

ASSOCIATES FIRST CAPITAL CORPORATION SPIN-OFF NOTIFICATION OF NEW CANADIAN TAX TREATMENT

On April 7, 1998, (the "Distribution Date"), Ford Motor Company ("Ford") distributed all of the common shares of Associates First Capital Corporation (the "Associates") owned by Ford to Ford Common and Class B shareholders of record as of the close of business on March 12, 1998 (the "Record Date"). Unless you sold your right to receive the Associates shares before the distribution date, you received 0.262085 shares of the Associates for each Ford share you owned as of the Record Date.

We are pleased to advise that on June 14, 2001 the Canadian *Income Tax Act* was amended so that foreign spin-off dividends can now be received by Canadian shareholders on a tax-free basis at the election of the shareholder. Ford has received confirmation from the Canada Customs and Revenue Agency that **the receipt of the Associates shares will be tax-free for Canadian income tax purposes, provided that the Ford shareholder files (i.e. mails through the Canadian postal system) a written election to the CCRA on or before September 11, 2001.** If you make the election, you may be entitled to a refund of Canadian income taxes previously paid in respect of the Associates spin-off.

If you elect tax-free treatment, you are required to allocate the adjusted cost base ("ACB") of your Ford shares as of April 7, 1998, immediately prior to the distribution, between your Ford shares and your Associates shares received based on their relative fair market values on April 7, 1998. Based upon the average high and low prices at which Ford and the Associates traded on the New York Stock Exchange on April 7, 1998, 66.41% of your ACB in your Ford shares should be allocated to your Ford shares, and the remaining 33.59% should be allocated to your Associates shares (including any fractional share interest). If you received cash in lieu of fractional shares, you will be treated as having sold the fraction for the amount of cash received and you would report the capital gain or loss on that sale equal to the difference between your ACB in the fractional share of the Associates (determined using the above methodology) and the amount of cash received.

An example of the ACB allocation is shown on the reverse side of this notification.

In addition, if you decide to make the election, and on or after April 7, 1998 you have sold any or all of your Ford shares or Associates shares, your previously reported capital gains in respect of those transactions will increase (or capital losses will decrease) based on the requirement to allocate a portion of the ACB of your Ford shares to your Associates shares.

If you sold your Ford shares after the Record Date but before the Distribution Date, you should contact your tax advisor to determine how to allocate the ACB of your Ford shares.

You should consult your tax advisor regarding the decision to make the election and the application of this new tax law to your particular circumstances.

ACTION REQUIRED TO ELECT TAX-FREE TREATMENT

- **If you wish to elect tax-free treatment, you must file (i.e. mail through the Canadian postal system) an election in writing on or before September 11, 2001.**
- **In order to assist you, we have attached a suggested election letter to be completed by you and sent to your District Tax Office.**
- You should retain this information to support the determination of your ACB in your Ford and Associates shares.

EXAMPLE OF ASSOCIATES CALCULATIONS
(all amounts in Canadian \$ unless otherwise indicated)

IMPACT IN 1998

- Assume you owned 100 shares of Ford stock with a total adjusted cost base ("ACB") of \$5,000 (i.e., \$50 per share).
- You received 26.2085 shares of Associates stock as a result of the spin-off distribution. The Associates shares received had a fair market value of \$3,141 (26.2085 Associates shares received times US\$84.25 per Associates share times the Canadian exchange rate on April 7, 1998 of 1.4226).
- As a result of the election, your 1998 income for tax purposes will decrease by the previously reported foreign income of \$3,141 (the fair market value of the Associates shares received on April 7, 1998).
- The ACB of your Ford shares would be reduced to \$3,320.50 (66.41% of \$5,000) or \$33.20 per share (\$3,320.50 divided by 100 shares)
- The ACB of your Associates shares would be \$1,679.50 (33.59% of \$5,000) or \$64.08 per share (\$1,679.50 divided by 26.2085 Associates shares).

IMPACT WHERE SALE OF FORD OR ASSOCIATES SHARES AFTER APRIL 7, 1998

Assume further that on June 16, 1999 (for example), you sold your 100 Ford shares for \$8,000 (100 shares times \$80 per share).

	<u>Original 1999 Capital Gain</u>	<u>Revised 1999 Capital Gain</u>	<u>Increase (Decrease)</u>
Sales Proceeds	\$8,000	\$8,000	
Less: Tax Cost	<u>5,000</u>	<u>3,320</u>	
Capital Gain	<u>\$3,000</u>	<u>\$4,680</u>	<u>\$1,680</u>
Taxable capital gain (75%)*	<u>\$ 2,250</u>	<u>\$ 3,510</u>	<u>\$1,260</u>

* Please note that if the sale date chosen was after February 27, 2000 and before October 18, 2000, only 66 2/3% of the capital gain would be taxable and if the sale date was after October 17, 2000, only 50% of the capital gain would be taxable.

- The increase in the taxable capital gain occurs because the ACB used in the calculation of your 1999 capital gain must be revised to reflect the ACB adjustments in 1998 described above. The revised ACB of the sold Ford shares will be \$3,320 (100 shares times the revised ACB of \$33.20 per Ford share).

COMBINED 1998 & 1999 IMPACT

- Your total taxable income will decrease by \$1,881 (reversal of your 1998 foreign dividend income of \$3,141 less the increase in your 1999 taxable capital gain of \$1,260) as a result of making the election.
- The amount of your net tax refund is determined by multiplying the change to taxable income in each year by your marginal tax rate for each year.

ELECTION

Remember, you must file (i.e. mail through the Canadian postal system) an election in writing by September 11, 2001 in order to receive a tax refund as a result of the law change. A suggested election letter is attached to this notification.

Canadian Tax Election for Associates spin-off

(To elect, a Ford shareholder must complete the boxes, sign the form and send to the Canada Customs and Revenue Agency by September 11, 2001.)

1. On April 7, 1998, the undersigned, a shareholder of Ford Motor Company ("Ford") as of March 12, 1998, received shares of Associates First Capital Corporation ("Associates") common stock in a spin-off transaction.
2. The undersigned elects, pursuant to section 86.1 of the Income Tax Act, that the Associates shares received should be treated as an eligible distribution and not included in income for Canadian tax purposes.

3. Immediately prior to spin-off:

a. Number of Ford Common Shares held:

b. ACB of Ford shares:

c. Fair market value of one Ford share:

US\$ 65.73691

4. Number of Associates shares received:

5. ACB Allocated to:

Associates:	calculated as:	$(b \times c) / a + (b \times c)$	33.59%
Ford:	calculated as:	$a / a + (b \times c)$	66.41%

Where, immediately after the distribution:

- a. is the fair market value of one Ford share: US\$ 43.65625
- b. is the fair market value of one Associates share: US\$ 84.25
- c. number of Associates shares received per Ford share: 0.262085

6. Previous tax reporting summary (complete the following as applicable):

- a. Indicate the amount (in Canadian dollars) related to the Associates spin-off distribution that was reported in your 1998 income tax return:

- b. Provide details of any dispositions of Associates and/or Ford shares so that capital gains/losses may be recomputed:

Shareholder: If applicable, please complete reverse side of this election.

Date

Shareholder Name (please print)

Shareholder SIN

Shareholder Signature

Note: This election must be completed and mailed to your District Tax Office through the Canadian postal system on or before September 11, 2001. The address is indicated on the notice of assessment you receive each year from the Canada Customs and Revenue Agency.

