2014 Profit Sharing Q&As (Payment in March 2015)

Calculating the Hourly Profit Sharing Amount

Q1. How much can we expect the Profit Sharing payment to be for U.S. hourly employees?
A1. Per the formula in the UAW-Ford collective bargaining agreement, Ford's North American pre-tax profits will generate approximately $6,900 per eligible employee on a full year basis. Payments are planned to be distributed on March 12. Individual Profit Sharing payments will be higher or lower, based upon employee compensated hours.

Q2. Could some employees receive more than $6,900?
A2. Yes. Since individual payments are based upon eligible compensated hours, an employee that was compensated for overtime hours worked during the calendar year could receive more than $6,900.

Q3. What do you mean by “compensated hours?” Is that the number of hours they worked?
A3. No. Compensated hours are the number of hours for which employees are compensated. Hours for things like paid vacation time, paid holiday time, etc., are included in the calculation.

Q4. How is the Profit Sharing amount calculated?
A4. It is calculated through a formula based on North America profits on a pre-tax basis and excluding “special items.” The formula generates a profit sharing pool based on $1 for every $1 million of North America pre-tax profit and compensated hours worked by employees. Individual payments vary based upon the individual’s eligible compensated hours.

Q5. Can you give an example of how the formula works in practice?
A5. Example:

Number of Participants with > / = 1,850 Compensated Hours = 35,000
Number of Participants with < 1,850 Compensated Hours = 16,000
Avg. Compensated Hours for Participants with < 1,850 Compensated Hours = 1,200
Eligible Profit Share Amount - $6,900
Total Compensated Hours = 105 million
Total Profit Sharing Fund = (35,000 * $6,900) + (16,000 * $6,900 * (1,200) / 1,850)) = $313,110,811

Profit Share Per Compensated Hour = $313.1 million / 105 million hours = $2.982/hour

Employee A – 2,400 Compensated Hours * $2.982 = $7,157
Employee B – 1,850 Compensated Hours * $2.982 = $5,517
Employee C – 800 Compensated Hours * $2.982 = $2,386

Q6. Does the Profit Sharing Plan have a minimum or maximum?
A6. The Company’s contribution to the Profit Sharing Fund will not exceed $12,000 per eligible employee. Further, in the event that the Ford North America Earnings Before Income Taxes (FNA EBIT) is less than $1.25B there will be no Profit Sharing distribution.

Q7. Is there an individual component to the plan?
A7. Payments will be distributed from the Fund to eligible employees based on their individual Eligible Compensated Hours relative to the total Eligible Compensated Hours for all eligible employees.
Eligibility

Q8. Which U.S. employees get Profit Sharing?
A8. Regular full-time hourly employees in the U.S. are eligible to receive profit share amounts unless they have terminated their employment for a reason other than death, layoff or approved leave, retirement, or sale of the operation in which they were employed. Hourly employees who accepted retirement separation packages in 2014 are eligible for Profit Sharing based on their compensated hours prior to retirement.

Employees Who Change Status

Q9. Will an employee who transfers during a plan year into an eligible operation or changes employment status receive a Profit Share?
A9.
- If an employee meets all of the eligibility requirements after transfer to an eligible operation or changes employment status (Hourly to Salaried / Salaried to Hourly) during the plan year, the employee will be eligible to participate based on eligible compensated hours affected by the transfer.
- Example of becoming eligible during the plan year: an employee changes status from Salaried to Hourly on April 1, 2014: Hours compensated during the nine month period from April 1 through December 31 would be used to determine the employee’s Profit Sharing amount.
- Salaried employees eligible to receive an Hourly Profit Sharing payment will have that payment mailed to their address of record.

Determining Each Eligible Employee’s Share

Q10. What differences may be reflected on either the Form W-2 or year-to-date gross earnings on the year-end pay stub that are not eligible for Profit Sharing purposes?
A10. A Profit Sharing report, detailing hourly employees’ eligibility and eligible/ineligible compensated hours, will be available March 12, 2015, in the INFOPAC reporting tool to help labor relations and payroll coordinators resolve differences. Report name is PROFDET and access is limited by location. If you need to request access, please go to the Employee Payments website https://dept.sp.ford.com/sites/employeepayments/Pages/Default.aspx and click on the excel form titled INFOPAC in the Employee Payment Documents, System Access Forms section. You will need to specify the payroll location(s) that you need access to and the form must be authorized and submitted by an LL6 or above (supervisor/manager).

Deductions from Profit Sharing Checks

Q11. What is deducted from Profit Sharing payments?
A11. Contributions to the TESPHE can be made on a pre-tax basis up to 100% of the Profit Share payment. This contribution is not subject to Federal income tax withholding. Contributions to Roth are subject to Federal income tax withholding. Both contributions are subject to Social Security taxes. Social Security tax applicable state and local taxes, bankruptcy, garnishments, Federal and state levies, money owed to the Company and union dues will be deducted from cash payments as described below. (Note: TESPHE elections will not be processed if there are outstanding Child Support Arrearages.)
- Cash payments (e.g., check, direct deposit, or deposits to Ford Interest Advantage (FIA)notes) are subject to the following deductions:
  ⇒ Federal income taxes - 25% (regardless of the number of claimed exemptions and exempt status)
  ⇒ Social Security and Medicare taxes - 7.65%
  ⇒ State and local taxes
  ⇒ Child Support Arrearages
⇒ Bankruptcy payments
⇒ Garnishments wage deduction orders
⇒ Federal or state levies
⇒ Union dues
⇒ Money owed to the Company

- All such deductions are taken from the portion of the Profit Sharing paid in cash (e.g., check, direct deposit, or deposit to Ford Interest Advantage (FIA) notes). Any uncollectible Social Security taxes and Union Dues deductions will be taken from the next regular paycheck(s) to the extent necessary to collect amounts due. This could result in net $0 for future paychecks.

- Contributions to TESPHE for 100% of the Profit Share payment will be subject to applicable Social Security taxes which will be deducted from the next regular paycheck.

- Employees who do not have an active FIA payroll deduction by **February 6, 2015**, will be ineligible to elect this option during the Profit Sharing Election Period.

- Deduction Type Summary:

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<tr>
<th>DEDUCTION TYPE</th>
<th>TESPHE***</th>
<th>TESPHE Roth</th>
<th>FIA</th>
<th>CHECK</th>
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<td>Federal Income Taxes</td>
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<td>Yes</td>
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<tr>
<td>Social Security Taxes</td>
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<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>State and Local Taxes</td>
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<tr>
<td>Child Support Arrearage</td>
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<td>Yes</td>
<td>Yes</td>
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<tr>
<td>Federal and/or State Levies</td>
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<tr>
<td>Union Dues</td>
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<td>Yes</td>
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</tbody>
</table>

* Varies per state and local governances. Contact your local and state tax authorities for guidance.

** If the employee is subject to Child Support arrearages, a TESPHE election will be cancelled.

*** Deductions in this column will be taken from subsequent checks if you elect to contribute 100% of your Profit Sharing payment to the TESPHE and this contribution is processed.

Q12. How are union dues calculated?
A12. Gross profit share amount multiplied by the union dues factor of 1.15%.

**Eligible Hours for Hourly Employees**

Q13. What types of hours count towards Profit Sharing?
A13. Compensated Hours include hours that an eligible employee receives pay within the Plan Year for:

- Base Pay
- Overtime (with each hour paid at premium rates to be counted as one hour)
- Vacation
- Holiday
- Bereavement
- Apprentice Training
- Jury Duty
- Short-term Military Duty
- Family Day
- Call-in
Eligible employees may receive credit for hours while on local union leave, medical leave while receiving workers’ compensation, and long term military leave.

Compensated hours will not include night-shift premium, seven-day premium, incentive pay, moving allowance, supplemental unemployment benefit payments under the SUB Plan, and Transition Assistance Plan (including automatic short work week benefits), sickness and accident benefits, extended disability benefits, and allocations under the Plan.

**Contributions to TESPHE and FIA Notes**

Q14. When are Profit Sharing contributions credited to TESPHE and FIA notes?
A14. Generally, within two business days after Profit Sharing Day.

Q15. Why wasn’t all of my Profit Sharing deposited to my TESPHE account even though my confirmation shows I elected 100% TESPHE?
A15. TESPHE contributions (including any portion of your Profit Sharing payment) cannot exceed certain regulatory limitations:
- Pre-tax and Roth TESPHE contributions cannot exceed $18,000 for the 2015 tax year.
- Total contributions (employee and any Company contributions) cannot exceed a certain amount: $1,000.00 per pay period on a cumulative basis and $52,000 in total for the TESPHE Plan year (April 1 – March 31).
- These pay-period limits are calculated automatically and take into account amounts contributed at the point Profit Sharing payments are made.
- Also, as noted above, TESPHE Profit Sharing payment elections will be cancelled for employees who have child support arrearages.

Q16. How does an employee’s suspension status in TESPHE affect the ability to defer their Profit Sharing?
A16. If a hardship withdrawal from the TESPHE is taken during or after the enrollment period, all deferrals to the TESPHE will be suspended for six (6) months following the date of the withdrawal. Your Profit Sharing will be paid to you as cash.

Q17. Can I elect to contribute my Profit Sharing to the TESPHE if I have taken a hardship withdrawal?
A17. No, contributions to the TESPHE (including Profit Sharing made on a pre-tax or Roth basis) are not allowed during the required six (6) month suspension period following a hardship withdrawal.

Q18. Can inactive employees and retirees defer their Profit Sharing by contributing it to their TESPHE account?
A18. No, only active employees are able to contribute their Profit Sharing to their TESPHE account.

**Miscellaneous**

Q19. What is the difference between Profit Sharing and AICP?
A19. The Profit Sharing Plan is offered only to eligible hourly employees in the United States and its payment is a direct result of the Company’s profitability in North America. The AICP (Annual Incentive Compensation Plan) is offered to eligible salaried employees and bonus amounts are determined based upon the Company's performance against Global metrics, including Automotive Operating Margin, Automotive Revenue, Ford Credit Profit Before Tax, Automotive Operating Cash Flow, and Quality.

Q20. Will Profit Sharing checks be direct deposited?
A20. Yes, Profit Sharing payments will follow the distribution process of regular paychecks.
* *If your regular paychecks are sent to FIA, a FIA election is not necessary.
Q21. Who should I contact if I believe that I am eligible for Profit Sharing but do not receive payment?
A21. Please contact your local Labor Relations Office or payroll coordinator.

Q22. When will I receive the Profit Sharing payment?
A22. The Profit Sharing payment will be paid on March 12, 2015.

Q23. How can I verify that my election made on myfordbenefits.com has been received?
A23. Profit Sharing elections made on myfordbenefits.com can be viewed on myfordbenefits.com > My Retirement > My Tax Efficient Savings Plan and select View Confirmation History in the I Want To section of the page.