



Ford Motor Company of Canada, Limited
Ford du Canada Limitée

The Canadian Road
P.O. Box 2000
Oakville, Ontario
L6J 5E4

March 25, 2010

Dear Pension Plan Participant:

Subject: PENSION PLAN FUNDING

You may recall that in August 2009, we wrote to you to inform you of Ford Motor Company of Canada, Limited's ("Ford") plans to implement a pension funding relief measure. The purpose of this letter is to inform you of other steps taken by Ford in accordance with the Solvency Funding Relief Regulations.

In accordance with these Regulations, Ford has made two elections to defer contributions to the pension plan. Although the timing of contributions to fund the current solvency deficiencies will be deferred, these deficiencies are still scheduled to be eliminated within ten years. Additional information with respect to these elections is contained in the attached notice.

Ford, in accordance with Ontario pension law and regulations, will be making the required monthly contributions to the pension plan to pay down the deficit over time.

Please rest assured that these elections do not affect current pension benefits accrued by active employees or paid to retirees or their beneficiaries. Ford is required by the Regulations to send you this notice. No action is required by you.

Sincerely,

Kathy Belleghem-Grima, CHRP
HR Manager, Total Rewards

Jeffrey Snyder
Director, Financial Services

**FORD MOTOR COMPANY OF CANADA, LIMITED
CAW RETIREMENT PENSION PLAN NO. 1 (THE "PLAN")
(Registration #0337709)**

Information Related to Plan Funding

Funded Status of the Plan

Periodic valuations of the Plan are conducted by Towers Perrin, an independent firm of pension actuaries. In accordance with regulations made under the Ontario Pension Benefits Act (the "Regulations"), the last valuation, conducted as of December 31, 2008 (i.e., the solvency relief report), was performed on two bases:

1. on an ongoing basis, which determines the position of the Plan assuming normal ongoing operation of the Plan, and
2. on a wind-up basis, which determines the position of the Plan assuming the Plan is immediately terminated.

The December 31, 2008 valuation showed that on an ongoing basis there were sufficient assets to meet the liabilities under the Plan. However, on a wind-up basis, on the December 31, 2008 valuation date, the Plan had a transfer ratio of 62.2%, which means that in the event the Plan had been terminated on that date, the assets of the Plan would have been only 62.2% of the liabilities.

Solvency Funding Relief Elections

In accordance with the Regulations, Ford Motor Company of Canada, Limited ("Ford"), the administrator of the Plan, has elected in conjunction with the December 31, 2008 valuation report to: (i) defer the start of special payments required to liquidate any new solvency deficiency determined in the solvency relief report for up to 12 months and (ii) consolidate special payments for pre-existing solvency deficiencies into a new five-year payment schedule that commenced on December 31, 2008, the date of the solvency relief report.

Impact on Plan Contributions

If Ford had not elected the Solvency Funding Relief measures identified above, the estimated minimum employer contributions that would have been required to fund the normal cost of the Plan and all special payments were scheduled to be \$267.1 million during 2009, decreasing annually over the next four years (for a total of \$773.4 million over the first five years) and \$38.5 million per year over the next five years (i.e. total of \$965.9 million over ten years). As a result of electing the Solvency Funding Relief measures, the estimated minimum employer contributions to the Plan are scheduled to be \$160.5 million per year over the first five years and \$38.5 million per year over the next five years (i.e., total of \$995.0 million over ten years).

Impact on Security of Benefits

Implementation of the Solvency Funding Relief measures identified above will defer the timing of contributions made to fund the Plan's solvency deficiencies, but at any rate these deficiencies are scheduled to be eliminated within ten years. In the unlikely event that the Plan is terminated, benefits under the Plan may have to be prorated if the Plan is in a deficit at that time. However, the funded status of the Plan is dependent on many factors, including interest and discount rates, market fluctuations and cash contributions made by the company. Ford will continue to fund any deficit that may arise in the future over five years in accordance with Ontario pension regulations. There are also government pension guarantee programs that may cover all or part of the shortfall if the Plan were to be terminated. As we expect the Plan to continue into the future, the deficit is considered to be a short-term occurrence in the life of an ongoing pension plan and will be eliminated in due course.

Update on Ford Election to Extend Solvency Payment Period

As indicated in our earlier notice dated August 10, 2009, Ford proposed to extend the payment period to amortize the deficit that emerged in 2008 from five to ten years. This extension was conditional on no more than one-third of the combined active, deferred, and retired members of the Plan objecting, directly or through the bargaining unit of the National Automobile, Aerospace, Transportation and General Workers Union of Canada ("CAW") representing the active members. Ford sent a notice to all active, deferred, and retired members of the Plan, as well as to the CAW, on August 10, 2009.

The total number of objections to the election received represented not more than one-third of eligible members and eligible former members of the Plan. The CAW did not object on behalf of eligible members of the Plan represented by the CAW to the extension. As a result, the election has been filed with the Financial Services Commission of Ontario and Ford is now funding the Plan deficit that emerged in 2008 in accordance with a ten-year payment period.

Ford is the administrator of your pension plan. If you have any questions about the information provided above, please contact the Pension Benefit Representative for your location. For your convenience, here is the contact information:

| Location | Pension Benefit Representative | Phone Number |
|---------------------------|--------------------------------|---------------------|
| Canadian Headquarters | Chantal Provencher | 905-845-2511 x 1127 |
| Oakville Assembly Complex | Mary Steenkist | 905-845-2511 x 3630 |
| St Thomas Assembly | Bud Graham | 519-637-5302 |
| Windsor Operations | Helen McLaughlin | 519-257-4217 |
| Parts Depots | Chantal Provencher | 905-845-2511 x 1127 |