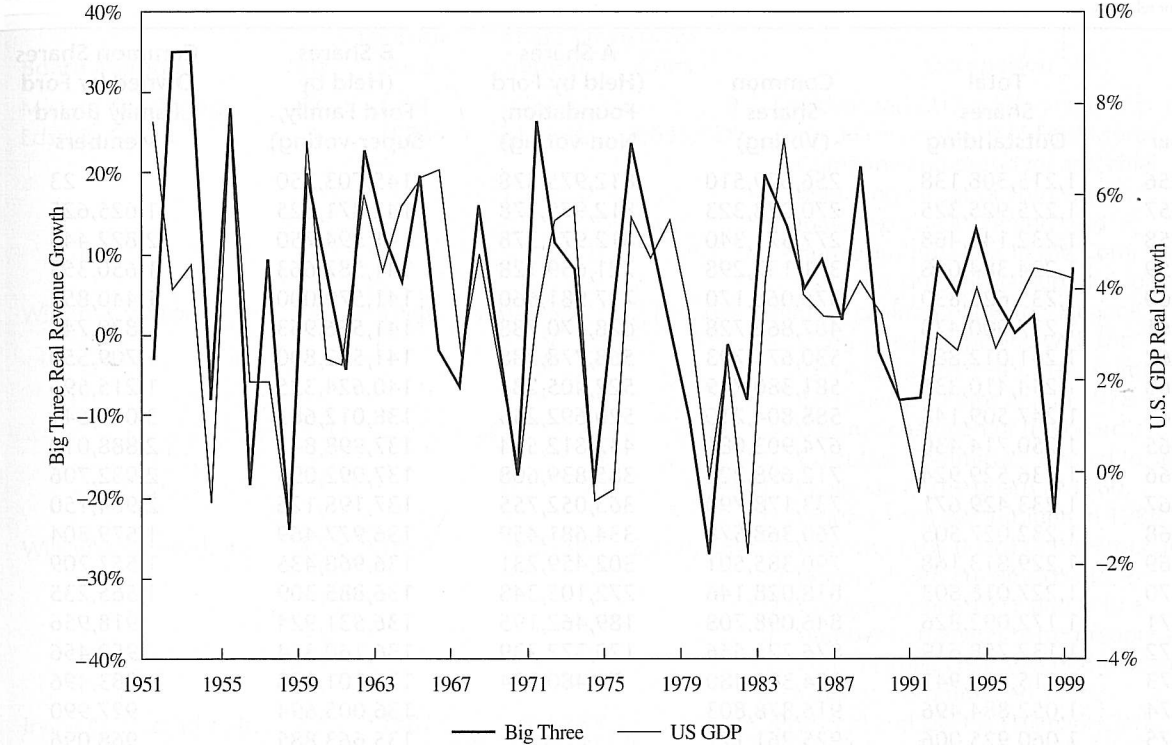
Source: Datastream



^aThe auto industry ex Ford is represented here by an equally-weighted index of General Motors, DaimlerChrysler, and Toyota stock returns. The starting S&P 500 and auto industry index levels are normalized to equal Ford's stock price on 12/31/98.

EXHIBIT 2 Growth in U.S. GDP and Big Three^a Revenues, 1951–1999

Source: Datastream



^aThe Big Three automakers were General Motors, Ford, and Chrysler (now DaimlerChrysler).

EXHIBIT 3 Ford Shares Outstanding, 1956–1999 (adjusted for stock splits)

Sources: Ford Motor Company annual reports and proxy statements; historical archives maintained by Elizabeth Adkins and James Sharon, Dearborn, Michigan; company investor relations.

Year	Total Shares Outstanding	Common Shares (Voting)	A Shares (Held by Ford Foundation, Non-voting)	B Shares (Held by Ford Family, Super-voting)	Common Shares Owned by Ford Family Board Members
1956	1,215,308,138	256,629,510	812,975,378	145,703,250	23
1957	1,225,925,325	270,078,323	812,975,378	142,871,625	1,625,625
1958	1,232,141,468	277,571,340	812,975,378	141,594,750	2,822,445
1959	1,234,384,088	371,137,298	721,659,128	141,587,663	1,650,353
1960	1,235,626,830	376,066,170	717,981,660	141,579,000	1,440,855
1961	1,237,900,478	467,862,728	628,470,788	141,566,963	839,745
1962	1,241,012,880	530,671,793	568,778,288	141,562,800	1,709,550
1963	1,244,410,335	581,380,729	522,405,281	140,624,325	1,215,596
1964	1,247,509,148	588,804,210	520,692,255	138,012,683	3,033,641
1965	1,250,714,430	674,903,081	437,812,504	137,998,845	2,888,010
1966	1,236,529,924	712,698,221	385,839,608	137,992,095	2,932,706
1967	1,233,429,671	733,178,790	363,052,755	137,198,126	2,964,150
1968	1,232,027,505	760,368,578	334,681,459	136,977,469	1,579,804
1969	1,229,813,168	790,385,501	302,459,231	136,968,435	1,557,709
1970	1,227,018,803	818,028,146	272,105,348	136,885,309	1,565,235
1971	1,172,092,826	846,098,708	189,462,195	136,531,924	918,956
1972	1,132,758,619	876,225,566	120,372,739	136,160,314	950,456
1973	1,115,889,941	904,308,480	75,480,334	136,101,128	883,496
1974	1,052,884,496	916,878,803		136,005,694	927,990
1975	1,060,925,006	925,261,121		135,663,885	968,096
1976	1,063,522,631	928,122,131		135,400,500	904,500
1977	1,069,687,422	937,929,591		131,757,831	738,324
1978	1,079,343,765	950,151,546		129,192,219	968,652
1979	1,084,753,620	959,332,149		125,421,471	747,351
1980	1,091,700,000	966,600,000		125,100,000	400,707
1981	1,085,400,000	971,100,000		114,300,000	492,120
1982	1,085,400,000	980,100,000		105,300,000	522,054
1983	1,098,000,000	1,009,200,000		88,800,000	288,426
1984	1,095,000,000	1,011,600,000		83,400,000	424,302
1985	1,116,600,000	1,033,800,000		82,800,000	470,796
1986	1,073,600,000	996,400,000		77,200,000	482,072
1987	1,015,000,000	939,600,000		75,400,000	238,114
1988	982,000,000	907,600,000		74,400,000	695,870
1989	945,600,000	874,800,000		70,900,000	733,230
1990	946,200,000	875,400,000		70,900,000	646,672
1991	966,000,000	896,000,000		70,900,000	855,296
1992	978,000,000	908,000,000		70,900,000	646,672
1993	998,000,000	928,000,000		70,900,000	1,080,282
1994	1,023,000,000	952,000,000		70,900,000	560,590
1995	1,160,000,000	1,089,000,000		70,900,000	1,262,366
1996	1,189,000,000	1,118,000,000		70,900,000	1,908,274
1997	1,203,000,000	1,132,000,000		70,900,000	1,987,399
1998	1,222,000,000	1,151,000,000		70,900,000	2,127,601
1999	1,222,000,000	1,151,000,000		70,900,000	2,317,054

EXHIBIT 4 Ford Motor Company Board of Directors as of March 1, 2000

Source: Ford Motor Company 1999 annual report.

Board Member	Age	Director Since	Share Ownership		Occupation
			Common	Class B	
Michael D. Dingman	68	1981	106,505	0	President and CEO of Shipston Group, Ltd.
Edsel B. Ford II	51	1988	245,680	5,633,928	Retired vice president of Ford Motor Company and president and chief operating officer of Ford Credit. . Joined Ford in 1974 and held numerous positions in the Company's Ford and Lincoln-Mercury divisions.
William Clay Ford	74	1948	2,020,585	15,136,209	Retired chairman of Ford's Finance Committee. Employed with the Company since 1949. Held numerous executive positions and in 1978 became chairman of the board's Executive Committee. Elected to vice chairman of the board in 1980, retiring from that position in 1989.
William Clay Ford, Jr.	42	1988	188,239	3,300,320	Chairman of the Board of Directors since January 1999. Employed with the Company since 1979 and held a number of management positions at Ford. Named chairman of the board's Finance Committee in 1995.
Irvine O. Hockaday, Jr.	63	1987	19,815	0	President and CEO of Hallmark Cards, Inc.
Marie-Josée Kravis	50	1995	11,322	0	Senior fellow of the Hudson Institute Inc.
Ellen R. Marram	53	1988	23,465	0	President and CEO of efdex inc.
Jacques A. Nasser	52	1999	171,441	0	Named president and CEO of Ford in January 1999 after holding a variety of senior and global positions since joining the Company in 1968.
Dr. Homer A. Neal	57	1997	3,991	0	Director, University of Michigan ATLAS Project, professor of physics and interim president emeritus of the university.
Jorma J. Ollila	49	2000	2,000	0	Chairman and CEO of Nokia Corp.
Carl E. Reichardt	68	1986	23,298	0	Retired chairman and CEO of Wells Fargo & Company.
Robert E. Rubin	61	1999	5,000	0	Director, chairman of the executive committee and member of the Office of the Chairman, Citigroup, Inc. and former U.S. Secretary of the Treasury.
John L. Thornton	46	1996	21,118	0	President and co-chief operating officer of The Goldman Sachs Group, Inc.

EXHIBIT 5 Abbreviated Ford Family Tree

Source: Peter Collier and David Horowitz, *The Fords* (New York: Simon & Schuster, 1987).

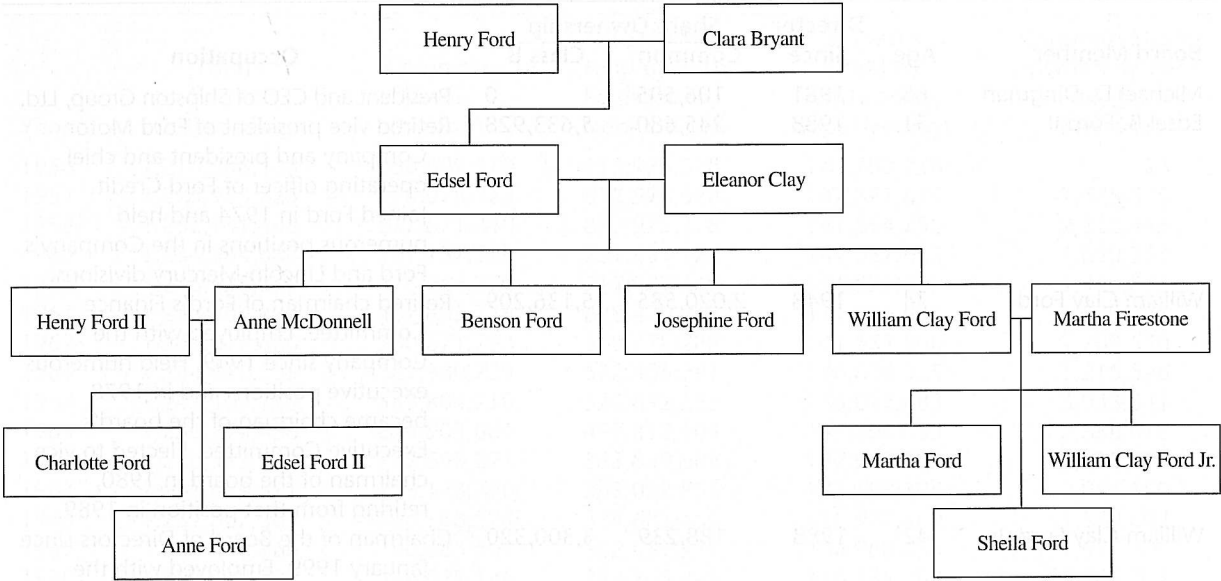


EXHIBIT 6 Miscellaneous Ford Financial Information, 1986–1999 (consolidated, as of December 31, figures in \$ millions except per share items)

Sources: Company SEC filings and casewriter adjustments.

	1999	1998 ^a	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
Selected Income Statement Items														
Total revenues	162,558	144,416	153,627	146,991	137,137	128,439	108,521	100,132	88,286	97,650	96,146	92,446	79,893	69,694
Automotive revenues	136,973	119,083	122,935	118,023	110,496	107,137	91,568	84,407	72,051	81,844	82,879	82,193	71,797	62,868
Gross profit	33,855	32,291	33,997	29,055	27,824	25,408	18,228	13,877	11,762	15,420	18,209	17,240	12,650	10,138
Depreciation and amortization	15,193	14,329	13,583	12,791	11,719	9,336	7,468	6,756	5,778	4,880	4,229	3,792	3,460	3,152
Operating profit	18,662	17,962	20,414	16,264	16,105	16,072	10,760	7,121	5,984	10,540	13,980	13,448	9,190	6,986
Pretax income	11,026	25,395	10,939	6,793	6,705	8,789	4,003	(127)	(2,587)	1,495	6,030	8,343	7,885	5,620
Income taxes	3,670	3,176	3,741	2,166	2,379	3,329	1,350	295	(395)	530	2,113	2,999	3,226	2,324
Net income	7,237	6,116	6,920	4,446	4,139	5,308	2,529	(502)	(2,258)	860	3,835	5,300	4,625	3,285
Selected Cash Flow Items														
Capital expenditures	10,274	10,407	9,675	10,410	10,456	9,470	6,814	5,790	5,847	7,163	6,767	4,782	3,612	3,353
Net common equity issued	(371)	(932)	295	192	(1,274)	715	394	1,325	-	-	(895)	(816)	(1,342)	(700)
Cash dividends	2,290	5,348	2,020	1,800	1,559	1,205	1,086	977	927	1,389	1,404	1,114	805	591
Selected Balance Sheet Items														
Cash and marketable securities	25,173	24,956	22,453	19,103	15,096	13,822	12,307	12,217	12,928	8,247	7,102	10,477	10,684	9,769
Net property, plant, and equipment	42,317	37,320	34,594	33,527	31,273	27,048	23,059	22,160	22,522	22,208	18,605	15,992	14,034	13,201
Automotive assets	105,181	88,744	85,079	79,658	72,772	68,639	61,737	57,170	52,397	50,824	45,819	43,128	39,734	34,021
Financial Services assets	171,048	148,801	194,018	183,209	170,511	150,983	137,201	123,375	122,032	122,839	115,074	100,239	76,260	59,211
Automotive long-term debt	10,542	8,713	7,047	6,495	5,475	7,103	7,084	7,068	6,539	4,553	1,137	1,336	2,058	2,467
Financial Services long-term debt	67,517	55,468	73,198	70,641	68,259	58,104	47,900	42,369	43,680	40,779	37,784	30,777	26,009	19,128
Shareholders' equity	27,537	23,409	30,734	26,762	24,547	21,659	15,574	14,753	22,690	23,238	22,728	21,529	18,493	14,860
Equity market capitalization	64,379	70,867	57,709	37,876	33,084	28,165	31,788	20,706	13,416	12,439	20,367	24,483	18,884	8,527
EPS (fully diluted)	5.86	4.86	5.62	3.64	3.33	4.44	2.10	(7.81)	(2.40)	0.92	4.06	5.40	4.46	3.03
Dividends per share	1.88	1.72	1.65	1.47	1.23	0.91	0.80	0.80	0.98	1.50	1.50	1.15	0.79	0.56

^a1998 profits exclude a \$15,955 million non-cash gain related to the spin-off to shareholders of Associates First Capital. 1998 dividends include a special \$3.2 billion dividend paid in conjunction with the Associates First Capital spin-off.

EXHIBIT 7 Ford Motor Company Condensed Statement of Changes in Cash and Marketable Securities, 1986–1999 (consolidated, figures in \$ millions)^a

Sources: Company SEC filings and casewriter adjustments.

	1999	1998 ^b	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
Net income	7,237	6,116	6,920	4,446	4,139	5,308	2,529	(502)	(2,258)	860	3,835	5,300	4,625	3,285
Depreciation and amortization	15,193	14,329	13,583	12,791	11,719	9,336	7,468	6,756	5,778	4,880	4,229	3,792	3,460	3,152
Decrease (increase) in net working capital ^c	5,856	8,348	9,723	6,999	4,446	6,065	2,606	5,730	7,874	1,426	(207)	761	6,003	5,648
Operating Cash Flow	28,286	28,793	30,226	24,236	20,304	20,709	12,603	11,984	11,394	7,166	7,857	9,853	14,088	12,085
Capital expenditures	(10,274)	(10,407)	(9,675)	(10,410)	(10,456)	(9,470)	(6,814)	(5,790)	(5,847)	(7,163)	(6,767)	(4,782)	(3,612)	(3,353)
Decrease (increase) in Financial Services receivables ^d	(23,645)	(21,088)	(25,735)	(22,174)	(25,689)	(27,337)	(19,001)	(6,656)	(239)	(6,620)	2,012	(13,368)	(15,561)	(12,216)
Net other investments	(6,363)	(801)	(666)	777	638	41	2,358	(365)	(2,097)	(13)	(4,516)	(145)	(4,549)	(907)
Investing Cash Flow	(40,282)	(32,296)	(36,076)	(31,807)	(35,507)	(36,766)	(23,457)	(12,811)	(8,183)	(13,796)	(9,270)	(18,295)	(23,722)	(16,476)
Net common equity issued	(371)	(932)	295	192	(1,274)	715	394	1,325	0	0	(895)	(816)	(1,342)	(700)
Cash dividends	(2,290)	(5,348)	(2,020)	(1,800)	(1,559)	(1,205)	(1,086)	(977)	(927)	(1,389)	(1,404)	(1,114)	(805)	(591)
Net increase (decrease) in debt	16,369	13,920	10,920	12,196	18,785	17,399	14,384	2,841	2,424	9,280	3,029	12,118	12,044	9,353
Financing activities, other	(1,495)	(1,634)	5	990	525	663	(2,748)	(3,073)	(27)	(116)	(2,691)	(1,953)	652	(492)
Financing Cash Flow	12,213	6,006	9,200	11,578	16,477	17,572	10,944	116	1,470	7,775	(1,960)	8,236	10,549	7,570
Net Change in Cash and Marketable Securities =														
Operating + Investing + Financing Cash Flows	217	2,503	3,350	4,007	1,274	1,515	90	(711)	4,681	1,145	(3,375)	(207)	915	3,179

^aThe accounting rules for marketable securities are somewhat complex. Depending on the type of security, and the purpose of the purchase, a purchase (or sale) will flow through either Operating or Investing Cash Flow. Changes to the account balances will, again, depending on the type and purpose of the security, flow through either the income statement, or a separate component of stockholders' equity. Because Ford treats marketable securities similar to cash (and most of the balance is treated as operational flows), this exhibit treats marketable securities as part of working capital. Consistent with this view, the purchase (sale) of, and changes in, marketable securities are included in the Operating Cash Flow statement, except for those explicitly listed in the SEC filings under Investing Cash Flow.

^b1998 profits exclude a \$15.995 million non-cash gain related to the spin-off to shareholders of Associates First Capital.

^cThe net change in current assets minus current liabilities. This includes adjustments for the effects of foreign currency exchange rate fluctuations.

^dThe account, Financial Services receivables, represents primarily the value of the outstanding loans and leases on the vehicle purchases (and leases) that the Financial Services division has financed. An increase in receivables suggests that the division has funded net new loans and leases.

EXHIBIT 8 Miscellaneous General Motors Financial Information, 1986–1999 (consolidated, as of December 31, figures in \$ millions except per share items)

Sources: Company SEC filings.

	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
Selected Income Statement Items														
Total sales	176,558	155,445	178,174	164,013	168,829	154,951	138,220	132,429	123,056	124,705	126,932	123,642	101,782	102,813
Automotive sales	156,107	137,161	153,683	145,341	143,666									
Gross profit	30,904	24,988	31,954	26,238	28,779	25,497	20,266	15,743	14,688	17,230	19,946	19,146	14,578	13,615
Depreciation and amortization	12,318	11,147	11,803	7,145	12,021	10,251	9,442	8,959	7,916	7,362	7,168	7,081	6,112	6,594
Operating profit	18,586	13,841	20,151	19,093	16,758	15,246	10,824	6,784	6,772	9,868	12,778	12,065	2,569	1,431
Pretax income	9,047	4,944	7,714	6,620	9,776	8,353	2,575	(3,333)	(5,892)	(2,217)	6,398	6,735	3,491	2,644
Income taxes	3,118	1,636	1,069	1,723	2,844	2,695	110	(713)	(900)	(231)	2,174	2,103	(60)	(300)
Net income	6,002	2,956	6,698	4,963	6,881	4,901	2,466	(23,498)	(4,453)	(1,986)	4,224	4,856	3,551	2,945
Selected Cash Flow Items														
Capital expenditures	7,384	8,231	8,647	9,949	10,077	7,225	6,470	6,590	7,300	7,588	7,505	5,627	7,057	11,712
Net common issuance	(1,865)	(2,746)	(3,751)	229	(1,176)	1,185	594	5,549	2,497	14	(1,482)	(534)	422	(352)
Cash dividends	1,367	1,388	1,620	1,530	1,328	1,112	1,084	1,377	1,162	1,957	1,964	1,658	1,668	1,663
Selected Balance Sheet Items														
Cash and equivalents	12,140	10,276	22,984	22,262	16,643	16,076	17,962	15,275	10,092	7,821	10,213	10,181	7,744	7,315
Net property, plant, and equipment	38,523	37,176	34,567	37,504	37,740	34,780	34,225	35,350	36,826	36,145	33,995	31,931	32,040	30,376
Total assets ^a	274,730	246,688	221,767	216,965	217,123	198,599	188,201	191,013	184,326	180,237	173,297	164,063	168,102	146,222
Automotive assets	125,561	114,594	115,761	110,247	91,162	88,065	81,009	83,617	72,677	69,264	64,598	60,420	58,860	46,708
Financial Services assets	149,169	132,094	109,319	98,578	94,470	84,555	79,352	83,610	91,415	92,966	89,852	84,445	98,527	90,781
Total debt	129,697	114,871	93,027	85,300	83,324	73,730	70,441	82,952	94,022	95,634	93,425	88,130	85,797	80,604
Automotive long-term debt	7,415	7,118	5,491	5,192	5,968	6,082	6,218	6,857	6,405	4,615	4,255	4,243	3,949	4,007
Shareholders' equity	20,644	15,052	17,506	23,418	23,346	13,274	6,048	6,991	28,617	32,154	36,633	35,672	33,225	30,678
Equity market cap.	45,024	46,874	42,127	42,182	39,815	31,777	39,516	22,795	17,930	20,817	25,590	25,589	19,056	20,932
EPS (fully diluted)	9.18	4.18	8.62	6.02	7.21	5.15	2.13	(38.28)	(7.97)	(4.09)	6.33	7.17	5.03	4.11
DPS	2.00	2.00	2.00	1.60	1.10	0.80	0.80	1.40	1.60	3.00	3.00	2.50	2.50	2.50

^aTotal assets can differ from the sum of Automotive and Financial assets due to eliminations and other adjustments.

EXHIBIT 9 Miscellaneous DaimlerChrysler Financial Information, 1986–1999 (consolidated, as of December 31, figures in \$ millions except per share items)

Sources: Company SEC filings.

	1999	1998 ^a	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
Selected Income Statement Items														
Total sales	151,035	154,615	61,147	61,397	53,195	52,235	43,600	36,897	29,370	30,620	34,922	34,148	28,308	22,977
Gross profit	41,404	41,524	9,447	10,825	7,827	10,270	7,841	5,114	3,211	4,303	5,717	5,849	5,533	2,965
Depreciation and amortization	9,415	8,601	2,696	2,312	2,220	1,955	1,640	1,610	1,465	1,398	1,341	1,146	891	585
Operating profit	8,557	8,049	6,751	8,513	5,607	8,315	6,201	3,504	1,746	2,905	4,376	4,703	4,642	2,380
Pretax income	9,724	9,567	4,557	6,092	3,449	5,830	3,838	934	(810)	147	596	1,654	2,149	2,297
Income taxes	4,565	3,607	1,752	2,372	1,328	2,117	1,423	429	(272)	79	237	604	859	908
Net income	5,785	5,656	2,805	3,720	2,121	3,713	2,415	505	(538)	68	359	1,050	1,290	1,389
Selected Cash Flow Items														
Capital expenditures	29,657	19,659	7,150	5,429	4,109	4,024	2,995	2,289	2,348	2,262	1,665	1,690	1,975	2,061
Net common issuance	165	4,782	(2,130)	(241)	(1,047)	0	1,952	0	385	0	0	0	118	0
Cash dividends	2,395	7,572	1,096	963	710	399	281	225	169	269	268	225	219	176
Selected Balance Sheet Items														
Cash and equivalents	9,163	21,998	7,848	7,752	8,125	8,371	5,095	3,649	3,035	3,355	2,564	3,255	2,410	2,679
Net property, plant, and equipment	64,129	51,852	22,540	18,829	16,161	14,482	12,774	11,531	10,508	9,468	9,876	9,698	8,312	6,118
Total assets ^b	175,889	159,738	60,418	56,184	53,756	49,539	43,830	40,653	43,076	46,374	51,038	48,567	37,417	25,945
Automotive assets	101,424	103,513	44,483	41,251	38,358	36,001	32,492	25,144	23,050	22,218	21,670	19,718	17,472	11,482
Financial Services assets	74,466	56,225	19,599	17,721	17,835	16,648	14,251	17,548	21,280	24,702	30,090	28,750	25,277	21,028
Automotive long-term debt	4,431	4,247	2,258	1,709	2,215	2,098	2,516	3,707	3,506	3,898	3,249	3,314	3,333	2,334
Financial Services debt	60,509	43,189	6,748	5,475	7,643	5,552	4,355	9,727	11,474	15,094	13,753	13,315	10,885	9,100
Shareholders' equity	36,313	35,629	11,362	11,571	10,959	10,692	6,834	7,536	6,109	6,849	7,233	7,582	6,503	5,281
Equity market cap	78,254	96,228	22,815	23,183	20,855	17,398	18,836	9,469	3,435	2,838	4,239	6,002	4,894	5,345
EPS (fully diluted)	5.73	5.75	4.09	4.74	2.56	4.55	(3.81)	1.07	(1.64)	0.15	0.77	2.33	2.94	3.13
DPS	2.50	11.97	1.60	1.40	1.00	0.55	0.33	0.30	0.30	0.60	0.60	0.50	0.50	0.40

^aIn 1998, Chrysler Corporation merged with Daimler Benz to form DaimlerChrysler. Figures prior to 1998 are from Chrysler.

^bTotal assets can differ from the sum of Automotive and Financial assets due to eliminations and other adjustments.

EXHIBIT 10 Selected Auto Company Valuation Information and Interest Rates as of April 14, 2000

Sources: The Value Line Investment Survey, Yahoo!, The Wall Street Journal, Bulldogresearch, casewriter estimates.

	Ford	General Motors	DaimlerChrysler ADR	Toyota ADR	S&P 500
Stock price	\$51.38	\$82.06	\$63.25	\$101.81	\$1,356.56
Beta ^a	0.81	0.93	0.80	0.55	1.00
Standard deviation ^a	31.6%	31.4%	32.7%	34.1%	19.6%
Earnings per share					
1995	3.58	7.28	NA	1.26	33.96
1999	5.86	8.53	6.25	2.05	48.17
Est. 2004	8.61	12.30	9.57	3.78	80.00
Growth in earnings per share					
1995–1999	13.1%	4.0%	NA	12.9%	9.1%
Est. 1999–2004	8.0%	7.6%	8.9%	13.0%	10.7%
Book value per share 1999	\$22.65	\$31.35	\$39.40	\$34.20	\$200.35
Price/Earnings ratio on 1999 earnings	8.8x	9.6x	10.1x	49.7x	28.2x
Price/Book ratio on 1999 book value	2.3x	2.6x	1.6x	3.0x	6.8x
Interest Rate					
One-year U.S. Treasury bills	6.05%				
30-year U.S. Treasury bonds	5.79%				

^aEstimated from weekly stock and index price changes over the previous three years. Stock price information for DaimlerChrysler is available since the merger in November 1998.