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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THIS FISCAL YEAR ENDED DECEMBER 31, 1998 COMMISSION FILE NUMBER 000-20202

CREDIT ACCEPTANCE CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MICHIGAN	38-1999511
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
25505 W. TWELVE MILE ROAD, SUITE 3000	48034-8339
SOUTHFIELD, MICHIGAN	(Zip Code)
(Address of Principal Executive Offices)	

Registrant's telephone number, including area code: (248) 353-2700

Securities Registered Pursuant to Section 12(b) of the Act:

None

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of 14,312,629 shares of the Registrant's common stock held by nonaffiliates on March 24, 1999 was approximately $80,508,538. For purposes of this computation all officers, directors and 5% beneficial owners of the Registrant are assumed to be affiliates. Such determination should not be deemed an admission that such officers, directors and beneficial owners are, in fact, affiliates of the Registrant.

At March 24, 1999 there were 46,298,904 shares of the Registrant's Common Stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement pertaining to the 1999 Annual Meeting of Shareholders (the "Proxy Statement") filed pursuant to Regulation 14A are incorporated herein by reference into Part III.

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CREDIT ACCEPTANCE CORPORATION
YEAR ENDED DECEMBER 31, 1998

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PART I

ITEM 1. BUSINESS

GENERAL

Credit Acceptance Corporation ("CAC" or the "Company"), incorporated in Michigan in 1972, is a specialized financial services company which provides funding, receivables management, collection, sales training and related products and services to automobile dealers located in the United States, the United Kingdom, Canada and Ireland. CAC assists such dealers with the sale of used vehicles by providing an indirect financing source for buyers with limited access to traditional sources of consumer credit ("Non-prime Consumers"). For the year ended December 31, 1998, CAC had total revenues of $142.3 million and net earnings of $25.0 million. At December 31, 1998, aggregate gross installment contracts receivable were $794.8 million and total shareholders' equity was $276.3 million.

CAC also provides additional products and services to dealers which give the Non-prime Consumer the opportunity to purchase a number of ancillary products, including credit life and disability insurance and vehicle service contracts offered by dealers and point-of-sale dual interest collateral protection insurance provided by third party insurance carriers. Through wholly-owned subsidiaries, the Company also reinsures certain of the credit life and disability insurance and point-of-sale dual interest collateral protection insurance policies issued in conjunction with installment contracts originated by dealers. In addition, the Company's credit reporting subsidiary provides credit information and consumer reports to companies serving the Non-prime Consumer market. Furthermore, the Company, through a wholly-owned subsidiary, operates automobile auctions that provide vehicle suppliers with a full range of services to process and sell vehicles to buyers at the auctions.

The Company is organized into four primary business units: North American automotive finance, U.K./Ireland automotive finance, credit reporting services, and auction services. See Note 12 to the consolidated financial statements for information regarding the Company's reportable segments.

PRODUCTS AND SERVICES

CAC derives its revenues from the following principal sources: (i) servicing fees (which are accounted for as finance charges) earned as a result of servicing and collecting installment contracts originated and assigned to the Company by dealers; (ii) fees charged to dealers at the time they enroll in the Company's program; (iii) gains from the securitization of dealer advances; (iv) premiums earned from the Company's reinsurance activities and service contract programs; and (v) other income which primarily consists of fees earned from third party service contract products offered by dealers, the processing and sale of vehicles at auctions, fees from the Company's credit reporting services and interest income from loans made directly to dealers for floor plan financing and working capital purposes. The following table sets forth the percent relationship to total revenue of each of these sources.

	FOR THE YEARS ENDED DECEMBER 31,		
PERCENT OF TOTAL REVENUE	1996	1997	1998
Finance charges	75.0%	71.2%	68.8%
Dealer enrollment fees	4.1	4.5	2.5
Gain on sale of advance receivables, net	--	--	0.5
Total core products and services	79.1	75.7	71.8
Premiums earned	7.7	6.9	7.7
Other income	13.2	17.4	20.5
Total ancillary products and services	20.9	24.3	28.2
Total revenue	100.0%	100.0%	100.0%

PRINCIPAL BUSINESS

CAC's principal business involves: (i) the acceptance of installment contracts originated and assigned by participating dealers; and (ii) the subsequent management and collection of such contracts. For installment contracts meeting the Company's criteria, CAC makes a formula-based cash payment to the dealer (an "Advance"). The Company may Advance up to 90% of the amount financed, but Advances typically range between 50% and 75% of the amount financed. To mitigate its risk, at the time of accepting the assignment of an installment contract, CAC obtains a security interest in the vehicle and establishes a dealer holdback equal to the gross amount of the contract, less the Company's servicing fee, which is recorded as an unearned finance charge. CAC's acceptance of such contracts is generally without recourse to the general assets of the dealer, and accordingly, the dealer usually has no liability to the Company if the consumer defaults on the contract.

CAC offers its dealers several Advance alternatives, which are calculated based upon the dealer's history with the Company, the credit profile of a particular customer and the year, make, model, and mileage of the used vehicle to be financed.

Monthly cash receipts related to the aggregate installment contracts accepted from an individual dealer are remitted to such dealer, but only after:

(i) the Company is reimbursed for certain collection costs relating to all contracts accepted from such dealer;

(ii) the Company receives a servicing fee (typically 20%) of the aggregate net monthly receipts (monthly cash receipts less certain collection costs); and

(iii) the Company has recovered all advances made to such dealer.

OPERATIONS

Dealer Selection and Enrollment Fee. CAC has adopted specific policies relative to establishing the eligibility of prospective dealers for the Company's program. A dealer's participation in the Company's program begins with the execution of a Servicing Agreement, which requires the dealer to disclose information about his dealership and personal finances. The Company undertakes a review of the dealer information to determine whether the dealer should be permitted to participate in the Company's program.

Pursuant to the Servicing Agreement, a dealer represents that it will only submit contracts to CAC which satisfy criteria established by the Company, meet certain conditions with respect to the binding nature and the status of the security interest in the purchased vehicle and comply with applicable state, federal and foreign laws and regulations. Dealers receive a monthly statement from the Company, summarizing all transactions on contracts originated by such dealer. Also, where applicable, the dealer will receive a payment from CAC for any portion of the payments on contracts to which the dealer is entitled under the Servicing Agreement.

The Servicing Agreement may be terminated by the Company or by the dealer (as long as there is no event of default or an event which, with the lapse of time, giving of notice or both, would become an event of default) upon 30 days prior written notice. Events of default include, among other things, (i) the dealer's failure to perform or observe covenants in the Servicing Agreement; (ii) the dealer's breach of a representation in the Servicing Agreement; (iii) a misrepresentation by the dealer relating to an installment contract submitted to the Company or a related vehicle or purchaser; and (iv) the appointment of a receiver for, or the bankruptcy or insolvency of, the dealer. The Company may terminate the servicing agreement immediately in the case of an event of default by the dealer. Upon any termination by the dealer or in the event of a default, the dealer must immediately pay the Company: (i) any unreimbursed collection costs; (ii) any unpaid advances and all amounts owed by the dealer to the Company; and (iii) a termination fee equal to 20% of the then outstanding amount of the installment contracts originated and accepted by the Company. Upon receipt in full of such amounts, the Company will reassign the installment contract receivable and its security interest in the financed vehicle to the dealer. In the event of a termination by the Company (or any other termination

if the Company and the dealer agree), the Company may continue to service installment contracts accepted prior to termination in the normal course of business without charging a termination fee.

New dealers located in North America are generally charged a $4,500 dealer enrollment fee, which affords the dealer access to the Company's training material and programs and helps offset the administrative expenses associated with new dealer enrollment. No dealer enrollment fee is charged to dealers in the United Kingdom and Ireland.

Assignment of Contracts. The dealer assigns title to the installment contract and the security interest in the vehicle to the Company. Thereafter, the rights and obligations of the Company and the dealer are defined by the servicing agreement, which provides that the contract assignment to the Company is for the purposes of administration, servicing and collection of the amounts due under the assigned contract, as well as for security purposes. At the time a contract is submitted, CAC evaluates the contract to determine if it meets the Company's cash Advance criteria. Contracts which do not meet the Company's cash Advance criteria may still be accepted for servicing without an Advance being paid.

Contract Portfolio. The portfolio of installment contracts contains loans of initial duration generally ranging from 24 to 36 months, with an average initial maturity of approximately 31 months. The Company receives a servicing fee generally equal to 20% of the gross amount of the contract, with rate of return varying, based upon the amount of the Advance and the term of the contract.

The following table sets forth, for each of the periods indicated, the average size of installment contracts accepted by the Company, the percent growth in the average size of contracts accepted, the average initial maturity of the contracts accepted, the average advance per installment contract accepted and the average advance as a percent of the average installment contract accepted.

	AS OF DECEMBER 31,				
AVERAGE CONTRACT DATA	1994	1995	1996	1997	1998
Average size of installment contracts accepted during the period	$5,922	$6,507	$7,249	$8,340	$8,402
Percentage growth in average size of contract	34.1%	9.9%	11.4%	15.1%	0.7%
Average initial maturity (in months)	25	25	30	31	31
Average advance per installment contract	$2,637	$3,220	$3,837	$4,228	$4,260
Average advance as a percent of average installment contract	44.5%	49.5%	52.9%	50.7%	50.7%

Systems Overview. The Company employs three major computer systems in its U.S. operations: (i) the Application and Contract System ("ACS") which is used from the time a dealer faxes an application to the Company until the contract is received and funded, (ii) the Loan Servicing System ("LSS") which contains all loan and payment information and is the primary source for management information reporting, and (iii) the Collection System ("CS") which is used by the Company's collections personnel to track and service all active customer accounts.

ACS -- The ACS, designed and built by an independent consulting firm hired by the Company, was installed in May 1997. This system replaced certain functionality of the Company's previous systems. The system enables the Company to efficiently process a large volume of application and contract data. When a dealer faxes an application to the Company's headquarters in Southfield, Michigan, Company personnel input the application data into the ACS. The system automatically pulls all credit bureau and vehicle guidebook data and includes such data in the application file, which is routed to the analyst team assigned to the dealer's geographic area. An analyst reviews each application file on-line to determine if the transaction is properly structured and meets the Company's guidelines for an advance. The ACS provides the analyst with information regarding the borrower, including information on the borrower's residence, employment, wage level and references, information regarding the vehicle, including the vehicle's age, mileage and guidebook value, and information regarding the transaction, including sale price, down payment, interest rate and term. The system computes the Advance amount according to predefined programs based on dealer and loan variables, provides the analyst with warning flags on out-of-tolerance application variables and allows the

analyst to select from a predefined set of stipulations to include on the Advance approval transmittal, which is automatically faxed to the dealer. After the sale of the vehicle, the installment contract package is sent to the Company by the dealer. The contract information is input into the ACS. The system compares the contract data to the application data and reviews compliance with analyst stipulations. After any variances have been addressed, the system sends an Advance payment to the dealer by check or electronic transaction. The system generally enables the Company to approve application files in under one hour and fund contracts within 24 hours of receipt of all required documents. The system enables management personnel to report on service level by analyst and by region, application and contract volumes by dealer and by program, exceptions granted and various other reports as needed. The ACS automatically loads all new contract data into the LSS system.

LSS -- The LSS, designed and built for the Company by the same consulting firm, was installed and implemented in the third quarter 1997. This system contains all loan transaction data, including payments and charge-offs for loans accepted by the Company since July 1990. The system is the Company's primary information source for management reporting including production of monthly statements sent to dealers summarizing the status of their accounts and the Company's static pool system, which provides the Company with a static pool analysis on a per dealer basis. This system projects future collections for each dealer based on actual prior loss history. These projections are then used to analyze dealer profitability and to estimate and record the Company's reserve on Advances to dealers. The LSS interfaces with both the ACS and CS.

CS -- The CS, which is used by Company collection personnel to service all active accounts was purchased, modified and installed in 1989. The collection system provides data on all of the Company's customer accounts including loan and payment information as well as a log of all account activity including letters sent and summaries of telephone contact. The system generates payment books which are sent on all new accounts, generates all collection letters and notices, allows collectors to record promises to pay and broken promises, interfaces with a predictive dialing system, assigns accounts to collection personnel and tracks results on a per collector basis. Repossession and legal accounts are also processed on this system. The CS interfaces with the phone system, predictive dialer and the LSS.

The Company has developed a comprehensive project plan for achieving year 2000 readiness. The ACS and LSS were developed by the Company in Oracle 7.3 and Oracle Form 4.5 which are year 2000 complaint. The CS has been updated to a version which is year 2000 compliant. See the Company's "Year 2000 Update" included as part of Item 7. of this report.

Servicing and Collections. CAC's staff of professional and experienced collection personnel collects amounts due on installment contracts, assisted by the CS and telephone systems. The customized CS system is integrated with a predictive dialing telephone system, which allows the Company's collection personnel to contact a large number of customers on a daily basis. The integration of the systems allows critical calling information to be seamlessly uploaded to the CS. This integration helps identify customers who are difficult to contact by phone and need additional collections efforts. Customer payments are received through a bank lockbox and at CAC's Southfield, Michigan location. Payment receipt data is electronically transferred from the bank lockbox on a daily basis for posting to the customer's account. The payments are processed in CAC's LSS which provides customer payment information to the CS on a real time basis.

Customer accounts are monitored and serviced by regional collection teams. The team members consist of junior, mid-level, and senior collection personnel. The teams typically take action on accounts within five days of delinquency. If a customer is delinquent, the Company's policy is to attempt to resolve the delinquency by persuading the customer to make payment arrangements until the delinquency is resolved. Since the customer generally has a poor credit history, the Company's program provides the customer with an opportunity to restore their credit rating. The Company believes its interests are best served by permitting the customer to retain the vehicle while making payments, even if the maturity of the loan needs to be extended beyond the original term. Customers, within the first three payments of the contract, are monitored and serviced by a specialized collection team. The first-payment-miss team typically takes action on accounts at one day past due, attempting to resolve the delinquency as soon as possible.

The repossession process typically begins when a customer becomes approximately 60 days past due. However, when a new customer misses one of their first three payments, or if the customer does not respond to

the collection effort, the repossession process typically begins when the customer becomes approximately 30 days past due. At that time, the Company contracts with a third party to repossess and sell the vehicle at an auction. The costs related to such activities, to the extent permitted by law, are added to the amount due from the customer and the dealer Advance amount. If the proceeds from the sale are not sufficient to cover the total balance due, the Company may seek to recover its "deficiency balance" from the customer through legal means, including wage garnishment to the extent permitted by applicable law. Although the Company continues to pursue collection, the deficiency balance is charged-off after nine months of not receiving any material payments.

ANCILLARY PRODUCTS

The Company continually explores methods by which its business relationships with dealers may be enhanced, including several ancillary products such as insurance and service contracts.

Insurance and Service Contract Programs. CAC has arrangements with insurance carriers to assist dealers in offering credit life and disability insurance to Non-prime Consumers. Pursuant to this program, the Company advances to dealers an amount equal to the credit life and disability insurance premium on contracts accepted by the Company, which include credit life and disability insurance written by the Company's designated insurance carriers. The Company is not involved in the actual sale of insurance; however, as part of the program, the insurance carriers cede insurance coverages and premiums (less a fee) to a wholly-owned subsidiary of the Company, which reinsures such coverages. As a result, the subsidiary bears the risk of loss attendant to claims under the coverages ceded to it, and earns revenues resulting from premiums ceded and the investment of such funds.

Buyers Vehicle Protection Plan, Inc. ("BVPP"), a subsidiary of CAC, operates as an administrator of certain vehicle service contract programs offered by dealers to consumers. Under this program, BVPP charges dealers a premium for the service contracts and in return agrees to reimburse dealers for designated amounts that the dealer is required to pay for covered repairs on the vehicles it sells. CAC advances to dealers an amount equal to the purchase price of the vehicle service contract on contracts accepted by the Company which include vehicle service contracts. CAC has, in turn, subcontracted its obligations to administer these programs to third parties that have experience with such programs. Nevertheless, the risk of loss (reimbursement obligations in excess of the purchase price of the vehicle service contract) remains with BVPP. In addition, BVPP has relationships with third party service contract providers which pay BVPP a fee on service contracts included on installment contracts financed through participating dealers. BVPP does not bear any risk of loss for covered claims on these third party service contracts.

The Company has an arrangement with insurance carriers and a third party administrator to market and provide claims administration for a dual interest collateral protection program. This insurance program, which insures the financed vehicle against physical damage up to the lesser of the cost to repair the vehicle or the unpaid balance owed on the related installment contract, is offered to Non-prime Consumers who finance vehicles through participating dealers. If desired by a Non-prime Consumer, collateral protection insurance coverage is written under a group master policy issued by the unaffiliated insurance carriers to the Company. The Company is not involved in the actual sale of insurance; however, as part of the program, the insurance carriers cede insurance coverages and premiums (less a fee) to CAC Reinsurance, Ltd., a subsidiary of the Company, which acts as a reinsurer of such coverages. As a result, the subsidiary bears the risk of loss attendant to claims under the coverages ceded to it, and earns revenues resulting from premiums ceded and the investment of such funds.

The Company continually considers other programs that will increase its services to dealers. The Company intends that such programs, if undertaken, will be initially marketed selectively in order to establish strong operating systems and assess the potential profitability of these services.

OTHER SERVICES

Credit Reporting Services. Montana Investment Group, Inc. a subsidiary of the Company, supplies risk assessment and fraud alert information and computerized skiptracing services regarding Non-prime

Consumers to companies serving the Non-prime Consumer market. Such information and services are generally not available from traditional consumer information sources.

Auction Services. In June 1998, the Company acquired substantially all of the assets and liabilities of an automobile auction in Pennsylvania and incorporated this business, which currently operates auctions in Pennsylvania and South Carolina, as a wholly-owned subsidiary of the Company. The subsidiary provides vehicle suppliers with a full range of services to process and sell vehicles to buyers at the auctions.

Floor Plan Financing and Secured Working Capital Loans. The Company offers floor plan financing to certain dealers, pursuant to which the Company makes loans to dealers to finance vehicle inventories, in each case secured by the inventory, the related proceeds from the future sale of such inventory and, for dealers participating in the Company's financing program, future collections on installment contracts accepted from such dealers. This financing is provided on a selected basis primarily to dealers participating in the Company's financing program. On a limited basis, the Company provides floor plan financing to dealers not participating in the Company's financing program. The interest rate charged on outstanding floor plan balances generally ranges from 12% to 18% per annum. On a selected basis, the Company also provides dealers with working capital loans. These loans are secured by all assets of the dealer, including any future cash collections owed to the dealer on installment contracts accepted by the Company.

SALES AND MARKETING

The Company's program is marketed directly to used vehicle dealers and to new automobile dealers with used vehicle departments. Marketing efforts are initially concentrated in a particular geographic area through the distribution of marketing brochures and via advertising in trade journals and other industry publications directly to automobile dealers. Follow-up is subsequently conducted through telemarketing, videotapes and monthly newsletters explaining the Company's program. Free training seminars are available to dealers desiring to learn more about the Company's program, as well as to participating dealers. The Company also establishes relationships with dealers through referrals from third party vendors and participating dealers.

CAC employs experienced sales and marketing professionals (sales representatives) both at the Company's headquarters and in the field for purposes of enrolling new dealers and providing services to existing dealers. The sales force also includes non-employee individuals (sales agents) operating on a contract basis. Sales personnel are compensated on a commission basis calculated on the profitability and volume of business submitted by dealers.

CAC provides dealers with training regarding the operation of the Company's program. Seminars are held on a regular basis at the Company's headquarters and periodically at locations throughout the country. Pursuant to the Servicing Agreement, each dealer agrees to attend at least one such seminar each calendar year.

CREDIT LOSS POLICY AND EXPERIENCE

When an installment contract is originated, the Company generally pays a cash Advance to the dealer. These Advance balances represent the Company's primary risk of loss related to the funding activity with the dealers.

The Company maintains a reserve against Advances to dealers that are not expected to be recovered through collections on the related installment contract portfolio. For purposes of establishing the reserve, future collections are reduced to present-value in order to achieve a level yield over the remaining term of the Advance equal to the expected yield at the origination of the impaired Advance. Future reserve requirements will depend in part on the magnitude of the variance between management's prediction of future collections and the actual collections that are realized. Ultimate losses may vary from current estimates and the amount of provision, which is a current expense, may be either greater or less than actual charge offs. The Company charges off dealer Advances against the reserve at such time and to the extent that the Company's static pool analysis determines that the Advance is completely or partially impaired.

The Company also maintains an allowance for credit losses which, in the opinion of management, adequately reserves against expected losses in the portfolio of receivables. The risk of loss to the Company related to the installment contracts receivable balances relates primarily to the earned but unpaid servicing fee or finance charge previously recognized on contractually delinquent accounts.

Servicing fees, which are booked as finance charges, are recognized under the interest method of accounting until the underlying obligation is 90 days past due on a recency basis. At such time, the Company suspends the accrual of revenue and makes a provision for credit losses equal to the earned but unpaid revenue. In all cases, contracts on which no material payment has been received for nine months are charged off against dealer holdbacks, unearned finance charges and the allowance for credit losses.

During the third quarter of 1997, the Company changed its non-accrual policy from 120 days on a contractual basis to 90 days on a recency basis and, during the fourth quarter of 1997, changed its charge off policy to nine months on a recency basis from one year on a recency basis. The Company believes these changes allow for earlier recognition of under-performing dealer pools.

COMPETITION

The Non-prime Consumer finance market is very fragmented and highly competitive. The Company believes that there are numerous competitors providing, or are capable of providing, financing programs through dealers to purchasers of used vehicles. The Company also competes, indirectly, with dealers operating dealer-financed programs. Because the Company's program is directed to provide financing to individuals who cannot ordinarily qualify for traditional financing, the Company does not believe that it directly competes with commercial banks, thrifts, automobile finance companies and others that apply more traditional lending criteria to the credit approval process. Historically, these traditional sources of used vehicle financing (some of which are larger, have significantly greater financial resources and have relationships with captive dealer networks) have not served the Company's market segment consistently. The Company's market is primarily served by smaller finance organizations which solicit business when and as their capital resources allow. The Company intends to capitalize on this market segment's lack of a major, consistent financing source. However, if such a competitor were to enter the Company's market segment, the Company's financial position and results of operations could be materially adversely affected. The Company believes that it can compete on the basis of service provided to its participating dealers and superior collection performance.

During the past few years, many of CAC's competitors have disclosed that they have exited the Non-prime Consumer finance market, do not have funding to acquire additional installment contract receivables from dealers or have strengthened credit standards which in turn has reduced the volume of new business. These events suggest that the Non-prime Consumer finance market should become less competitive; however, dealers appear to continue to have many alternatives for financing used vehicles.

CUSTOMER AND GEOGRAPHIC CONCENTRATIONS

Installment contracts receivable attributable to contracts accepted from affiliated dealers owned by the Company's majority shareholder represented approximately 4%, 4% and 2% of gross installment contracts receivable at the end of 1996, 1997 and 1998, respectively. Approximately 3%, 1% and 2% of the value of installment contracts accepted and approximately 3%, 1% and 2% of the number of installment contracts accepted by the Company during 1996, 1997 and 1998, respectively, were originated by affiliated dealers. Affiliated dealers are not obligated to continue doing business with CAC, nor are they precluded from owning or operating businesses which may compete with the Company. As of December 31, 1998, approximately 24.9% of the participating dealers in the United States were located in Michigan, Ohio, and Virginia and these dealers accounted for approximately 29.7% of the number of contracts accepted from United States dealers in 1998. As of December 31, 1998, approximately 11.4% of the Company's total participating dealers were located in the United Kingdom and during 1998 these dealers accounted for approximately 9.8% of the new contracts accepted by the Company. No single dealer accounted for more than 10% of the number of installment contracts accepted by the Company during 1996, 1997 or 1998.

The following table sets forth, for each of the last three years for the Company's domestic and foreign operations, the amount of revenues from customers and long-lived assets (in thousands):

	AS OF AND FOR YEARS ENDED DECEMBER 31,		
	1996	1997	1998
Revenues from customers			
United States	$107,315	$134,950	$120,086
United Kingdom	16,600	28,598	20,828
Other foreign	19	687	1,435
Long-lived assets			
United States	$ 14,083	$ 18,910	$ 18,781
United Kingdom	854	1,914	1,834
Other foreign	21	15	12

The Company's operations are structured to achieve consolidated objectives. As a result, significant interdependencies and overlaps exist among the Company's domestic and foreign operations. Accordingly, the revenue and identifiable assets shown may not be indicative of the amounts which would have been reported if the domestic and foreign operations were independent of one another.

REGULATION

The Company's businesses are subject to various state, federal and foreign laws and regulations which require licensing and qualification, limit interest rates, fees and other charges associated with the installment contracts assigned to the Company, require specified disclosures by automobile dealers to consumers, govern the sale and terms of the ancillary products and define the Company's rights to repossess and sell collateral. Failure to comply with, or an adverse change in, these laws or regulations could have a material adverse effect on the Company by, among other things, limiting the states or countries in which the Company may operate, restricting the Company's ability to realize the value of the collateral securing the contracts, or resulting in potential liability related to contracts accepted from dealers. In addition, governmental regulations which would deplete the supply of used vehicles, such as environmental protection regulations governing emissions or fuel consumption, could have a material adverse effect on the Company. The Company is not aware of any such legislation currently pending.

The sale of insurance products by dealers is also subject to state laws and regulations. As the Company does not deal directly with consumers in the sale of insurance products, it does not believe that its business is significantly affected by such laws and regulations. Nevertheless, there can be no assurance that insurance regulatory authorities in the jurisdictions in which such products are offered by dealers will not seek to regulate the Company or restrict the operation of the Company's business in such jurisdictions. Any such action could materially adversely affect the income received from such products. CAC's credit life and disability reinsurance subsidiary is licensed, and is subject to regulation, in the state of Arizona, and CAC's property and casualty reinsurance subsidiary is licensed in the Turks and Caicos Islands.

The Company's operations in the United Kingdom, Canada and Ireland are also subject to various laws and regulations. Generally, these requirements tend to be no more restrictive than those in effect in the United States. In addition, the Company's credit reporting subsidiary is subject to various state and federal regulations including the Fair Credit Reporting Act. Furthermore, the Company's auction services subsidiary is subject to various state and federal regulations which require disclosure to consumers regarding licensing, qualification and fees associated with the sale of vehicles.

Management believes that the Company maintains all material licenses and permits required for its current operations and is in substantial compliance with all applicable laws and regulations. The Company's Servicing Agreement with dealers provides that the dealer shall indemnify the Company with respect to any loss or expense the Company incurs as a result of the dealer's failure to comply with applicable laws and regulations.

EMPLOYEES

As of December 31, 1998, the Company employed 655 persons, 370 of whom were collection personnel, 83 were contract origination and processing personnel, 67 were marketing professionals, 28 were accounting professionals and the remainder were management or support personnel. The Company's employees have no union affiliations and the Company believes its relationship with its employees is good.

ITEM 2. PROPERTIES

NORTH AMERICAN AUTOMOTIVE FINANCE

The Company's headquarters are located at 25505 West Twelve Mile Road, Southfield, Michigan 48034. The Company purchased the office building in 1993, which it financed in part by a loan secured by a mortgage on the building. The office building includes approximately 118,000 square feet of space on five floors. The Company occupies approximately 56,000 square feet of the building, with most of the remainder of the building leased to various tenants. The Company plans to continue to lease excess space in the building until such time as the Company's expansion needs require it to occupy additional space.

U.K./IRELAND AUTOMOTIVE FINANCE

The Company leases an office building in Worthing, West Sussex, in the United Kingdom, which is the headquarters for the Company's United Kingdom operations. The Company occupies approximately 10,000 square feet of the building under a lease expiring in September 2007.

OTHER

The Company leases an office building in Norcross, Georgia which houses the Company's credit reporting services subsidiary. The office building includes approximately 13,300 square feet of space on one floor. The lease expires in December 2003.

The Company plans to sell a vacant office building in Norcross, Georgia which previously housed the Company's credit reporting services subsidiary. The office building includes approximately 4,100 square feet of space on two floors.

The Company's auction services subsidiary leases a 13,400 square foot building and 35 acres of land in the Township of East Hanover, Pennsylvania and leases a 17,000 square foot building and five acres of land in North Charleston, South Carolina. The lease on the Pennsylvania property expires in June 1999, and the Company has an option to buy the land and building. The lease on the South Carolina property expires in March 2000.

ITEM 3. LEGAL PROCEEDINGS

In the normal course of business and as a result of the consumer-oriented nature of the industry in which the Company operates, industry participants are frequently subject to various consumer claims and litigation seeking damages and statutory penalties. The claims allege, among other theories of liability, violations of state, federal and foreign truth in lending, credit availability, credit reporting, consumer protection, warranty, debt collection, insurance and other consumer-oriented laws and regulations. The Company, as the assignee of finance contracts originated by dealers, may also be named as a co-defendant in lawsuits filed by consumers principally against dealers. Many of these cases are filed as purported class actions and seek damages in large dollar amounts.

The Company is currently a defendant in a class action proceeding commenced on October 15, 1996 in the United States District Court for the Western District of Missouri seeking money damages resulting for alleged violations of a number of state and federal consumer protection laws (the "Missouri Litigation"). On October 9, 1997, the Court certified two classes on the claims brought against the Company. On August 4, 1998, the Court granted partial summary judgment on liability in favor of the plaintiffs based upon the Court's finding of certain violations but denied summary judgment on certain other claims. The Court also entered a

number of permanent injunctions, which among other things, restrain the Company from collecting the amounts found to be uncollectible. The Court also ruled in favor of the Company on certain claims raised by class plaintiffs. Because the entry of an injunction is immediately appealable as of right, the Company has appealed the summary judgment order to the United States Court of Appeals for the Eighth Circuit and the Company believes that its appeal has substantial merit. Plaintiffs have filed a cross appeal. A trial on the remaining claims, as well as on damages, is not expected to be scheduled until after the appeal has been concluded. Should the Company's appeal be unsuccessful, the potential damages could have a material adverse impact on the Company's financial position, liquidity and results of operations.

During the first quarter of 1998, several putative class action complaints were filed against the Company and certain officers and directors of the Company in the United States District Court for the Eastern District of Michigan seeking money damages for alleged violations of the federal securities laws. On August 14, 1998, a Consolidated Class Action Complaint, consolidating the claims asserted in those cases, was filed. The Complaint generally alleges that the Company's financial statements issued during the period August 14, 1995 through October 22, 1997 did not accurately reflect the Company's true financial condition and results of operations because such reported results failed to be in accordance with generally accepted accounting principles and that such results contained material accounting irregularities in that they failed to reflect adequate reserves for credit losses. The Complaint further alleges that the Company issued public statements during the alleged class period which fraudulently created the impression that the Company's accounting practices were proper. The Company intends to vigorously defend this action and, while management believes that meritorious defenses exist and has filed a motion to dismiss the Complaint, the ultimate disposition of this litigation could have a material adverse impact on the Company's financial position, liquidity and results of operations.

The frequency of litigation has increased as the Company's business activities have expanded. The Company believes that the structure of its dealer program and the ancillary products, including the terms and conditions of its Servicing Agreement with dealers, may mitigate its risk of loss in any such litigation. Management believes the Company has taken prudent steps to address the litigation risks associated with its business activities.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II

ITEM 5. MARKET PRICE AND DIVIDEND INFORMATION

The Company's Common Stock is traded on The Nasdaq Stock Market(R) under the symbol CACC. The high and low sale prices for the Common Stock for each quarter during the two year period ending December 31, 1998 as reported by the National Association of Securities Dealers, Inc., are set forth in the following table.

	1997		1998	
QUARTER ENDED	HIGH	LOW	HIGH	LOW
March 31	$26.00	$17.00	$ 9.63	$5.25
June 30	18.50	9.38	12.38	8.38
September 30	16.88	11.25	9.19	5.56
December 31	13.63	2.50	7.75	4.63

As of December 31, 1998, the approximate number of beneficial holders and shareholders of record of the Common Stock was 4,500 based upon securities position listings furnished to the Company.

Other than the dividend paid in connection with the Company's conversion from S corporation status to C corporation status during 1992, the Company has never paid and has no present plans to pay any cash dividends on its Common Stock. The Company intends to retain its earnings to finance the growth and development of its business. The Company's credit agreements contain certain covenants which prohibit the payment of dividends under certain circumstances and other covenants pertaining to the Company's tangible net worth which may indirectly limit the payment of dividends on Common Stock.

ITEM 6. SELECTED FINANCIAL DATA

The selected income statement and balance sheet data presented below for and as of each of the five years ended December 31, 1998 are derived from the Company's audited consolidated financial statements. The selected financial data presented below as of December 31, 1997 and 1998 and for the years ended December 31, 1996, 1997 and 1998 should be read in conjunction with the Company's consolidated audited financial statements and notes thereto and "Item 7 -- Management's Discussion and Analysis of Financial Condition and Results of Operations," included elsewhere in this Report.

	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)				
	1994	1995	1996	1997	1998
INCOME STATEMENT DATA:					
Revenue:					
Finance charges	$ 44,550	$ 66,276	$ 92,944	$ 117,020	$ 98,007
Premiums earned	3,756	6,504	9,653	11,304	10,904
Dealer enrollment fees	1,950	2,810	5,028	7,313	3,614
Gain on sale of Advance receivables, net	--	--	--	--	685
Other income	4,219	9,491	16,309	28,598	29,139
Total revenue	54,475	85,081	123,934	164,235	142,349
Costs and Expenses:					
Operating expenses	15,045	21,716	30,627	45,911	59,004
Provision for credit losses	3,603	7,066	13,071	85,472	16,405
Provision for claims	1,582	1,964	3,060	3,911	3,734
Interest	2,651	8,785	13,568	27,597	25,565
Total costs and expenses	22,881	39,531	60,326	162,891	104,708
Operating income	31,594	45,550	63,608	1,344	37,641
Foreign exchange gain (loss)	--	(57)	27	(41)	(116)
Income before income taxes	31,594	45,493	63,635	1,303	37,525
Provision (credit) for income taxes	11,024	15,921	22,126	(234)	12,559
Net income	$ 20,570	$ 29,572	$ 41,509	$ 1,537	$ 24,966
Net income per common share(A):					
Basic	$ .50	$ .70	$ .91	$ .03	$ .54
Diluted	$ .49	$ .68	$ .89	$ .03	$ .53
Weighted average shares outstanding(A):					
Basic	41,270,984	42,385,262	45,605,159	46,081,804	46,190,208
Diluted	42,316,105	43,527,770	46,623,655	46,754,713	46,960,290
BALANCE SHEET DATA:					
Installment contracts receivable, net	$ 402,379	$ 652,452	$1,029,951	$1,036,699	$ 664,693
Floor plan receivables	7,115	13,249	15,493	19,800	14,071
Notes receivables	2,459	3,232	2,663	1,231	2,278
All other assets	13,953	17,507	26,311	57,880	70,887
Total assets	$ 425,906	$ 686,440	$1,074,418	$1,115,610	$ 751,929
Dealer holdbacks, net	$ 251,997	$ 363,519	$ 496,434	$ 439,554	$ 222,275
Total debt	79,652	95,780	288,899	391,666	218,798
Other liabilities	18,517	28,166	42,942	35,399	34,593
Total liabilities	350,166	487,465	828,275	866,619	475,666
Shareholders' equity(B)	75,740	198,975	246,143	248,991	276,263
Total liabilities and shareholders' equity	$ 425,906	$ 686,440	$1,074,418	$1,115,610	$ 751,929

(A) On September 29, 1995 the Company consummated a public offering of 3,900,000 shares of its Common Stock.

(B) No dividends were paid during the periods presented.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The Company is a specialized financial services company providing funding, receivables management, collection, sales training and related products and services to automobile dealers located in the United States, the United Kingdom, Ireland and Canada. The Company assists such dealers by providing them with an indirect source of financing for buyers of used vehicles with limited access to traditional sources of consumer credit. In addition, but to a significantly lesser extent, the Company provides floor plan financing and secured working capital loans to dealers, secured by the related vehicle inventory and any future cash collections owed to the dealer on contracts accepted under the Company's program.

The Company's relationship with a dealer is defined by: (i) the servicing agreement which sets forth the terms and conditions associated with the Company's acceptance of a contract from a dealer; and (ii) the contract, which is a retail installment sales contract between a dealer and a purchaser of a used vehicle, providing for payment over a specified term. The dealer assigns title to the contract and the security interest in the vehicle to the Company. Thereafter, the rights and obligations of the Company and the dealer are defined by the servicing agreement, which provides that a contract is assigned to the Company as nominee for the dealer for purposes of administration, servicing and collection of the amount due under the assigned contract, as well as for security purposes. The Company takes title to the contract as nominee and records the gross amount of the contract as a gross installment contract receivable and the amount of its "servicing fee" (see below) as an unearned finance charge which, for balance sheet purposes, is netted from the gross amount of the contract. The Company records the remaining portion of the contract (the gross amount of the contract less the unearned finance charge) as a "dealer holdback". For balance sheet purposes, dealer holdbacks are shown net of any Advances made by the Company to the dealer in connection with accepting the assignment of a contract.

The Company's program allows dealers to establish the interest rate on contracts, which typically is the maximum rate allowable by the state or country in which the dealer is doing business. As the majority of the Company's revenue is derived from the servicing fee it receives on the gross amount due under the contract (typically 20% of the principal and interest), the Company's revenues from servicing fees are not materially impacted by changes in interest rates. The Company's revenue is principally dependent upon the gross value of contracts accepted, which is determined by the number of contracts accepted and the amount of the average contract. The contracts assigned to the Company are: (i) secured by the related vehicle; and (ii) short-term in duration (generally maturing in 24 to 36 months, with an initial average maturity of approximately 31 months). The interest rates charged on floor plan financing typically range from 12% to 18% per annum and interest rates charged on secured working capital loans are typically prime plus 4%.

The Company's subsidiaries provide additional services to dealers. One such subsidiary is primarily engaged in the business of reinsuring credit life and disability insurance policies issued to borrowers under contracts originated by dealers. Credit life and disability insurance premiums are ceded to the subsidiary on both an earned and written basis and are earned over the life of the contracts using pro rata and sum-of-digits methods. Another subsidiary administers short-term limited extended service contracts offered by dealers. In connection therewith, the subsidiary bears the risk of loss for any repairs covered under the service contract. Revenue is recognized on a straight-line basis over the life of the service contracts. In addition, the subsidiary has relationships with third party service contract providers which pay the subsidiary a fee on service contracts included on installment contracts financed through participating dealers. The subsidiary does not bear the risk of loss for covered claims on these third party service contracts. The income from the non-refundable fee is recognized upon acceptance of the installment contract. A third subsidiary is engaged in the business of reinsuring collateral protection insurance coverage issued to borrowers under contracts originated by dealers. Premiums are ceded to the subsidiary on both an earned and written basis and are earned over the life of the contracts using pro rata and sum-of-digits methods. In addition, the Company's credit reporting subsidiary provides credit information and consumer reports to companies servicing the Non-Prime consumer market. Furthermore, the Company's auction service subsidiary provides vehicle suppliers with a full range of services to process and sell vehicles to buyers at the auctions.

RESULTS OF OPERATIONS

The following table sets forth the percent relationship of certain items to total revenue for the periods indicated.

PERCENT OF TOTAL REVENUES	FOR THE YEARS ENDED DECEMBER 31, 1996	1997	1998
Finance charges	75.0%	71.2%	68.9%
Premiums earned	7.7	6.9	7.7
Dealer enrollment fees	4.1	4.5	2.5
Gain on sale of Advance receivables, net	--	--	0.5
Other income	13.2	17.4	20.4
Total revenue	100.0	100.0	100.0
Operating expenses	24.6	28.0	41.5
Provision for credit losses	10.5	52.0	11.5
Provision for claims	2.5	2.4	2.6
Interest	10.9	16.8	18.0
Total costs and expenses	48.5	99.2	73.6
Operating income	51.5	0.8	26.4
Foreign exchange loss	--	--	(0.1)
Income before income taxes	51.5	0.8	26.3
Provision (credit) for income taxes	18.0	(0.1)	8.8
Net income	33.5%	0.9%	17.5%

Year Ended December 31, 1997 Compared To Year Ended December 31, 1998

Total Revenue. Total revenue decreased from $164.2 million in 1997 to $142.3 million in 1998, a decrease of $21.9 million or 13.3%. This decrease was primarily due to the decrease in finance charge revenue resulting from a decrease in the average installment contracts receivable balance. The decrease in gross installment contracts receivable is primarily the result of collections on and charge offs of installment contracts exceeding contract originations for the period. The Company's volume of contract originations decreased in the fourth quarter of 1997 and in 1998 as the Company has implemented more conservative Advance programs and has limited business with marginally profitable and unprofitable dealers. These changes were made primarily as a result of the Company's enhanced analysis made possible by the Company's loan servicing system which became operational in the third quarter of 1997. Based on this review of dealer profitability, the Company has discontinued relationships with certain dealers and continues to monitor its relationships with dealers and make adjustments to these relationships as required. It is expected that the volume of contract originations will continue at lower levels than those experienced prior to the implementation of these changes.

The average yield on the Company's installment contract portfolio, calculated using finance charge revenue divided by average installment contracts receivable, was approximately 10.4% and 11.4% in 1997 and 1998, respectively. The increase in the average yield is due to a decrease in the percentage of installment contracts which were in non-accrual status as well as improvements in collection levels on non-accrual installment contracts. The percentage of installment contracts which were in non-accrual status was 37.6% and 32.4% as of December 31, 1997 and 1998, respectively.

Premiums earned increased, as a percentage of total revenue, from 6.9% in 1997 to 7.7% in 1998. Premiums on the Company's service contract program are earned on a straight-line basis over the life of the service contracts. Premiums reinsured under the Company's credit life and collateral protection insurance programs are earned over the life of the contracts using the pro rata and sum-of-digits methods. As a result of these revenue recognition methods, premiums earned decreased at a slower rate than the decrease in finance

charges. In addition, the increase is due to an increase in the penetration rate on the Company's service contract and credit life insurance programs.

Earned dealer enrollment fees decreased, as a percentage of total revenue, from 4.5% to 2.5% for the years ended 1997 and 1998, respectively. The decrease is due to a decline in the number of new dealers enrolling in the Company's financing program. The Company has become more selective with respect to the enrollment of new dealers in an effort to improve the performance of its portfolio of installment contracts receivable.

In July 1998, the Company recognized a net gain on sale of advance receivables of approximately $685,000. The gain resulted from the securitization of dealer Advances having a carrying value of approximately $56 million. See "Liquidity and Capital Resources". The gain represents the difference between the sale proceeds to the Company, net of transaction costs, and the Company's carrying amount of the dealers Advances, plus the present value of the estimated cash flows to be received by the Company. In determining the gain on sale of receivables, the Company assumed an excess cash flow discount rate of 15%, cumulative credit losses of 14% and an interest rate on the underlying debt of 7.5%. The present value of such estimated excess cash flows has been recorded by the Company as a retained interest in securitization of $13.2 million as of December 31, 1998. The installment contracts supporting the dealer Advances include contracts with origination dates ranging from July 1990 to June 1998, with a weighted average age of 15 months. The amount of such contracts included on the Company's balance sheet as of June 30, 1998 was $98.6 million, of which $43.8 million was in non-accrual status. In addition, the Advances are supported by installment contracts which had been previously written off for financial statement purposes. The excess cash flows result from the amount by which projected collections on the installment contracts exceeds i) the principal and interest to be paid on the commercial paper and ii) the amount of dealer holdback due to dealers.

In the securitization, the Company retained servicing responsibilities and subordinated interests. The Company receives monthly servicing fees of 4% of the collections on the installment contracts receivable, and rights to future cash flows arising after the investors in the commercial paper received the return for which they are contracted. The investors have no recourse to the Company's other assets for failure of debtors to pay when due. The Company's retained interests are generally restricted until investors have been fully paid and are subordinate to investors' interests. Their value is subject to substantial credit and interest rate risk and the timing of projected collections on the transferred financial assets.

Other income increased, as a percent of total revenue, from 17.4% in 1997 to 20.4% in 1998. The increase is primarily due to i) revenues from the Company's auction services business which the Company began operating in June 1998; ii) an increase in revenues from the Company's credit reporting subsidiary and iii) servicing fees and interest earned on the retained interest in securitization resulting from the Company's securitization of advance receivables in July 1998. The increase is offset by a decrease in fees earned on third party service contract products offered by dealers on installment contracts, as the volume of this business has declined proportionately with the decline in contract originations.

Operating Expenses. Operating expenses, as a percent of total revenue, increased from 28.0% in 1997 to 41.5% in 1998. Operating expenses consist primarily of salaries and wages, general and administrative, and sales and marketing expenses.

The increase for the period is due in part to an increase in salaries and wages. Salaries and wages increased due to i) increases in the Company's average wage rates necessary to attract and retain quality personnel; ii) the Company's purchase of the auction services business in June 1998; iii) information technology personnel added to maintain the Company's new computer systems and applications and; iv) severance compensation paid to or accrued for an executive who terminated employment in 1998.

A portion of management personnel compensation paid by the Company is charged to a company controlled by the Company's Chairman (the "Affiliated Company"), based upon the percentage of time spent working for the Affiliated Company. The Company charged the Affiliated Company approximately $208,000 and $226,000 in 1997 and 1998, respectively. Shared employees devote between 30% and 90% of their time to

the Company, depending on their responsibilities. The Company believes that the amounts charged by the Company are representative of the respective employees' activities.

In addition, the increase in operating expenses is due to an increase in general and administrative expenses. These expenses were higher in 1998 primarily due to increases in i) legal fees and settlement provisions resulting from an increase in the frequency and magnitude of litigation against the Company (See Item 3. "Legal Proceedings"); ii) depreciation and amortization primarily resulting from the addition of new computer systems in 1997 and; iii) audit fees charged by the Company's independent auditors. Also, the increase results from general and administrative expenses at the Company's auction services subsidiary.

Provision for Credit Losses. The amount provided for credit losses, as a percent of total revenue, decreased from 52.0% in 1997 to 11.5% in 1998. The provision for the year ended December 31, 1997 included a charge recorded to reflect the enhancements in the Company's methodology for estimating its reserve for Advances made possible by a new loan servicing system implemented by the Company. Utilizing the new information made available upon the successful implementation of this new system, the Company undertook an extensive review of its exposure related to dealer Advances using a static pool analysis on a per dealer basis. In order to reflect the impact of this analysis on the Company's Advance reserve, additional provisions were recorded in 1997.

The provision for credit losses consists of two components: i) a provision for loan losses for the earned but unpaid servicing fees or finance charges recognized on contractually delinquent installment contracts and ii) a provision for losses on Advances to dealers that are not expected to be recovered through collections on the related installment contract receivable portfolio. The decreases were primarily due to lower provisions needed for Advance losses, based on the Company's static pool analysis. Advance balances are continually reviewed by management utilizing the Company's loan servicing system which allows management to estimate future collections for each dealer pool using historical loss experience and a dealer by dealer static pool analysis. In addition, the decreases were also due to lower provisions needed for loan losses primarily resulting from a decrease in the percent of non-accrual installment contracts receivable, which were 37.6% and 32.4% of gross receivables as of December 31, 1997 and 1998, respectively.

Provision for Claims. The amount provided for insurance and service contract claims, as a percent of total revenue, was 2.4% and 2.6% in 1997 and 1998, respectively. The increase corresponds with the increase, as a percent of total revenue, in premiums earned from 6.9% in 1997 to 7.7% in 1998.

The Company has established claims reserves on accumulated estimates of claims reported but unpaid plus estimates of incurred but unreported claims. The Company believes the reserves are adequate to cover future claims associated with the programs.

Interest Expense. Interest expense, as a percent of total revenue, increased from 16.8% in 1997 to 18.0% in 1998. Total interest expense decreased from $27.6 million in 1997 to $25.6 million in 1998. The $2.0 million decrease in interest expense for 1998 is primarily the result of a decrease in the amount of average outstanding borrowings, which resulted from i) the positive cash flow generated primarily from collections on installment contracts receivable exceeding cash Advances to dealers and payments of dealer holdbacks and ii) $49.3 million raised in July 1998 from the securitization of advance receivables. The decrease for 1998 was partially offset by higher average interest rates during the year. The increase in the average interest rate is primarily the result of increases in the Company's Eurocurrency-based borrowing and facility fee margins under its credit agreement with a commercial bank syndicate, due to the downgrade of the Company's credit rating with Moody's Investor Service from Baa3 to Ba2, and with Standard and Poor's from BBB- to BB effective October 22, 1997, and a further downgrade by Moody's Investor Service on June 24, 1998 from Ba2 to Ba3. Additionally, the increase in the average interest rate is due to increases in the interest rate on outstanding borrowings under the Company's note purchase agreements resulting from amendments due to the Company's securitization of advance receivables.

Operating Income. As a result of the aforementioned factors, operating income increased from $1.3 million in 1997 to $37.6 million in 1998, a increase of $36.3 million.

Foreign Exchange Loss. The Company incurred a foreign exchange loss of $41,000 and $116,000 in 1997 and 1998, respectively. The losses were the result of exchange rate fluctuations between the U.S. dollar and foreign currency on unhedged intercompany balances between the Company and subsidiaries which operate outside the United States.

Provision (Credit) for Income Taxes. The provision (credit) for income taxes increased from ($0.2) million in 1997 to $12.6 million in 1998. The increase is due to higher pretax profits in 1998. For 1998, the effective tax rate was 33.5%. The Company provides income taxes on its foreign earnings at the statutory rate in effect for the applicable country where such earnings arise. The principal foreign earnings of the Company arise from its operations in the United Kingdom, where the statutory rate is lower than the U.S. statutory tax rate.

Year Ended December 31, 1996 Compared To Year Ended December 31, 1997

Total Revenue. Total revenue increased from $123.9 million in 1996 to $164.2 million in 1997, an increase of $40.3 million or 32.5%. This increase was primarily due to the increase in finance charge revenue resulting from an increase in the average installment contracts receivable balance. The increase in gross installment contracts receivable was primarily the result of contract originations for the period exceeding the sum of collections on installment contracts and charge offs of installment contracts for the period.

The average yield on the Company's portfolio, calculated using finance charge revenue divided by average net installment contracts receivable, was approximately 10.9% and 11.2% in 1996 and 1997, respectively. The increase in the average yield principally resulted from the Company changing its accounting policy relating to the write-off of installment contracts receivable. The revised policy requires write-off of delinquent installment contracts receivable at nine months on a recency basis compared to one year under the old policy. This change was partially offset by an increase in the percent of non-accrual installment contracts (which were 34.1% and 37.6% of contracts as of December 31, 1996 and 1997, respectively). The increase in the percent of non-accrual contracts was principally due to a change in the Company's non-accrual policy in 1997 to 90 days measured on a recency basis from 120 days measured on a contractual basis, as well as a maturing of the installment contract receivable portfolio due to lower origination growth. The Company implemented the change in the non-accrual policy in an effort to more quickly identify unprofitable dealer relationships.

Also contributing to the increase in total revenue was vehicle service contract fees and other income which increased as a percent of total revenue from 13.2% in 1996 to 17.4% in 1997. This increase was primarily due to fees earned from the sale of third party service contract and credit life products offered by dealers, which increased from $6.5 million in 1996 to $15.8 million in 1997, and an increase in interest earned on floor plan financing which resulted from increased floor plan balances in 1997. Earned dealer enrollment fees increased, as a percent of total revenue, from 4.1% in 1996 to 4.5% in 1997. This increase was due to the continued increase in the number of new dealers enrolling in the Company's financing program, particularly during 1996, as these fees are deferred and amortized over the estimated repayment term of the outstanding dealer Advance. Premiums earned decreased, as a percent of total revenue, from 7.7% in 1996 to 6.9% in 1997. This decrease was primarily the result of decreases, as a percent of total revenue, in premiums reinsured under the Company's service contract and credit life insurance programs.

Operating Expenses. Operating Expenses, as a percentage of total revenue, increased from 24.6% in 1996 to 28.0% in 1997. Operating expenses consist primarily of salaries and wages, general and administrative, and sales and marketing.

The increase for the period was due in part to an increase in salaries and wages expense. Salaries and wages increased due to increases in employee headcount, particularly collection personnel added to service the Company's larger installment contract portfolio. To a lesser extent, the increase is due to increases in the Company's average wage rates.

A portion of management personnel compensation paid by the Company is charged to a company controlled by the Company's Chairman (the "Affiliated Company"), based upon the percentage of time spent working for the Affiliated Company. The Company charged the Affiliated Company approximately $311,000

and $208,000 in 1996 and 1997, respectively. Shared employees devote between 30% and 90% of their time to the Company, depending on their responsibilities. The Company believes that the amounts charged by the Company are representative of the respective employees' activities.

In addition, the increase in operating expenses was due to an increase in general and administrative expenses. These expenses were higher in 1997 primarily due to: (i) an increase in depreciation and amortization resulting from the addition of new computer systems which became operational in 1997 and (ii) an increase in legal expenses resulting from the increase in the frequency and severity of litigation in 1997. In addition, this increase was due to the $500,000 write-off of computer software in 1997 no longer used in the Company's operations.

To a lesser extent, the increase in the operating expense was due to an increase in the sales and marketing expenses. The increase corresponds with the increase in earned dealer enrollment fees, as the sales commissions paid for dealer enrollments are deferred and amortized to expense over the estimated repayment term of the outstanding dealer Advance. In addition, the increase was also the result of increases in advertising and other promotions in 1997.

Provision for Credit Losses. The amount provided for credit losses, as a percent of total revenue, increased from 10.5% in 1996 to 52.0% in 1997. This increase was primarily the result of a charge recorded to reflect the enhancements in the Company's methodology for estimating its reserve for Advances made possible by a new loan servicing system implemented by the Company. Utilizing the new information made available upon the successful implementation of this new system, the Company undertook an extensive review of its exposure related to dealer Advances using a static pool analysis on a per dealer basis. In order to reflect the impact of this analysis on the Company's Advance reserve additional provisions were recorded in 1997.

Provision for Claims. The amount provided for insurance and service contract claims, as a percent of total revenue, decreased from 2.5% in 1996 to 2.4% in 1997. This decrease corresponds with decreases, as a percent of total revenue, in premiums earned from 7.7% in 1996 to 6.9% in 1997.

The Company has established claims reserves based on accumulated estimates of claims reported but unpaid, plus estimates of incurred but unreported claims. The Company believes the reserves are adequate to cover future claims associated with the programs.

Interest Expense. Interest expense, as a percent of total revenue, increased from 10.9% in 1996 to 16.8% in 1997. This increase was a result of an increase in the amount of average outstanding borrowings. To a lesser extent, interest expense increased due to a higher average interest rate. The increase in the average interest rate is primarily the result of the sale of $71.75 million in senior notes, at a fixed rate of interest, in March 1997. The increase was also attributable to the downgrade of the Company's credit rating with Moody's Investor Service from Baa3 to Ba2 and with Standard and Poor's from BBB- to BB effective October 22, 1997. As a result of these downgrades, the Company's Eurocurrency-based borrowing margins under the $250 million credit agreement were increased from 82.5 basis points to 120 basis points in accordance with the terms of the credit agreement.

Operating Income. As a result of the aforementioned factors, operating income decreased from $63.6 million in 1996 to $1.3 million in 1997, a decrease of $62.3 million or 97.9%.

Foreign Exchange Gain (Loss). The Company incurred a foreign exchange gain of $27,000 in 1996 and a foreign exchange loss of $41,000 in 1997. The gain and loss were the result of exchange rate fluctuations between the U.S. dollar and foreign currency on unhedged intercompany balances between the Company and subsidiaries which operate outside the United States.

Provision (Credit) for Income Taxes. The provision (credit) for income taxes decreased from $22.1 million in 1996 to ($0.2) million in 1997. The decrease was due to lower pretax profits in 1997.

CREDIT LOSS POLICY AND EXPERIENCE

When an installment contract is originated, the Company generally pays a cash Advance to the dealer. These Advance balances represent the Company's primary risk of loss related to the funding activity with the dealers.

The Company maintains a reserve against Advances to dealers that are not expected to be recovered through collections on the related contract portfolio. For purposes of establishing the reserve, future collections are reduced to present-value in order to achieve a level yield over the remaining term of the Advance equal to the expected yield at the origination of the impaired Advance. During 1997, the Company implemented a new loan servicing system which allows the Company to better estimate future collections for each dealer pool using historical loss experience and a dealer by dealer static pool analysis. The Company took a non-cash charge during 1997 to reflect the impact of this enhancement in the Company's methodology for estimating the Advance reserve. Future reserve requirements will depend in part on the magnitude of the variance between management's prediction of future collections and the actual collections that are realized. Ultimate losses may vary from current estimates and the amount of provision, which is a current expense, may be either greater or less than actual charge offs. The Company charges off dealer Advances against the reserve at such time and to the extent that the Company's static pool analysis determines that the Advance is completely or partially impaired.

The Company also maintains an allowance for credit losses which, in the opinion of management, adequately reserves against expected future losses in the portfolio of receivables. The risk of loss to the Company related to the installment contracts receivable balances relates primarily to the earned but unpaid servicing fee or finance charge recognized on contractually delinquent accounts.

Servicing fees, which are booked as finance charges, are recognized under the interest method of accounting until the underlying obligation is 90 days past due on a recency basis. At such time, the Company suspends the accrual of revenue and makes a provision for credit losses equal to the earned but unpaid revenue. In all cases, contracts on which no material payment has been received for nine months are charged off against dealer holdbacks, unearned finance charges and the allowance for credit losses.

During the third quarter of 1997, the Company changed its non-accrual policy from 120 days on a contractual basis to 90 days on a recency basis and, during the fourth quarter of 1997, changed its charge off policy to nine months on a recency basis from one year. The Company believes these changes will allow for earlier identification of underperforming dealer pools.

The following table sets forth information relating to charge offs, the allowance for credit losses, the reserve on Advances, and dealer holdbacks. 1998 and 1997 charge offs are based on nine month recency method; 1996 charge offs are based on one year recency method.

	(DOLLARS IN THOUSANDS) FOR THE YEARS ENDED DECEMBER 31,		
	1996	1997	1998
Provision for credit losses -- installment contracts	$ 7,222	$ 11,072	$ 3,432
Provision for credit losses -- Advances	5,849	74,400	12,973
Charged against dealer holdbacks	103,497	374,646	359,846
Charged against unearned finance charges	23,045	82,748	81,632
Charged against allowance for credit losses	2,863	10,138	8,392
Total contracts charged off	$129,405	$467,532	$449,870
Net charge off against the reserve on Advances	$ 444	$ 71,391	$ 9,744

CREDIT RATIOS	AS OF DECEMBER 31, 1996	1997	1998
Allowance for credit losses as a percent of gross installment contracts receivable	1.0%	1.0%	0.9%
Reserve on Advances as a percent of Advances	1.7%	2.8%	4.6%
Gross dealer holdbacks as a percent of gross installment contracts receivable	79.8%	79.9%	79.8%

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal need for capital is to fund cash Advances made to dealers in connection with the acceptance of installment contracts and for the payment of dealer holdbacks to dealers who have repaid their Advance balances. These cash outflows to dealers decreased from $520.6 million in 1997 to $290.6 million in 1998. These amounts have historically been funded from cash collections on installment contracts, cash provided by operating activities and draws under the Company's credit agreements. During 1998, the Company paid down approximately $133.7 million on its credit agreements and repaid $39.0 million on its outstanding senior notes. The positive cash flow during 1998 is primarily a result of collections on installment contracts receivable exceeding cash Advances to dealers and payments of dealer holdbacks. In addition, the Company raised approximately $49.3 million through the securitization of dealer Advances during the third quarter of 1998. To a lesser extent, the positive cash flow is a result of refunds received from the overpayment of 1997 U.S. federal income taxes. During the fourth quarter of 1997 and in 1998, the Company implemented more conservative Advance programs and reduced business with marginally profitable and unprofitable dealers in order to improve the performance of its portfolio of installment contracts. These changes have resulted in reduced levels of originations and cash Advances to dealers in the fourth quarter of 1997 and in 1998, a trend which is expected to continue in future periods. To the extent that this trend continues, the Company could continue to experience a decrease in its need for capital in future periods.

The Company has a $125 million credit agreement with a commercial bank syndicate. The facility has a commitment period through June 15, 1999 and is subject to annual extensions for additional one year periods at the request of the Company with the consent of each of the banks in the facility. The agreement provides that interest is payable at the Eurocurrency rate plus 140 basis points, or at the prime rate. The Eurocurrency borrowings may be fixed for periods up to six months. The credit agreement has certain restrictive covenants, including limits on the ratio of the Company's debt-to-equity, debt to Advances, debt to gross installment contracts receivable, Advances to installment contracts receivable, fixed charges to net income, limits on the Company's investment in its foreign subsidiaries and requirements that the Company maintain a specified minimum level of net worth. Borrowings under the credit agreement are secured through a lien on most of the Company's assets on an equal and ratable basis with the Company's senior notes. As of December 31, 1998, there was approximately $79.0 million outstanding under this facility.

In July, 1998, the Company completed a $50 million securitization of advance receivables. Pursuant to this transaction, the Company contributed dealer Advances having a carrying amount of approximately $56 million and received approximately $49.3 million in financing from an institutional investor. The financing, which is nonrecourse to the Company, bears interest at a floating rate equal to the thirty day commercial paper rate plus 1% with a maximum of 7.5% and is anticipated to fully amortize within thirty months. The Company receives a monthly servicing fee equal to 4% of the collections of the contributed installment contracts receivable. Except for the servicing fee, the Company will not receive any portion of collections on the installment contracts receivable until the underlying indebtedness has been repaid in full. The proceeds of the securitization were used to reduce indebtedness under the Company's credit agreement.

When borrowing to fund the operations of its foreign subsidiaries, the Company's policy is to borrow funds denominated in the currency of the country in which the subsidiary operates, thus mitigating the Company's exposure to foreign exchange fluctuations.

The Company maintains a significant dealer holdback on installment contracts accepted which assists the Company in funding its long-term cash flow requirements.

As the Company's $125 million credit facility expires on June 15, 1999, the Company will be required to renew the facility or refinance any amounts outstanding under this facility on or before such date. As of March 24, 1999, there was approximately $48.0 million outstanding under this facility. In addition, in 1999, the Company will have $42.2 million of principal maturing on its senior notes and $3.5 million maturing on a mortgage loan. The Company believes that the $125 million credit facility will be renewed with similar terms and a similar commitment amount and that the mortgage loan will be refinanced.

Pending the appeal of the Missouri Litigation, the Company may be required to post a bond or letter of credit, which would reduce availability under the Company's credit agreement. Based upon anticipated cash flows, management believes that amounts available under its credit agreement, cash flow from operations and various financing alternatives available will provide sufficient financing for current debt maturities and for future operations. Failure to complete the refinancing or failure to obtain other financing alternatives may have a material adverse effect on the Company's operations.

MARKET RISK

The market risk discussion and the estimated amounts generated from the analysis that follows are forward-looking statements of market risk assuming certain adverse market conditions occur. Actual results in the future may differ materially due to changes in the Company's product and debt mix and developments in the financial markets.

The Company is exposed primarily to market risks associated with movements in interest rates and foreign currency exchange rates. The Company believes that it takes the necessary steps to appropriately reduce the potential impact of interest rate and foreign exchange exposures on the Company's financial position and operating performance.

Interest Rate Risk. The Company requires substantial amounts of cash to fund cash Advances to dealers in connection with the acceptance of installment contracts. The Company relies on various sources of financing to assist in funding its operations, some of which is at floating rates of interest and exposes the Company to risks associated with increases in interest rates. The Company manages such risk by converting portions of its floating rate debt to long-term fixed rates on a periodic basis, as deemed necessary.

As of December 31, 1998, the Company had $ 79.1 million of floating rate debt outstanding. For every 1% increase in interest rates, annual after-tax earnings would decrease by approximately $500,000, assuming the Company maintains a level amount of floating rate debt and assuming an immediate increase in rates.

Foreign Currency Risk. The Company is exposed to foreign currency risk from the possibility of changes in foreign exchange rates that could have a negative impact on earnings or asset and liability values from operations in foreign countries. The Company's most significant foreign currency exposure relates to the United Kingdom. It is the Company's policy to borrow and lend in local currencies to mitigate such risks. For an immediate, hypothetical 10% decrease in quoted foreign currency exchange rates, annual after tax earnings would have declined by approximately $700,000 at December 31, 1998. The potential loss in net asset values from such a decrease would be approximately $6 million as of December 31, 1998. Immediate changes in interest rates and foreign currency exchange rates discussed in the proceeding paragraphs are hypothetical rate scenarios, used to calibrate risk, and do not currently represent management's view of future market developments.

YEAR 2000 UPDATE

The year 2000 issue is the result of computer programs and microprocessors using two digits rather than four to define the applicable year (the "Year 2000 Issue"). Such programs or microprocessors may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failures or miscalculations leading to disruptions in the Company's activities and operations. If the Company or third parties with which it has a significant relationship fail to make necessary modifications, conversions and contingency plans on a timely basis, the Year 2000 Issue could have a material adverse effect on the Company's business, financial condition and results of operations. However, the effect cannot be quantified at

this time because the Company cannot accurately estimate the magnitude, duration or ultimate impact of noncompliance by its systems or those of vendors and other third parties. The Company believes that its competitors face a similar risk. Although the risk is not presently quantifiable, the following disclosure is intended to summarize the Company's actions to minimize its risk from the Year 2000 Issue. Programs that will operate in the year 2000 unaffected by the change in year from 1999 to 2000 are referred to herein as "year 2000 compliant."

State of Readiness. The Company employs three major computer systems in its U.S. Operations: (i) the Application and Contract System (ACS) which is used from the time a dealer faxes an application to the Company until the contract is received and funded, (ii) the Loan Servicing System (LSS) which contains all loan and payment information and is the primary source for management information reporting, and (iii) the Collection System (CS) which is used by the Company's collections personnel to track and service all active customer accounts. The ACS and LSS went into production in 1997 and were developed by the Company in Oracle 7.3 and Oracle Forms 4.5 which are year 2000 compliant. The CS is a third party software package which has been upgraded to be year 2000 compliant.

The Company employs one major computer system in its United Kingdom operations which is a third party software package. The vendor has certified to the Company that the system is year 2000 compliant. The Company has finished testing on this system as well as all other mission critical systems to ensure year 2000 compliance. All non-mission critical systems are anticipated to be year 2000 compliant by June 30, 1999.

The Company has completed a comprehensive inventory of all other computer hardware, software, third party vendors and other non-information technology systems. All items identified were prioritized and assigned to a responsible party to investigate and ensure that the item becomes year 2000 compliant by the end of 1999. While modifications and testing of all mission critical and non-mission critical systems is substantially complete, these systems will undergo additional testing in 1999.

Costs. The Company expects that all software installations or other modifications will be expensed as incurred, while the cost for new software will be capitalized and amortized over the software's useful life. At this time, the Company anticipates spending no more than $50,000 in its efforts to become year 2000 compliant, of which approximately $25,000 has been spent to date. Estimates of time, cost and risks are based on currently available information. Developments that could affect estimates include, without limitation, the availability of trained personnel, the ability to locate and correct all non-compliant systems, cooperation and remediation success of third parties material to the Company, and the ability to correctly anticipate risks and implement suitable contingency plans in the event of system failures at the Company or third parties.

Risks. Because the Company expects that the systems within its control will be year 2000 compliant before the end of 1999, the Company believes that the most reasonably likely worst case scenario is a compliance failure by a third party upon which the Company relies. Such a failure would likely have an effect on the Company's business, financial condition and results of operations. The magnitude of that effect however, cannot be quantified at this time because of variables such as the type and importance of the third party, the possible effect on the Company's operations and the Company's ability to respond. Thus, there can be no assurance that there will not be a material adverse effect on the Company if such third parties do not remediate their systems in a timely manner. In addition, it is possible that the Company could experience a failure of a non-mission critical system for a period of time, which could result in a minor disruption in some internal operations.

Contingency Plans. Contingency planning is an integral part of the Company's year 2000 readiness project. The Company has and is continuing to develop contingency plans, which document the processes necessary to maintain critical business functions should a significant third party system or mission critical internal system fail. These contingency plans generally include the repair of existing systems and, in some instances, the use of alternative systems or procedures.

The disclosure in this section contains information regarding Year 2000 readiness which constitutes "Year 2000 Readiness Disclosure" as defined in the Year 2000 Readiness Disclosure Act. Readers are

cautioned that forward-looking statements contained in the Year 2000 Update should be read in conjunction with the Company's disclosures under the heading "Forward-Looking Statements".

FORWARD-LOOKING STATEMENTS

The foregoing discussion and analysis contains a number of forward looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, both as amended with respect to expectations for future periods which are subject to various risks and uncertainties. The risks and uncertainties are detailed from time to time in reports filed by the Company with the Securities and Exchange Commission, including forms 8-K, 10-Q, and 10-K, and include, among others, competition from traditional financing sources and from non-traditional lenders, availability of funding at competitive rates of interest, adverse changes in applicable laws and regulations, adverse changes in economic conditions, year 2000 compliance by the Company or third parties to the Company, adverse changes in the automobile or finance industries or in the non-prime consumer finance market, the Company's ability to maintain or increase the volume of installment contracts accepted and historical collection rates and the Company's ability to complete various financing alternatives.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information called for by Item 7A is incorporated by reference from the information in Item 7 under the caption "Market Risk" in this Form 10-K.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders
Credit Acceptance Corporation:

We have audited the accompanying consolidated balance sheet of Credit Acceptance Corporation and subsidiaries (the "Company") as of December 31, 1998, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such 1998 consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 1998, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Detroit, Michigan
January 27, 1999

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors and Shareholders
Credit Acceptance Corporation:

We have audited the accompanying consolidated balance sheet of Credit Acceptance Corporation (a Michigan corporation) and subsidiaries as of December 31, 1997, and the related consolidated statements of income, shareholders' equity and cash flows for each of the two years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Credit Acceptance Corporation and subsidiaries as of December 31, 1997, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Detroit, Michigan
February 2, 1998

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

CONSOLIDATED BALANCE SHEETS

	(DOLLARS IN THOUSANDS) DECEMBER 31,	
	1997	1998
ASSETS:		
Cash and cash equivalents	$ 349	$ 13,775
Investments -- held to maturity	9,973	10,191
Installment contracts receivable	1,049,818	671,768
Allowance for credit losses	(13,119)	(7,075)
Installment contracts receivable, net	1,036,699	664,693
Floor plan receivables:		
Nonaffiliated companies	8,137	9,455
Affiliated companies	11,663	4,616
	19,800	14,071
Notes receivable:		
Nonaffiliated companies	700	1,627
Affiliated companies	531	651
	1,231	2,278
Retained interest in securitization	--	13,229
Property and equipment, net	20,839	20,627
Other assets	26,719	13,065
Total Assets	$1,115,610	$751,929
LIABILITIES AND SHAREHOLDERS' EQUITY:		
LIABILITIES:		
Senior notes	$ 175,150	$136,165
Lines of credit	212,717	79,067
Mortgage loan payable to bank	3,799	3,566
Income taxes payable	--	776
Accounts payable and accrued liabilities	20,362	22,423
Deferred dealer enrollment fees, net	421	296
Dealer holdbacks, net	439,554	222,275
Deferred income taxes, net	14,616	11,098
Total Liabilities	866,619	475,666
CONTINGENCIES (NOTE 13)		
SHAREHOLDERS' EQUITY:		
Preferred stock, $.01 par value, 1,000,000 shares authorized, none issued		
Common stock, $.01 par value, 80,000,000 shares authorized, 46,113,115 and 46,291,487 shares issued and outstanding in 1997 and 1998, respectively	461	463
Paid-in capital	128,336	129,914
Retained earnings	118,023	142,989
Accumulated other comprehensive income-cumulative translation adjustment	2,171	2,897
Total Shareholders' Equity	248,991	276,263
Total Liabilities and Shareholders' Equity	$1,115,610	$751,929

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

(DOLLARS IN THOUSANDS, EXCEPT FOR INCOME PER SHARE DATA) FOR THE YEARS ENDED DECEMBER 31,	1996	1997	1998
REVENUE:			
Finance charges	$ 92,944	$ 117,020	$ 98,007
Premiums earned	9,653	11,304	10,904
Dealer enrollment fees	5,028	7,313	3,614
Gain on sale of advance receivables, net	--	--	685
Other income	16,309	28,598	29,139
Total revenue	123,934	164,235	142,349
COSTS AND EXPENSES:			
Operating expenses	30,627	45,911	59,004
Provision for credit losses	13,071	85,472	16,405
Provision for claims	3,060	3,911	3,734
Interest	13,568	27,597	25,565
Total costs and expenses	60,326	162,891	104,708
Operating income	63,608	1,344	37,641
Foreign exchange gain (loss)	27	(41)	(116)
Income before provision for income taxes	63,635	1,303	37,525
Provision (credit) for income taxes	22,126	(234)	12,559
Net income	$ 41,509	$ 1,537	$ 24,966
Net income per common share:			
Basic	$ .91	$ .03	$ .54
Diluted	$ .89	$ .03	$ .53
Weighted average shares outstanding:			
Basic	45,605,159	46,081,804	46,190,208
Diluted	46,623,655	46,754,713	46,960,290

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1996, 1997 AND 1998

(DOLLARS IN THOUSANDS)

	TOTAL SHAREHOLDERS' EQUITY	COMPREHENSIVE INCOME	COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME
Balance -- December 31, 1995.....	$198,975		$455	$123,878	$ 74,977	$ (335)
Comprehensive income:						
Net income.....	41,509	$41,509			41,509	
Other comprehensive income:						
Foreign currency translation adjustment.....	4,136	4,136				4,136
Tax on other comprehensive income.....		(1,448)				
Other comprehensive income...		2,688				
Total comprehensive income.....		44,197				
Stock options exercised.....	1,528		1	1,527		
Issuance of 200,000 common shares for acquisition of subsidiary.....	(5)		2	(7)		
Balance -- December 31, 1996.....	246,143		458	125,398	116,486	3,801
Comprehensive income:						
Net income.....	1,537	1,537			1,537	
Other comprehensive income:						
Foreign currency translation adjustment.....	(1,630)	(1,630)				(1,630)
Tax on other comprehensive income.....		570				
Other comprehensive income.....		(1,060)				
Total comprehensive income.....		477				
Stock options exercised.....	2,874		3	2,871		
Dealer stock option plan expense.....	67			67		
Balance -- December 31, 1997.....	248,991		461	128,336	118,023	2,171
Comprehensive income:						
Net income.....	24,966	24,966			24,966	
Other comprehensive income:						
Foreign currency translation adjustment.....	726	726				726
Tax on other comprehensive income.....		(254)				
Other comprehensive income...		472				
Total comprehensive income.....		$25,438				
Stock options exercised.....	1,430		2	1,428		
Dealer stock option plan expense.....	150			150		
Balance-- December 31, 1998.....	$276,263		$463	$129,914	$142,989	$ 2,897

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

	(DOLLARS IN THOUSANDS) FOR THE YEARS ENDED DECEMBER 31,		
	1996	1997	1998
Cash Flows From Operating Activities:			
Net Income	$ 41,509	$ 1,537	$ 24,966
Adjustments to reconcile cash provided by operating activities --			
Provision (credit) for deferred income taxes	964	5,628	(3,518)
Depreciation	1,369	2,550	3,793
Gain on sale of advance receivables, gross	--	--	(1,261)
Amortization of retained interest in securitization	--	--	(951)
Loss on retirement of property and equipment	--	512	--
Provision for credit losses	13,071	85,472	16,405
Dealer stock option plan expense	--	67	150
Change in operating assets and liabilities --			
Accounts payable and accrued liabilities	10,842	(8,759)	2,061
Income taxes payable	2,355	(2,569)	776
Unearned insurance premiums, insurance reserves and fees	2,371	1,450	(238)
Deferred dealer enrollment fees, net	615	(1,843)	(125)
Other assets	(165)	(21,915)	13,654
Net cash provided by operating activities	72,931	62,130	55,712
Cash Flows From Investing Activities:			
Principal collected on installment contracts receivable	280,051	370,059	368,873
Advances to dealers and payments of dealer holdbacks	(540,077)	(520,609)	(290,605)
Net proceeds from sale of advance receivables	--	--	49,275
Purchase of investments held to maturity	(3,795)	(3,653)	(218)
Decrease (increase) in floor plan receivables -- affiliated companies	(815)	140	7,047
Increase in floor plan receivables -- non-affiliated companies	(1,429)	(4,447)	(1,318)
Increases in notes receivable -- affiliated companies	(600)	(363)	(309)
Decreases in notes receivable -- affiliated companies	298	1,049	189
Increases in notes receivable -- non-affiliated companies	(903)	(345)	(1,254)
Decreases in notes receivable -- non-affiliated companies	1,774	1,091	327
Issuance of common shares for acquisition	(5)	--	--
Purchases of property and equipment	(5,985)	(8,943)	(3,581)
Net cash provided by (used in) investing activities	(271,486)	(166,021)	128,426
Cash Flows From Financing Activities:			
Proceeds from sale of senior notes	70,000	71,750	--
Repayment of senior notes	(6,600)	(20,000)	(38,985)
Net borrowings (repayments) under line of credit agreements	129,923	51,235	(133,650)
Repayment of other debt	(204)	(218)	(233)
Proceeds from stock options exercised	1,528	2,874	1,430
Net cash provided by (used in) financing activities	194,647	105,641	(171,438)
Effect of exchange rate changes on cash	4,136	(1,630)	726
Net increase in cash and cash equivalents	228	120	13,426
Cash and cash equivalents beginning of period	1	229	349
Cash and Cash Equivalents End of Period	$ 229	$ 349	$ 13,775
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the period for interest	$ 11,114	$ 27,464	$ 23,142
Cash paid during the period for income taxes	$ 18,280	$ 14,887	$ 17,812

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

Principal Business. Credit Acceptance Corporation and its subsidiaries ("CAC" or the "Company") is a specialized financial services company which provides funding, receivables management, collection, sales training and related products and services to automobile dealers located in the United States, the United Kingdom, Canada and Ireland. The Company assists such dealers by providing an indirect source of financing for buyers with limited access to traditional sources of consumer credit due to past credit history. Installment contracts originated and assigned to the Company by automobile dealers are generally considered to have a high risk of default. To a significantly lesser extent, CAC provides inventory floor plan financing and working capital loans for dealers secured by inventory and the related cash collections owed to the dealer by CAC.

Credit Acceptance Corporation UK, Ltd., CAC of Canada, Ltd., and Credit Acceptance Corporation of Ireland Ltd. are all wholly-owned subsidiaries of the Company which operate in their respective countries. These subsidiary companies offer essentially the same dealer programs as are offered in the United States.

The dealer assigns title to the installment contract and the security interest in the vehicle to the Company. At the time it accepts the assignment of a contract, CAC records the gross amount of the contract as a gross installment contract receivable. The Company records the amount of its servicing fee as an unearned finance charge with the remaining portion recorded as a dealer holdback. At the time of acceptance, contracts which meet certain criteria are eligible for a cash advance, which is computed on a formula basis. Advances are non-interest bearing and are secured by the cash collections on all of the installment contracts receivable assigned from an individual dealer. Dealer advances are netted against dealer holdbacks in the accompanying consolidated financial statements, as dealer holdbacks are not paid until such time as all advances related to such dealer have been recovered.

CAC collects the scheduled monthly payments based on contractual arrangements with the consumer. Monthly cash collections are remitted to the dealer subject to the Company first: (i) being reimbursed for certain collection costs associated with all installment contracts originated by such dealer; (ii) reducing the collections by the Company's servicing fee; and (iii) recovering the aggregate advances made to such dealer.

Upon enrollment into the Company's financing program, the dealer enters into a servicing agreement with CAC which defines the rights and obligations of CAC and the dealer. The servicing agreement may be terminated by the Company or by the dealer (so long as there is no event of default or an event which with the lapse of time, giving of notice or both, would become an event of default) upon 30 days prior written notice. The Company may also terminate the servicing agreement immediately in the case of an event of default by the dealer. Upon any termination by the dealer or in the event of a default, the dealer must immediately pay the Company: (i) any unreimbursed collection costs; (ii) any unpaid advances and all amounts owed by the dealer to the Company; and (iii) a termination fee equal to the unearned finance charge of the then outstanding amount of the installment contracts originated by such dealer and accepted by the Company.

Ancillary Products and Services. Credit Acceptance Corporation Life Insurance Company ("CAC Life"), Buyers Vehicle Protection Plan, Inc. ("BVPP") and Credit Acceptance Reinsurance, LTD. ("CAC Reinsurance"), all wholly-owned subsidiaries of the Company, provide additional services to participating dealers.

CAC Life is engaged primarily in the business of reinsuring credit life and disability insurance policies issued to borrowers under installment contracts originated by participating dealers. CAC advances to dealers an amount equal to the credit life and disability insurance premium on contracts accepted by the Company which include credit life and disability insurance written by the Company's designated insurance carriers. The policies insure the holder of the installment contract for the outstanding balance payable in the event of death or disability of the debtor. Premiums are ceded to CAC Life on both an earned and written basis and are earned over the life of the contracts using pro rata and sum-of-digits methods. CAC Life bears the risk of loss attendant to claims under the coverages ceded to it.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

BVPP administers short-term limited extended service contracts offered by participating dealers. In connection therewith, BVPP bears the risk of loss for any repairs covered under the service contract. Income is recognized on a straight-line basis over the life of the service contracts. In addition, BVPP has relationships with third party service contract providers which pay BVPP a fee on service contracts included on installment contracts financed through participating dealers. BVPP does not bear any risk of loss for covered claims on these third party service contracts. The income from the non-refundable fee is recognized upon acceptance of the installment contract. The Company advances to dealers an amount equal to the purchase price of the vehicle service contract on contracts accepted by the Company which include vehicle service contracts.

CAC has arrangements with insurance carriers and a third party administrator to market and provide claims administration for a dual interest collateral protection program. This insurance program, which insures the financed vehicle against physical damage up to the lesser of the cost to repair the vehicle or the unpaid balance owed on the related installment contract, is made available to borrowers who finance vehicles through participating dealers. If desired by a borrower, collateral protection insurance coverage is written under group master policies issued by unaffiliated insurance carriers to the Company. As part of the program, the insurance carriers cede insurance coverages and premiums (less a fee) to CAC Reinsurance, which acts as a reinsurer of such coverages. As a result, CAC Reinsurance bears the risk of loss attendant to claims under the coverages ceded to it, and earns revenues resulting from premiums ceded and the investment of such funds.

Other Services. Montana Investment Group, Inc. ("Montana") and Arlington Investment Company ("Arlington"), wholly-owned subsidiaries of the Company, provide additional sources of revenue to the Company. Montana supplies risk assessment and fraud alert information and computerized skiptracing services regarding borrowers to companies serving the Non-prime Consumer market. Arlington provides a full range of auction services to vehicle suppliers to process and sell vehicles to buyers at auctions.

Significant accounting policies are described in the following paragraphs.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated.

REPORTABLE BUSINESS SEGMENTS

The Company is organized into four primary business units: North American automotive finance, U.K./ Ireland automotive finance, credit reporting services, and auction services. See Note 12 for information regarding the Company's reportable segments.

USE OF ESTIMATES

The accounting and reporting policies of the Company require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The accounts which are subject to such estimation techniques include the reserve against advances and the allowances for credit losses. Actual results could differ from those estimates.

FOREIGN CURRENCY TRANSLATION

The financial position and results of operations of the Company's foreign operations are measured using the local currency as the functional currency. Revenues and expenses are translated at average exchange rates during the year and assets and liabilities are translated at current exchange rates at the balance sheet date. Translation adjustments are accumulated as a separate component of shareholders' equity.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

On January 1, 1999, 11 of 15 member countries of the European Monetary Union established fixed conversion rates between their existing currencies and adopted the euro as their new common currency. The euro trades on currency exchanges and the legacy currencies remain legal tender in the participating countries for a transition period until January 1, 2002. Beginning on January 1, 2002, euro denominated bills and coins will be issued and legacy currencies will be withdrawn from circulation.

The Company will assess and address the potential impact to CAC that may result from the euro conversion, as the Company has operations in both the United Kingdom and Ireland. These issues include, but are not limited to: 1) the technical challenges to adapt information systems to accommodate euro transactions; 2) the impact on currency exchange rate risks; 3) the impact on existing contracts; and 4) tax and accounting implications. The Company expects that the euro conversion will not have a material adverse impact on its consolidated financial condition or results of operations.

CASH AND CASH EQUIVALENTS

Cash equivalents consist of readily marketable securities with original maturities of three months or less.

INVESTMENTS

Investments consist principally of short-term money market funds and U.S. Treasury Securities which the Company has both the intent and the ability to hold to maturity.

INSTALLMENT CONTRACTS RECEIVABLE

Installment contracts receivable are collateralized by vehicle titles, and the Company has the right to repossess the vehicle in the event that the consumer defaults on the payment terms of the contract. Repossessed collateral is valued at the lower of the carrying amount of the receivable or estimated fair value, less estimated costs of disposition, and is classified in installment contracts receivable on the balance sheets. At December 31, 1998 and 1997, repossessed assets totaled approximately $10.2 million and $13.8 million, respectively.

The Company changed its policy relating to non-accrual loans in the third quarter of 1997 to 90 days measured on a recency basis from 120 days measured on a contractual basis. The Company believes this change allows for earlier identification of underperforming dealer pools.

During the fourth quarter of 1997, the Company changed its accounting policies relating to the write-off of installment contracts receivable based on data available from the Company's new loan servicing system. The revised policy requires write-off of delinquent installment contracts at nine months on a recency basis compared to one year under the old policy.

ALLOWANCE FOR CREDIT LOSSES

The Company maintains an allowance for credit losses which, in the opinion of management, adequately reserves against credit losses on installment contracts that are considered to be impaired. The risk of loss to the Company related to the installment contracts receivable balances relates primarily to the earned but unpaid servicing fee or finance charge recognized on contractually delinquent accounts. To the extent that the Company does not collect the gross amount of the contract balance, the remaining gross installment contract receivable balance is charged off against dealer holdbacks, unearned finance charges and the allowance for credit losses. Ultimate losses may vary from current estimates and the amount of the provision, which is current expense, may be either greater or less than actual charge-offs.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

RESERVE ON ADVANCES

When an installment contract is accepted, the Company generally pays a cash advance to the dealer. These advance balances represent the Company's primary risk of loss related to the funding activity with the dealers. The Company maintains a reserve on advances to dealers which reflects advance balances that are not expected to be recovered through collections on the related installment contract receivable portfolio. To serve as a basis for evaluating the reserve requirement, management reviews delinquencies, charge-off experience factors, the payment performance of loan pools, changes in collateral value, economic conditions and trends and other information. For purposes of establishing the reserve, future collections (including the anticipated proceeds from repossessed collateral) are reduced to present-value in order to achieve a level yield over the remaining term of the advance equal to the expected yield at the origination of the impaired advance.

Future reserve requirements will depend in part on the magnitude of the variance between management's prediction of future collections and the actual collections that are realized. Estimating cash collections from the installment contracts receivable is complicated by the unusual payment patterns of the borrowers who generally cannot obtain traditional financing. The evaluation of the reserve against advances considers such factors as current delinquencies, the characteristics of the accounts, the value of the underlying collateral, the location of the borrower, general economic conditions and trends among other information. Although the Company uses many resources to assess the adequacy of the reserve against advances, actual losses may vary significantly from current estimates and the amount of provision, which is a current expense, may be either greater or less than actual charge offs.

FLOOR PLAN RECEIVABLES

CAC finances used vehicle inventories for both affiliated dealers and nonaffiliated dealers. Amounts loaned are secured by the related inventories and any future cash collections owed to the dealer on outstanding contracts.

NOTES RECEIVABLE

Notes receivable are primarily working capital loans to dealers and are due on demand. These notes receivable are secured by all assets of the dealer including any future cash collections owed to the dealer on outstanding contracts.

ADVANCE RECEIVABLE SALES

When the Company sells advance receivables in securitizations, it retains interest-only strips and servicing rights all of which are retained interests in the securitized assets. Gain or loss on sale of the advance receivables depends in part on the previous carrying amount of retained interests in advances, allocated in proportion to their fair value. To obtain fair values, quoted market prices are used if available. However, quotes are generally not available for retained interests, so the Company generally estimates fair value based on the present value of future cash flows expected under management's best estimates of the key assumptions -- credit losses, timing of projected collections, and discount rates commensurate with the risks involved.

The Company evaluates the fair value and potential impairment of its retained interest in securitization on a quarterly basis utilizing the methodology described above.

PROPERTY AND EQUIPMENT

Additions to property and equipment are recorded at cost. Depreciation is generally provided on a straight-line basis over the estimated useful lives (primarily five to forty years) of the assets. The cost of assets sold or retired and the related accumulated depreciation are removed from the accounts at the time of

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)
disposition and any resulting gain or loss is included in operations. Maintenance, repairs and minor replacements are charged to operations as incurred; major replacements and betterments are capitalized.

GOODWILL

The Company's goodwill represents the excess of cost over the fair value of assets acquired and is amortized using the straight-line method over ten years. Based on management's review of the goodwill, the Company believes that no material impairment of the asset exists. Goodwill, net of amortization of $181,000, is recorded in other assets at $2,919,000 at December 31, 1998. Prior to 1998, no goodwill was recorded in the financial statements.

DEALER HOLDBACKS

As part of the dealer servicing agreement, the Company establishes a dealer holdback to protect the Company from potential losses associated with installment contracts. This dealer holdback is not paid until such time as all advances related to such dealer have been recovered.

INCOME TAXES

Deferred income taxes are provided for all temporary differences between the book and tax basis of assets and liabilities. Deferred income taxes are adjusted to reflect new tax rates when they are enacted into law.

REVENUE RECOGNITION

Finance Charges. The Company computes its servicing fee based upon the gross amount due under the installment contract. Income is recognized under the interest method of accounting until the underlying obligation is 90 days past due on a recency basis. At such time, the Company suspends the accrual of revenue and makes a provision for credit losses equal to the earned but unpaid revenue.

Premiums Earned. Credit life and disability premiums are ceded to CAC Life and collision premiums are ceded to CAC Reinsurance on both an earned and written basis and are earned over the life of the contracts using the pro rata and sum-of-digits methods. Premiums on BVPP warranties are earned on a straight-line basis over the life of the service contracts.

Dealer Enrollment Fees. Enrollment fees are paid by each dealer in the United States and Canada signing a servicing agreement and are nonrefundable. These fees and the related direct incremental costs of originating these fees are deferred and amortized on a straight-line basis over the estimated repayment term of the outstanding dealer advance.

Other Income. Dealers are charged an initial fee to floor plan a vehicle. Interest is charged based on the number of days a vehicle remains on the floor plan. Interest rates typically range from 12% to 18% per annum.

Interest on notes receivable is charged based on the outstanding monthly balance and is typically 4% above prime per annum, generally with a minimum rate of 12% per annum.

Fees received by the Company for the sale of third party vehicle service contracts are recognized upon acceptance of the related installment contract receivable as the Company bears no further obligation.

NEW ACCOUNTING STANDARDS

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standard No. 130, "Reporting Comprehensive Income" ("SFAS 130"). SFAS 130 establishes standards for reporting and displaying comprehensive income and its components in annual financial statements. The Company's other comprehensive income consists of foreign currency transaction adjustments.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONCLUDED)

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 131 supersedes SFAS 14, "Financial Reporting for Segments of a Business Enterprise," replacing the "industry segment" approach with the "management" approach. The management approach designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments. SFAS 131 also requires disclosures about products and services, geographic areas, and major customers. The adoption of SFAS 131 did not affect results of consolidated operations or financial position of the Company, but did affect the disclosure of segment information as illustrated in Note 12.

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The new standard requires that all derivatives be recognized as either assets or liabilities on the consolidated balance sheets and that those instruments be measured fair value. If certain conditions are met, a derivative may be specifically designated as a hedging instrument. The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation. The statement is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. The Company does not believe that adoption of SFAS 133 will have a material effect on the Company's consolidated financial position or results of operations.

In the first quarter of 1998, the American Institute of Certified Public Accountants' Accounting Standards Executive Committee issued Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". SOP 98-1 provides guidance on the capitalization of software for internal use. CAC adopted SOP 98-1 effective January 1, 1999, as required. Management is currently assessing the impact of this SOP on the consolidated financial statements of the Company.

RECLASSIFICATION

Certain amounts for the prior periods have been reclassified to conform to the current presentation.

(2) FINANCIAL INSTRUMENTS

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate their value.

Cash and Cash Equivalents. The carrying amount of cash and cash equivalents approximate the fair values due to the short maturity of these instruments.

Investments. The fair values of U.S. Treasury securities are based on quoted market prices. The carrying amount of money market funds approximates the fair value due to the short maturity.

Installment Contracts Receivable and Net Dealer Holdbacks. As the majority of the Company's revenue is derived from the servicing fee it receives on the gross amount due under the installment contract (typically 20% of the principal and interest), the Company's revenues from servicing fees are not materially impacted by changes in interest rates. As such, the carrying amounts recorded on a historical cost basis for installment contracts receivable and net dealer holdbacks in the financial statements related to the financing and service program which the Company provides to dealers approximates fair value.

Floor Plan and Notes Receivable. The fair values of floor plan and note receivables are estimated by discounting the future cash flows using applicable current interest rates.

(2) FINANCIAL INSTRUMENTS -- (CONCLUDED)

Retained Interest in Securitization. The fair value of the retained interest in securitization is estimated by discounting expected future excess cash flows utilizing current assumptions as described in Note 4.

Debt. The fair value of debt is determined using quoted market prices, if available, or calculating the estimated value of each debt instrument based on current rates offered to the Company for debt with similar maturities.

A comparison of the carrying value and fair value of these financial instruments is as follows (in thousands):

	YEARS ENDED DECEMBER 31,			
	1997		1998	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Cash and cash equivalents	$ 349	$ 349	$ 13,775	$ 13,775
Investments -- held to maturity	9,973	9,991	10,191	10,193
Installment contracts receivable, net	1,036,699	1,036,699	664,693	664,693
Floor plan receivable	19,800	19,800	14,071	14,071
Notes receivable	1,231	1,231	2,278	2,278
Retained interest in securitization	--	--	13,229	13,229
Senior notes	175,150	180,200	136,165	135,529
Lines of credit	212,717	212,717	79,067	79,067
Mortgage loan payable to bank	3,799	3,799	3,566	3,566
Dealer holdbacks, net	439,554	439,554	222,275	222,275

CERTAIN DEBT AND MARKETABLE SECURITIES

The Company's portfolio of investment securities includes short-term money market instruments and U.S. Treasury securities. All investments are categorized as held-to-maturity and are stated at amortized cost. Pursuant to reinsurance agreements, the Company is required to hold investment securities in a trust account. The restricted investment securities totaled approximately $9.4 million and $8.9 million at December 31, 1997 and 1998, respectively.

A summary of investments held by the Company consist of the following (in thousands):

	YEARS ENDED DECEMBER 31,					
	1997			1998		
	COST	GROSS UNREALIZED GAINS	FAIR VALUE	COST	GROSS UNREALIZED GAINS	FAIR VALUE
Money market funds	$1,759	$--	$1,759	$ 9,466	$--	$ 9,466
U.S. Treasury securities	8,214	18	8,232	725	2	727
Total investments	$9,973	$18	$9,991	$10,191	$ 2	$10,193

(3) INSTALLMENT CONTRACTS RECEIVABLE

Installment contracts generally have initial terms ranging from 24 to 36 months and are collateralized by the related vehicles. Contractual maturities of contracts by year have not been presented as this information is not meaningful due to the uneven payment patterns of non-prime consumers. The initial average term of an installment contract was approximately 30 months in 1996 and 31 months in 1997 and in 1998. As of December 31, 1997 and 1998, the accrual of finance charge revenue has been suspended, and fully reserved

(3) INSTALLMENT CONTRACTS RECEIVABLE -- (CONCLUDED)
for, on approximately $471.8 million and $257.5 million of delinquent installment contracts, respectively. Installment contracts receivable consisted of the following (in thousands):

	AS OF DECEMBER 31,	
	1997	1998
Gross installment contracts receivable	$1,254,858	$ 794,831
Unearned finance charges	(196,357)	(114,617)
Unearned insurance premiums, insurance reserves and fees	(8,683)	(8,446)
Installment contracts receivable	$1,049,818	$ 671,768
Non-accrual installment contracts as a percent of total gross installment contracts	37.6%	32.4%

A summary of changes in gross installment contracts receivable is as follows (in thousands):

	YEARS ENDED DECEMBER 31,		
	1996	1997	1998
Balance -- beginning of period	$ 790,607	$1,251,139	$1,254,858
Gross amount of installment contracts accepted	965,690	983,459	580,578
Gross installment contracts underlying advance receivables securitized	--	--	(98,591)
Cash collections on installment contracts accepted	(388,328)	(505,925)	(493,900)
Charge offs	(129,405)	(467,532)	(449,870)
Currency translation	12,575	(6,283)	1,756
Balance -- end of period	$1,251,139	$1,254,858	$ 794,831

A summary of the allowance for credit losses is as follows (in thousands):

	YEARS ENDED DECEMBER 31,		
	1996	1997	1998
Balance -- beginning of period	$ 7,757	$ 12,195	$13,119
Provision for loan losses	7,222	11,072	3,432
Allowance on installment contracts underlying advance receivables securitized	--	--	(1,107)
Charge offs, net	(2,863)	(10,138)	(8,392)
Currency translation	79	(10)	23
Balance -- end of period	$12,195	$ 13,119	$ 7,075

Recoveries related to charged off contracts are primarily the result of the recovery of earned but unpaid finance charges and are netted against charge-offs.

The Company's financing and service program allows dealers to establish the interest rate on contracts, which typically is the maximum rate allowable by the state or country in which the dealer is doing business.

(4) ADVANCE RECEIVABLE SALES

On July 8, 1998, the Company completed a $50 million securitization of advance receivables. Pursuant to this transaction, the Company contributed dealer advances having a carrying value of approximately $56 million and received approximately $49.3 million in financing from an institutional investor. The debt is

(4) ADVANCE RECEIVABLE SALES -- (CONCLUDED)
non-recourse to the Company, bears interest at the thirty day commercial paper rate with a maximum of 7.5% and is anticipated to fully amortize within 30 months. The Company recognized a gain on the transaction of approximately $685,000 which represents the difference between the sale proceeds to the Company, net of transaction costs, and the Company's carrying amount of the dealer advances, plus the present value of the estimated cash flows to be received by the Company. In determining the gain on the sale of receivables and the estimated fair value of the Company's retained interest in securitization, the Company assumed an excess cash flow discount rate of 15%, cumulative credit losses of 14% and an interest rate of 7.5% on the underlying debt. The excess cash flows result from the amount by which projected collections on the installment contracts exceeds i) the principal and interest to be paid on the commercial paper and ii) the amount of dealer holdback due to dealers.

In the securitization, the Company retained servicing responsibilities and subordinated interests. The Company receives monthly servicing fees of 4% of the collections on the installment contracts receivable, and rights to future cash flows arising after the investors in the commercial paper received the return for which they are contracted. The present value of such estimated cash flows has been recorded by the Company as a retained interest in securitization of $13.2 million as of December 31, 1998. The investors have no recourse to the Company's other assets for failure of debtors to pay when due. The Company's retained interests are generally restricted until investors have been fully paid and are subordinate to investors' interests. Their value is subject to substantial credit and interest rate risk and the timing of projected collections on the transferred financial assets.

The installment contracts supporting the dealer advances that were sold include contracts with origination dates ranging from July 1990 to June 1998, with a weighted average age of 15 months. The amount of such contracts included on the Company's balance sheet as of June 30, 1998 was $98.6 million, of which $43.8 million was in non-accrual status.

(5) PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31 (in thousands):

	1997	1998
Land	$ 2,577	$ 2,587
Building and improvements	6,761	6,968
Data processing equipment	14,814	17,460
Office furniture & equipment	2,061	2,648
Leasehold improvements	711	781
	26,924	30,444
Less accumulated depreciation	6,085	9,817
	$20,839	$20,627

The depreciation expense on the property and equipment was $1,369,000, $2,550,000 and $3,793,000 in 1996, 1997 and 1998, respectively.

(6) LEASED PROPERTIES

PROPERTY LEASED TO OTHERS

The Company leases part of its headquarters to outside parties as non-cancelable operating leases, which is not a significant part of its business activities. Rental income, which is included in other income, is recognized on a straight-line basis over the related lease term. Rental income on leased property was $1,255,000, $991,000 and $997,000 for 1996, 1997 and 1998, respectively.

(6) LEASED PROPERTIES -- (CONCLUDED)
PROPERTY LEASED FROM OTHERS

The Company utilizes leases in its day to day operations for administrative offices, auction facilities and office equipment. Management expects that in the normal course of business, leases will be renewed or replaced by other leases. One of the auction facility leases expires in June 1999 and the Company has an option to purchase the property.

Total rental expense on all operating leases was $175,000, $242,000 and $388,000 for 1996, 1997 and 1998, respectively. Contingent rentals under the operating leases were insignificant. Minimum future lease commitments under operating leases are as follows:

1999	$ 500,000
2000	380,000
2001	358,000
2002	358,000
2003	358,000
2004 and beyond	744,000
Total minimum lease commitments	$2,698,000

(7) DEBT

SENIOR NOTES

On November 7, 1994, the Company completed the sale of its $60 million 8.87% Senior Notes due November 1, 2001 to various insurance companies. On July 1, 1998, the interest rate on these notes was increased to 9.12%. The Notes are secured and require semi-annual interest payments and annual payments of principal.

On August 29, 1996, the Company completed the sale of its $70 million 7.99% Senior Notes due July 1, 2001 to various insurance companies. On July 1, 1998, the interest rate on these notes was increased to 8.24%. The Notes are secured and require semi-annual interest payments and annual payments of principal.

On March 25, 1997, the Company completed the sale of its $71.75 million 7.77% Senior Notes due October 1, 2001 to various insurance companies. On July 1, 1998, the interest rate on these notes was increased to 8.02%. The Notes are secured and require semi-annual payments of interest and annual payments of principal commencing on October 1, 1998.

MORTGAGE LOAN PAYABLE

The Company has a loan from its principal commercial bank secured by a mortgage on the Company's headquarters building. The loan bears interest at 6.5% and is secured by a first mortgage lien on the building and an assignment of all leases, rents, revenues and profits under all present and future leases. There was $3,799,000 and $3,566,000 outstanding on this loan as of December 31, 1997 and 1998, respectively. The loan matures on May 1, 1999.

LINES OF CREDIT

The Company has a $125 million credit agreement with a commercial bank syndicate with a commitment period through June 15, 1999 subject to annual extensions for additional one year periods at the request of the Company and with the consent of each of the banks in the facility. The borrowings are secured by a lien on most of the Company's assets, including a pledge of the stock in its United Kingdom subsidiary, with interest payable at the Eurocurrency rate plus 1.4% or at the prime rate (7.75% as of December 31, 1998). The Eurocurrency borrowings may be fixed for periods of up to six months. The Company must pay an agent's fee

(7) DEBT -- (CONCLUDED)
of $48,000 annually and a commitment fee of .60% quarterly on the amount of the commitment. As of December 31, 1998, there was approximately $79.0 million outstanding under this facility. The maximum amount outstanding was approximately $213.4 million and $210.2 million in 1997 and 1998, respectively. The weighted average balance outstanding was $172.5 million and $143.4 million in 1997 and 1998, respectively.

The Company also has a $1,000,000 Canadian dollar line of credit with a commercial bank in Canada, which is used to fund the day to day cash flow requirements of the Company's Canadian subsidiary. The borrowings are unsecured, guaranteed by the Company, with interest payable at the Libor rate plus 1.4% or at the Canadian bank's prime rate (6.75% at December 31, 1998). As of December 31, 1998, there was approximately $125,000 Canadian dollars ($80,000 U.S. dollars) outstanding under the facility.

The Company also has a $1,200,000 line of credit with a commitment period through May 16, 1999 with a commercial bank which is used to fund the day to day operations of its auction services subsidiary. The borrowings are secured by the assets of the Company's auction services subsidiary and by a $500,000 letter of credit issued by the Company's principal commercial bank, with interest payable at the bank's prime rate. As of December 31, 1998, there was approximately $1,000,000 outstanding under the facility.

The weighted average interest rate on line of credit borrowings outstanding was 7.34% and 6.89% as of December 31, 1997 and 1998, respectively.

PRINCIPAL DEBT MATURITIES

The principal maturities of the Company's total debt at December 31, 1998 are as follows (in thousands):

1999	$124,868
2000	45,410
2001	48,520
	$218,798

DEBT COVENANTS

The Company must comply with various restrictive debt covenants which require the maintenance of certain financial ratios and other financial conditions. The most restrictive covenants limit the ratio of the Company's debt-to-equity, limit the ratio of the Company's fixed charges to net income, limit the Company's investment in its foreign subsidiaries, limit the ratio of debt to advances, limit the ratio of debt to gross installment contracts receivable, limit the ratio of advances to installment contracts receivable, and require that the Company maintain specified minimum levels of net worth.

(8) DEALER HOLDBACKS AND RESERVE ON ADVANCES

Dealer holdbacks consisted of the following (in thousands):

	AS OF DECEMBER 31,	
	1997	1998
Dealer holdbacks	$1,002,033	$ 634,102
Less: advances (net of reserve of $16,369 and $19,954 in 1997 and 1998, respectively)	(562,479)	(411,827)
Dealer holdbacks, net	$ 439,554	$ 222,275

During 1997, the Company implemented a new loan servicing system which allows the Company to better estimate future collections for each dealer pool using historical loss experience and a dealer by dealer

(8) DEALER HOLDBACKS AND RESERVE ON ADVANCES -- (CONCLUDED)
static pool analysis. The Company took a charge during 1997 to reflect the impact of this enhancement in the Company's methodology for estimating the reserve. During the fourth quarter of 1997, the Company reevaluated the timing of the charge off of advances to dealers and concluded that it was appropriate to accelerate the recognition of charge offs since the static pool analysis demonstrated that the advances were uncollectible.

A summary of the change in the reserve against advances (classified with dealer holdbacks, net in the accompanying balance sheets) is as follows (in thousands):

	YEARS ENDED DECEMBER 31,		
	1996	1997	1998
Balance -- beginning of period	$3,214	$ 8,754	$16,369
Provision for advance losses	5,849	74,400	12,973
Advance reserve fees		4,673	181
Charge offs, net	(444)	(71,391)	(9,744)
Currency translation	135	(67)	175
Balance -- end of period	$8,754	$ 16,369	$19,954

(9) RELATED PARTY TRANSACTIONS

In the normal course of its business, the Company regularly accepts assignments of installment contracts originated by affiliated dealers owned by the Company's majority shareholder. Installment contracts accepted from affiliated dealers were approximately $25.6 million, $13.4 million and $10.0 million in 1996, 1997 and 1998, respectively. Remaining installment contracts receivable from affiliated dealers represented approximately 3.9% and 1.6% of the gross installment contracts receivable balance as of December 31, 1997 and 1998, respectively. The Company accepted installment contracts from affiliated dealers and nonaffiliated dealers on the same terms. Dealer holdbacks from contracts accepted from affiliated dealers were approximately $20.5 million, $10.7 million and $8.0 million in 1996, 1997 and 1998, respectively.

The Company receives interest income and fees from affiliated dealers on floor plan receivables and notes receivable. Total income earned was $1,409,000, $1,564,000 and $1,187,000 for the years ended December 31, 1996, 1997 and 1998, respectively.

The Company shares certain expenses including payroll and related benefits, occupancy costs and insurance with its affiliated company owned by the Company's majority shareholder. For the years ended December 31, 1996, 1997 and 1998, the Company charged its affiliated company approximately $311,000, $247,000 and $248,000, and was charged $97,000, $45,000 and $80,000 by the affiliated company for such shared expenses incurred in its operations. This arrangement is covered under a services agreement. The agreement has an indefinite term, but may be terminated upon 30 days written notice by either party.

(10) INCOME TAXES

The income tax provision (credit) consists of the following (in thousands):

	YEARS ENDED DECEMBER 31,		
	1996	1997	1998
Income (loss) before provision (benefit) for income taxes:			
Domestic	$54,329	$(9,285)	$26,635
Foreign	9,306	10,588	10,890
	$63,635	$ 1,303	$37,525
Domestic provision (benefit) for income taxes:			
Current	$18,044	$(6,516)	$12,507
Deferred	1,009	2,799	(3,179)
Foreign provision (benefit) for income taxes:			
Current	3,118	654	3,570
Deferred	(45)	2,829	(339)
Provision (credit) for income taxes	$22,126	$ (234)	$12,559

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities consist of the following (in thousands):

	AS OF DECEMBER 31,	
	1997	1998
Deferred tax assets:		
Allowance for credit losses	$11,165	$12,080
Reserve on advances	1,731	5,451
Deferred dealer enrollment fees	166	110
Accrued warranty claims	646	713
Other, net	48	813
Total deferred tax assets	13,756	19,167
Deferred tax liabilities:		
Unearned finance charges	27,233	28,204
Gain on sale of advance receivables	--	853
Accumulated depreciation	642	775
Deferred credit life and warranty costs	497	433
Total deferred tax liabilities	28,372	30,265
Net deferred tax liability	$14,616	$11,098

No valuation allowances were considered necessary in the calculation of deferred tax assets as of December 31, 1997 and 1998.

The Company's effective income tax rate was approximately equal to the domestic and foreign statutory rates in 1996, 1997 and 1998.

Deferred U.S. federal income taxes and withholding taxes have not been provided on the undistributed earnings of the Company's foreign subsidiaries as such amounts are considered to be permanently reinvested. The cumulative undistributed earnings at December 31, 1998 on which the Company had not provided additional national income taxes and withholding taxes were approximately $21.1 million.

(11) CAPITAL TRANSACTIONS

NET INCOME PER SHARE

Basic net income per share has been computed by dividing net income by the weighted average number of common shares outstanding. Diluted net income per share has been computed by dividing net income by the total of the weighted average number of common shares and common stock equivalents outstanding. Common stock equivalents included in the computation represent shares issuable upon assumed exercise of stock options which would have a dilutive effect.

The share effect is as follows:

	YEARS ENDED DECEMBER 31,		
	1996	1997	1998
Weighted average common shares outstanding.....	45,605,159	46,081,804	46,190,208
Common stock equivalents.....	1,018,496	672,909	770,082
Weighted average common shares and common stock equivalents.....	46,623,655	46,754,713	46,960,290

CAPITAL STOCK TRANSACTIONS

On December 11, 1996, the Company acquired all of the outstanding shares of Montana Investment Group, Inc. in exchange for a total of 200,000 shares of the Company's common stock which were issued to two shareholders of Montana. The acquisition has been accounted for under the pooling of interests method. The impact of this acquisition was not significant to the Company's financial statements. The issuance of such shares was exempt from registration under Section 4(2) of the Securities Act of 1933. On May 19, 1997, CAC's Board of Directors and shareholders approved an amendment to the Articles of Incorporation of the Company increasing the number of authorized Common shares to 80,000,000.

STOCK OPTION PLANS

Pursuant to the Company's 1992 Stock Option Plan (the "1992 Plan"), the Company has reserved 5,000,000 shares of its common stock for the future granting of options to officers and other employees. The exercise price of the options is equal to the fair market value on the date of the grant. Options under the 1992 Plan become exercisable over a three to five year period, or immediately upon a change of control. Nonvested options are forfeited upon termination of employment and otherwise expire ten years from the date of grant. Shares available for future grants totaled 1,179,559, 967,066 and 115,559 as of December 31, 1996, 1997 and 1998, respectively.

Pursuant to the Company's Stock Option Plan for dealers (the "Dealer Plan") the Company has reserved 1,000,000 shares of its common stock for the future granting of options to participating dealers. Options are generally granted to participating dealers based on the Company accepting a minimum of 100 retail installment contracts from the dealer in a calendar year. Upon the Company's acceptance of 100 contracts from a dealer, the dealer receives an option to purchase 1,000 shares of the Company's Common Stock. The dealer receives an option to purchase an additional 200 shares for each additional 100 contracts accepted by the Company. The exercise price of the options is equal to the fair market value on the date of grant. The options become exercisable over a three year period. Nonvested options are forfeited upon the termination of the dealer's servicing agreement by the Company or the dealer and otherwise expire five years from the date of grant. Shares available for future grants totaled 235,600, 185,600 and 478,385 as of December 31, 1996, 1997 and 1998, respectively. Effective January 1, 1999, the Company suspended the granting of future options under the Dealer Plan.

(11) CAPITAL TRANSACTIONS -- (CONTINUED)

The Company accounts for the 1992 Plan under APB Opinion No. 25, under which no compensation cost has been recognized Had compensation cost for the 1992 Plan been recognized, the Company's net income and earnings per share would have been reduced to the following pro forma amounts:

	YEARS ENDED DECEMBER 31,		
	1996	1997	1998
Net income (loss)			
As reported	$41,509	$ 1,537	$24,966
Pro forma	36,972	(2,519)	22,346
Net income (loss) per common share:			
As reported -- basic	$ 0.91	$ 0.03	$ 0.54
As reported -- diluted	0.89	0.03	0.53
Pro forma -- basic	0.81	(0.05)	0.48
Pro forma -- diluted	0.79	(0.05)	0.48

The Company accounts for the compensation costs related to its grants under the Dealer Plan in accordance with Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123). The sales and marketing cost that has been charged against income for the non-employee Dealer Plan was $67,000 and $150,000 in 1997 and 1998, respectively. No costs were charged against income for 1996. Because the SFAS 123 method of accounting has not been applied to options granted prior to January 1, 1995 (December 15, 1995 for the Dealer Plan), the resulting cost is not necessarily indicative of costs which may be recognized in future years.

The fair value of each option granted included in the above calculations is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used:

	FOR THE YEARS ENDED DECEMBER 31,		
1992 PLAN	1996	1997	1998
Risk-free interest rate	6.42%	6.50%	5.25%
Expected life	7.0 years	6.0 years	6.0 years
Expected volatility	37.73%	43.97%	56.47%
Dividend yield	0%	0%	0%

	YEARS ENDED DECEMBER 31,		
DEALER PLAN	1996	1997	1998
Risk-free interest rate	6.21%	5.89%	4.59%
Expected life	3.5 years	5.0 years	5.0 years
Expected volatility	37.73%	48.40%	56.25%
Dividend yield	0%	0%	0%

(11) CAPITAL TRANSACTIONS -- (CONTINUED)

Additional information relating to the Stock Option Plans are as follows:

	1992 PLAN		DEALER PLAN	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
Outstanding at December 31, 1995.....	1,813,334	$10.63	548,912	$17.75
Options granted.....	606,275	21.60	205,600	24.37
Options exercised.....	(103,000)	3.44	(34,948)	13.00
Options forfeited.....	(18,334)	20.50	(1,000)	23.88
Outstanding at December 31, 1996.....	2,298,275	13.73	718,564	18.60
Options granted.....	3,020,129	9.42	173,400	11.49
Options exercised.....	(266,532)	4.11	(3,597)	13.95
Options forfeited.....	(1,807,636)	20.70	(123,400)	21.35
Outstanding at December 31, 1997.....	3,244,236	6.63	764,967	17.76
Options granted.....	1,420,965	8.71	75,800	7.54
Options exercised.....	(178,372)	2.56	--	--
Options forfeited.....	(569,458)	6.28	(368,585)	18.45
Outstanding at December 31, 1998.....	3,917,371	$ 7.62	472,182	$15.60
Exercisable at:				
December 31,				
1996.....	795,988	$10.49	260,762	$17.10
1997.....	894,167	7.95	481,318	17.90
1998.....	1,251,152	7.91	296,407	17.85

Options granted and options forfeited under the 1992 Plan for 1997 include 1,713,577 options which were repriced on November 3, 1997. The options which were repriced were originally granted between September 30, 1995 and September 2, 1997 with original exercise prices between $12.75 and $27.50. These options were cancelled on November 3, 1997 and reissued at an exercise price of $6.00 per share with a new three year vesting period.

The weighted average fair value of options granted during 1996, 1997 and 1998 was $10.92, $4.68 and $5.09 respectively, for the 1992 Plan and $8.88, $4.06 and $3.98, respectively, for the Dealer Plan.

(11) CAPITAL TRANSACTIONS -- (CONCLUDED)

The following tables summarize information about options outstanding at December 31, 1998:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISABLE PRICES	OUTSTANDING AS OF 12/31/98	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	EXERCISABLE AS OF 12/31/98	WEIGHTED-AVERAGE EXERCISE PRICE
1992 PLAN					
$ 2.16 - 5.63	390,750	4.0 Years	$ 2.41	369,517	$ 2.25
6.00 - 7.75	2,219,119	9.0	6.36	508,634	6.02
8.00 - 11.07	929,501	9.4	9.37	0	--
$11.50 - 22.25	378,001	5.7	16.14	373,001	16.11
Totals	3,917,371	8.3	$ 7.62	1,251,152	$ 7.91
DEALER PLAN					
$ 6.34 - 9.35	118,000	4.5 Years	$ 7.50	14,844	$ 7.53
11.18 - 17.63	187,514	1.6	14.07	146,778	14.15
$18.25 - 27.63	166,668	2.3	23.06	134,785	23.03
Totals	472,182	2.6	$15.60	296,407	$17.85

(12) BUSINESS SEGMENT INFORMATION

As described in Note 1, the Company adopted SFAS 131 effective January 1, 1998. Prior year segment information has been restated on a basis consistent with the 1998 presentation. The Company has two reportable business segments: North American automotive finance and U.K./Ireland automotive finance.

REPORTABLE SEGMENT OVERVIEW

The North American automotive finance operations consist of the Company's U.S. and Canadian automotive finance and services businesses, including the Company's reinsurance activities and automotive service contract programs. These businesses have been aggregated into one reportable segment because they have similar operating and economic characteristics. The North American automotive finance segment provided funding, receivables management, collection, sales training and related products and services to automobile dealers located in the United States and Canada. The U.K./Ireland automotive finance operations provide substantially the same products and services as the Company's North American automotive finance operations to dealers located in the United Kingdom and Ireland. The Company's credit reporting and auction services businesses do not constitute reportable operating segments as they do not meet the quantitative thresholds prescribed by SFAS 131, and have therefore been disclosed in the "all other" category in the following table.

(12) BUSINESS SEGMENT INFORMATION -- (CONCLUDED)
MEASUREMENT

The Company allocates resources to and evaluates the performance of its segments primarily based on finance charges, other revenue, segment earnings before interest and taxes (EBIT), and segment assets. The table below presents this information for each reportable segment (in thousands):

	NORTH AMERICAN AUTOMOTIVE FINANCE	U.K./IRELAND AUTOMOTIVE FINANCE	ALL OTHER	TOTAL COMPANY
Year Ended December 31, 1998				
Finance charges	$ 80,330	$ 17,677	$ --	$ 98,007
Other revenue	29,699	3,528	11,115	44,342
EBIT	47,766	11,501	3,823	63,090
Segment assets	621,418	122,819	7,692	751,929
Year Ended December 31, 1997				
Finance charges	$ 92,660	$ 24,360	$ --	$ 117,020
Other revenue	39,627	4,433	3,155	47,215
EBIT	14,695	13,210	995	28,900
Segment assets	952,259	162,154	1,197	1,115,610
Year Ended December 31, 1996				
Finance charges	$ 79,321	$ 13,623	$ --	$ 92,944
Other revenue	27,832	2,979	179	30,990
EBIT	67,032	10,121	50	77,203
Segment assets	932,383	141,349	686	1,074,418

INFORMATION ABOUT PRODUCTS AND SERVICES

The Company manages its product and service offerings primarily through those reportable segments. Therefore, pursuant with the provisions of SFAS 131, no enterprise-wide disclosures of information about products and services are necessary.

MAJOR CUSTOMERS

The Company did not have any customer which provided 10% or more of any segment's revenue during 1996, 1997, or 1998.

(13) LITIGATION AND CONTINGENT LIABILITIES

In the normal course of business and as a result of the consumer-oriented nature of the industry in which the Company operates, industry participants are frequently subject to various consumer claims and litigation seeking damages and statutory penalties. The claims allege, among other theories of liability, violations of state, federal and foreign truth in lending, credit availability, credit reporting, consumer protection, warranty, debt collection, insurance and other consumer-oriented laws and regulations. The Company, as the assignee of finance contracts originated by dealers, may also be named as a co-defendant in lawsuits filed by consumers principally against dealers. Many of these cases are filed as purported class actions and seek damages in large dollar amounts.

The Company is currently a defendant in a class action proceeding commenced on October 15, 1996 in the United States District Court for the Western District of Missouri seeking money damages resulting for alleged violations of a number of state and federal consumer protection laws (the "Missouri Litigation"). On October 9, 1997, the Court certified two classes on the claims brought against the Company. On August 4, 1998, the Court granted partial summary judgment on liability in favor of the plaintiffs based upon the Court's

(13) LITIGATION AND CONTINGENT LIABILITIES -- (CONCLUDED)
finding of certain violations but denied summary judgment on certain other claims. The Court also entered a number of permanent injunctions, which among other things, restrain the Company from collecting the amounts found to be uncollectible. The Court also ruled in favor of the Company on certain claims raised by class plaintiffs. Because the entry of an injunction is immediately appealable as of right, the Company has appealed the summary judgment order to the United States Court of Appeals for the Eighth Circuit and the Company believes that its appeal has substantial merit. Plaintiffs have filed a cross appeal. A trial on the remaining claims, as well as on damages, is not expected to be scheduled until after the appeal has been concluded. Should the Company's appeal be unsuccessful, the potential damages could have a material adverse impact on the Company's financial position, liquidity and results of operations.

During the first quarter of 1998, several putative class action complaints were filed against the Company and certain officers and directors of the Company in the United States District Court for the Eastern District of Michigan seeking money damages for alleged violations of the federal securities laws. On August 14, 1998, a Consolidated Class Action Complaint, consolidating the claims asserted in those cases, was filed. The Complaint generally alleges that the Company's financial statements issued during the period August 14, 1995 through October 22, 1997 did not accurately reflect the Company's true financial condition and results of operations because such reported results failed to be in accordance with generally accepted accounting principles and that such results contained material accounting irregularities in that they failed to reflect adequate reserves for credit losses. The Complaint further alleges that the Company issued public statements during the alleged class period which fraudulently created the impression that the Company's accounting practices were proper. The Company intends to vigorously defend this action and, while management believes that meritorious defenses exist and has filed a motion to dismiss the Complaint, the ultimate disposition of this litigation could have a material adverse impact on the Company's financial position, liquidity and results of operations.

The Company is currently being examined by the Internal Revenue Service. While the outcome of the examination is undeterminable at this time, management does not believe that the ultimate outcome will have a material adverse impact on the Company's financial position, liquidity or results of operations.

(14) QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of quarterly financial position and results of operations for the years ended December 31, 1997 and 1998.

	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA) 1997			
	1ST Q	2ND Q	3RD Q	4TH Q
BALANCE SHEETS				
Installment contracts receivable, net	$1,119,314	$1,171,036	$1,205,331	$1,036,699
Floor plan receivables	15,667	16,320	19,359	19,800
Notes receivables	1,746	1,818	1,589	1,231
All other assets	28,529	30,776	46,770	57,880
Total assets	$1,165,256	$1,219,950	$1,273,049	$1,115,610
Dealer holdbacks, net	$ 534,162	$ 552,840	$ 618,443	$ 439,554
Total debt	326,487	354,834	379,269	391,666
Other liabilities	45,540	40,112	32,624	35,399
Total liabilities	906,189	947,786	1,030,336	866,619
Shareholders' equity	259,067	272,164	242,713	248,991
Total liabilities and shareholders' equity	$1,165,256	$1,219,950	$1,273,049	$1,115,610
INCOME STATEMENTS				
Revenue:				
Finance charges	$ 30,691	$ 32,602	$ 28,956	$ 24,771
Premiums earned	2,383	2,625	3,111	3,185
Dealer enrollment fees	1,790	2,132	1,750	1,641
Other income	6,905	7,494	7,076	7,123
Total revenue	41,769	44,853	40,893	36,720
Costs and Expenses:				
Operating expenses	9,887	11,635	11,294	13,095
Provision for credit losses	7,053	7,669	64,071	6,679
Provision for claims	803	878	1,095	1,135
Interest	5,669	6,808	7,162	7,958
Total costs and expenses	23,412	26,990	83,622	28,867
Operating Income (Loss)	18,357	17,863	(42,729)	7,853
Foreign exchange gain (loss)	(20)	5	(7)	(19)
Income (loss) before income taxes	18,337	17,868	(42,736)	7,834
Provision (credit) for income taxes	6,299	5,818	(15,028)	2,677
Net Income (Loss)	$ 12,038	$ 12,050	$ (27,708)	$ 5,157
Net income (loss) per common share				
Basic	$ 0.26	$ 0.26	$ (0.60)	$ 0.11
Diluted	$ 0.26	$ 0.26	$ (0.60)	$ 0.11
Weighted average shares outstanding				
Basic	46,076	46,112	46,113	46,113
Diluted	46,902	46,595	46,113	46,679

(14) QUARTERLY FINANCIAL DATA (UNAUDITED) -- (CONCLUDED)

	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA) 1998			
	1ST Q	2ND Q	3RD Q	4TH Q
BALANCE SHEETS				
Installment contracts receivable, net	$ 947,506	$865,488	$726,127	$664,693
Floor plan receivables	19,674	18,457	15,846	14,071
Notes receivables	1,422	1,574	1,894	2,278
All other assets	$ 49,437	$ 44,636	$ 65,992	$ 70,887
Total assets	$1,018,039	$930,155	$809,859	$751,929
Dealer holdbacks, net	$ 361,260	$306,539	$253,495	$222,275
Total debt	351,055	314,486	244,599	218,798
Other liabilities	49,954	44,834	40,111	34,593
Total liabilities	762,269	665,859	538,205	475,666
Shareholders' equity	255,770	264,296	271,654	276,263
Total liabilities and shareholders' equity	$1,018,039	$930,155	$809,859	$751,929
INCOME STATEMENTS				
Revenue:				
Finance charges	$ 28,055	$ 27,894	$ 21,708	$ 20,350
Premiums earned	2,923	2,630	2,741	2,610
Dealer enrollment fees	1,450	1,014	693	457
Gain on sale of advance receivables, net	--	--	685	--
Other income	6,882	6,298	7,401	8,558
Total revenue	39,310	37,836	33,228	31,975
Costs and Expenses:				
Operating expenses	14,621	14,019	14,706	15,658
Provision for credit losses	5,796	4,666	3,438	2,505
Provision for claims	1,035	937	896	866
Interest	7,346	6,829	5,923	5,467
Total costs and expenses	28,798	26,451	24,963	24,496
Operating Income	10,512	11,385	8,265	7,479
Foreign exchange gain (loss)	12	(7)	(77)	(44)
Income before income taxes	10,524	11,378	8,188	7,435
Provision for income taxes	3,637	3,935	2,577	2,410
Net Income	$ 6,887	$ 7,443	$ 5,611	$ 5,025
Net income per common share				
Basic	$ 0.15	$ 0.16	$ 0.12	$ 0.11
Diluted	$ 0.15	$ 0.16	$ 0.12	$ 0.11
Weighted average shares outstanding				
Basic	46,113	46,113	46,243	46,291
Diluted	46,950	47,410	46,897	46,584

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information is contained under the captions "Matters to Come Before the Meeting -- Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information is contained under the caption "Compensation of Executive Officers" (excluding the Report of the Executive Compensation Committee and the stock performance graph) in the Company's Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information is contained under the caption "Common Stock Ownership of Certain Beneficial Owners and Management" in the Company's Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information is contained under the caption "Certain Relationships and Transactions" in the Company's Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)(1) The following consolidated financial statements of the Company and Report of Independent Public Accountants are contained "Item 8 -- Financial Statements and Supplementary Data."
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
CONSOLIDATED FINANCIAL STATEMENTS:
-- Consolidated Balance Sheets as of December 31, 1997 and 1998
-- Consolidated Income Statements for the years ended December 31, 1996, 1997 and 1998
-- Consolidated Statements of Cash Flows for the years ended December 31, 1996, 1997 and 1998
-- Consolidated Statements of Shareholders' Equity for the years ended December 31, 1996, 1997 and 1998
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) Financial Statement Schedules have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes thereto.

(3) The Exhibits filed in response to Item 601 of Regulation S-K are listed in the Exhibit Index. Included in such list as Item 10(f)(3) (Stock Option Plans) and 10(n)(5) (Management Incentive Plans) are the Company's management contracts and compensatory plans and arrangements which are required to be filed as exhibits to this Form 10-K.

(b) The Company was not required to file a current report on Form 8-K during the quarter ended December 31, 1998 and none were filed during that period.

The following documents are filed as part of this report. Those exhibits previously filed and incorporated herein by reference are identified below. Exhibits not required for this report have been omitted.

EXHIBIT NO.		DESCRIPTION
3(a)(1)	9	Articles of Incorporation, as amended July 1, 1997
3(b)	3	Bylaws of the Company, as amended
4(a)	2	Note Purchase Agreement dated October 1, 1994 between various insurance companies and the Company and related form of note.
4(a)(1)	4	First Amendment dated November 15, 1995 to Note Purchase Agreement dated October 1, 1994 between various insurance companies and the Company.
4(a)(2)	6	Second Amendment dated August 29, 1996 to Note Purchase Agreement dated October 1, 1994 between various insurance companies and the Company.
4(a)(3)	10	Third Amendment dated December 12, 1997 to Note Purchase Agreement dated October 1, 1994 between various insurance companies and the Company.
4(a)(4)	12	Fourth Amendment dated July 1, 1998 to Note Purchase Agreement dated October 1, 1994 between various insurance companies and the Company
4(a)(5)	12	Limited Waiver dated July 27, 1998 to First Amended and Restated 9.12% Senior Notes due November 1, 2001 Issued Under Note Purchase Agreement dated as of October 1, 1994
4(b)	6	Note Purchase Agreement dated August 1, 1996 between various insurance companies and the Company and the related form of note.
4(b)(1)	10	First Amendment dated December 12, 1997 to Note Purchase Agreement dated August 1, 1996 between various insurance companies and the Company.
4(b)(2)	12	Second Amendment dated July 1, 1998 to Note Purchase Agreement dated August 1, 1996 between various insurance companies and the Company
4(b)(3)	12	Limited Waiver dated July 12, 1998 to First Amended and Restated 8.24% Senior Notes due July 1, 2001 Issued Under Note Purchase Agreement dated as of August 1, 1996
4(c)	7	Second Amended and Restated $150,000,000 Line of Credit and $100,000,000 Revolving Credit Agreement dated December 4, 1996 between the Company, Comerica Bank as agent and LaSalle National Bank and The Bank of New York as co-agents, and various commercial banks.
4(c)(1)	9	First Amendment and Consent, dated June 4, 1997, to Second Amended and Restated Credit Agreement dated as of December 4, 1996 and a memorandum evidencing extension of maturity dates.
4(c)(2)	10	Second Amendment dated December 12, 1997 to Second Amended and Restated Credit Agreement dated as of December 4, 1996.
4(c)(3)	11	Third Amendment dated May 11, 1998 to Second Amended and Restated Credit Agreement dated as of December 4, 1996
4(c)(4)	12	Fourth Amendment dated July 30, 1998 to Second Amended and Restated Credit Agreement dated as of December 4, 1996
4(e)	8	Note Purchase Agreement dated March 25, 1997 between various insurance companies and the Company and related form of note.

EXHIBIT NO.		DESCRIPTION
4(e)(1)	10	First Amendment dated December 12, 1997 to Note Purchase Agreement dated March 25, 1997 between various insurance companies and the Company
4(e)(2)	12	Second Amendment dated July 1, 1998 to Note Purchase Agreement dated March 25, 1997 between various insurance companies and the Company
4(e)(3)	12	Limited Waiver dated July 27, 1998 to First Amended and Restated 8.02% Senior Notes due October 1, 2001 Issued Under Note Purchase Agreement dated as of March 25, 1997
4(f)	12	Note Purchase Agreement dated July 7, 1998 among Kitty Hawk Funding Corporation, CAC Funding Corp. and NationsBank, N.A.
4(f)(1)	12	Security Agreement dated July 7, 1998 among Kitty Hawk Funding Corporation, CAC Funding Corp., the Company and NationsBank, N.A.
4(f)(2)	12	Servicing Agreement dated July 7, 1998 between CAC Funding Corp. and the Company
4(f)(3)	12	Contribution Agreement dated July 7, 1998 between the Company and CAC Funding Corp.
4(g)(1)	14	Security Agreement dated December 15, 1998 between Comerica Bank, as Collateral Agent, and the Company
4(g)(2)	14	Intercreditor Agreement dated as of December 15, 1998 among Comerica Bank, as Collateral Agent, and various lenders and note holders
4(g)(3)	14	Deed of Charge, dated December 17, 1998 between Comerica Bank, as Collateral Agent, and the Company
NOTE:		Other instruments, notes or extracts from agreements defining the rights of holders of long-term debt of the Company or its subsidiaries have not been filed because (i) in each case the total amount of long-term debt permitted thereunder does not exceed 10% of the Company's consolidated assets, and (ii) the Company hereby agrees that it will furnish such instruments, notes and extracts to the Securities and Exchange Commission upon its request.
10(b)(1)	5	Amended and Restated Services Agreement dated April 17, 1996 between the Company and Larry Lee's Auto Finance Center, Inc. d/b/a Dealer Enterprise Group.
10(d)(4)	2	Form of Addendum 3 to Servicing Agreement (Multiple Lots).
10(d)(5)	4	Prior form of Servicing Agreement, including form of Addendum 1 to Servicing Agreement (CAC Life) and form of Addendum 2 to Servicing Agreement (BVPP, Inc.).
10(d)(6)	14	Current form of Servicing Agreement, including Addendum 1 and Addendum 2.
10(e)	1	Promissory Notes dated various dates, to the Company, from various affiliated companies.
10(f)(3)	9	Credit Acceptance Corporation 1992 Stock Option Plan, as amended and restated May 1997.
10(g)	1	Promissory Note dated May 3, 1991 to the Company from Richard E. Beckman and related assignment.
10(n)(5)	10	Credit Acceptance Corporation Management Incentive Plan -- Fiscal Year 1998
10(o)(1)	7	Credit Acceptance Corporation Stock Option Plan for Dealers, as amended January 22, 1997
10(o)(2)	13	Credit Acceptance Corporation Stock Option Plan for Dealers, as amended and restated September 21, 1998.
21(1)	14	Schedule of Credit Acceptance Corporation Subsidiaries
23(1)	14	Consent of Deloitte and Touche LLP
23(2)	14	Consent of Arthur Andersen LLP
27	14	Financial Data Schedule

1 Reference to the Company's Registration Statement on Form S-1, File No. 33-46772.

2 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended September 30, 1994, and incorporated herein by reference.

3 Previously filed as an exhibit to the Company's Form 10-K Annual Report for the year ended December 31, 1994, and incorporated herein by reference.

4 Previously filed as an exhibit to the Company's Form 10-K Annual Report for the year ended December 31, 1995, and incorporated herein by reference.

5 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended March 31, 1996, and incorporated herein by reference.

6 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended September 30, 1996 and incorporated herein by reference.

7 Previously filed as an exhibit to the Company's Form 10-K Annual Report for the year ended December 31, 1996, and incorporated herein by reference.

8 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended March 31, 1997 and incorporated herein by reference.

9 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended June 30, 1997, and incorporated herein by reference.

10 Previously filed as an exhibit to the Company's Form 10-K Annual Report for the year ended December 31, 1997, and incorporated herein by reference.

11 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended March 31, 1998 and incorporated herein by reference.

12 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended June 30, 1998, and incorporated herein by reference.

13 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended September 30, 1998, and incorporated herein by reference.

14 Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 24, 1999.

CREDIT ACCEPTANCE CORPORATION

By: /s/ DONALD A. FOSS
Donald A. Foss
Chairman of the Board, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on March 24, 1999 on behalf of the registrant and in the capacities indicated.

SIGNATURE	TITLE
/s/ DONALD A. FOSS Donald A. Foss	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)
/s/ BRETT A. ROBERTS Brett A. Roberts	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ JOHN P. CAVANAUGH John P. Cavanaugh	Corporate Controller and Assistant Secretary (Principal Accounting Officer)
/s/ HARRY E. CRAIG Harry E. Craig	Director
/s/ THOMAS A. FITZSIMMONS Thomas A. FitzSimmons	Director
/s/ DAVID T. HARRISON David T. Harrison	Director
/s/ SAM M. LAFATA Sam M. LaFata	Director

EXHIBIT INDEX

EXHIBIT NO.		DESCRIPTION
3(a)(1)	9	Articles of Incorporation, as amended July 1, 1997
3(b)	3	Bylaws of the Company, as amended
4(a)	2	Note Purchase Agreement dated October 1, 1994 between various insurance companies and the Company and related form of note.
4(a)(1)	4	First Amendment dated November 15, 1995 to Note Purchase Agreement dated October 1, 1994 between various insurance companies and the Company.
4(a)(2)	6	Second Amendment dated August 29, 1996 to Note Purchase Agreement dated October 1, 1994 between various insurance companies and the Company.
4(a)(3)	10	Third Amendment dated December 12, 1997 to Note Purchase Agreement dated October 1, 1994 between various insurance companies and the Company.
4(a)(4)	12	Fourth Amendment dated July 1, 1998 to Note Purchase Agreement dated October 1, 1994 between various insurance companies and the Company
4(a)(5)	12	Limited Waiver dated July 27, 1998 to First Amended and Restated 9.12% Senior Notes due November 1, 2001 Issued Under Note Purchase Agreement dated as of October 1, 1994
4(b)	6	Note Purchase Agreement dated August 1, 1996 between various insurance companies and the Company and the related form of note.
4(b)(1)	10	First Amendment dated December 12, 1997 to Note Purchase Agreement dated August 1, 1996 between various insurance companies and the Company.
4(b)(2)	12	Second Amendment dated July 1, 1998 to Note Purchase Agreement dated August 1, 1996 between various insurance companies and the Company
4(b)(3)	12	Limited Waiver dated July 12, 1998 to First Amended and Restated 8.24% Senior Notes due July 1, 2001 Issued Under Note Purchase Agreement dated as of August 1, 1996
4(c)	7	Second Amended and Restated $150,000,000 Line of Credit and $100,000,000 Revolving Credit Agreement dated December 4, 1996 between the Company, Comerica Bank as agent and LaSalle National Bank and The Bank of New York as co-agents, and various commercial banks.
4(c)(1)	9	First Amendment and Consent, dated June 4, 1997, to Second Amended and Restated Credit Agreement dated as of December 4, 1996 and a memorandum evidencing extension of maturity dates.
4(c)(2)	10	Second Amendment dated December 12, 1997 to Second Amended and Restated Credit Agreement dated as of December 4, 1996.
4(c)(3)	11	Third Amendment dated May 11, 1998 to Second Amended and Restated Credit Agreement dated as of December 4, 1996
4(c)(4)	12	Fourth Amendment dated July 30, 1998 to Second Amended and Restated Credit Agreement dated as of December 4, 1996
4(e)	8	Note Purchase Agreement dated March 25, 1997 between various insurance companies and the Company and related form of note.
4(e)(1)	10	First Amendment dated December 12, 1997 to Note Purchase Agreement dated March 25, 1997 between various insurance companies and the Company
4(e)(2)	12	Second Amendment dated July 1, 1998 to Note Purchase Agreement dated March 25, 1997 between various insurance companies and the Company
4(e)(3)	12	Limited Waiver dated July 27, 1998 to First Amended and Restated 8.02% Senior Notes due October 1, 2001 Issued Under Note Purchase Agreement dated as of March 25, 1997

EXHIBIT NO.		DESCRIPTION
4(f)	12	Note Purchase Agreement dated July 7, 1998 among Kitty Hawk Funding Corporation, CAC Funding Corp. and NationsBank, N.A.
4(f)(1)	12	Security Agreement dated July 7, 1998 among Kitty Hawk Funding Corporation, CAC Funding Corp., the Company and NationsBank, N.A.
4(f)(2)	12	Servicing Agreement dated July 7, 1998 between CAC Funding Corp. and the Company
4(f)(3)	12	Contribution Agreement dated July 7, 1998 between the Company and CAC Funding Corp.
4(g)(1)	14	Security Agreement dated December 15, 1998 between Comerica Bank, as Collateral Agent, and the Company
4(g)(2)	14	Intercreditor Agreement dated as of December 15, 1998 among Comerica Bank, as Collateral Agent, and various lenders and note holders
4(g)(3)	14	Deed of Charge, dated December 17, 1998 between Comerica Bank, as Collateral Agent, and the Company
NOTE:		Other instruments, notes or extracts from agreements defining the rights of holders of long-term debt of the Company or its subsidiaries have not been filed because (i) in each case the total amount of long-term debt permitted thereunder does not exceed 10% of the Company's consolidated assets, and (ii) the Company hereby agrees that it will furnish such instruments, notes and extracts to the Securities and Exchange Commission upon its request.
10(b)(1)	5	Amended and Restated Services Agreement dated April 17, 1996 between the Company and Larry Lee's Auto Finance Center, Inc. d/b/a Dealer Enterprise Group.
10(d)(4)	2	Form of Addendum 3 to Servicing Agreement (Multiple Lots).
10(d)(5)	4	Prior form of Servicing Agreement, including form of Addendum 1 to Servicing Agreement (CAC Life) and form of Addendum 2 to Servicing Agreement (BVPP, Inc.).
10(d)(6)	14	Current form of Servicing Agreement, including Addendum 1 and Addendum 2.
10(e)	1	Promissory Notes dated various dates, to the Company, from various affiliated companies.
10(f)(3)	9	Credit Acceptance Corporation 1992 Stock Option Plan, as amended and restated May 1997.
10(g)	1	Promissory Note dated May 3, 1991 to the Company from Richard E. Beckman and related assignment.
10(n)(5)	10	Credit Acceptance Corporation Management Incentive Plan -- Fiscal Year 1998
10(o)(1)	7	Credit Acceptance Corporation Stock Option Plan for Dealers, as amended January 22, 1997
10(o)(2)	13	Credit Acceptance Corporation Stock Option Plan for Dealers, as amended and restated September 21, 1998.
21(1)	14	Schedule of Credit Acceptance Corporation Subsidiaries
23(1)	14	Consent of Deloitte and Touche LLP
23(2)	14	Consent of Arthur Andersen LLP
27	14	Financial Data Schedule

1 Reference to the Company's Registration Statement on Form S-1, File No. 33-46772.

2 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended September 30, 1994, and incorporated herein by reference.

3 Previously filed as an exhibit to the Company's Form 10-K Annual Report for the year ended December 31, 1994, and incorporated herein by reference.

4 Previously filed as an exhibit to the Company's Form 10-K Annual Report for the year ended December 31, 1995, and incorporated herein by reference.

5 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended March 31, 1996, and incorporated herein by reference.

6 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended September 30, 1996 and incorporated herein by reference.

7 Previously filed as an exhibit to the Company's Form 10-K Annual Report for the year ended December 31, 1996, and incorporated herein by reference.

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14 Filed herewith

EXHIBIT 10.d.6

For Office Use

Dealer Lot No.

[CAC LOGO]
CREDIT ACCEPTANCE CORPORATION

Silver Triangle Building
25505 West Twelve Mile Road, Suite 3000
Southfield, Michigan 48034-8339
(248) 353-2700

 8/98

[CAC LOGO] CREDIT ACCEPTANCE CORPORATION

DEALERSHIP APPLICATION

Dealership Name:_____
(Dealership name must agree with State issued license)

Organization Type (check one): Corporation [ ] Partnership [ ] Sole Proprietorship [ ] LLP [ ] LLC [ ]

Federal I. D. Number:_____

Dealer Social Security Number:_____

Dealer's License Number:_____Installment Seller's License # (if required by State):_____

Dealership Street Address:_____

Mailing Address:_____

City:_____County: _____State:_____Zip:_____

Phone #:_____Fax #:_____

Dealer Surety Bond Company:_____

Are You a Member of NIADA? [ ]Yes [ ] No. If Yes, Your Member Number is_____

PERSONAL CONTACTS

Owner:_____

Owner's Home Address:_____

Home Phone Number:_____

Spouse of Owner: _____

CAC Contact at Dealership:_____

General Manager:_____

Used Car Manager:_____

Finance & Insurance Manager:_____

Office Manager:_____

GENERAL INFORMATION

Bank Affiliation:_____

Number of Stores:_____

SALES VOLUME HISTORY
AVERAGE MONTH

New Retail Unit Volume:_____ Used Retail Unit Volume:_____

Number of Salespeople: New:_____Used:_____Total:_____

Dealer Referrals:	1	2	3
Contact Person	_____	_____	_____
Dealership	_____	_____	_____
City, State	_____	_____	_____
Phone #	_____	_____	_____

 1/97

SERVICING AGREEMENT INSTRUCTIONS

To begin your association with Credit Acceptance Corporation, you need to complete the enclosed Servicing Agreement (as explained below). PLEASE ATTACH YOUR CHECK FOR THE SIGN UP FEE ($4,500 FOR EACH STORE). THIS SIGN UP FEE IS NON-REFUNDABLE. Note: you will need to execute one Servicing Agreement and one Dealer Application (first page) for each store entering the CAC Financing Program.

YOU MUST ALSO ENCLOSE A COPY OF YOUR DEALER'S LICENSE, DEALER SURETY BOND (IF REQUIRED IN YOUR STATE) AND INSTALLMENT SELLERS LICENSE WITH THIS SERVICING AGREEMENT

COMPLETING THE SERVICING AGREEMENT

Page 1: There are four lines that need to be completed.
(1) Date you are completing Servicing Agreement.
(2) Legal name of Dealership.
(3) State of incorporation, or if not incorporated, state in which you are registered to do business.
(4) Address of Dealership.

Page 5: There are three lines that need to be completed.
(1) Print the name of your Dealership on the line just above the word "Dealership" (leave the other lines blank).
(2) Sign next to the word "By:"
(3) Print your title next to the word "Title:"

Page 6: (Complete only if incorporated.) There are six blanks to be completed.
(1) Name of corporate secretary.
(2) Name of Dealership.
(3) State of incorporation.
(4) Date of completion.
(5) Date of completion.
(6) Secretary's signature (with seal if applicable).

Page 6: (Complete only if incorporated.) There are eight blanks to be completed.
(1) Name of President of Corporation.
(2) Name of Vice President of Corporation.
(3) Name of Secretary of Corporation.
(4) Name of Corporation.
(5) State of Incorporation.
(6) Date of execution.
(7) Date of execution.
(8) Signature of Secretary (with seal if applicable).

SERVICING AGREEMENT

This Servicing Agreement, dated as of _____, 19 ___ is made between Credit Acceptance Corporation, a Michigan corporation (herein, together with its successors and assigns, called "Servicer"), with offices at 25505 West Twelve Mile Road, Southfield, Michigan 48034-8339 and _____, a _____ corporation, sole proprietorship, partnership, LLC, or LLP (circle one) (herein, together with its permitted successors and assigns, called "Dealer"), with its executive offices at_____.

In consideration of the premises and the mutual agreements contained herein the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

1.01 DEFINITIONS

Whenever used in this Agreement, the following words and phrases, unless the context otherwise requires, shall have the following meanings:

"ADMINISTRATIVE EXPENSES" means all costs, fees, charges, attorney fees and expenses incurred by Servicer (other than Collection Costs and attorney fees incurred in connection with the collection of a Receivable) pursuant to Section 4.03.

"ADVANCE" means an amount advanced to the Dealer pursuant to Section 3.01.

"AGREEMENT" means this Servicing Agreement as executed by the parties and all amendments and supplements hereto.

"BUSINESS DAY" means any day other than a Saturday, a Sunday, or a holiday.

"COLLECTION COSTS" means all out-of-pocket costs incurred by Servicer in the administration, servicing and collection of a Receivable, including the cost of selling and preparing for sale any Financed Vehicle and the costs of litigation. Collection Costs also include amounts expended by Servicer to maintain any insurance upon a Financed Vehicle.

"COLLECTIONS" means all collections received by Servicer with respect to a Receivable, less any payments required by law to be remitted to the

Obligor, less any NSF checks.

"CONFIDENTIAL INFORMATION" means all confidential and/or secret information concerning Servicer including, but not limited to, customer lists, names of customers and all information developed by and/or for Servicer and/or its affiliates, whether now owned or hereafter obtained, concerning plans, marketing and sales methods, customer relationships, materials, processes, procedures, devices utilized by Servicer and/or its affiliates, business forms, costs, prices, suppliers, information concerning past, present or future contractors, representatives and past, present and/or future customers of Servicer and/or its affiliates, plans for development of new or existing products, services and expansion into new areas or markets, internal operations and any variations, trade secrets, proprietary information and other confidential information of any type together with all written, graphic, video and other materials relating to all or any part of the same.

"DISTRIBUTION DATE" means the 10th day of the month, or if such 10th day is not a Business Day, the next Business Day.

"EVENT OF DEFAULT" means an event specified in Section 5.04.

"FINANCED VEHICLE" means an automobile or light truck, together with all accessions thereto, securing an Obligor's indebtedness under a Receivable.

"NET DOWN PAYMENT" means the amount of "cash" or "trade" down payment paid by the Obligor with respect to the purchase of the Financed Vehicle. Dealer agrees to disclose on credit applications any and all rebates and source of down payment, if known by the dealer. Dealer warrants not to purchase any item, transfer funds, include any post dated checks, rebates or installment notes to buyer for use as down payment or for any other reason related to purchase, and that the down payment has been collected in full prior to assignment to "CAC". Failure to disclose such information makes said contracts full recourse to dealer and requires immediate payment in full of said contracts.

"OBLIGOR" on a Receivable means the purchaser or the co-purchaser's of a Financed Vehicle or any other Person who owes payments under the Receivable.

"PERSON" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

"QUALIFYING RECEIVABLE" means a retail installment sale contract which meets the Servicer's credit standards and the following specifications:

(i) it has not been rescinded and it is a valid, binding and enforceable obligation of the Obligor;

(ii) it is not in default at the date of transfer to Servicer;

(iii) it is owned by the Dealer free and clear of all liens, claims, options, encumbrances, security interests and other rights (other than liens in favor of Servicer);

(iv) it is enforceable against the Obligor for the amount shown as owing in the contract and in the records of the Dealer;

(v) it complied at the time it was originated or made, and is currently in compliance in all respects, with all requirements of applicable federal, state and local laws, and regulations thereunder, including, usury laws, the Federal Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Billing Act, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Federal Trade Commission Act, the Magnuson - Moss Warranty Act, Federal Reserve Board Regulations B, M and Z, state adaptations of the National Consumer Act and of the Uniform Consumer Credit Code and any other consumer credit or equal opportunity disclosure;

(vi) it is not subject to any offset, credit, allowance or adjustment nor has the Obligor disputed his or her liability under the contract;

(vii) the Dealer has assigned to the Servicer a first and prior perfected security interest in the Financed Vehicle securing the performance of the Obligor and neither the Receivable nor the security interest in the Financed Vehicle has been subordinated;

(viii) the Financed Vehicle is adequately insured with a policy or policies covering damage, destruction and theft of the Financed Vehicle and such policies name Servicer as a loss payee;

(ix) all representations and warranties contained in the assignment section of the retail installment sale contract are true and correct as of the date of transfer to the Servicer;

(x) the Dealer has complied with the procedures for approval of Receivables and making of advances adopted by the Servicer from time to time.

(xi) all signatures on it are genuine;

(xii) Dealer received the cash down payment or trade-in described in the contract;

(xiii) neither Dealer nor, to Dealer's knowledge, any employee or representative of the Dealer has lent the Obligor any part of the down payment;

(xiv) the motor vehicle has never been used as a taxi-cab;

(xv) the Dealer delivered the motor vehicle and the motor vehicle satisfied all warranties, expressed or implied, made to the Obligor;

(xvi) the Obligor owns the motor vehicle free of all liens or encumbrances except the security interest granted in the contract; and

(xvii) all amounts indicated in the Itemization of the Amount Financed have been paid.

"RECEIVABLE" means a Qualifying Receivable executed by the Obligor with respect to a Financed Vehicle, which Receivable shall have been assigned to Servicer for administration, servicing and collection.

"RECEIVABLE FILES" means all writings (including an executed copy of the retail installment sale contract) and business records relating to a Receivable.

ARTICLE II

ADMINISTRATION AND SERVICING OF RECEIVABLES

2.01 ACCEPTANCE OF RECEIVABLES; DUTIES OF SERVICER

(a) The Dealer may submit retail installment sale contracts to the Servicer for administration, servicing and collection under the terms of this Agreement. Submission of such a contract to the Servicer constitutes a representation and warranty by the Dealer that such contracts meets the criteria set forth in the definition of Qualifying Receivable.

(b) If Servicer issues an approval number with respect to a Qualifying Receivable, the Dealer shall deliver the Receivable Files to the Servicer and assign such Receivable and Dealer's security interest in the Financed Vehicle to the Servicer as nominee for the Dealer, which assignment shall

be for purposes of administration, servicing and collection of the Receivable, as well as for security purposes as set forth in Section 2.07. Upon the request of Servicer, the Dealer will furnish the Servicer with any additional powers of attorney and other documents that the Servicer deems necessary or appropriate to enable the Servicer to carry out its administration, servicing and collection duties hereunder.

(c) Servicer's issuance of an approval number shall not be deemed to be acceptance of a contract for Servicing hereunder. Acceptance of a Qualifying Receivable shall occur only at such time as Servicer receives and approves the related Receivable Files.

(d) If the Servicer accepts such Qualifying Receivable it shall be deemed a Receivable under this Agreement and the Servicer will service and administer such Receivable on behalf of the Dealer in accordance with the terms of this Agreement. The Servicer's duties shall consist of collection and posting of all payments; holding the Receivable Files; collecting payments due under the Receivables as set forth in Section 2.02 and reapplying the amounts so collected in the manner set forth in Section 3.03; responding to inquiries of Obligor on the Receivables; investigating delinquencies; sending monthly payment books and/or receipts to Obligors; and furnishing monthly statements to the Dealer. The Servicer is hereby authorized and empowered to endorse the Dealer's name on any payments made payable to the Dealer and execute and deliver, in the Servicer's own name, on behalf of the Dealer, any and all instruments of satisfaction or cancellation, or of partial or full release or discharge, and all other comparable instruments, with respect to the Receivables or to the Financed Vehicles.

(e) Notwithstanding any provision to the contrary elsewhere in this Agreement, the Servicer is acting as an independent contractor, and shall have no duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with the Dealer, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist with respect to the Servicer.

2.02 COLLECTION OF RECEIVABLE PAYMENTS
The Servicer shall use reasonable efforts to collect all payments called for under the terms and provisions of the Receivables as and when the same shall become due. If any payments of a Receivable are made to the Dealer after such Receivable is accepted by the Servicer under this Agreement, the Dealer will immediately forward such payment to the Servicer in the form received. The Servicer may, in its discretion, waive any late payment charge or any other fee that may be collected in the ordinary course of servicing a Receivable.

2.03 REALIZATION UPON REPOSSESSION
On behalf of the Dealer, at the discretion of the Servicer, the Servicer shall use reasonable efforts to repossess or otherwise convert the ownership of the Financed Vehicle securing any Receivable, and sell or otherwise liquidate the Financed Vehicle. In exercising reasonable efforts to sell or otherwise liquidate the Financed Vehicle, the Servicer shall follow such practices and procedures as it deems necessary or advisable in its servicing of automotive receivables, which may include selling the Financed Vehicle at public or private sale.

2.04 PHYSICAL DAMAGE INSURANCE
If required by the Servicer, the Dealer shall require that each Obligor shall have obtained and shall maintain adequate insurance covering damage, destruction and theft of the Financed Vehicle, at least in the minimum amounts required by law. If the Servicer has required such insurance and has determined that an Obligor has allowed any such insurance covering the related Financed Vehicle to lapse, the Servicer may place such insurance and pay the related premium for the account of the Obligor and the Dealer.

2.05 SECURITY INTERESTS IN FINANCED VEHICLES
The Dealer will take such steps as are necessary to perfect the security interest in the Financed Vehicle in the name of the Servicer, including placing the Servicer's name as lienholder on all titles to Financed Vehicles.

2.06 ACCESS TO CERTAIN DOCUMENTATION AND INFORMATION REGARDING RECEIVABLES THE
Dealer shall provide to the Servicer all Receivable Files in its possession; provided, however, that this Section 2.06 shall not require the Dealer to violate any applicable law prohibiting disclosure of information regarding an Obligor.

2.07 SECURITY INTEREST
The Dealer hereby grants the Servicer a security interest in all Receivables now or hereafter transferred to the Servicer pursuant to this Agreement and in the Dealer's interest in the Financed Vehicles connected therewith, together with all proceeds, as security for the payment of all indebtedness of the Dealer to the Servicer, including Advances, Collection Costs, Administrative Expenses and any other amount due to the Servicer hereunder. This grant of a security interest will survive the termination of this Agreement until the Dealer has paid all its obligations to the Servicer, including those due under this Agreement, including Advances and Collection Costs, in full.

In addition to the security interest granted above, Dealer, upon demand by the Servicer, will grant to Servicer a security interest in all Collateral possessed by the Dealer, the term "Collateral" being defined to mean all inventory and goods now or hereafter acquired or owned, including, but not limited to, goods, tangible property, business records, stock and trade, supplies, merchandise used in or sold in the ordinary course of business,

all machinery, equipment, furniture, ledgers, books, chattels, and all other tangible personal property of every nature and description now existing or hereafter acquired, together with all substitutions, replacements and additions thereto, all contracts, patents, licensing agreements, supplier lists, business records, and customer lists together with all proceeds and product of all the foregoing. Dealer agrees to execute UCC Financing Statements and to take such other actions requested by Servicer in order to perfect such security interest of Servicer.

ARTICLE III

ADVANCES, DISTRIBUTIONS AND SERVICING FEE

3.01 ADVANCES

Upon the acceptance by the Servicer of a Qualifying Receivable under Section 2.01, the Servicer may, in its discretion, make an Advance. The amount of the Advance will be determined by the applicable advance program currently in use by the Servicer in the Dealer's state of operation. Such Advances shall be repaid to the Servicer as provided in Section 3.03, and shall be repaid immediately upon the termination of this Agreement or upon the occurrence of an Event of Default. Servicer may modify from time to time its advance methodology upon written notice to the Dealer.

3.02 SERVICING FEE

As compensation for the services provided by the Servicer to the Dealer, the Servicer will retain 20% of all Collections net of Collection Costs.

3.03 APPLICATION OF FUNDS

Collections received by the Servicer during a calendar month shall be applied as follows:

FIRST, to reimburse Servicer for all Collection Costs;

SECOND, to pay to Servicer its servicing fee set forth in Section 3.02 above;

THIRD, to any outstanding Advances or any other indebtedness or amounts owing from the Dealer to the Servicer, including, without limitation, the Administrative Expenses and any indemnification obligations of Dealer to Servicer pursuant to Section 4.02 of this Agreement; and

FOURTH, to the Dealer.

All amounts due to the Dealer under this Section 3.03 with respect to Collections made during the calendar month shall be paid to the Dealer no later than the Distribution Date occurring in the following calendar month.

3.04 STATEMENT TO DEALER

The Servicer shall provide to the Dealer a statement containing the following information: (i) The amounts set forth in Section 3.03; (ii) The amount of any distribution to the Dealer.

ARTICLE IV

THE DEALER

4.01 REPRESENTATIONS OF THE DEALER

The Dealer makes the following representations on which the Servicer is relying in accepting the Receivables, and each request by the Dealer to the Servicer to administer, service and collect a Receivable under Section 2.01 will act as a reaffirmation of each of the following representations as of the date of such request:

(i) ORGANIZATION AND GOOD STANDING. The Dealer is duly organized and is validly existing as a corporation in good standing under the laws of state of its incorporation, with full power and authority to own its properties and to conduct its business, and had at all relevant times, and shall have power, authority, and legal right to acquire and own the Receivables.

(ii) DUE QUALIFICATION. The Dealer is duly qualified to do business and has obtained all necessary licenses and approvals in all jurisdictions in which the ownership or lease of property or the conduct of its business requires such qualification.

(iii) POWER AND AUTHORITY. The Dealer has the power and authority to execute and deliver this Agreement and to carry out its terms and the execution, delivery, and performance of this Agreement has been duly authorized by the Dealer by all necessary corporate action.

(iv) BINDING OBLIGATIONS. This Agreement constitutes a legal, valid, and binding obligation of the Dealer enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, or other similar laws affecting the enforcement of creditors' rights in general.

(v) NO VIOLATION. The consummation of the transactions contemplated by this Agreement and the fulfillment of the terms hereof shall not conflict with, result in any breach of any of the terms and provisions of, nor constitute (with or without notice of lapse of time) a default under any indenture, agreement, or other instrument to which the Dealer is a party or by which it shall be bound; nor result in the creation or imposition of any lien upon any of its properties pursuant to the terms of any such indenture, agreement, or other instrument (other than this Agreement); nor violate any law or any order, rule, or regulation applicable to the Dealer of any court or of any federal or state regulatory body, administrative agency, or other governmental instrumentality having jurisdiction over the Dealer or its properties.

(vi) NO PROCEEDINGS. There are no proceedings or investigations pending, or threatened, before any court, regulatory body, administrative agency, or other governmental instrumentality having jurisdiction over the Dealer or its properties: (a) asserting the invalidity of this Agreement, (b) seeking to prevent any of the transactions contemplated by this Agreement, or (c) seeking any determination or ruling that might materially and adversely affect the financial condition of the Dealer or the performance by the Dealer of its obligations under, or the validity or enforceability of this Agreement. Neither the Dealer nor any of its officers or employees is operating under or subject to, or in default with respect to any adjudicatory order, writ, injunction or decree of any court or federal, state, municipal or governmental department, commission, board, agency or instrumentality, domestic or foreign, related to the conduct of the Dealer's business; and neither the Dealer nor any of its directors, officers or employees is subject to any cease and desist order, supervisory agreement or arrangement or disqualification consensual or otherwise, with any regulatory authority, which is material to the Receivables or the transactions contemplated hereby.

(vii) BROKERS AND FINDERS. Neither Dealer nor any person acting on its behalf has employed any broker, agent or finder or incurred any liability for any brokerage fees, agents' commissions or finders' fees in connection with the transactions contemplated herein.

(viii) COMPLIANCE WITH LAWS. Dealer has complied with all federal, state, local and foreign laws, ordinances, regulations and orders applicable to it or the Receivables or the Financed Vehicles. All licenses, permits, orders or approvals of any governmental or regulatory body which are required in connection with Dealer's business ("Permits"), are in full force and effect, no violations are or have been recorded in respect to any such Permits and no proceedings are pending or, to Dealer's knowledge, threatened to terminate, revoke or limit any of such Permits.

(ix) CHARACTERISTICS OF RECEIVABLES. Each Receivable was originated by Dealer for the sale of a Financed Vehicle in the ordinary course of Dealer's business, was fully and properly executed by the parties thereto, and contains customary and enforceable provisions for an installment sale of a motor vehicle in the state in which the Obligor is located.

(x) SOURCE OF DOWN PAYMENT. Dealer agrees to disclose on credit applications any and all rebates and source of down payment, if known by the dealer. Dealer warrants not to purchase any item, transfer funds, include any post dated checks, rebates or installment notes to buyer for use as down payment or for any other reason related to purchase, and that the down payment has been collected in full prior to assignment to "CAC". Failure to disclose such information makes said contracts full recourse to dealer and requires immediate payment in full of said contracts.

(xi) LAWFUL ASSIGNMENT. No Receivable has been originated in, or is subject to the laws of, any jurisdiction under which the assignment of such obligation as contemplated under this Agreement would be unlawful, void or voidable.

(xii) ONE ORIGINAL. There is only one original executed copy of each Receivable.

(xiii) DISCLOSURE OF MATERIAL FACTS. The representations and warranties contained in this Agreement or in any other agreement, schedule, exhibit or other document delivered pursuant hereto do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements contained herein or therein not misleading.

(xiv) NON-RELIANCE. The Dealer has independently and without reliance upon the Servicer, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the financial condition and creditworthiness of each Obligor and made its own decision to enter into a retail installment sale contract with such Obligor.

4.02 INDEMNITIES

The Dealer will defend, indemnify, and hold harmless the Servicer from and against any and all costs, expenses, losses, damages, claims and liabilities arising out of or resulting from:

(i) the use, ownership, or operation by the Servicer or any affiliate thereof of a Financed Vehicle or Servicer's performance of this Agreement, including the administration, servicing and collection of any Receivable; and

(ii) any claims by the Obligor with respect to the Receivable, the Financed Vehicle or the purchase thereof, except to the extent of the Servicer's gross negligence or willful misconduct in the performance of duties hereunder;

(iii) any breach of any of the representations, warranties or agreements made by Dealer in this Agreement; and

(iv) any taxes that may at any time be asserted against the Servicer with respect to the transactions contemplated herein (other than taxes measured by the net income of Servicer), including, without limitation

any sales, gross receipts, general corporation, tangible or intangible personal property, privilege, or license taxes and costs and expenses in defending against same.

Indemnification under this Section shall include reasonable attorneys' fees and all expenses of litigation.

4.03 ADMINISTRATIVE EXPENSES

The Dealer agrees to reimburse Servicer, on demand, for all Administrative Expenses incurred by Servicer in connection with (i) protecting Servicer's interest in Qualifying

Receivables and the Financed Vehicles; and (ii) enforcement of the provisions of this Agreement, including, without limitation, (a) to commence, defend or intervene in any litigation or to file a petition, complaint, motion, answer or other pleadings; and (b) to take any other action in or with respect to any suit or proceeding, including, without limitation, any bankruptcy proceeding.

4.04 CONFIDENTIALITY

Except as required for Dealer to conduct its regular daily business with Servicer, Dealer shall not at anytime, either during or for a period of two years after termination of Dealer's relationship with Servicer, or in any way, disclose, disseminate, transfer and/or use, or permit anyone else to disclose, disseminate, transfer and/or use, any Confidential Information of Servicer, and Dealer shall retain all such information in trust in a fiduciary capacity for the sole use and benefit of Servicer and/or its affiliates. Dealer acknowledges that the Confidential Information of Servicer is valuable, special and unique to Servicer's business and on which such business depends, and is proprietary to Servicer and its affiliates, and that Servicer has protected and wishes to continue to protect the confidential Information by keeping it secret and confidential for the sole use and benefit of Servicer and its affiliates. Dealer will take all steps necessary and all steps reasonably requested by Servicer, to insure that all such Confidential Information is kept secret and confidential for the sole use and benefit of Servicer and its affiliates. In so doing, Dealer shall require and represents that each of its employees, agents and representatives complies with each and every provision of this Agreement. Upon termination of this Agreement without the necessity of any request from Servicer, or at any other time Servicer may in writing so request, Dealer shall promptly deliver to Servicer all materials concerning any Confidential Information, copies thereof and any other materials of Servicer and/or its affiliates which are in Dealer's possession or under Dealer's control, and Dealer shall not make or retain any copy, draft or extract thereof which has been made at any time. Dealer acknowledges that the foregoing provisions are necessary to protect the special knowledge of Servicer's and its affiliates' trade secrets (which are the result of a considerable amount of time, money and effort of Servicer and its affiliates over a period of 20 years to increase and maintain its sales, including product sales) which Dealer has acquired and will acquire in carrying out Dealer's job responsibilities as well as Servicer's goodwill and customer relationships to which Dealer has gained access through Dealer's dealer relationship. Nothing contained herein shall be construed or considered to vest in the Dealer any right, title or interest of any kind in or to the information disclosed or made available to it by the Servicer pursuant to this Agreement or otherwise. Accordingly, Dealer acknowledges and agrees that all memoranda, notes, records, agreements, documents and other materials, as well as copies and drafts thereof, made and/or compiled by Dealer and/or made available to Dealer during the course of his/her dealer relationship, which relate to the Confidential Information (as stated above), is and shall remain the property of Servicer. The obligations of Dealer under this Section 4.03 shall survive the termination (for any reason) or breach of this Agreement.

Dealer acknowledges and agrees that the covenants and undertakings in this Section 4.04 relate to matters which are of a special, unique and extraordinary character and that a violation of any of them will cause irreparable injury to Servicer, the amount of which will be extremely difficult, if not impossible to estimate or determine and which cannot be completely and adequately compensated by monetary damages alone. Therefore, Dealer agrees that Servicer shall be entitled, as a matter of course, and as a matter of law, without the need to prove irreparable injury, to an injunction, restraining order or other equitable relief from any court of competent jurisdiction, restraining any violation or threatened violation of any of such terms by Dealer and such other persons as the court shall order. Dealer agrees to pay all costs and legal fees incurred by Servicer in pursuing its remedies in any legal or equitable action. Dealer further acknowledges that the restraints imposed upon it pursuant to the foregoing are no greater than are reasonably necessary to preserve and protect Servicer's legitimate business interests and that such restraints will not impose an undue hardship upon Dealer.

ARTICLE V

TERMINATION AND ASSIGNMENT

5.01 MERGER OR CONSOLIDATION OF SERVICER

Any corporation (i) into which the Servicer may be merged or consolidated, (ii) which may result from any merger, conversion, or consolidation to which the Servicer shall be a party or (iii) which may succeed to the business of the Servicer, shall be the successor to this Agreement without any further act on the part of any of the parties to this Agreement.

5.02 RESIGNATION AS SERVICER

Regardless of whether there is an Event of Default or an event with the lapse of time, giving of notice or both would become an Event of Default, the Servicer may terminate this Agreement, at any time, upon 30 days written notice to the Dealer.

5.03 TERMINATION BY THE DEALER

So long as there is no Event of Default or an event which with the lapse of time, giving of notice or both would become an Event of Default, the Dealer may terminate this Agreement with respect to all Receivables upon 30 days prior written notice to the Servicer.

5.04 EVENTS OF DEFAULT

This Agreement shall terminate immediately, without further notice to Dealer, and Servicer shall be entitled to immediate repayment of all outstanding Advances and the other amounts specified in Section 5.05 upon the occurrence of any one of the following events ("Events of Default"):

(i) failure on the part of the Dealer duly to observe or to perform any covenant or agreement set forth in this Agreement, which failure shall continue unremedied for a period of ten Business Days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Dealer by the Servicer; or

(ii) the breach by the Dealer of any representation or warranty set forth in this Agreement, including any with respect to Qualifying Receivables; or

(iii) the Dealer misrepresents in any respect any facts or circumstances relating to an installment contract submitted to Servicer or any Obligor or motor vehicle covered by such contract; or

(iv) the entry of a decree or order by a court or agency or supervisory authority for the appointment of a conservator, receiver or liquidator for the Dealer in any bankruptcy, readjustment of debt, marshaling of assets and liabilities, or similar proceedings, or for the winding up or liquidation of its affairs, and the continuance of any such decree or order unstated and in effect for a period of 60 consecutive days; or

(v) the consent by the Dealer to the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities, or similar proceedings of or relating to the Dealer; or the Dealer, shall admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any applicable bankruptcy statute, make an assignment for the benefit of its creditors or voluntarily suspend payment of its obligations.

(vi) the Dealer fails to place with the Servicer fifteen (15) Qualifying Receivables per calendar quarter (which calendar quarter shall begin with the signing date of this Agreement) for two consecutive calendar quarters; or

(vii) any guaranty executed in connection with this Agreement is revoked, terminated or becomes unenforceable in whole or in part, or any guarantor fails to promptly perform under such a guaranty; or

(viii) any judgment is entered against the Dealer or any guarantor, or any attachment, levy or garnishment is issued against any property of the Dealer or any guarantor; or (ix) the Dealer or any guarantor, without the Servicer's written consent, (a) is dissolved; (b) merges or consolidates with any third party; (c) leases, sells or otherwise conveys a material part of its assets or business outside the ordinary course of business; (d) ceases to operate its business; or (e) agrees to do any of the foregoing; or

(x) there is a substantial change in the existing or prospective financial condition of the Dealer or any guarantor which the Servicer in good faith determines to be materially adverse; or

(xi) the Servicer in good faith deems itself insecure.

5.05 EFFECT OF TERMINATION

Upon any termination of this Agreement pursuant to Section 5.03 or Section 5.04, the Dealer shall immediately pay to the Servicer the following amounts:

(i) Any unreimbursed Collection Costs and Administrative Expenses;

(ii) Any unpaid Advances and all other amounts owed by the Dealer to the Servicer; and

(iii) A termination fee equal to 20% of the then outstanding amount of the Receivables.

Upon receipt in full of the amounts set forth in (i) through (iii) above, Servicer shall deliver all Receivable Files to the Dealer and shall take such action as may be requested by Dealer to terminate or assign to the Dealer the Servicer's security interest in the Receivables and Financed Vehicles. If the Dealer fails to promptly pay such amounts, the Servicer may exercise any rights it has, including those under the Uniform Commercial Code, and may, at its discretion, continue to collect the Receivables and retain Collections in satisfaction of such amounts due from the Dealer.

5.06 COLLECTION FOLLOWING TERMINATION

If this Agreement is terminated pursuant to Section 5.02, Servicer shall continue to service and administer Receivables accepted for service and administration hereunder prior to the date of termination unless (a) Dealer pays to Servicer the amounts set forth in Section 5.05, at which time Section 5.05 shall govern, or (b) an Event of Default occurs after the date of termination, at which time the provisions of Section 5.05 shall apply.

ARTICLE VI

MISCELLANEOUS PROVISIONS

6.01 GOVERNING LAW
This Agreement shall be construed in accordance with the laws of the State of Michigan and the obligations, rights, and remedies of the parties under this Agreement shall be determined in accordance with such laws.

6.02 NOTICES
All demands, notices, and communications under this Agreement shall be in writing, personally delivered or mailed by first-class mail, and shall be deemed to have been duly given upon receipt at the address specified on the first page of this Agreement, or at such other address as shall be designated in writing by a party.

6.03 SEVERABILITY OF PROVISIONS; UNENFORCEABILITY
If any one or more of the provisions of this Agreement shall be for any reason whatsoever held invalid, then such provisions shall be deemed severable from the remaining provisions of this Agreement or the rights of the Dealer or the Servicer. If for any reason a court determines that any part of any of the provisions of this Agreement is unreasonable in scope or otherwise unenforceable, such provision(s) will be deemed modified and fully enforceable, as so modified, to the extent determined by the court to be reasonable under the circumstances.

6.04 ARBITRATION AND COSTS
Any disputes and differences arising between the parties in connection with or relating to this Agreement or the parties relationship with respect hereto shall be settled and finally determined by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The arbitration shall take place in Southfield, Michigan and shall be conducted by three arbitrators, one of whom shall be selected by the Dealer, one selected by the Servicer and the third by the two arbitrators so selected. Each party shall notify the other party of the arbitrators selected by it within 30 days of a written request from one party to the other for arbitration. In the event either party shall fail to select an arbitrator or fail to notify the other party of the arbitrator which it has selected within such time period, the arbitrator so selected by the other party shall select a second arbitrator. The decision and award of the arbitrators shall be in writing, and shall be final and binding upon the parties hereto. Judgement upon the award may be entered in any court having jurisdiction thereof or any application may be made to such court for judicial acceptance of or award in order of enforcement, as the case may be. In the event that the Servicer shall prevail under any dispute or claim with respect to this Agreement, the Dealer shall pay any costs and expenses incurred by the Servicer with respect to such dispute, including court costs and attorneys' fees. Notwithstanding the foregoing, Servicer shall be entitled to seek legal and equitable relief under this Agreement, pursuant to Section 4.04 or otherwise, in any court of record in the State of Michigan, County of Oakland, or in the United States District Court of the Eastern District of Michigan, and Dealer consents to the jurisdiction thereof.

To the extent Servicer and Dealer waive the right to arbitration pursuant to this Section 6.04, the parties stipulate and agree that jurisdiction shall exist exclusively in any court of competent jurisdiction in the State of Michigan, County of Oakland or in the United States District Court of the Eastern District of Michigan.

6.05 RIGHTS CUMULATIVE
All rights and remedies from time to time conferred upon or reserved to the Servicer are cumulative, and none is intended to be exclusive of another. No delay or omission is insisting upon the strict observance or performance of any provision of this Agreement, or in exercising any right or remedy, shall be construed as a waiver or relinquishment of such provision, nor shall it impair such right or remedy.

6.06 USAGE OF TERMS
With respect to all terms in this Agreement, the singular includes the plural and the plural the singular; words importing any gender include the other genders; references to agreements and other contractual instruments include all subsequent amendments thereto or changes therein entered into in accordance with their respective terms and not prohibited by this Agreement; references to Persons include their permitted successors and assigns; and the term "including" means "including without limitation".

6.07 ASSIGNMENT
This Agreement shall inure to the benefit of the Servicer and the Dealer and each of their permitted successors and assigns. Notwithstanding anything in this Agreement to the contrary, the Dealer may not assign its rights under this Agreement to any Person without the prior written consent of the Servicer.

6.08 SETOFF
The Servicer may, at any time and from time to time, at its option, setoff and apply against any amounts due to the Servicer either hereunder or otherwise any Dealer funds held by Servicer.

6.09 DELEGATION OF DUTIES; LIABILITY
The Servicer may execute any of its duties under this Agreement by or through agents, nominees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The

Servicer shall not be responsible for the negligence or misconduct of any agents, nominees or attorneys-in-fact selected by it with reasonable care. Neither the Servicer nor any of its officers, directors, employees, nominees, attorneys-in-fact or affiliates shall be liable for any action lawfully taken or omitted to be taken by it or any such person under or in connection with this Agreement (except for its or such person's own gross negligence or willful misconduct).

6.10 SECURITY

To the extent the Servicer has a good faith belief that it is insecure, the Servicer shall have the right to escrow any and all funds which would otherwise be payable to the Dealer until such time as Servicer is confident that the risk is no longer present. Servicer shall have the right pursuant to Section 6.08, to set off its losses out of this escrow account.

6.11 WAIVER OF JURY TRIAL

The Dealer, after consulting or having had the opportunity to consult with counsel, knowingly, voluntarily and intentionally waives any right it may have to a trial by jury in any litigation based upon or arising out of this Agreement or any course of conduct, dealing, statements (whether oral or written), or actions of Dealer or Servicer. Dealer shall not seek to consolidate, by counterclaim or otherwise any such action in which a jury trial cannot be or has not been waived.

6.12 NO WAIVER

No delay on the part of the Servicer in the exercise of any right or remedy shall operate as a waiver. No single or partial exercise by the Servicer shall preclude any other future exercise of it or the exercise of any other right or remedy. No waiver or indulgence by Servicer shall be effective unless in writing and signed by the Servicer, nor shall a waiver on one occasion be construed as a bar to or waiver of that right on any future occasion.

6.13 COMPLETE AGREEMENT

This Agreement contains the complete agreement of the parties hereto, and supersedes any and all prior agreements (whether written or oral), with respect to the subject matter hereof. This Agreement may not be altered or amended without the written consent of both parties.

THIS AGREEMENT IS ACCEPTED AND AGREED TO BY EACH OF THE UNDERSIGNED, AFTER EACH OF THE UNDERSIGNED HAS CONSULTED WITH LEGAL COUNSEL, AND EACH OF THE UNDERSIGNED HAS CAREFULLY READ AND UNDERSTANDS ALL OF THE TERMS AND PROVISIONS OF THIS AGREEMENT.

IN WITNESS WHEREOF, the parties have caused the Servicing Agreement to be duly executed by their respective officers as of the day and year written on Page 1. This Agreement shall be deemed effective upon receipt by Servicer of a duly executed Agreement along with the applicable sign up fee.

_____

DEALERSHIP

By: _____

Title:_____

(Must be Officer of Dealership)

CREDIT ACCEPTANCE CORPORATION

By: _____

Title: _____

COMPLETE BOTH RESOLUTIONS ONLY IF THE DEALERSHIP IS A CORPORATION

RESOLUTION OF BOARD OF DIRECTORS OF

_____
(Name of Dealership)

RESOLVED, That the president of this Corporation be and hereby is authorized and empowered to enter into a contract for services with the Credit Acceptance Corporation, in the name and in behalf of this Corporation, upon such terms and conditions as may be agreed upon between him and said Credit Acceptance Corporation.

I, _____, do hereby certify that I am the duly elected and qualified Secretary and the keeper of the records and corporate seal of _____, a corporation organized and existing under the laws of the State of _____ _____, and that the above is true and correct copy of a resolution duly adopted at a meeting of the Board of Directors thereof, convened and held in accordance with law and the bylaws of said Corporation on _____, 19____, and that such resolution is now in full force and effect.

IN WITNESS WHEREOF, I affixed my name as Secretary and have caused the corporate seal of said Corporation to be hereunto affixed, this _____ day of _____, 19____.

_____
Secretary

RESOLUTION OF BOARD OF DIRECTORS OF

_____
(Name of Dealership)

RESOLVED, That the proposed contracts between this Corporation and Credit Acceptance Corporation submitted to this meeting, be and it hereby is accepted, that_____, President, and _____, Vice President, be and they hereby are authorized to execute in the name and in behalf of this Corporation, a contract substantially in the form submitted to this meeting.

I, _____, do hereby certify that I am the duly elected and qualified Secretary and the keeper of the records and corporate seal of _____, a corporation organized and existing under the laws of the State of _____ _____, and that the above is a true and correct copy of a resolution duly adopted at a meeting of the Board of Directors thereof, convened and held in accordance with the law and bylaws of said Corporation on _____ day of _____, 19____.

_____
Secretary

[CAC LOGO] CREDIT ACCEPTANCE CORPORATION

ADDENDUM NO. 1
(CAC/VOYAGER INSURANCE PROGRAM)
TO
SERVICING AGREEMENT
dated as of_____,19_____
between
CREDIT ACCEPTANCE CORPORATION ("The Servicer")
and

_____ ("Dealer")

By executing this addendum, Dealer agrees to participate in the credit life and disability insurance program offered by Servicer in connection with Voyager Insurance Companies ("Voyager"), as described herein (the "CAC/Voyager Insurance Program"). When executed by Servicer and the Dealer, this addendum shall become a part of the Servicing Agreement. All capitalized terms herein shall have the meanings assigned to them in the Servicing Agreement.

1. Pursuant to the CAC/Voyager Insurance Program, Voyager will issue to Dealer a group policy of insurance for coverage of Dealer's customers. The terms of the relationship between Dealer and Voyager shall be governed exclusively by agreements to be executed by Dealer and Voyager. This Addendum does not, and shall not be deemed to, alter or affect in any way the relationship between Voyager and Dealer.

2. If the premium for coverage under the Dealer's group insurance policy is financed by Dealer and becomes a part of a Receivable assigned to Servicer under the Servicing Agreement, Servicer will add to the Advance otherwise payable to Dealer upon acceptance by Servicer of a Qualifying Receivable, an amount equal to ___% of the premium (the "Premium Advance"). The Premium Advance will be paid by Servicer on behalf of Dealer to Voyager, and will be considered a part of the Advance related to the accepted Qualifying Receivable for all purposes under the Servicing Agreement. Premiums refunded as a result of the surrender or cancellation of coverages written by Dealer will, upon notification by Voyager or Dealer as the case may be, be credited to Dealer's customer's account as a "credit adjustment," thereby reducing the principal amount of the installment contract by the aggregate amount of refunds received by the Servicer from Voyager or the Dealer, as the case may be.

3. To participate in the CAC/Voyager Insurance Program, Dealer must include a copy of the certificate of insurance under the Dealer's group insurance policy as a part of the Receivables Files submitted to Servicer by Dealer in connection with the acceptance by Servicer of installment contract under the Servicing Agreement. Dealer-financed insurance premiums that are not presented under the CAC/Voyager Insurance program will not be eligible for the Premium Advance. Submission of the certificate of insurance by Dealer to the Servicer is for Servicer's information only and shall not affect insurance coverage, Dealer's relationship with its customer with respect to insurance or Dealer's relationship with Voyager, and the Servicer shall have no liability to Dealer or to Dealer's Customer as a result thereof or of issuing the Premium Advance.

4. Participation in the CAC/Voyager Insurance Program by Dealer is conditioned upon the following:

   (a) Dealer must enter into all agreements and relationships with Voyager as may be required by Voyager from time-to-time.

   (b) Dealer must have all license and authorizations required under all federal, state and local laws, ordinances, regulations and orders applicable to participation in the CAC/Voyager Insurance Program; and

   (c) Dealer must provide the Servicer with written evidence of satisfaction of the foregoing conditions prior to eligibility to participate in the CAC/Voyager Insurance Program and, for purposes of continued eligibility, upon Servicer's request from time-to-time during the term of the Servicing Agreement.

5. In addition to Dealer's representations and obligations set forth in the Servicing Agreement, Dealer agrees with the Servicer, as follows:

   (a) to familiarize itself with all state and federal laws and regulations applicable to its participation in the CAC/Voyager Insurance Program and to conduct itself in compliance therewith;

   (b) to adhere to all rules, requirements, underwriting standards, manuals, and procedures of the CAC/Voyager Insurance Program;

   (c) to not engage in unlawful rebating, discrimination, misrepresentation, twisting or any unfair trade practice prohibited by applicable law;

   (d) to not induce the lapse, cancellation, or termination of any certificate issued under the Dealer's group policy prior to its scheduled expiration;

(e) to notify the Servicer of the receipt of legal notices or service of process affecting Servicer or the CAC/Voyager Insurance Program and to immediately forward same to Servicer;

(f) to not negotiate or endorse any check or other negotiable instrument made payable to the Servicer and to forward same immediately to the Servicer;

(g) to not publish, circulate, or display any advertisements, circulars, or other promotional materials relating to the CAC/Voyager Insurance Program, or to print, replicate, display, or utilize in any fashion the name, trademark, service mark, logo, or other identifying emblem or insignia of Servicer, Voyager or any of their respective affiliates unless the content or use thereof has received the prior written approval of Servicer or Voyager, as the case may be;

(h) to be solely responsible for the payment of compensation to all employees, agents and sub-agents utilized by Dealer and to indemnify and defend Servicer from and against any claim for compensation by said employees, agents, and sub-agents; and

(i) to perform all agreements and obligations of Dealer to Voyager.

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6. Servicer may discontinue the CAC/Voyager Insurance Program or terminate Dealer's participation therein at any time, in its absolute and sole discretion, and without advance notice to Dealer. Dealer may terminate its participation in the CAC/Voyager Insurance Program upon 30 days written notice to Servicer, provided that such termination will not terminate Dealer's obligations and liabilities to Servicer hereunder for any matters occurring prior to the date of such termination or for any inaccuracy or breach by Dealer in any of the representations or agreements of Dealer contained herein.

7. Servicer may terminate its relationship with Voyager and enter into a new credit life and disability insurance program with another qualified life insurance company upon thirty (30) days written notice to the Dealer. Should Servicer make such a substitution, this Addendum shall remain in full force and effect without any further act by Servicer or Dealer.

8. Nothing in this Addendum shall be deemed to effect Servicer's or Dealer's rights or obligations under the Servicing Agreement, except as expressly set forth herein.

_____
Dealership Name

Address:_____
(Street, City, State and Zip Code)

By:_____

Title:_____
(Must be Officer of Dealership)

CREDIT ACCEPTANCE CORPORATION

By:_____

Title:_____

Date:_____

[CAC LOGO] CREDIT ACCEPTANCE CORPORATION

ADDENDUM NO. 2
(BUYERS VEHICLE PROTECTION PLAN)
TO
SERVICING AGREEMENT
dated as of_____,19_____
between
CREDIT ACCEPTANCE CORPORATION ("The Servicer")
and

_____ ("Dealer")

By executing this addendum, Dealer agrees to participate in the vehicle service contract financing program offered by Servicer in connection with its wholly-owned subsidiary, Buyers Vehicle Protection Plan, Inc. ("Buyers"), as described herein (the "Service Contract Program"). When executed by Servicer and the Dealer, this addendum shall become a part of the Servicing Agreement. All capitalized terms herein shall have the meanings assigned to them in the Servicing Agreement.

1. If the purchase price for a vehicle service contract issued by Dealer under Dealer's vehicle service contract program administered by Buyers is financed by Dealer and becomes a part of a Receivable assigned to Servicer under the Servicing Agreement, Servicer will add to the advance otherwise payable to dealer upon acceptance by Servicer of a Qualifying Receivable, an amount equal to the selling price of such vehicle service contract (the "Service Contract Advance") up to a maximum of the suggested retail price. Dealer authorizes the Servicer to disburse an amount equal to the net Dealer cost of the subject vehicle service contract including any vehicle surcharge to Buyers with the remainder (representing the difference between the net Dealer cost of the subject vehicle service contract including any vehicle surcharge and the purchase price up to the stated maximum therefor charged by Dealer to its customer) to the Dealer. The Service Contract Advance will be considered part of the Advance related to the accepted Qualifying Receivable for all purposes under the Servicing Agreement. Any refunds payable to Dealer's customer as a result of cancellation of a vehicle service contract will be credited to Dealer's customer's account as a "credit adjustment," thereby reducing the principal amount of the installment contract by the aggregate amount of refunds due Dealer customer.

2. To participate in the Service Contract Program, Dealer must include a copy of the fully executed limited Used Vehicle Service Contract supplied to Dealer by Buyers as a part of the Receivables files submitted to Servicer by Dealer in connection with the acceptance by Servicer of installment Contracts under the Servicing Agreement. Dealer financed vehicle service contracts that are not presented under the Service Contract Program will not be eligible for the Service Contract Advance. Submission of a copy of the Limited Used Vehicle Service Contract to Servicer is for Servicer's information only and shall not effect coverage under any such contract, Dealer's relationship with its customer under such contract or Dealer's relationship with Buyers, and Servicer shall owe no liability to Dealer or Dealer's Customer as a result thereof or of disbursing the Service Contract Advance.

3. Participation in the Service Contract Program is conditional upon the following:

   (a) Dealer must have in full force and effect a Dealer Agreement with Buyers;

   (b) Dealer must have all licenses and authorizations, if any, required under all federal, state and local laws, ordinances, regulations and orders applicable to participation in the Service Contract Program, and the sale by Dealer of vehicle service contracts; and

   (c) Dealer must provide Servicer with written evidence of satisfaction of the foregoing conditions prior to eligibility to participate in the Service Contract Program and, for purposes of continued eligibility, upon Servicer's request from time-to-time during the term of this Servicing Agreement.

4. In addition to Dealer's representations and obligations set forth in the Servicing Agreement, Dealer makes the following representations to the Servicer:

   (a) to familiarize itself with all state and federal laws and regulations applicable to its participation in the Service Contract Program and shall conduct itself in compliance therewith;

   (b) to adhere to all rules, requirements, underwriting standards, manuals, and procedures of the Service Contract Program;

   (c) to not engage in unlawful rebating, discrimination, misrepresentation, twisting or any unfair trade practice prohibited by applicable law;

   (d) to not induce the cancellation, or termination of any vehicle service contract sold by Dealer prior to its scheduled expiration;

(e) to notify Servicer of the receipt of legal notices of service of process affecting Servicer or the Service Contract Program and to immediately forward same to Servicer;

(f) to not negotiate or endorse any check or other negotiable instrument made payable to the Servicer and to forward same immediately to Servicer;

(g) to not publish, circulate, or display any advertisements, circulars, or other promotional materials relating to the Service Contract Program, or to print, replicate, display, or utilize in any fashion the name, trademark, service mark, logo, or other identifying emblem or insignia of Servicer, Buyers or any of their respective affiliates unless the content or use thereof has received the prior written approval of Servicer or Buyers, as the case may be;

(h) to be solely responsible for the payment of compensation to all employees, agents and sub-agents utilized by Dealer and to indemnity and defend the other party from and against any claim for compensation by said employees, agents, and sub-agents; and

5. Servicer may discontinue the Service Contract Program or terminate Dealer's participation therein at any time, in its absolute and sole discretion, and without advance notice to Dealer. Dealer may terminate its participation in the Service Contract Program upon 30 days written notice to Servicer, provided that such termination will not terminate Dealer's obligations and liabilities to Servicer hereunder to any matters occurring prior to the date of such termination or for any inaccuracy or breach by Dealer in any of the representations or agreements of Dealer contained herein.

6. Nothing in this Addendum shall be deemed to effect Servicer or Dealer's rights or obligations under the Servicing Agreement, except as expressly set forth herein.

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_____
Dealership Name

Address:_____
(Street, City, State and Zip Code)

By:_____

Title:_____
(Must be Officer of Dealership)

CREDIT ACCEPTANCE CORPORATION

By:_____

Title:_____

Date:_____

[CAC LOGO] CREDIT ACCEPTANCE CORPORATION

DEALER AGREEMENT
FOR BUYER'S VEHICLE PROTECTION PLAN, INC.

Dealer Name:_____

Address:_____

_____

_____

Phone: (_____)_____

Is repair facility available? [ ]Yes [ ]No

If answer is "yes," complete the following:

Retail Labor Rate:_____day of_____, 19_____,
between BUYERS VEHICLE PROTECTION PLAN, INC. (the "Dealer").

I. RECITALS:

A. The Dealer has a vehicle service contract program that it offers to purchasers of used motor vehicles.

B. The Administrator is in the business of designing and administering vehicle service contract programs and the Dealer desires to retain the Administrator to design and administer the Dealer's vehicle service contract program on the terms set forth herein.

C. NOW, THEREFORE, in consideration of the mutual promises and covenants made herein, the parties agree as follows:

II. DEFINITIONS:

A. The term "Program" refers to the Dealer's vehicle service contract program designed and administered by the Administrator pursuant to the terms of this Agreement.

B. The term "Contract" refers to a vehicle service contract sold and issued by Dealer pursuant to the Program.

C. The term "Contract Holder" refers to the purchaser and owner of a contract.

D. The term "Covered Repairs" refers to repairs, replacement, labor, materials and any other services which Dealer is obligated to provide to Contract Holder, or to reimburse Contract Holder therefore, under the contract.

E. The term "Repair Facility" means a person, partnership, association or corporation in the business of repairing vehicles which has agreed with the Administrator to honor claims for Covered Repairs under the Contract administered by the Administrator.

III. ADMINISTRATOR OBLIGATIONS:

A. The Administrator shall act as Dealer's administrator and is authorized, when requested by Dealer, to perform any and all of the following services to the extent necessary to meet Dealer's needs and contractual obligations:

1. Educate, train and advise Dealer or Dealer's representatives in the administration and marketing of the Program;

2. Provide administrative forms, promotional displays, manuals and unexecuted Contract forms to enable Dealer to sell and issue Contracts and to administer the Program, to the extent the responsibility for administration has not been delegated to the Administrator;

3. Select and make agreements with the Repair Facilities, in which the Repair Facilities agree to honor claims for Covered Repairs under the Program, and

4. Verify that Contracts are valid and enforceable prior to Dealer or Repair Facility performing Covered Repairs.

The Dealer agrees that when repairs are provided by a Repair Facility that the Administrator shall have no liability to Dealer for any loss or damage caused by defective materials installed by, or the workmanship or negligence of, the Repair Facility.

B. The Administrator shall review, adjust, and settle claims for Covered Repairs by Contract Holders which are presented to the Dealer and which are verified and approved by the Administrator under the Program and shall advise Dealer as to the proper disposition of such claims. Dealer shall then be reimbursed for Covered Repairs to the extent provided under the Contract.

C. None of the obligations of the Administrator set forth herein shall be construed as the Administrator's assumption of Dealers risk or liability.

D. The Administrator may subcontract any or all of its obligations hereunder from time-to-time and to subcontract of its choice without permission of or notification to Dealer. As of the date of this Agreement, the Administrator has subcontracted all of its obligations hereunder to _____.

IV. DEALER OBLIGATIONS:

A. Dealer shall solicit and issue Contracts to Contract Holders to be administered by the Administrator. Such sales are incidental to and as a natural extension of Dealer's business of selling vehicles. Dealer acknowledges that the Program has been developed by the Administrator and that Dealer has been licensed to use the Program's trade names, promotional material, Contract forms and proprietary procedures associated therewith only during the term of this Agreement. At the termination of this Agreement, Dealer shall return all such material and contract forms to the Administrator and shall not use the Program's trade names, forms, or proprietary procedures thereafter.

B. Dealer shall, promptly as possible following the sale by Dealer of each Contract, but no later than thirty (30) days after such sale, remit to Administrator completed copies of Contracts together with the net Dealer cost for such Contracts as set forth in the most recent net rate schedule provided to Dealer by the Administrator. The Administrator shall have no obligation to Dealer or Contract Holder in respect to any Contract until Dealer shall have remitted to the Administrator the full amount of the net Dealer cost as provided in this paragraph.

C. Dealer agrees to follow the procedures and to use only the forms provided and approved by the Administrator, for Contracts to be administered under this Agreement. Dealer further agrees to return any void or spoiled contracts to the Administrator.

D. Dealer agrees, for claims submitted by Contract Holders to contact the Administrator to receive authorization prior to proceeding. Any repairs made without such authority, as evidenced by an authorization number from the Administrator, shall be uncovered and Dealer shall not be reimbursed for such repairs by the Administrator.

Dealer further agrees to unconditionally warranty all covered repairs for a period of not less than ninety (90) days or four thousand (4,000) miles.

Dealer shall be reimbursed for Covered Repairs based on retail labor rate and last rate manual shown above and the Dealer's retail cost of replacement parts

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that are like kind and quality. Retail cost shall be determined at the lower of actual cost multiplied by 1.4 or list price. Covered Repairs occurring within the first twenty (20) days of the Contract's effective date shall be the sole responsibility of the Dealer.

All claims not submitted to the Administrator within ninety days from the date of repair shall not be paid by the Administrator and the Administrator shall have no obligations or liability with respect to such claims.

Dealer agrees to provide refunds to Contract Holders as provided in the Contract. The Administrator shall be responsible for refunds to the Dealer to extent of the net rate remitted to the Administrator and the cancellation provisions allowed in the Contract. Further, the Administrator shall be entitled to the entire cancellation or transfer fee, if any, provided in the Contract.

V. INDEMNIFICATION:

Dealer shall hold harmless, indemnity and defend the Administrator, and its employees and representatives against all claims, demands and actions for loss, liability, damages, costs and expenses (including attorneys fees) caused by the act or omission to act of Dealer and its employees, which arise from any Contract which is not reported to the Administrator or which is the result of the act or omission to act of Dealer or Dealer's employees or representatives.

VL. DURATION OF AGREEMENT:

This Agreement shall be effective on the date first written above and shall continue to force until terminated by either party giving to the other not less than thirty (30) days prior written notice of such termination. Termination of this Agreement shall not affect the responsibilities of either party on Contracts issued prior to the effective date of termination.

This Agreement may be immediately terminated by the Administrator if no Contracts are submitted hereunder for sixty (60) days or if a petition in bankruptcy is filed by or against Dealer.

The Agreement supersedes all prior agreements either oral or written, between Dealer and the Administrator, and may not be amended except in writing signed by both parties.

VLL. MISCELLANEOUS:

Dealer shall have no authority to make, alter, modify, waive, or discharge any terms or conditions of the Program or any Contract, or any performance thereunder, or to waive any forfeiture, or to incur any liability on behalf of the Administrator.

All notices pertaining to this Agreement must be in writing and transmitted through the United States Postal Service, postage prepaid to the address set forth by the respective party. Until Dealer notifies the Administrator of a different address, notices to Dealer shall be effective if sent to the address set forth above. Notices to the Administrator shall be effective if sent to Buyers Vehicle Protection Plan, Inc., 25505 W. Twelve Mile Road, Suite 3000, Southfield, Michigan 48034-8339, until the Administrator notifies Dealer of a different address.

Dealer shall immediately notify the Administrator by telecopy, confirmed by mail of any lawsuit, regulatory inquiry, or complaint about the Program or a Contract.

The Administrator may examine, during the term of this Agreement and for one (1) year after the expiration of any Contract issued pursuant hereto, at all reasonable times at the office of the Dealer, the books, records, cost of parts, labor involved, and any and all such other information of the Dealer pertaining to the rendering of Covered Repairs and the Program hereunder. The Administrator agrees not to use any information so acquired for any purpose other than as contemplated herein.

_____
Dealer Name

_____
Federal Tax I.D. Number

By:_____
Dealer Representative

Dated:_____

BUYERS VEHICLE PROTECTION PLAN, INC.

By:_____

Dated:_____

EXHIBIT 4(g)(1)

REVISED EXECUTION COPY
12/15/98

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "Agreement") dated as of December 15, 1998, is entered into by and between Credit Acceptance Corporation, a Michigan corporation (the "Debtor") and Comerica Bank, a Michigan banking corporation ("Comerica"), as agent for the benefit of the "Lenders", the "Noteholders" and the "Future Debt Holders" (each as referred to below) (in such capacity, the "Collateral Agent"). The addresses for Debtor and Collateral Agent are set forth on the signature pages.

RECITALS:

A. The Debtor, Comerica and the other financial institutions signatory thereto, each as "Banks" thereunder (and, in the case of Comerica, in its separate additional capacity as "Issuing Bank" thereunder) (together with any Successor Lenders (as hereinafter defined) party thereto from time to time, collectively the "Lenders"), entered into that certain Second Amended and Restated Credit Agreement dated as of December 4, 1996, as amended by First Amendment and Consent dated as of June 4, 1997, Second Amendment dated as of December 12, 1997, Third Amendment dated as of May 11, 1998 and Fourth Amendment dated as of July 30, 1998 by and among the Debtor, the financial institutions from time to time parties thereto and Comerica, as Agent (said credit agreement, as further amended, restated or otherwise modified from time to time, the "Credit Agreement").

B. The Debtor entered into the separate note purchase agreements with the 1994 Noteholders (as hereinafter defined) dated as of October 1, 1994 (collectively, as amended by First Amendment to Note Purchase Agreement dated as of November 15, 1995, Second Amendment to Note Purchase Agreement dated as of August 29, 1996, Third Amendment to Note Purchase Agreement dated as of December 12, 1997 and Fourth Amendment to Note Purchase Agreement dated as of July 1, 1998, and as further amended, restated or otherwise modified from time to time, the "1994 Note Agreements"), pursuant to which the First Amended and Restated 9.12% Senior Notes due November 1, 2001 (collectively, as amended, restated or otherwise modified from time to time, the "1994 Senior Notes") are outstanding.

C. The Debtor entered into the separate note purchase agreements with the 1996 Noteholders (as hereinafter defined) dated as of August 1, 1996 (collectively, as amended by First Amendment to Note Purchase Agreement dated as of December 12, 1997 and Second Amendment to Note Purchase Agreement dated as of July 1, 1998 and as further amended, restated or otherwise modified from time to time, the "1996 Note Agreements"), pursuant to which the First Amended and Restated 8.24% Senior Notes due July 1, 2001 (collectively, as amended, restated or otherwise modified from time to time, the "1996 Senior Notes") are outstanding.

D. The Debtor entered into the separate note purchase agreements with the 1997 Noteholders (as hereinafter defined) dated as of March 25, 1997 (collectively, as amended by the First Amendment to Note Purchase Agreement dated as of December 12, 1997 and the Second Amendment to Note Purchase Agreement dated as of July 1, 1998, as further amended, restated or otherwise modified from time to time, the "1997 Note Agreements") pursuant to which the First Amended and Restated 8.02% Senior Notes due October 1, 2001 (collectively, as amended, restated or otherwise modified from time to time, the "1997 Senior Notes") are outstanding.

E. Pursuant to Section 7.23 of the Credit Agreement, the Lenders have required that the Debtor grant (or cause to be granted) certain liens and security interests to Comerica Bank, as agent for the benefit of the Lenders, Noteholders, and the Future Debt Holders, all to secure the obligations of the Debtor under the Credit Documents, the obligations of the Debtor under the Noteholder Documents and the obligations of the Debtor under the Future Debt Documents.

F. The Lenders and the Noteholders have consented to the transactions contemplated hereby, and by the Security Documents, and the Lenders and the Noteholders have agreed that the Debtor's obligations under the Credit Agreement, the Note Agreements and the Future Debt Documents (as defined below) shall be equally and ratably secured pursuant to this Agreement and the other Security Documents.

G. The Debtor has directly and indirectly benefitted and will directly and indirectly benefit from the transactions evidenced by and contemplated in the Credit Agreement, the Note Agreements and the Future Debt Documents (defined below) and has consented to the execution and delivery of that certain Intercreditor Agreement among Comerica, as Collateral Agent, the Lenders (including Comerica), the Noteholders and the Future Debt Holders, dated as of the date of this Agreement (as amended, restated or otherwise modified from time to time according to the terms thereof, the "Intercreditor Agreement").

H. The Lenders, the Noteholders and the Collateral Agent have entered into the Intercreditor Agreement to define the rights, duties, authority and responsibilities of the Collateral Agent, acting on behalf of such parties regarding the Collateral (as defined below), and the relationship among the parties regarding their equal and ratable interests in the Collateral.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the adequacy, receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.1. DEFINITIONS. As used in this Agreement, capitalized terms not otherwise defined herein or expressly referenced as being defined in the Credit Agreement have the meanings provided for such terms in the Intercreditor Agreement. References to "Sections," "subsections," "Exhibits" and "Schedules" shall be to Sections, subsections, Exhibits and Schedules, respectively, of this Agreement unless otherwise specifically provided. All references to statutes and regulations shall include any amendments of the same and any successor statutes and regulations. References to particular sections of the UCC should be read to refer also to parallel sections of the Uniform Commercial Code as enacted in each state or other jurisdiction where any portion of the Collateral is or may be located.

The following terms have the meanings indicated below, all such definitions to be equally applicable to the singular and plural forms of the terms defined:

"Account" means any "account," as such term is defined in Article or Chapter 9 of the UCC, now owned or hereafter acquired by the Debtor, and, in any event, shall include, without limitation, each of the following, whether now owned or hereafter acquired by the Debtor: (a) all rights of the Debtor to payment for goods sold or leased or services rendered, whether or not earned by performance, (b) all accounts receivable of the Debtor, (c) all rights of the Debtor to receive any payment of money or other form of consideration, (d) all security pledged, assigned or granted to or held by the Debtor to secure any of the foregoing, (e) all guaranties of, or indemnifications with respect to, any of the foregoing, and (f) all rights of the Debtor as an unpaid seller of goods or services, including, but not limited to, all rights of stoppage in transit, replevin, reclamation and resale.

"Advances to Dealers" shall mean any and all advances by the Debtor to Dealers under the Dealer Agreements, as outstanding from time to time.

"Benefited Obligations" has the meaning specified in the Intercreditor Agreement.

"Chattel Paper" means any "chattel paper," as such term is defined in Article or Chapter 9 of the UCC, now owned or hereafter acquired by the Debtor.

"Collateral" has the meaning specified in Section 2.1 of this Agreement.

"Computer Records" has the meaning specified in Section 2.1(g) of this Agreement.

"Dealer(s)" shall mean a Person engaged in the business of the retail sale of used motor vehicles, including both businesses exclusively selling used motor vehicles and businesses principally selling new motor vehicles, but having a used vehicle department, including any such Person which constitutes an Affiliate of Debtor.

"Dealer Agreement(s)" shall mean the servicing agreements between the Debtor and a participating Dealer which sets forth the terms and conditions under which the Debtor accepts, as

nominee for such Dealer, the assignment of Installment Contracts for purposes of administration, servicing and collection and under which the Debtor may make advances to such Dealers, as such agreements may be in effect from time to time.

"Document" means any "document," as such term is defined in Article or Chapter 9 of the UCC, now owned or hereafter acquired by the Debtor, including, without limitation, all documents of title and all receipts covering, evidencing or representing goods now owned or hereafter acquired by the Debtor.

"Election" is defined in Section 6.4 of this Agreement.

"Equipment" means any "equipment," as such term is defined in Article or Chapter 9 of the UCC, now owned or hereafter acquired by the Debtor and, in any event, shall include, without limitation, all machinery, equipment, furniture, trade fixtures, tractors, trailers, rolling stock, vessels, aircraft and vehicles now owned or hereafter acquired by the Debtor and any and all additions, substitutions and replacements of any of the foregoing, wherever located, together with all attachments, components, parts, equipment and accessories installed thereon or affixed thereto.

"Event of Default" has the meaning specified in the Intercreditor Agreement.

"Financing Agreements" has the meaning specified in the Intercreditor Agreement.

"Future Debt Holders" has the meaning specified in the Intercreditor Agreement.

"General Intangibles" means any "general intangibles," as such term is defined in Article or Chapter 9 of the UCC, now owned or hereafter acquired by the Debtor and, in any event, shall include, without limitation, each of the following, whether now owned or hereafter acquired by the Debtor: (a) all of the Debtor's service marks, trade names, trade secrets, registrations, goodwill, franchises, licenses, permits, proprietary information, customer lists, designs and inventions; (b) all of the Debtor's books, records, data, plans, manuals, computer software, computer tapes, computer disks, computer programs, source codes, object codes and all rights of the Debtor to retrieve data and other information from third parties; (c) all of the Debtor's contract rights, partnership interests, membership interests, joint venture interests, securities, deposit accounts, investment accounts and certificates of deposit; (d) all rights of the Debtor to payment under letters of credit and similar agreements; (e) all tax refunds and tax refund claims of the Debtor; (f) all CHOSES in action and causes of action of the Debtor (whether arising in contract, tort or otherwise and whether or not currently in litigation) and all judgments in favor of the Debtor; (g) all rights and claims of the Debtor under warranties and indemnities; and (h) all rights of the Debtor under any insurance, surety or similar contract or arrangement.

"Installment Contract(s)" shall mean retail installment contracts for the sale of used motor vehicles assigned by Dealers to Debtor, as nominee for the Dealer, for administration, servicing, and collection pursuant to an applicable Dealer Agreement; provided, however, that to the extent the Debtor transfers or encumbers its interest in any Installment Contracts (or any

Advances to Dealers related thereto) pursuant to a Permitted Securitization, such Installment Contracts shall, from and after the date of such transfer or encumbrance, cease to be considered Installment Contracts under this Agreement unless and until such installment contracts are reassigned to the Debtor or such encumbrances are discharged.

"Instrument" means any "instrument," as such term is defined in Article or Chapter 9 of the UCC, now owned or hereafter acquired by the Debtor, and, in any event, shall include all promissory notes, drafts, bills of exchange and trade acceptances of the Debtor, whether now owned or hereafter acquired.

"Inventory" means any "inventory," as such term is defined in Article or Chapter 9 of the UCC, now owned or hereafter acquired by the Debtor, and, in any event, shall include, without limitation, each of the following, whether now owned or hereafter acquired by the Debtor: (a) all goods and other personal property of the Debtor that are held for sale or lease or to be furnished under any contract of service; (b) all raw materials, work-in-process, finished goods, supplies and materials of the Debtor; (c) all wrapping, packaging, advertising and shipping materials of the Debtor; (d) all goods that have been returned to, repossessed by or stopped in transit by the Debtor; and (e) all Documents evidencing any of the foregoing.

"Lenders" has the meaning specified in the Intercreditor Agreement.

"Noteholders" has the meaning specified in the Intercreditor Agreement.

"Permitted Liens" has the meaning specified in Section 3.1 of this Agreement.

"Permitted Securitization" shall mean a "Permitted Securitization" under each of the applicable Financing Agreements.

"Pledged Shares" means the shares of capital stock or other equity, partnership or membership interests described on Schedule D attached hereto and incorporated herein by reference.

"Proceeds" means any "proceeds," as such term is defined in Article or Chapter 9 of the UCC and, in any event, shall include, but not be limited to, (a) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to the Debtor from time to time with respect to any of the Collateral, (b) any and all payments (in any form whatsoever) made or due and payable to the Debtor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental authority (or any Person acting, or purporting to act, for or on behalf of any governmental authority), and (c) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Records" is defined in Section 4.9 of this Agreement.

"Security Documents" has the meaning specified in the Intercreditor Agreement.

"Software" has the meaning specified in Section 2.1(g) of this Agreement.

"UCC" means the Uniform Commercial Code as in effect in the State of Michigan; provided, that if, by applicable law, the perfection or effect of perfection or non-perfection of the security interest created hereunder in any Collateral is governed by the Uniform Commercial Code as in effect on or after the date hereof in any other jurisdiction, "UCC" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or the effect of perfection or non-perfection.

ARTICLE II
SECURITY INTEREST

SECTION 2.1. SECURITY INTEREST. As collateral security for the prompt payment and performance in full when due of the Benefited Obligations (whether at stated maturity, by acceleration or otherwise), the Debtor hereby pledges and assigns (as collateral) to the Collateral Agent, and grants the Collateral Agent a continuing lien on and security interest in, all of the Debtor's right, title and interest in and to the following, whether now owned or hereafter arising or acquired and wherever located (collectively, the "Collateral"):

(a) all Accounts;

(b) all Chattel Paper;

(c) all General Intangibles;

(d) all Equipment;

(e) all Inventory;

(f) all Advances to Dealers, Dealer Agreements (and any amounts advanced to or liens granted by Dealers thereunder), and the Installment Contracts securing the repayment of such Advances to Dealers (and other indebtedness of Dealers to Debtor) and related financial property (the security interest granted hereby in such Dealer Agreements, Advances to Dealers and Installment Contracts, and the Accounts, Chattel Paper, General Intangibles and proceeds therefrom relating to such Dealer Agreements, Advances to Dealers and Installment Contracts being subject to the rights of Dealers under Dealer Agreements);

(g) all computer records ("Computer Records") and software ("Software"), whether relating to the foregoing Collateral or otherwise, but in the case of such Software, subject to the rights of any non-affiliated licensee of software;

(h) all shares of stock, and other equity, partnership or membership interests constituting securities, of the Significant Domestic Subsidiaries of Debtor from time to time owned or acquired by the Debtor in any manner (including, without

limitation, the Pledged Shares), and the certificates and all dividends, cash, instruments, rights and other property from time to time received, receivable or otherwise distributed or distributable in respect of or in exchange for any or all of such shares; and

(i) the Proceeds, in cash or otherwise, of any of the property described in the foregoing clauses (a) through (h) and all liens, security, rights. remedies and claims of the Debtor with respect thereto;

provided, however, that "Collateral" shall not include rights under or with respect to any General Intangible, license, permit or authorization to the extent any such General Intangible, license, permit or authorization, by its terms or by law, prohibits the assignment of, or the granting of a security interest in, the rights of a Grantor thereunder or which would be invalid or enforceable upon any such assignment or grant; and provided further that "Collateral" shall not include any Advances to Dealers, Installment Contracts, rights or interests under Dealer Agreements and related financial property transferred by the Debtor prior to the date hereof pursuant to a Permitted Securitization, except to the extent any such property is re-transferred to the Debtor according to the terms of such Permitted Securitization.

SECTION 2.2. DEBTOR REMAINS LIABLE. Notwithstanding anything to the contrary contained herein, (a) the Debtor shall remain liable under the contracts, agreements, documents and instruments included in the Collateral (including without limitation Dealer Agreements, Advances to Dealers and Installment Contracts) to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed and pay when due any taxes, including without limitation, any sales taxes payable in connection with the Dealer Agreements, Advances to Dealers or Installment Contracts and their creation and satisfaction, (b) the exercise by the Collateral Agent or any of the Benefited Parties of any of their respective rights or remedies hereunder shall not release the Debtor from any of its duties or obligations under the contracts, agreements, documents and instruments included in the Collateral, and (c) subject to the rights of Dealers under Dealer Agreements to the extent of collections on Installment Contracts for the account of such Dealers received by the Collateral Agent or any Benefited Party, neither the Collateral Agent nor any of the Benefited Parties shall have any indebtedness, liability or obligation (by assumption or otherwise) under any of the contracts, agreements, documents and instruments included in the Collateral (including without limitation any Dealer Agreement or Installment Contract) by reason of this Agreement, and none of such parties shall be obligated to perform any of the obligations or duties of the Debtor thereunder (including without limitation any obligation to make future advances to or on behalf of any Dealer or other obligor) or to take any action to collect or enforce any claim for payment assigned hereunder.

SECTION 2.3. DELIVERY OF COLLATERAL. All certificates or instruments representing or evidencing the Pledged Shares, promptly upon the Debtor gaining any rights therein, shall be delivered to and held by or on behalf of the Collateral Agent pursuant hereto in suitable form for transfer by delivery, or accompanied by duly executed stock powers or instruments of transfer or assignments in blank, all in form and substance reasonably satisfactory to the Collateral Agent.

SECTION 2.4. MARKING COMPUTER FILES. In connection with the security interest and lien established hereby, the Debtor hereby agrees, at its sole expense, to indicate clearly and unambiguously in its computer files with respect to the Dealer Agreements, Advances to Dealers and Installment Contracts encumbered hereby, that Debtor's rights to payment under such Dealer Agreements, Advances to Dealers and Installment Contracts have been pledged to the Collateral Agent pursuant to this Agreement for the benefit of the Benefited Parties.

SECTION 2.5. AFFIXING LEGENDS. The Debtor shall, within thirty (30) days from the date hereof with respect to each Dealer Agreement which constitutes Collateral on the date hereof and, with respect to each Dealer Agreement which subsequently becomes Collateral hereunder, within five (5) days of the Debtor's entering into any such agreement, clearly mark each such Dealer Agreement encumbered hereby with the following legend: "THIS AGREEMENT HAS BEEN PLEDGED TO COMERICA BANK, AS COLLATERAL AGENT FOR THE BENEFIT OF CERTAIN BENEFITED PARTIES". Such legend shall be in bold, in type face at least as large as 12 point and shall be entirely in capital letters.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

To induce the Collateral Agent to enter into this Agreement and the Intercreditor Agreement, and to induce the Lenders and the Noteholders to enter into the Financing Agreements, the Debtor represents and warrants to the Collateral Agent and to each Lender and each Noteholder that as of the date hereof:

SECTION 3.1. TITLE. The Debtor is, and with respect to Collateral acquired after the date hereof the Debtor will be, the legal and beneficial owner of the Collateral free and clear of any Lien or other encumbrance, except for (a) Liens which constitute both (x) Liens which are permitted under Section 8.6 of the Credit Agreement and (y) Liens described in any of clauses (i) through (vii) of Section 6.6(a) of the Note Agreements (hereinafter, "Permitted Liens"), provided that, other than the Lien established hereby, no Lien on the Collateral described in clause (h) of Section 2.1 shall constitute a Permitted Lien, (b) with respect to Dealer Agreements and Advances to Dealers, and the Installment Contracts, Accounts, Chattel Paper and General Intangibles (and proceeds therefrom) relating to such Dealer Agreements and Advances to Dealers, the rights of Dealers under such Dealer Agreements and (c) with respect to Installment Contracts, Dealers' interests in financed vehicles and the proceeds of such Installment Contracts and interests, the security interest and lien granted by Dealers to Debtor to secure repayment of Advances to Dealers (and all other indebtedness of Dealers to Debtor) pursuant to the applicable Dealer Agreement.

SECTION 3.2. FINANCING STATEMENTS. No financing statement, security agreement or other Lien instrument covering all or any part of the Collateral is on file in any public office with respect to any outstanding obligation of Debtor except (i) as may have been filed in favor of the Collateral Agent pursuant to this Agreement, (ii) financing statements filed to perfect Permitted Liens, and (iii) Liens described in Section 3.1(c) hereof. As of the date hereof, and to the best of

Debtor's knowledge, except as otherwise disclosed on Schedule E hereto, the Debtor does not do business and has not done business within the past five (5) years under a trade name or any name other than its legal name set forth at the beginning of this Agreement.

SECTION 3.3. PRINCIPAL PLACE OF BUSINESS. The principal place of business and chief executive office of the Debtor, and the office where the Debtor keeps its books and records, is located at the address of the Debtor shown on the signature page hereto.

SECTION 3.4. LOCATION OF COLLATERAL. All Inventory (except Inventory in transit) and Equipment (other than vehicles) of the Debtor in the possession of the Debtor are located at the places specified on Schedule A hereto. If any such location is leased by the Debtor as of the date hereof, the name and address of the landlord leasing such location is identified on Schedule A hereto. None of the Inventory or Equipment of the Debtor (other than trailers, rolling stock, vessels, aircraft and vehicles) is evidenced by a Document (including, without limitation, a negotiable document of title). All certificates of the Debtor representing shares of stock of any Significant Domestic Subsidiary (including, without limitation, the Pledged Shares) will be delivered to the Collateral Agent, accompanied by duly executed stock powers or instruments of transfer or assignments in blank with respect thereto.

SECTION 3.5. PERFECTION. Upon the filing of Uniform Commercial Code financing statements in the jurisdictions listed on Schedule B attached hereto, and upon the Collateral Agent's obtaining possession of the certificates evidencing the Pledged Shares accompanied by duly executed stock powers or instruments of transfer or assignments in blank, the security interest in favor of the Collateral Agent created herein will constitute a valid and perfected Lien upon and security interest in the Collateral which may be created and perfected under the UCC by filing financing statements or obtaining possession thereof, subject to no equal or prior Liens except for those (if any) which constitute Permitted Liens.

SECTION 3.6. PRIMARY COMPUTER SYSTEMS AND SOFTWARE; COMPUTER RECORDS AND INTELLECTUAL PROPERTY. The only material service and computer systems and related Software utilized by Debtor to service its Dealer Agreements, Advances to Dealers and Installment Contracts (whether or not encumbered hereby) are (a) the Application and Contract System which is used from the time a dealer faxes an application to the Debtor until the relevant Installment Contract is received and funded, (b) the Loan Servicing System which contains all payment information and is the primary source for management information reporting, and (c) the Collection System which is used by the Debtor's collections personnel to track and service all active customer accounts. Such computer systems and software are defined (and described in greater detail) on Schedule C, attached hereto.

SECTION 3.7. PLEDGED SHARES.

(a) The Pledged Shares that are shares of a corporation have been duly authorized and validly issued and are fully paid and nonassessable, and the Pledged Shares that are membership interests or partnership units (if any) have been validly granted, under the laws of the jurisdiction of organization of the issuers thereof, and, to the extent applicable, are fully paid and nonassessable.

(b) The Debtor is the legal and beneficial owner of the Pledged Shares, free and clear of any Lien (other than the Liens created by this Agreement and the Permitted Liens), and the Debtor has not sold, granted any option with respect to, assigned, transferred or otherwise disposed of any of its rights or interest in or to the Pledged Shares. None of the Pledged Shares are subject to any contractual or other restrictions upon the pledge or other transfer of such Pledged Shares, other than those imposed by securities laws generally.

(c) On the date hereof, the Pledged Shares constitute the percentage of the issued and outstanding shares of stock, partnership units or membership interests of the Issuers thereof indicated on Schedule D and such schedule contains a description of all shares of capital stock, membership interests and other equity interests of or in its Significant Domestic Subsidiaries owned by the Debtor (as such Schedule D may from time to time be supplemented, amended or modified in accordance with the terms of this Agreement).

ARTICLE IV
COVENANTS

The Debtor covenants and agrees with the Collateral Agent that until the Benefited Obligations are paid and performed in full and all commitments to lend or provide other credit accommodations under the Credit Agreement have been terminated:

SECTION 4.1. ENCUMBRANCES. The Debtor shall not create, permit or suffer to exist, and shall defend the Collateral against, any Lien or other encumbrance (other than the Liens created by this Agreement and the Permitted Liens) or any restriction upon the pledge or other transfer thereof (other than as provided in the Financing Agreements), and shall, subject to the Permitted Liens, defend the Debtor's title to and other rights in the Collateral and the Collateral Agent's pledge and collateral assignment of and security interest in the Collateral against the claims and demands of all Persons. Except to the extent permitted by the Financing Agreements or in connection with any release of Collateral under Section 7.13 hereof (but only to the extent of any Collateral so released), the Debtor shall do nothing to impair the rights of the Collateral Agent in the Collateral.

SECTION 4.2. COLLECTION OF ACCOUNTS AND CONTRACTS; NO COMMINGLING. The Debtor shall, in accordance with its usual business practices, endeavor to collect or cause to be collected from each account debtor under its Accounts, as and when due, any and all amounts owing under such Accounts and from any Dealer or from any obligor under an Installment Contract, as

the case may be, any amounts owing under a Dealer Agreement or Installment Contract, as applicable. Debtor shall take the steps required under the documents relating to Permitted Securitizations to segregate any Collateral transferred, encumbered or otherwise affected by a Permitted Securitization from the Collateral encumbered under this Agreement and all proceeds or other sums received in respect thereof (provided that Dealer Agreements which cover Advances to Dealers which have been transferred pursuant to a Permitted Securitization, but which also cover Advances to Dealers encumbered hereby, may contain the legend affixed in connection with the applicable Permitted Securitization, so long as such Dealer Agreements also contain the legend required under Section 2.5 hereof).

SECTION 4.3. DISPOSITION OF COLLATERAL. To the extent prohibited by the terms of the Financing Agreements, the Debtor shall not enter into or consummate any transfer or other disposition of assets without the prior written consent of the applicable Benefited Parties, according to the terms of the applicable Financing Agreements.

SECTION 4.4. FURTHER ASSURANCES. At any time and from time to time, upon the request of the Collateral Agent, and at the sole expense of the Debtor, the Debtor shall promptly execute and deliver all such further agreements, documents and instruments and take such further action as the Collateral Agent may reasonably deem necessary or appropriate to preserve and perfect its security interest in and pledge and collateral assignment of the Collateral and carry out the provisions and purposes of this Agreement or to enable the Collateral Agent to exercise and enforce its rights and remedies hereunder with respect to any of the Collateral; provided, however, that nothing contained in this Section 4.4 shall require Debtor to affix legends to the Dealer Agreements or Installment Contracts (or folders containing the same) prior to the times set forth in Sections 2.5 and 6.4, respectively. Except as otherwise expressly permitted by the terms of the Financing Agreements relating to disposition of assets, including without limitation any Permitted Securitization and except for Permitted Liens, the Debtor agrees to maintain and preserve the Collateral Agent's security interest in and pledge and collateral assignment of the Collateral hereunder. Without limiting the generality of the foregoing, the Debtor shall (a) execute and deliver to the Collateral Agent such financing statements as the Collateral Agent may from time to time require; and (b) execute and deliver to the Collateral Agent such other agreements, documents and instruments, including without limitation stock powers, as the Collateral Agent may require to perfect and maintain the validity, effectiveness and priority of the Liens intended to be created by the Security Documents. The Debtor authorizes the Collateral Agent to file one or more financing or continuation statements, and amendments thereto, relating to all or any part of the Collateral without the signature of the Debtor unless otherwise prohibited by law.

SECTION 4.5. INSURANCE. The Debtor shall maintain insurance of the types and in amounts, and under the terms and conditions, specified in the Financing Agreements. Recoveries under any such policy of insurance shall be paid as provided in the Financing Agreements and Intercreditor Agreement.

SECTION 4.6. BAILEES. If any of the Collateral is at any time in the possession or control of any warehouseman, bailee or any of the Debtor's agents or processors, the Debtor shall, at the request of the Collateral Agent, notify such warehouseman, bailee, agent or processor of the

security interest created hereunder and shall instruct such Person to hold such Collateral for the Collateral Agent's account subject to the Collateral Agent's instructions.

SECTION 4.7. FURNISHING OF INFORMATION AND INSPECTION RIGHTS. (a) Within 30 days following the execution and delivery of this Agreement, the Debtor agrees to deliver to the Collateral Agent one or more computer files or microfiche lists containing true and complete (and updated to the most recent month end) lists of all Dealer Agreements and Advances to Dealers, and all Installment Contracts securing all such Advances to Dealers, identified by account number, dealer number, and pool number and outstanding balance as of the date of such file or list. Such file or list shall be delivered to the Collateral Agent as confidential and proprietary.

(b) Thereafter:

(i) so long as no Event of Default has occurred and is continuing, upon the written request of the Collateral Agent (as directed by the Majority Benefited Parties), the Debtor shall be obligated, but not more frequently than monthly; and

(ii) upon the occurrence and during the continuance of an Event of Default, the Debtor shall be obligated, on a monthly basis whether or not Collateral Agent shall so request, and more frequently upon the written request of the Collateral Agent (as directed by the Majority Benefited Parties);

to furnish to the Collateral Agent, a computer file, microfiche list or other list identifying each of the Dealer Agreements, Advances to Dealers and Installment Contracts encumbered hereby by pool number, account number and dealer number and by the outstanding balance thereof and identifying the obligor on the relevant Installment Contract, and the Debtor shall also furnish to the Collateral Agent from time to time such other information with respect to Dealer Agreements, the Advances to Dealers and Installment Contracts encumbered hereby as the Collateral Agent may reasonably request. Without impairing the rights of any Benefited Party to obtain information from the Debtor under any of the other Financing Agreements, as applicable, the Collateral Agent shall furnish copies of the foregoing to any Lender, Noteholder or Future Debt Holder upon its request following the occurrence and during the continuance of any Default or Event of Default, and Debtor hereby authorizes and approves such release. The Debtor will, at any time and from time to time during regular business hours, upon 5 days prior notice (except if any Event of Default has occurred and is continuing, when no prior notice shall be required), permit the Collateral Agent, or its agents or representatives, to examine and make copies of and abstracts from all Records, to visit the offices and properties of the Debtor for the purpose of examining such Records, and to discuss matters relating to the Advances to Dealers or Installment Contracts or the Debtor's performance hereunder and under the other Financing Documents with any of the officers, directors, employees or independent public accountants of the Debtor having knowledge of such matters; provided, however, that the Collateral Agent acknowledges that, in exercising the rights and privileges conferred in this Section 4.7, it or its agents and representatives may, from time to time, obtain knowledge of information, practices,

books, correspondence and records of a confidential nature and in which the Debtor has a proprietary interest. The Collateral Agent agrees that all such information, practices, books, correspondence and records are to be regarded as confidential information and agrees that it shall retain in strict confidence and shall use its reasonable efforts to ensure that its agents and representatives retain in strict confidence, and will not disclose without the prior written consent of the Debtor, any such information, practices, books, correspondence and records furnished to them except that the Collateral Agent may disclose such information (i) to its officers, directors, employees, agents, counsel, accountants, auditors, affiliates, advisors or representatives (provided that such Persons are informed of the confidential nature of such information), (ii) to the extent such information has become available to the public other than as a result of a disclosure by or through the Collateral Agent or its officers, directors, employees, agents, counsel, accountants, auditors, affiliates, advisors or representatives, (iii) to the extent such information was available to the Collateral Agent on a nonconfidential basis prior to its disclosure to the Collateral Agent hereunder, (iv) to the extent the Collateral Agent is (A) required in connection with any legal or regulatory proceeding or (B) requested by any bank or other regulatory authority to disclose such information, (v) to any prospective assignee of any note or other instrument evidencing a Benefited Obligation; provided, that the Collateral Agent shall notify such assignee of the confidentiality provisions of this Section 4.7 and such assignee shall agree to be bound thereby, or (vi) to any Benefited Party, subject to the confidentiality provisions contained in this Agreement and any other Financing Agreement to which it is a party, upon the request of such party following the occurrence and during the continuance of such Default or Event of Default (but with no obligation on the part of any such Benefited Party hereunder to return such information to Collateral Agent or the Company if any such Default or Event of Default is subsequently cured or waived). Notwithstanding anything to the contrary in this Agreement, the Collateral Agent may reply to a request from any Person for a list of Advances to Dealers, Dealer Agreements, Installment Contracts or other information related to any Collateral referred to in any financing statement filed to perfect the security interest and liens established hereby, to the extent necessary to maintain the perfection or priority of such security interests or liens, or otherwise required under applicable law. The Collateral Agent agrees (at Debtor's sole cost and expense) to take such measures as shall be reasonably requested by the Debtor to protect and maintain the security and confidentiality of such information. The Collateral Agent shall exercise good faith and make diligent efforts to provide the Debtor with written notice at least five (5) Business Days prior to any disclosure pursuant to this subsection 4.7(b).

(c) Furthermore, the Debtor shall permit the Collateral Agent and its representatives to examine, inspect and audit the Collateral and to examine, inspect and audit the Debtor's books and Records as otherwise provided under the Financing Agreements.

SECTION 4.8. CORPORATE CHANGES. The Debtor shall not change its name, identity or corporate structure in any manner that might make any financing statement filed in connection with this Agreement seriously misleading within the meaning of Section 9-402(8) of the UCC unless the Debtor shall have given the Collateral Agent thirty (30) days prior written notice thereof and shall have taken all action deemed necessary or desirable by the Collateral Agent to protect its Liens and the perfection and priority thereof. The Debtor shall not change its

principal place of business, chief executive office or the place where it keeps its books and records unless it shall have given the Collateral Agent thirty (30) days prior written notice thereof and shall have taken all action deemed necessary or desirable by the Collateral Agent to cause its security interest in the Collateral to be perfected with the priority required by this Agreement.

SECTION 4.9. BOOKS AND RECORDS; INFORMATION. The Debtor shall keep accurate and complete books and records (the "Records") of the Collateral and the Debtor's business and financial condition in accordance with the Financing Agreements. Subject to Section 4.7, the Debtor shall from time to time at the request of the Collateral Agent deliver to the Collateral Agent such information regarding the Collateral and the Debtor as the Collateral Agent may reasonably request, including, without limitation, lists and descriptions of the Collateral and evidence of the identity and existence of the Collateral. Debtor shall mark its books and records to reflect the security interest of the Collateral Agent under this Agreement; provided, however, that with respect to its computer files, Debtor's compliance with Section 2.4 hereof shall be deemed to satisfy its obligations under this sentence.

SECTION 4.10. ADMINISTRATIVE AND OPERATING PROCEDURES. The Debtor will maintain and implement administrative and operating procedures (including without limitation an ability to recreate records relating to the Dealer Agreements, Advances to Dealers and Installment Contracts encumbered hereby in the event of the destruction of the originals thereof), and keep and maintain, or obtain, as and when required, all documents, books, records and other information reasonably necessary or advisable for the collection of all amounts due under the Dealer Agreements, Advances to Dealers and Installment Contracts encumbered hereby (including without limitation records adequate to permit adjustments to amounts due under each of such Dealer Agreements, Advances to Dealers and Installment Contracts). The Debtor will give the Collateral Agent notice of any material change in the administrative and operating procedures of the Debtor referred to in the previous sentence. Notwithstanding the foregoing, Debtor shall not be required to make or retain duplicate copies of Installment Contracts.

SECTION 4.11. EQUIPMENT AND INVENTORY.

(a) The Debtor shall keep the Equipment (other than vehicles) and Inventory (other than Inventory in transit) which is in Debtor's possession at any of the locations specified on Schedule A hereto or, upon thirty (30) days prior written notice to the Collateral Agent, at such other places within the United States of America or Canada where all action required to perfect the Collateral Agent's security interest in the Equipment and Inventory with the priority required by this Agreement shall have been taken.

(b) The Debtor shall maintain the Equipment and Inventory in accordance with the terms of the Financing Agreements.

SECTION 4.12. NOTIFICATION. The Debtor shall promptly notify the Collateral Agent in writing of any Lien, encumbrance or claim (other than a Permitted Lien) that has attached to or been made or asserted against any of the Collateral upon becoming aware of the existence of such Lien, encumbrance or claim.

SECTION 4.13. COLLECTION OF ACCOUNTS. So long as no Event of Default has occurred and is continuing and except as otherwise provided in this Section 4.13 and in Section 5.1, the Debtor shall have the right to collect and receive payments on the Accounts, Dealer Agreements, Advances to Dealers and Installment Contracts, and to use and expend the same in its operations, in each case in compliance with the terms of each of the Financing Agreements. In connection with such collections, the Debtor may take (and, at the Collateral Agent's direction following the occurrence and during the continuance of an Event of Default, shall take) such actions as the Debtor or the Collateral Agent may deem necessary or advisable to enforce collection of the Accounts.

SECTION 4.14. VOTING RIGHTS; DISTRIBUTIONS, ETC.

(a) So long as no Event of Default shall have occurred and be continuing (both before and after giving effect to any of the actions or other matters described in clauses (i) or (ii) of this subparagraph):

(i) The Debtor shall be entitled to exercise any and all voting and other consensual rights (including, without limitation, the right to give consents, waivers and ratifications) pertaining to any of the Pledged Shares or any part thereof; provided, however, that no vote shall be cast or consent, waiver or ratification given or action taken without the prior written consent of the Collateral Agent which would violate any provision of this Agreement or any other Financing Agreement; and

(ii) Except as otherwise provided by any of the other Financing Agreements, the Debtor shall be entitled to receive and retain any and all dividends, distributions and interest paid in respect to any of the Pledged Shares.

(b) Upon the occurrence and during the continuance of an Event of Default:

(i) The Collateral Agent may, without notice to the Debtor, transfer or register in the name of the Collateral Agent or any of its nominees, for the equal and ratable benefit of the Lenders, the Noteholders and the Future Debt Holders, any or all of the Pledged Shares and the Proceeds thereof (in cash or otherwise) held by the Collateral Agent hereunder, and the Collateral Agent or its nominee may thereafter, after delivery of notice to the Debtor, exercise all voting and corporate rights at any meeting of any corporation issuing any of the Pledged Shares and any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any of the Pledged Shares as if the Collateral Agent were the absolute owner thereof, including, without limitation, the right to exchange, at its discretion, any and all of the Pledged Shares upon the merger, consolidation, reorganization, recapitalization or other readjustment of any corporation issuing any of such Pledged Shares or upon the exercise by any such issuer or the Collateral Agent of any right, privilege or option pertaining to any of the Pledged Shares, and in connection therewith, to deposit and deliver any and all of the Pledged Shares with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as the Collateral Agent may determine, all without liability except to account for property actually received by it, but the Collateral Agent shall have no duty to exercise any of the aforesaid rights, privileges or options, and the Collateral Agent shall not be responsible for any failure to do so or delay in so doing.

(ii) All rights of the Debtor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Subsection 4.14(a)(i) and to receive the dividends, interest and other distributions which it would otherwise be authorized to receive and retain pursuant to Subsection 4.14(a)(ii) shall be suspended until such Event of Default shall no longer exist, and all such rights shall, until such Event of Default shall no longer exist, thereupon become vested in the Collateral Agent which shall thereupon have the sole right to exercise such voting and other consensual rights and to receive, hold and dispose of as Pledged Shares such dividends, interest and other distributions.

(iii) All dividends, interest and other distributions which are received by the Debtor contrary to the provisions of this Subsection 4.14(b) shall be received in trust for the benefit of the Collateral Agent, shall be segregated from other funds of the Debtor and shall be forthwith paid over to the Collateral Agent as Collateral in the same form as so received (with any necessary endorsement).

(iv) The Debtor shall execute and deliver (or cause to be executed and delivered) to the Collateral Agent all such proxies and other instruments as the Collateral Agent may reasonably request for the purpose of enabling the Collateral Agent to exercise the voting and other rights which it is entitled to exercise pursuant to this Subsection 4.14(b) and to receive the dividends, interest and other distributions which it is entitled to receive and retain pursuant to this Subsection 4.14(b). The foregoing shall

not in any way limit the Collateral Agent's power and authority granted pursuant to Section 5.1.

SECTION 4.15. TRANSFERS AND OTHER LIENS; ADDITIONAL INVESTMENTS. The Debtor agrees that, (a) except with the written consent of the Collateral Agent, it will not permit any Significant Domestic Subsidiary to issue to Debtor or any of Debtor's other Subsidiaries any shares of stock, membership interests, partnership units, notes or other securities or instruments (including without limitation the Pledged Shares) in addition to or in substitution for any of the Collateral, unless, concurrently with each issuance thereof, any and all such shares of stock, membership interests, partnership units, notes or instruments are encumbered in favor of the Collateral Agent under this Agreement or otherwise (it being understood and agreed that all such shares of stock, membership interests, partnership units, notes or instruments issued to Debtor shall, without further action by Debtor or Collateral Agent, be automatically encumbered by this Agreement as Pledged Shares) and (b) it will promptly upon the written request of Collateral Agent following the issuance thereof (and in any event within three Business Days following such request) deliver to the Collateral Agent (i) an amendment, duly executed by the Debtor, in substantially the form of Exhibit A hereto (an "Amendment"), in respect of such shares of stock, membership interests, partnership units, notes or instruments issued to Debtor or (ii) a new stock pledge, duly executed by the applicable Subsidiary, in substantially the form of this Agreement (a "New Pledge"), in respect of such shares of stock, membership interests, partnership units, notes or instruments issued to any Subsidiary granting to Collateral Agent, for the benefit of the Benefited Parties, a first priority security interest, pledge and lien thereon, together in each case with all certificates, notes or other instruments representing or evidencing the same. The Debtor hereby (x) authorizes the Collateral Agent to attach each Amendment to this Agreement, (y) agrees that all such shares of stock, membership interests, partnership units, notes or instruments listed in any Amendment delivered to the Collateral Agent shall for all purposes hereunder constitute Pledged Shares, and (z) is deemed to have made, upon the delivery of each such Amendment, the representations and warranties contained in Sections 3.1, 3.2, 3.4, 3.5 and 3.7 of this Agreement with respect to the Collateral covered thereby.

SECTION 4.16. POSSESSION; REASONABLE CARE. Regardless of whether an Event of Default has occurred or is continuing, the Collateral Agent shall have the right to hold in its possession all Pledged Shares pledged, assigned or transferred hereunder and from time to time constituting a portion of the Collateral. The Collateral Agent may appoint one or more agents (which in no case shall be the Debtor or an affiliate of the Debtor) to hold physical custody, for the account of the Collateral Agent, of any or all of the Collateral. The Collateral Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Collateral Agent accords its own property, it being understood that the Collateral Agent shall not have any responsibility for (a) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral, whether or not the Collateral Agent has or is deemed to have knowledge of such matters, or (b) taking any necessary steps to preserve rights against any parties with respect to any Collateral, except, subject to the terms hereof, upon the written instructions of the Majority Benefited Parties. Following the occurrence and continuance (beyond any applicable grace or cure period) of an Event of Default, the

Collateral Agent shall be entitled to take possession of the Collateral in accordance with the UCC.

SECTION 4.17. FUTURE SIGNIFICANT DOMESTIC SUBSIDIARIES. With respect to each Person which becomes a Significant Domestic Subsidiary subsequent to the date hereof, on the date such Person is created, acquired or otherwise becomes a Significant Domestic Subsidiary (whichever first occurs), Debtor will cause such Subsidiary to execute and deliver to the Collateral Agent a security agreement, substantially in the form of this Agreement, granting to the Collateral Agent, for the benefit of the Benefited Parties, a first priority security interest, mortgage and lien encumbering all right, title and interest of such Person in property, rights and interests of the type included in the definition of the Collateral.

ARTICLE V
RIGHTS OF THE COLLATERAL AGENT

SECTION 5.1. POWER OF ATTORNEY. The Debtor hereby irrevocably constitutes and appoints the Collateral Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the name of the Debtor or in its own name, to take, after the occurrence and during the continuance of an Event of Default, any and all actions, and to execute any and all documents and instruments which the Collateral Agent at any time and from time to time deems necessary or desirable, to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, the Debtor hereby gives the Collateral Agent the power and right on behalf of the Debtor and in its own name to do any of the following after the occurrence and during the continuance of an Event of Default, without notice to or the consent of the Debtor:

(i) to demand, sue for, collect or receive, in the name of the Debtor or in its own name, any money or property at any time payable or receivable on account of or in exchange for any of the Collateral and, in connection therewith, endorse checks, notes, drafts, acceptances, money orders, documents of title or any other instruments for the payment of money under the Collateral or any policy of insurance;

(ii) to pay or discharge taxes, Liens or other encumbrances levied or placed on or threatened against the Collateral;

(iii) (A) to direct account debtors, Dealers, any obligors under Installment Contracts, as applicable, and any other parties liable for any payment under any of the Collateral to make payment of any and all monies due and to become due thereunder directly to the Collateral Agent or as the Collateral Agent shall direct; (B) to receive payment of and receipt for any and all monies, claims and other amounts due and to become due at any time in respect of or arising out of any Collateral; (C) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, proxies, stock powers, verifications and notices in connection with accounts and other documents relating to the Collateral; (D) to

commence and prosecute any suit, action or proceeding at law or in equity in any court of competent jurisdiction to collect the Collateral or any part thereof and to enforce any other right in respect of any Collateral; (E) to defend any suit, action or proceeding brought against the Debtor with respect to any Collateral; (F) to settle, compromise or adjust any suit, action or proceeding described above and, in connection therewith, to give such discharges or releases as the Collateral Agent may deem appropriate; (G) to exchange any of the Collateral for other property upon any merger, consolidation, reorganization, recapitalization or other readjustment of the issuer thereof and, in connection therewith, deposit any of the Collateral with any committee, depositary, transfer agent, registrar or other designated agency upon such terms as the Collateral Agent may determine; (H) to add or release any guarantor, indorser, surety or other party to any of the Collateral; (I) to renew, extend or otherwise change the terms and conditions of any of the Collateral; (J) to make, settle, compromise or adjust any claim under or pertaining to any of the Collateral (including claims under any policy of insurance); and (K) to sell, transfer, pledge, convey, make any agreement with respect to, or otherwise deal with, any of the Collateral as fully and completely as though the Collateral Agent were the absolute owner thereof for all purposes, and to do, at the Collateral Agent's option and the Debtor's expense, at any time, or from time to time, all acts and things which the Collateral Agent deems necessary to protect, preserve, maintain, or realize upon the Collateral and the Collateral Agent's security interest therein.

This power of attorney is a power coupled with an interest and shall be irrevocable. The Collateral Agent shall be under no duty to exercise or withhold the exercise of any of the rights, powers, privileges and options expressly or implicitly granted to the Collateral Agent in this Agreement, and shall not be liable for any failure to do so or any delay in doing so. This power of attorney is conferred on the Collateral Agent solely to protect, preserve, maintain and realize upon its security interest in the Collateral. The Collateral Agent shall not be responsible for any decline in the value of the Collateral and shall not be required to take any steps to preserve rights against prior parties or to protect, preserve or maintain any Lien given to secure the Collateral.

SECTION 5.2. SETOFF. In addition to and not in limitation of any rights of any Benefited Party under applicable law, the Collateral Agent and each Benefited Party shall, upon acceleration of any Benefited Obligation owing to such party under the Credit Agreement, the Note Agreements or the Future Debt Documents, as the case may be, or when and to the extent any such Benefited Obligation shall otherwise be due and payable, and without notice or demand of any kind, have the right to appropriate and apply to the payment of the Benefited Obligations owing to it (whether or not then due) any and all balances, credits, deposits, accounts or moneys of Debtor then or thereafter on deposit with such Benefited Party; provided, however, that any such amount so applied by any Benefited Party on any of the Benefited Obligations owing to it shall be subject to the provisions of Sections 5 and 10 of the Intercreditor Agreement.

SECTION 5.3. ASSIGNMENT BY THE COLLATERAL AGENT. The Collateral Agent may at any time assign or otherwise transfer all or any portion of its rights and obligations as Collateral Agent under this Agreement and the other Security Documents (including, without limitation, the Benefited Obligations) to any other Person, to the extent permitted by, and upon the conditions

contained in, the Intercreditor Agreement and the other Financing Agreements, as applicable, and such Person shall thereupon become vested with all the benefits and obligations thereof granted to the Collateral Agent herein or otherwise.

SECTION 5.4. PERFORMANCE BY THE COLLATERAL AGENT. If the Debtor shall fail to perform any covenant or agreement contained in this Agreement, the Collateral Agent may perform or attempt to perform such covenant or agreement on behalf of the Debtor, in which case Collateral Agent shall exercise good faith and make diligent efforts to give Debtor prompt prior written notice of such performance or attempted performance. In such event, the Debtor shall, at the request of the Collateral Agent, promptly pay any reasonable amount expended by the Collateral Agent in connection with such performance or attempted performance to the Collateral Agent, together with interest thereon at the interest rate set forth in the Credit Agreement, from and including the date of such expenditure to but excluding the date such expenditure is paid in full. Notwithstanding the foregoing, it is expressly agreed that the Collateral Agent shall not have any liability or responsibility for the performance of any obligation of the Debtor under this Agreement.

SECTION 5.5. RESTRICTIONS UNDER DEALER AGREEMENTS. In exercising the rights and remedies set forth in this Agreement, the Collateral Agent shall take no action with regard to any Dealer which is expressly prohibited by the related Dealer Agreement.

SECTION 5.6. CERTAIN COSTS AND EXPENSES. The Debtor shall pay or reimburse the Collateral Agent within five (5) Business Days after demand for all reasonable costs and expenses (including reasonable attorney's and paralegal fees and expenses supported by an itemized billing) incurred by it in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or any other Security Document during the existence of an Event of Default or after acceleration of any of the Benefited Obligations (including in connection with any "workout" or restructuring regarding the Benefited Obligations, and including in any insolvency proceeding or appellate proceeding); provided, however, that the Debtor shall only be required to pay or reimburse the Collateral Agent in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or any other Security Document for the fees and expenses of one law firm in each jurisdiction governing the establishment, perfection or priority of any security interest or lien established hereby, or governing any dispute, claim or other matter arising hereunder, at any given time, engaged on behalf of the Collateral Agent. The agreements in this Section 5.6 shall survive the payment in full of the Benefited Obligations. Notwithstanding the foregoing, the reimbursement of any fees and expenses incurred by the Benefited Parties shall be governed by the terms and conditions of the applicable Financing Agreements.

SECTION 5.7. INDEMNIFICATION. The Debtor shall indemnify, defend and hold the Collateral Agent and each Benefited Party and each of their respective officers, directors, employees, counsel, agents and attorneys-in-fact (each, an "Indemnified Person") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses and disbursements (including reasonable attorneys' and

paralegals' fees and expenses supported by an itemized billing) of any kind or nature whatsoever which may at any time (including at any time following repayment of the Benefited Obligations and the termination, resignation or replacement of the Collateral Agent or replacement of any Benefited Party) be imposed on, incurred by or asserted against any such Indemnified Person in any way relating to or arising out of this Agreement or any other Security Document or any document contemplated by or referred to herein or therein, or the transactions contemplated hereby, or any action taken or omitted by any such Indemnified Person under or in connection with any of the foregoing, including with respect to any investigation, litigation or proceeding (including any "Bankruptcy Proceeding" (as defined in the Intercreditor Agreement) or appellate proceeding) related to or arising out of this Agreement or the Benefited Obligations or the use of the proceeds thereof, whether or not any Indemnified Person is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities); provided, that the Debtor shall have no obligation under this Section 5.7 to any Indemnified Person (a) with respect to Indemnified Liabilities to the extent resulting from the gross negligence or willful misconduct of such Indemnified Person or (b) if, in the case of an action solely among the Collateral Agent and/or the Benefited Parties (or any of them), neither the Debtor nor any of its Affiliates or employees or agents is (or has been) finally determined, in a court of competent jurisdiction, to have engaged in any wrongful conduct or in any breach of this Agreement or any of the Financing Agreements or (c) if, in the case of an action solely as between or among the Collateral Agent and/or the Benefited Parties (or any of them) on the one hand and the Debtor on the other hand, (i) Debtor has obtained a final, non-appealable judgment from a court of competent jurisdiction that neither it nor any of its Affiliates, employees or agents has engaged in any wrongful conduct or in any breach of this Agreement or any of the other Financing Agreements or (ii) the Debtor by non-appealable judgment is the prevailing party. The agreements in this Section 5.7 shall survive payment of all other Benefited Obligations.

ARTICLE VI
DEFAULT

SECTION 6.1. RIGHTS AND REMEDIES. If an Event of Default shall have occurred and be continuing, the Collateral Agent shall have the following rights and remedies subject to the direction and/or consent of the Majority Benefited Parties as required under the Intercreditor Agreement:

(i) In addition to all other rights and remedies granted to the Collateral Agent in this Agreement, the Intercreditor Agreement or in any other Financing Agreement or by applicable law, the Collateral Agent shall have all of the rights and remedies of a secured party under the UCC (whether or not the UCC applies to the affected Collateral) and the Collateral Agent may also, without notice except as specified below or in the Intercreditor Agreement, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Collateral Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Collateral Agent may, in its reasonable discretion, deem commercially reasonable or otherwise as may be permitted by law. Without limiting the generality of the foregoing, the Collateral Agent may (A) without demand or notice to the Debtor (except

as required under the Financing Agreements or applicable law), collect, receive or take possession of the Collateral or any part thereof, and for that purpose the Collateral Agent (and/or its agents, servicers or other independent contractors) may enter upon any premises on which the Collateral is located and remove the Collateral therefrom or render it inoperable, and/or (B) sell, lease or otherwise dispose of the Collateral, or any part thereof, in one or more parcels at public or private sale or sales, at the Collateral Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Collateral Agent may, in its reasonable discretion, deem commercially reasonable or otherwise as may be permitted by law. The Collateral Agent and, subject to the terms of the Intercreditor Agreement, each of the Benefited Parties shall have the right at any public sale or sales, and, to the extent permitted by applicable law, at any private sale or sales, to bid (which bid may be, in whole or in part, in the form of cancellation of indebtedness) and become a purchaser of the Collateral or any part thereof free of any right of redemption on the part of the Debtor, which right of redemption is hereby expressly waived and released by the Debtor to the extent permitted by applicable law. Upon the request of the Collateral Agent, the Debtor shall assemble the Collateral and make it available to the Collateral Agent at any place designated by the Collateral Agent that is reasonably convenient to the Debtor and the Collateral Agent. The Debtor agrees that the Collateral Agent shall not be obligated to give more than ten (10) days prior written notice of the time and place of any public sale or of the time after which any private sale may take place and that such notice shall constitute reasonable notice of such matters. The Collateral Agent shall not be obligated to make any sale of Collateral if, in the exercise of its reasonable discretion, it shall determine not to do so, regardless of the fact that notice of sale of Collateral may have been given. The Collateral Agent may, without notice or publication (except as required by applicable law), adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. The Debtor shall be liable for all reasonable expenses of retaking, holding, preparing for sale or the like, and all reasonable attorneys' fees, legal expenses and other costs and expenses incurred by the Collateral Agent in connection with the collection of the Benefited Obligations and the enforcement of the Collateral Agent's rights under this Agreement and the Intercreditor Agreement. The Debtor shall, to the extent permitted by applicable law, remain liable for any deficiency if the Proceeds of any such sale or other disposition of the Collateral (conducted in conformity with this clause (i) and applicable law) applied to the Benefited Obligations are insufficient to pay the Benefited obligations in full. The Collateral Agent shall apply the proceeds from the sale of the Collateral hereunder against the Benefited Obligations in such order and manner as is provided in the Intercreditor Agreement.

(ii) The Collateral Agent may cause any or all of the Collateral held by it to be transferred into the name of the Collateral Agent or the name or names of the Collateral Agent's nominee or nominees.

(iii) The Collateral Agent may exercise any and all rights and remedies of the Debtor under or in respect of the Collateral, including, without limitation, any and all

rights of the Debtor to demand or otherwise require payment of any amount under, or performance of any provision of any of the Collateral and any and all voting rights and corporate powers in respect of the Collateral.

(iv) On any sale of the Collateral, the Collateral Agent is hereby authorized to comply with any limitation or restriction with which compliance is necessary (based on a reasoned opinion of the Collateral Agent's counsel) in order to avoid any violation of applicable law or in order to obtain any required approval of the purchaser or purchasers by any applicable Governmental Authority.

(v) For purposes of enabling the Collateral Agent to exercise its rights and remedies under this Section 6.1 and enabling the Collateral Agent and its successors and assigns to enjoy the full benefits of the Collateral, the Debtor hereby grants to the Collateral Agent an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to the Debtor) to use, assign, license or sublicense any of the Computer Records or Software (including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and all computer programs used for the completion or printout thereof), exercisable upon the occurrence and during the continuance of an Event of Default (and thereafter if Collateral Agent succeeds to any of the Collateral pursuant to an enforcement proceeding or voluntary arrangement with Debtor), except as may be prohibited by any licensing agreement relating to such Computer Records or Software. This license shall also inure to the benefit of all successors, assigns, transferees of and purchasers from the Collateral Agent.

SECTION 6.2. PRIVATE SALES.

(a) In view of the fact that applicable securities laws may impose certain restrictions on the method by which a sale of the Pledged Shares may be effected after an Event of Default, Debtor agrees that upon the occurrence and during the continuance of an Event of Default, Collateral Agent may from time to time attempt to sell all or any part of the Pledged Shares by a private sale in the nature of a private placement, restricting the bidders and prospective purchasers to those who will represent and agree that they are "accredited investors" within the meaning of Regulation D promulgated pursuant to the Securities Act of 1933, as amended (the "Securities Act"), and are purchasing for investment only and not for distribution. In so doing, Collateral Agent may solicit offers for the Pledged Shares, or any part thereof, from a limited number of investors who might be interested in purchasing the Pledged Shares. Without limiting the methods or manner of disposition which could be determined to be commercially reasonable, if Collateral Agent hires a firm of regional or national reputation that is engaged in the business of rendering investment banking and brokerage services to solicit such offers and facilitate the sale of the Pledged Shares, then Collateral Agent's acceptance of the highest offer (including its own offer, or the offer of any of the Benefited Parties at any such sale) obtained through such efforts of such firm shall be deemed to be a commercially reasonable method of disposition of such Pledged Shares. The Collateral Agent shall not be under any obligation to delay a sale of any of the Pledged Shares for the period of time necessary to permit the issuer of such securities to register such securities under the laws of any jurisdiction outside the United States, under the

Securities Act or under any applicable state securities laws, even if such issuer would agree to do so.

(b) The Debtor further agrees to do or cause to be done, to the extent that the Debtor may do so under applicable law, all such other reasonable acts and things as may be necessary to make such sales or resales of any portion or all of the Collateral valid and binding and in compliance with any and all applicable laws, regulations, orders, writs, injunctions, decrees or awards of any and all courts, arbitrators or governmental instrumentalities, domestic or foreign, having jurisdiction over any such sale or sales, all at the Debtor's expense.

6.3 ESTABLISHMENT OF SPECIAL ACCOUNT; AND LOCK BOX. Upon the occurrence and during the continuance of any Event of Default, there shall be established by the Debtor with Collateral Agent, for the benefit of the Benefited Parties in the name of the Collateral Agent, a segregated non-interest bearing cash collateral account ("Special Account") bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Collateral Agent and the Benefited Parties; provided, however, that the Special Account may be an interest-bearing account with a commercial bank (including Comerica or any other Benefited Party which is a commercial bank) if determined by the Collateral Agent, in its reasonable discretion, to be practicable, invested by Collateral Agent in its sole discretion, but without any liability for losses or the failure to achieve any particular rate of return. Subject to the terms hereof and to the rights of Dealers under applicable Dealer Agreement and to the rights of the applicable creditor in respect of Permitted Securitizations, the Collateral Agent shall possess all right, title and interest in and to all funds deposited from time to time in such account. Furthermore, upon the occurrence and during the continuance of any Event of Default, the Debtor agrees, upon the written election of Collateral Agent, to establish and maintain at Debtor's sole expense a United States Post Office lock box (the "Lock Box"), to which Collateral Agent shall have exclusive access and control. Debtor expressly authorizes Collateral Agent, from time to time, to remove the contents from the Lock Box, for disposition in accordance with this Agreement. Upon the occurrence and during the continuance of an Event of Default, Debtor shall, upon Collateral Agent's request, notify all account debtors, all Dealers under Dealer Agreements encumbered hereby, and all obligors under Installment Contracts encumbered hereby that all payments made to Debtor (a) other than by electronic funds transfer, shall be remitted, for the credit of Debtor, to the Lock Box, and Debtor shall include a like statement on all invoices, and (b) by electronic funds transfer, shall be remitted to the Special Account, and Debtor shall include a like statement on all invoices. Debtor shall execute all documents and authorizations as reasonably required by the Collateral Agent to establish and maintain the Lock Box and the Special Account. It is acknowledged by the parties hereto that any lockbox presently maintained or subsequently established by Debtor with Collateral Agent may be used, subject to the terms hereof, to satisfy the requirements set forth in the first sentence of this Section 6.3.

6.4 LEGENDING INSTALLMENT CONTRACTS ON DEFAULT. Upon the occurrence and during the continuance of any Event of Default, the Majority Benefited Parties may elect (the "Election"), by directing the Collateral Agent to notify the Debtor of such election, to affix to each Installment Contract securing or otherwise related to a Dealer Agreement encumbered

hereby (or, at Debtor's option, to the file folders containing such Installment Contracts) the following legend: "THIS AGREEMENT HAS BEEN PLEDGED TO COMERICA BANK, AS COLLATERAL AGENT FOR THE BENEFIT OF CERTAIN BENEFITED PARTIES". The Election, once made by the Majority Benefited Parties, as aforesaid, shall remain in effect, and Debtor shall remain obligated to comply with such Election, notwithstanding any subsequent waiver or cure of the applicable Event of Default giving rise to such election, unless the Election is withdrawn by the Majority Benefited Parties.

6.5. DEFAULT UNDER FINANCING AGREEMENTS. It shall constitute an Event of Default under each of the Financing Agreements if (a) any representation or warranty made or deemed made by the Debtor herein or in any instrument submitted pursuant hereto proves untrue in any material adverse respect when made or deemed made, or (b) the Debtor shall breach any covenant or other provision hereof, and such breach shall continue for a period of three (3) consecutive days, in the case of any failure to pay any money due hereunder, and thirty (30) consecutive days, in the case of any other breach hereunder or (c) this Agreement shall at any time for any reason (other than in accordance with its terms or the terms of each of the Financing Agreements or with the consent of the requisite Benefited Parties) cease to be valid and binding and enforceable against the Debtor, or (d) the validity, binding effect or enforceability hereof shall be contested by any Person, or (e) the Debtor shall deny, prior to payment of the Benefited Obligations in full or the termination of this Agreement according to its terms, that it has any further liability hereunder, or (f) this Agreement (other than in accordance with its terms or the terms of each of the Financing Agreements) shall be terminated, invalidated, revoked or set aside or in any way cease to give or provide to the Collateral Agent and the Benefited Parties the benefits purported to be created hereby.

ARTICLE VII
MISCELLANEOUS

SECTION 7.1. NO WAIVER; CUMULATIVE REMEDIES. No failure on the part of the Collateral Agent to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The rights and remedies provided for in this Agreement are cumulative and not exclusive of any rights and remedies provided by law.

SECTION 7.2. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the Debtor and the Collateral Agent and their respective heirs, successors and assigns, except that the Debtor may not assign any of its rights or obligations under this Agreement without the prior written consent of the Collateral Agent.

SECTION 7.3. AMENDMENT; ENTIRE AGREEMENT. THIS AGREEMENT (AND THE FINANCING AGREEMENTS REFERRED TO HEREIN) EMBODIES THE FINAL, ENTIRE AGREEMENT AMONG THE PARTIES HERETO AND SUPERSEDES ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS AND

UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES HERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES HERETO. The provisions of this Agreement may be amended or waived only by an instrument in writing signed by the parties hereto.

SECTION 7.4. NOTICES. All notices, requests, consents, approvals, waivers and other communications hereunder shall be in writing (including, by facsimile transmission) and mailed, faxed or delivered to the address or facsimile number specified for notices on signature pages hereto; or, as directed to the Debtor or the Collateral Agent, to such other address or number as shall be designated by such party in a written notice to the other. All such notices, requests and communications shall, when sent by overnight delivery, or faxed, be effective when delivered for overnight (next business day) delivery, or transmitted in legible form by facsimile machine, respectively, or if mailed, upon the third "Business Day" (as defined in the Credit Agreement) after the date deposited into the U.S. mail, or if otherwise delivered, upon delivery; except that notices to the Collateral Agent shall not be effective until actually received by the Collateral Agent.

SECTION 7.5. GOVERNING LAW; SUBMISSION TO JURISDICTION; SERVICE OF PROCESS. (a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF MICHIGAN.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER SECURITY DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF MICHIGAN OR OF THE UNITED STATES FOR THE EASTERN DISTRICT OF MICHIGAN, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE DEBTOR AND THE COLLATERAL AGENT CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH OF THE DEBTOR AND THE COLLATERAL AGENT IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY SECURITY DOCUMENT.

SECTION 7.6. HEADINGS. The headings, captions, and arrangements used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

SECTION 7.7. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties made in this Agreement or in any certificate delivered pursuant hereto shall survive the execution and delivery of this Agreement, and no investigation by the Collateral Agent shall affect the representations and warranties or the right of the Collateral Agent, the Lenders, the Noteholders or the Future Debt Holders to rely upon them.

SECTION 7.8. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SECTION 7.9. WAIVER OF BOND. In the event the Collateral Agent seeks to take possession of any or all of the Collateral by judicial process, the Debtor hereby irrevocably waives any bonds and any surety or security relating thereto that may be required by applicable law as an incident to such possession, and waives any demand for possession prior to the commencement of any such suit or action.

SECTION 7.10. SEVERABILITY. Any provision of this Agreement which is determined by a court of competent jurisdiction to be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 7.11. CONSTRUCTION. The Debtor and the Collateral Agent acknowledge that each of them has had the benefit of legal counsel of its own choice and has been afforded an opportunity to review this Agreement with its legal counsel and that this Agreement shall be construed as if jointly drafted by the Debtor and the Collateral Agent.

SECTION 7.12. TERMINATION. If all of the Benefited Obligations (other than contingent liabilities pursuant to any indemnity, including without limitation Sections 5.6 and 5.7 hereof, for claims which have not been asserted, or which have not yet accrued) shall have been paid and performed in full and all commitments to extend credit or other credit accommodations under the Credit Agreement have been terminated, the Collateral Agent shall, upon the written request of the Debtor, execute and deliver to the Debtor a proper instrument or instruments acknowledging the release and termination of the security interests created by this Agreement, and shall duly assign and deliver to the Debtor (without recourse and without any representation or warranty) such of the Collateral as may be in the possession of the Collateral Agent and has not previously been sold or otherwise applied pursuant to this Agreement.

SECTION 7.13 RELEASE OF COLLATERAL. The Collateral Agent shall, upon the written request of Debtor, execute and deliver to the Debtor a proper instrument or instruments acknowledging the release of the security interest and liens established hereby (a) on any Collateral (other than the Pledged Shares) (i) which is permitted to be sold or disposed of by Debtor or any other grantor in connection with a Permitted Securitization, or (ii) the sale or other disposition of which is not otherwise prohibited under the terms of any of the other Financing Agreements (or in the event any Financing Agreement prohibits such sale or disposition, the applicable Benefited Parties under such Financing Agreement shall have consented to such sale or disposition in accordance with the terms thereof) and, at the time of such proposed release, both before and after giving effect thereto, no Default or Event of Default has occurred and is continuing, or (b) if such release has been approved by the requisite Benefited Parties in

accordance with Section 3(g) of the Intercreditor Agreement.

SECTION 7.14. WAIVER OF JURY TRIAL. THE DEBTOR AND THE COLLATERAL AGENT EACH WAIVES ITS RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER SECURITY DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY EITHER SUCH PARTY AGAINST THE OTHER, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. THE DEBTOR AND THE COLLATERAL AGENT EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, EACH SUCH PARTY FURTHER AGREES THAT ITS RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR THE OTHER SECURITY DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT.

SECTION 7.15. CONSISTENT APPLICATION. The rights and duties created by this Agreement shall, in all cases, be interpreted consistently with, and shall be in addition to (and not in lieu of), the rights and duties created by the Financing Agreements. In the event that any provision of this Agreement shall be inconsistent with any provision of any other Financing Agreements, such provision of this Agreement shall govern.

* * * *

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first written above.

DEBTOR:

CREDIT ACCEPTANCE CORPORATION

By: /s/ Brett A. Roberts

Name: Brett A. Roberts

Title: Executive Vice President and CFO

Address for Notices:
Credit Acceptance Corporation
25505 W. 12 Mile Road, Suite 3000
Southfield, Michigan 48034

Fax No.: 248-827-8542
Telephone No.: 248-353-2700
Attention: Doug Busk

COLLATERAL AGENT:

COMERICA BANK as Collateral Agent

By: /s/ Michael P. Stapleton

Name: Michael P. Stapleton

Title: Vice President

Address for Notices:
Metropolitan Loans B
One Detroit Center, 6th Floor
500 Woodward Avenue
Detroit, Michigan 48226
Fax No.: 313/222-3503
Telephone No.:313/222-2863
Attention: Michael P. Stapleton

EXHIBIT 4(g)(2)

REVISED EXECUTION COPY
12/15/98

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INTERCREDITOR AGREEMENT

Dated as of December 15, 1998

AMONG

COMERICA BANK,
as Collateral Agent,

THE LENDERS,

AND

THE NOTEHOLDERS,

Re: 9.12% Senior Notes due November 1, 2001 of Credit Acceptance Corporation

8.24% Senior Notes due July 1, 2001 of Credit Acceptance Corporation,

8.02% Senior Notes due October 1, 2001 of Credit Acceptance Corporation,

Second Amended and Restated Credit Acceptance Corporation Credit Agreement, and

Future Debt of Credit Acceptance Corporation

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INTERCREDITOR AGREEMENT

This INTERCREDITOR AGREEMENT (as amended, restated or otherwise modified from time to time in accordance with the terms hereof, this "Agreement") is dated as of December 15, 1998 and entered into among COMERICA BANK ("Comerica"), as the Collateral Agent (as hereinafter defined) and as a Lender (as hereinafter defined), the NOTEHOLDERS (as hereinafter defined) and the other LENDERS from time to time signatory to this Agreement. This Agreement is acknowledged and consented to by Credit Acceptance Corporation, a Michigan corporation (the "Company"), as the issuer of the Senior Notes (as hereinafter defined) and the Credit Notes (as hereinafter defined) and as the grantor of collateral pursuant to the Security Documents (as hereinafter defined), by its execution of the acknowledgment hereto. Other Persons may become parties hereto by executing an acknowledgment hereto in accordance with Section 7 hereof.

RECITALS

A. The Company, Comerica and the other financial institutions signatory thereto, each as "Banks" thereunder (and, in the case of Comerica, in its separate additional capacity as "Issuing Bank" thereunder) (together with any Successor Lenders (as hereinafter defined) party thereto from time to time, collectively the "Lenders"), entered into that certain Second Amended and Restated Credit Agreement dated as of December 4, 1996, as amended by First Amendment and Consent dated as of June 4, 1997, Second Amendment dated as of December 12, 1997, Third Amendment dated as of May 11, 1998 and Fourth Amendment dated as of July 30, 1998 by and among the Company, the financial institutions from time to time parties thereto and Comerica, as Agent (said credit agreement, as further amended, restated or otherwise modified from time to time, the "Credit Agreement").

B. The Company entered into the separate note purchase agreements with the 1994 Noteholders (as hereinafter defined) dated as of October 1, 1994 (collectively, as amended by First Amendment to Note Purchase Agreement dated as of November 15, 1995, Second Amendment to Note Purchase Agreement dated as of August 29, 1996, Third Amendment to Note Purchase Agreement dated as of December 12, 1997 and Fourth Amendment to Note Purchase Agreement dated as of July 1, 1998, and as further amended, restated or otherwise modified from time to time, the "1994 Note Agreements"), pursuant to which the First Amended and Restated 9.12% Senior Notes due November 1, 2001 (collectively, as amended, restated or otherwise modified from time to time, the "1994 Senior Notes") are outstanding.

C. The Company entered into the separate note purchase agreements with the 1996 Noteholders (as hereinafter defined) dated as of August 1, 1996 (collectively, as amended by First Amendment to Note Purchase Agreement dated as of December 12, 1997 and Second Amendment to Note Purchase Agreement dated as of July 1, 1998 and as further amended, restated or otherwise modified from time to time, the "1996 Note Agreements"), pursuant to which the First Amended and

Restated 8.24% Senior Notes due July 1, 2001 (collectively, as amended, restated or otherwise modified from time to time, the "1996 Senior Notes") are outstanding.

D. The Company entered into the separate note purchase agreements with the 1997 Noteholders (as hereinafter defined) dated as of March 25, 1997 (collectively, as amended by the First Amendment to Note Purchase Agreement dated as of December 12, 1997 and the Second Amendment to Note Purchase Agreement dated as of July 1, 1998, as further amended, restated or otherwise modified from time to time, the "1997 Note Agreements") pursuant to which the First Amended and Restated 8.02% Senior Notes due October 1, 2001 (collectively, as amended, restated or otherwise modified from time to time, the "1997 Senior Notes") are outstanding.

E. The Lenders and the Noteholders (as hereinafter defined) have consented to the transactions contemplated hereby and by the Security Documents (as hereinafter defined);

F. Pursuant to Section 7.23 of the Credit Agreement, the Lenders have required that (i) the Company execute and deliver that certain Security Agreement dated as of December 15, 1998, in the form attached hereto as Exhibit A-1, in favor of the Collateral Agent (as hereinafter defined) for the benefit of the Noteholders, the Lenders and the Future Debt Holders (as hereinafter defined) (such agreement, as it may be amended, restated or otherwise modified from time to time, the "Security Agreement") and that certain Share Charge dated December 17, 1998, in the form attached hereto as Exhibit A-2, in favor of the Collateral Agent (as hereinafter defined) for the benefit of the Noteholders, the Lenders and the Future Debt Holders and encumbering sixty-five percent (65%) of the share capital of Credit Acceptance Corporation UK Limited, a corporation organized under the laws of England ("CAC UK") (such agreement as amended, restated or otherwise modified from time to time, herein the "Share Charge") and such other security agreements, stock pledges, collateral assignments, hypothecations and other documents and instruments which are required to encumber the Collateral (as hereinafter defined) or to protect or perfect the security interests, liens or other encumbrances established thereby (including, without limitation, financing statements, stock powers, acknowledgments, registrations and the like) and (ii) upon the Company's acquisition or creation thereof, each Significant Domestic Subsidiary (as defined in the Credit Agreement) will grant a security interest and lien to the Collateral Agent (as hereinafter defined) for the benefit of the Noteholders, the Lenders and the Future Debt Holders in the Collateral owned by such Significant Domestic Subsidiary substantially on the terms set forth in the Security Agreement and the Company will pledge, or cause to be pledged, to the Collateral Agent (as hereinafter defined) for the benefit of the Noteholders, the Lenders and the Future Debt Holders, all of the outstanding capital stock of such Significant Domestic Subsidiary which is owned by the Company or its Subsidiaries, all to secure the obligations of the Company under the Credit Documents, the obligations of the Company under the Noteholder Documents and the obligations of the Company under the Future Debt Documents.

G. The Lenders and the Noteholders (individually a "Party" and collectively the "Parties") have agreed that the Credit Obligations (as hereinafter defined), the Senior Note Obligations (as hereinafter defined) and the Future Debt Obligations shall be secured equally and ratably pursuant to the Security Agreement and the other Security Documents; the Parties desire that

Comerica Bank shall be the agent (the "Collateral Agent") to act on behalf of all Parties regarding the Collateral, all as more fully provided herein; and the Parties have entered into this Agreement to, among other things, further define the rights, duties, authority and responsibilities of the Collateral Agent and the relationship between the Parties regarding their equal and ratable interests in the Collateral.

H. It is contemplated that financial institutions other than any Affiliate of the Company (the "Future Debt Holders") may enter into or become parties (by assignment or otherwise) to one or more agreements with the Company making extensions of credit to the Company, other than under the terms of the Credit Agreement or the Note Agreements.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the Parties hereto hereby agree as follows:

SECTION 1. DEFINED TERMS.

As used in this Agreement, and unless the context requires a different meaning, capitalized terms not otherwise defined herein have the respective meanings provided for such terms in the Credit Agreement, and the following terms have the meanings indicated below, all such definitions to be equally applicable to the singular and plural forms of the terms defined:

"Affiliate" means, at any time, and with respect to any Person, (a) any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, (b) any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Person or any corporation of which the Person beneficially owns or holds, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests and (c) any officer or director of such first Person or any Person fulfilling an equivalent function of an officer or director. As used in this definition, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

"Agent-Related Persons" means the directors, officers, employees and agents of the Collateral Agent.

"Agreement" has the meaning ascribed to that term in the introductory paragraph hereto.

"Bankruptcy Proceeding" means, with respect to any Person, a general assignment by such Person for the benefit of its creditors, or the institution by or against such Person of any proceeding seeking relief as debtor, or seeking, to adjudicate such Person as bankrupt or insolvent, or seeking reorganization, dissolution, liquidation, administration, arrangement, adjustment or composition of such Person or its debts, under any law relating to bankruptcy, insolvency, reorganization or relief

of debtors, or seeking, appointment of a receiver, administrative receiver, administrator, supervisor, liquidator, trustee, custodian or other similar official for such Person or for any substantial part of its property.

"Benefited Obligations" means (a) all Credit Obligations, (b) all Senior Note Obligations, (c) the Letter of Credit Usage, (d) all Hedging Exposure and other obligations of the Company under or arising in connection with any Hedging Agreement, (e) and all Future Debt Obligations and (f) all other amounts payable by the Company or any other Obligor under this Agreement and the Security Documents (including, without limitation, the reasonable fees and expenses of the Collateral Agent); provided, however, that the term "Benefited Obligations" shall exclude any obligation (i) of the Company or any other Obligor to any Benefited Party to the extent such obligation is secured by property of the Company or any other Obligor other than the Collateral or (ii) pursuant to any document or instrument which is not a Credit Document, a Noteholder Document or a Future Debt Document.

"Benefited Parties" means the Lenders, the Noteholders and the Future Debt Holders, and shall not include, under any circumstances, the Company or any of its Affiliates.

"Code" means the Uniform Commercial Code as the same may from time to time be in effect in the State of Michigan.

"Collateral" means all property and interests in property of the Company or any other Grantor in which a Lien has been, or will at any time hereafter be, created under the Security Agreement or any other Security Document.

"Collateral Agent" means Comerica in its separate capacity as agent for the Benefited Parties hereunder and any successor agent appointed pursuant to Section 8 hereof.

"Comerica" means Comerica Bank, a Michigan banking corporation.

"Company" has the meaning ascribed to that term in the introductory paragraph hereto.

"Credit Agreement" has the meaning ascribed to that term in the recitals hereto.

"Credit Documents" means the Credit Agreement, the Credit Notes, the Security Documents, the Letters of Credit and any Hedging Agreement.

"Credit Notes" means the promissory notes, if any, issued by the Company under the Credit Agreement.

"Credit Obligations" means all outstanding and unpaid obligations of every nature of the Company or any other Obligor from time to time to the Lenders or any of them under or in connection with the Credit Agreement, the Credit Notes and any other Credit Documents, including, without limitation, any breakage charges or prepayment premium and all fees, collection costs and

other expenses accruing thereunder (but excluding Letter of Credit Usage and all Hedging Exposure and other obligations of the Company under or arising in connection with any Hedging Agreement).

"Default" means a "Default" as defined in any Financing Agreement.

"Directing Party" means, with respect to any particular instruction given to the Collateral Agent, each Benefited Party that has given such instruction to the Collateral Agent.

"Enforcement" means the commencement of enforcement, collection (including judicial or non-judicial foreclosure) or similar proceedings with respect to the Collateral (it being understood that the term "Enforcement" shall not include (i) an acceleration or other enforcement of any of the Benefited Obligations independent of the Collateral, (ii) the suspension or termination of any commitment to extend credit or other credit accommodations, (iii) subject to Section 5, the exercise of any set-off right or (iv) filing a proof of claim with respect to the Benefited Obligations or casting a vote, or abstaining from voting, for or against confirmation of a plan of reorganization in a case of bankruptcy, insolvency or similar law, filing a petition to initiate a bankruptcy proceeding against the Company or any other Obligor or providing financing to a trustee of, or a debtor-in-possession with respect to, the Company or any Subsidiary under 11 U.S.C. ss.364).

"Event of Default" means an "Event of Default" as defined in any Financing Agreement.

"Financing Agreements" means the Credit Documents, the Noteholder Documents, any Hedging Agreement, the Future Debt Documents, this Agreement, the Security Documents, each other security document securing the Benefited Obligations, and any other instruments, documents or agreements entered into in connection with any Benefited Obligation or Financing Agreement.

"Future Debt" means Debt, if any, incurred by the Company pursuant to clause (ii) of the definition of "Future Debt" under the Credit Agreement without giving effect to any amendments thereto after the date hereof (and in compliance therewith) and in compliance with the terms and conditions of the Note Agreements.

"Future Debt Documents" means the promissory note(s), agreement(s) and other documents, instruments and certificates, if any, executed and delivered, subject to the terms of this Agreement, to evidence or secure or otherwise relating to Future Debt, as amended, restated or otherwise modified from time to time, and the Security Documents, and any replacement, refinancing or restructuring of any such promissory note, agreement or other document, instrument or certificate, provided that any successor Future Debt Holder, or any agent acting on behalf of all such successor Future Debt Holders, has executed an acknowledgement to this Agreement substantially in the form of Exhibit B-1.

"Future Debt Holders" means each Person which is, at the date of determination, the holder of Future Debt, if any.

"Future Debt Obligations" means all outstanding and unpaid obligations of every nature of the Company from time to time to the Future Debt Holders or any of them under or in connection with the Future Debt Documents, including, without limitation, any prepayment premium, make-whole amount, yield maintenance payment and all fees, collection costs and other expenses accruing thereunder.

"Grantors" means the Company, each Subsidiary and any other Person which grants any Collateral to the Collateral Agent under the Security Documents or under any other security document securing the Benefited Obligations or any part thereof.

"Hedging Agreement" means any interest rate swap, cap, floor, collar, forward rate agreement, or other rate protection transaction, any foreign exchange transaction or commodity swap arrangement or any combination of such transactions or agreements or any option with respect to any such transactions or agreements now existing or hereafter entered into between the Company and any Lender or any Affiliate of any Lender which is a party hereto.

"Hedging Exposure" means, on any date of determination for any Hedging Transaction, the amount, as calculated in good faith and in a commercially reasonable manner by the Lender that is the Company's counterparty for such Hedging Transaction, which such Lender would pay to a third party (such amount being expressed as a positive amount) or receive from a third party (such amount being expressed as a negative amount) in an arm's-length transaction as consideration for the third party's entering into a new transaction with such Lender in which: (a) such Lender holds the same position in the Hedging Transaction as it currently holds; (b) the third party holds the same position as the Company currently holds; and (c) the new transaction has economic and other terms and conditions identical in all respects to such Hedging Transaction except that (i) the date of calculation shall be deemed to be the date of commencement of the new transaction and (ii) all period end dates shall correspond to all period end dates, if any, for such Hedging Transaction; provided, however, that if the Majority Benefited Parties shall direct the Collateral Agent to commence Enforcement, each Hedging Transaction will be terminated within ten days of the date such direction is given to the Collateral Agent and the Hedging Exposure for each Hedging Transaction shall be (i) if a net amount is paid out by such Lender in connection with the termination of such Hedging Transaction, a positive amount equal to such net amount or (ii) if a net amount is received by such Lender in connection with the termination of such Hedging Transaction, a negative amount equal to such net amount.

"Hedging Transaction" means each interest rate swap transaction, basis swap transaction, forward rate transaction, commodity swap transaction, equity transaction, equity index transaction, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction or any other similar transaction (including any option with respect to any of these transactions and any combination of any of the foregoing) entered into by the Company from time to time pursuant to a Hedging Agreement; provided that such transaction is entered into for purposes of protection from price, interest rate, currency or commodity price fluctuations posed by debt, contract or purchase order obligations and not for speculative purposes.

"Lenders" has the meaning ascribed to that term in the recitals hereto.

"Letters of Credit" shall mean outstanding standby letters of credit and documentary letters of credit issued pursuant to the Credit Agreement, and any related letter of credit or reimbursement agreement; provided, that the term "Letters Of Credit" shall exclude any Letter of Credit issued to secure obligations which are secured by property of the Company other than the Collateral.

"Letter of Credit Usage" shall mean, as at any date of determination, the sum of (i) the Maximum Available Amount plus (ii) the aggregate amount of all drawings under the Letters of Credit honored by the Lenders and not theretofore reimbursed by the Company through advances under the Credit Agreement or otherwise.

"Lien" shall mean any pledge, assignment, hypothecation, mortgage, security interest, deposit arrangement, option, trust receipt, conditional sale or title retaining contract, sale and leaseback transaction, or any other type of lien, charge or encumbrance, whether based on common law, statute or contract; provided that the term "Lien" shall not include any negative pledge clauses in agreements relating to the borrowing of money or the obligation of the Company or any of its Subsidiaries (a) to remit monies held by it in connection with dealer holdbacks, claims or refunds under insurance policies or claims or refunds under service contracts or (b) to make deposits in trust or otherwise as required under re-insurance agreements and pursuant to state regulatory requirements, unless the Company or any of its Subsidiaries, as the case may be, has encumbered its interest in such monies or deposits or in other property of the Company or any such Subsidiary to secure such obligations.

"Majority Benefited Parties" means (a) the Required Lenders, (b) the Required Noteholders and (c) the Required Future Debt Holders (if any), in each case voting as a separate class, provided that if at any time (I) the aggregate principal amount of all outstanding indebtedness under the Credit Agreement (including in the determination thereof all Hedging Exposure and Letter of Credit Usage) plus, at all times when a commitment to extend financing exists under the Credit Agreement and the Lenders do not have the right at such time immediately to terminate such commitment, the amount of all unused commitments under the Credit Agreement or (II) the aggregate principal amount of all outstanding indebtedness under the Note Agreements or (III) the aggregate principal amount of all outstanding Future Debt represents, in any such case, less than 10% of the sum of the amounts referred to in clauses (I), (II), and (III) above, then any such group referred to in clause (a), (b) or (c) which represents less than 10% of the sum of such amounts shall not vote as a separate class and "Majority Benefited Parties" shall mean (A) each group referred to in clause (a), (b) or (c) above which does vote as a separate class, and (B) the Benefited Parties, considered as a single class, holding more than 50% of the sum of the amounts referred to in clauses (I), (II) and (III), above.

"Make-Whole Amount" is defined in Section 9.1 of the Note Agreements.

"Maximum Available Amount" shall mean, as of any date of determination, the amount that may be drawn under the Letters of Credit issued pursuant to the Credit Agreement (whether or not

the beneficiary thereof shall have presented, or shall be entitled at such time to present, the drafts or other documents required to draw under the Letters of Credit).

"1994 Note Agreements," "1996 Note Agreements," and "1997 Note Agreements" and 1994 Senior Notes, 1996 Senior Notes and 1997 Senior Notes have the respective meanings ascribed to such terms in the recitals hereto.

"1994 Noteholders" means the Persons named in the 1994 Note Agreements and each other Person which is, at the date of determination, a holder of a 1994 Senior Note.

"1996 Noteholders" means the Persons named in the 1996 Note Agreements and each other Person which is, at the date of determination, a holder of a 1996 Senior Note.

"1997 Noteholders" means the Persons named in the 1997 Note Agreements and each other Person which is, at the date of determination, a holder of a 1997 Senior Note.

"Non-Directing Party" means, with respect to any particular instruction given to the Collateral Agent, each Benefited Party that has not given or agreed with such instruction given to the Collateral Agent.

"Note Agreements" means the 1994 Note Agreements, the 1996 Note Agreements and the 1997 Note Agreements.

"Noteholder Documents" means (i) the Note Agreements; (ii) the Senior Notes; and (iii) the Security Documents.

"Noteholders" means the 1994 Noteholders, the 1996 Noteholders and the 1997 Noteholders.

"Notice of Special Default" has the meaning ascribed to such term in Section 10(a) hereof.

"Obligor" means each Grantor and each other Person which guarantees the payment or collection of the obligations of the Company or any of its Significant Domestic Subsidiaries under the Financing Agreements.

"Party" has the meaning ascribed to that term in the recitals hereto, and shall include any Future Debt Holder which becomes a party to this Agreement by executing an acknowledgment in the form attached hereto as Exhibit B-1.

"Permitted Borrower" has the meaning ascribed to that term in the Credit Agreement.

"Permitted Securitization" means any "Permitted Securitization" under the Credit Agreement, the Note Agreements and the Future Debt Documents.

"Person" means any individual, corporation, limited liability company, partnership, trust or other entity.

"Proceeds" has the meaning assigned to it under the Code and, in any event, includes, but is not limited to, (a) any and all proceeds of any collection, sale or other disposition of the Collateral, (b) any and all amounts from time to time paid or payable under or in connection with any of the Collateral, and (c) amounts collected by the Collateral Agent or any Benefited Party by way of set-off, deduction or counterclaim.

"Required Future Debt Holders" means at any time Future Debt Holders holding 66-2/3% of the aggregate principal amount of the indebtedness (exclusive of indebtedness held by the Company or any of its Affiliates) then outstanding under the Future Debt Documents.

"Required Lenders" means at any time Lenders holding 66-2/3% of the aggregate principal amount of the indebtedness (exclusive of indebtedness held by the Company or any of its Affiliates) then outstanding under the Credit Agreement (provided that, for purposes of determining Required Lenders, indebtedness outstanding under the Swing Line Notes (as defined in the Credit Agreement) shall be allocated among the Lenders based on their respective Percentages (as defined in the Credit Agreement) of the Revolving Credit (as defined in the Credit Agreement), or if no indebtedness is outstanding thereunder, Lenders holding 66-2/3% of the Percentages.

"Required Noteholders" means at any time Noteholders holding 66-2/3% of the aggregate principal amount of the indebtedness (exclusive of indebtedness held by the Company or any of its Affiliates) then outstanding under the Note Agreements.

"Security Agreement" has the meaning ascribed to that term in the recitals hereto, and shall include any other agreements or instruments relating to security given with respect to any Benefited Obligation which are executed and delivered after the date hereof.

"Security Documents" shall mean this Agreement, the Security Agreement, the Share Charge, each security agreement executed and delivered by the Company or any other Grantor pursuant to Section 7.23 of the Credit Agreement, and shall include any other agreements or instruments which provide security with respect to any Benefited Obligation which are executed and delivered after the date hereof.

"Senior Debt" means debt for borrowed money, other than the indebtedness outstanding under the Note Agreements, the Credit Agreement or the Future Debt Documents, which is not subordinated in right of payment to any other obligation of the Company.

"Senior Note Obligations" means all outstanding and unpaid obligations of every nature of the Company from time to time to the Noteholders under or in connection with the Noteholder Documents, including, without limitation, any Make-Whole Amount and all fees, collection costs and other expenses otherwise accruing thereunder.

"Senior Notes" means the 1994 Senior Notes, the 1996 Senior Notes and the 1997 Senior Notes.

"Share Charge" has the meaning ascribed to that term in the recitals hereto.

"Significant Domestic Subsidiary" has the meaning ascribed to that term in the Credit Agreement, without giving effect to any amendment thereto after the date hereof.

"Special Account" shall mean that certain interest bearing account maintained by or on behalf of the Collateral Agent for the purpose of receiving and holding Special Payments.

"Special Event of Default" shall mean (i) the commencement of a Bankruptcy Proceeding with respect to the Company or any other Obligor, (ii) any failure to pay, on the final maturity thereof, the entire principal indebtedness outstanding under any Financing Agreement (including without limitation any reimbursement obligation), or (iii) the acceleration of the indebtedness outstanding under any Financing Agreement.

"Special Payment" means any payments or Proceeds from the Company, any other Obligor or any other source on behalf of the Company or any other Obligor with respect to the Benefited Obligations (including from the exercise of any setoff or the purchase of indebtedness or through the collection upon any guaranty of any Benefited Obligation) which are:

(i) received by a Benefited Party within 90 days prior to (A) the commencement of a Bankruptcy Proceeding, with respect to any of the Company or any other Obligor, or (B) the acceleration of the indebtedness outstanding under any Financing Agreement, and which payment reduces the amount of the Benefited Obligations owed to such Benefited Party below the amount owed to such Benefited Party as of the 90th day prior to such occurrence, or

(ii) received by a Benefited Party after the occurrence of a Special Event of Default except as provided in Section 10(b), and which payment reduces the amount of the Benefited Obligations owed to such Benefited Party below the amount owed to such Benefited Party as of the 90th day prior to such occurrence;

provided however that to the extent any such payments or Proceeds are received by a Lender without actual knowledge that a Special Event of Default has occurred and is continuing, such payments or Proceeds shall not constitute Special Payments, but only to the extent of the amount of any advances or readvances by such Lender to the Company or a Permitted Borrower subsequent to the receipt of any such payment or Proceeds.

"Subsidiary(ies)" has the meaning ascribed to that term in the Credit Agreement.

SECTION 2. APPOINTMENT OF COLLATERAL AGENT.

Subject to removal as provided in Section 8(h) hereof, each of the Lenders and each of the Noteholders, for themselves and their respective Affiliates, hereby irrevocably and, by delivery of an acknowledgment in the form of Exhibit B-1 attached hereto, each Future Debt Holder appoints, designates and authorizes the Collateral Agent as its agent to take such action on behalf of such Persons under the provisions of this Agreement and the Security Documents and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any Security Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or any Security Document, and notwithstanding the use of the term "Collateral Agent", the Collateral Agent shall not have any duties or responsibilities except those expressly set forth herein, nor shall the Collateral Agent have or be deemed to have any fiduciary relationship with any Lender, any Noteholder or any Future Debt Holder, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any Security Document or otherwise exist against the Collateral Agent.

SECTION 3. DECISIONS RELATING TO ADMINISTRATION AND EXERCISE OF REMEDIES VESTED IN THE MAJORITY BENEFITED PARTIES.

(a) The Collateral Agent agrees that it will not commence Enforcement without the direction of the Majority Benefited Parties. The Collateral Agent agrees to administer the Security Documents and the Collateral and to make such demands and give such notices under the Security Documents as the Majority Benefited Parties may request, and to take such action to enforce the Security Documents and to realize upon, collect and dispose of the Collateral or any portion thereof as may be directed by the Majority Benefited Parties upon receipt of written notice from the Directing Party; provided that any such written notice shall identify the Majority Benefited Parties on whose behalf the request or direction is being made and shall state the action to be taken by the Collateral Agent. The Benefited Parties agree that the Collateral Agent shall not be required to take any action that is in the opinion of counsel contrary to law or to the terms of this Agreement or any Security Document, or that would in the opinion of counsel subject it or any of its officers, employees, agents or directors to liability, and the Collateral Agent shall not be required to take any action under this Agreement or any Security Document unless and until the Collateral Agent shall be indemnified to its reasonable satisfaction by one or more of the Benefited Parties against any and all loss, cost, expense or liability in connection therewith.

(b) Subject to the terms hereof, each Party agrees that the Collateral Agent shall act hereunder as the Majority Benefited Parties may request (regardless of whether any individual Party or Benefited Party agrees, disagrees or abstains with respect to such request), that the Collateral Agent shall have no liability for acting in accordance with such request and that no Directing Party or Non-Directing Party shall have any liability to any Non-Directing Party or Directing Party, respectively, for any such request. The Collateral Agent shall give prompt notice to each of the Parties of action taken pursuant to the instructions of the Majority Benefited Parties to enforce any Security Document; provided, however, that the failure to give any such notice shall not impair the right of the Collateral Agent to take any such action or the validity or enforceability under this Agreement of the action so taken.

(c) Each Party agrees that the only right of a Non-Directing Party under any Security Document is for Benefited Obligations held by such Non-Directing Party to be secured by the Collateral for the period and to the extent provided therein and in this Agreement and to receive a share of the proceeds of the Collateral, if any, to the extent and at the time provided in such Security Document and in this Agreement.

(d) The Collateral Agent may at any time request directions from the Majority Benefited Parties as to any course of action or other matter relating hereto or relating to any Security Document. Except as otherwise provided in this Agreement or the Security Documents, directions given by the Majority Benefited Parties to the Collateral Agent hereunder shall be binding on all Benefited Parties, including all Non-Directing Parties, for all purposes.

(e) Nothing contained in this Agreement shall affect the rights of any Party to give the Company or any other Grantor notice of any default, accelerate or make demand for or enforce payment of their respective Benefited Obligations under the Financing Agreements or collect payment thereof other than through a realization on or in respect of the Collateral or any part or portion thereof, nor shall anything contained in this Agreement be deemed or construed (except as expressly set forth herein) to affect the rights of any Party to administer, modify, waive or amend any term or provision of any Financing Agreement to which it and the Company or any Subsidiary are parties, other than this Agreement, the Security Documents or any other security document securing the Benefited Obligations. If a Party (upon authorization of the Majority Benefited Parties) instructs the Collateral Agent to take any action, commence any proceedings or otherwise proceed against the Collateral or enforce any Security Document, and such action or proceedings are or may be defective without the joinder of other Parties as parties, then all such other Parties shall join in such actions or proceedings.

Each Party agrees not to take any action to enforce any term or provision of any Security Document or to enforce any of its rights in respect of the Collateral except through the Collateral Agent in accordance with this Agreement. Additionally, notwithstanding anything to the contrary contained in any Security Document, each Party agrees that any action required or permitted under any Security Document with respect to (i) the exercise of any remedy thereunder, (ii) the declaration of any default thereunder, (iii) the waiver of any default thereunder and (iv) any other request for any waiver, consent, amendment or modification with respect thereto shall only be performed at the direction of the Majority Benefited Parties (regardless of whether any individual Party or Benefited Party agrees, disagrees or abstains with respect to such direction and regardless of whether any such right is expressly granted to fewer than all of the Benefited Parties). The Collateral Agent, promptly upon receipt thereof, shall provide each Party with copies of all notices and other written information received by the Collateral Agent pursuant to any Security Document.

(f) Any Benefited Party which has actual knowledge of the occurrence of an Event of Default, or facts which indicate that an Event of Default has occurred, shall (unless it reasonably believes that the Collateral Agent has already received notice of such Event of Default or such facts) deliver to the Collateral Agent a written statement describing such Event of Default or facts. Failure to do so, however, does not constitute a waiver of such Event of Default by the Benefited Parties.

The Collateral Agent, promptly upon receipt thereof, shall provide each Party with a copy of any such notice of an Event of Default.

(g) The Collateral Agent shall not release any Lien or Collateral except with the prior written approval of the Required Lenders, the Required Noteholders and the Required Future Debt Holders (or such greater percentage of any such class of creditors as is required under the applicable Financing Agreements) as the case may be; provided however that the Collateral Agent may, upon the written request of the Company and without notice to or the approval of any Lender, Noteholder or Future Debt Holder, release any Lien or Collateral under any Security Document which is permitted to be sold or disposed of by the Company or any other Grantor in connection with a Permitted Securitization pursuant to the Credit Agreement, the Note Agreements and the Future Debt Documents or otherwise in accordance with the terms of each of the Financing Agreements (or which the Security Agreement otherwise requires to be released) and execute and deliver such releases as may be necessary to terminate of record the Collateral Agent's security interest in such Collateral.

SECTION 4. APPLICATION OF PROCEEDS.

(a) Any and all Proceeds received by the Collateral Agent in connection with an Enforcement and any Special Payments required to be paid to all Benefited Parties in accordance with the provisions of Sections 5 and 10 hereof or otherwise, shall be applied promptly by the Collateral Agent, as follows:

FIRST: To the payment of the reasonable costs and expenses of such Enforcement or other realization, including, without duplication, fees and expenses of counsel to the Collateral Agent, and all reasonable expenses, liabilities and advances made or incurred by the Collateral Agent in connection therewith;

SECOND: To the ratable payment of the Benefited Obligations to Benefited Parties (including the Make-Whole Amount and Letter of Credit Usage and Hedging Exposure), calculated in accordance with the provisions of Section 4(b) hereof; provided, however, that any portion of such Proceeds allocated to any Lender with respect to obligations under an undrawn Letter of Credit shall be held in a separate account established under Section 4(c) for disposition in accordance with the provisions thereof; and

THIRD: After payment in full of all Benefited Obligations, to the payment to or upon the order of Grantors, or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct, of any surplus then remaining from such Proceeds and Special Payments.

Until such Proceeds and Special Payments are so applied, the Collateral Agent shall hold such Proceeds and Special Payments in its custody in an interest bearing account and otherwise in accordance with its regular procedures for handling deposited funds.

(b) Any and all Proceeds and Special Payments received by the Collateral Agent in connection with an Enforcement and any Special Payments (net of any amounts applied in accordance with Section 4(a) FIRST) shall be applied in accordance with the priority set forth in Section 4(a) SECOND so that each Benefited Party shall be allocated its proportionate amount of all such Proceeds and Special Payments, as the case may be. Payment shall be based upon the proportion which the amount of such Benefited Obligations of such Benefited Party bears to the total amount of all Benefited Obligations of all such Benefited Parties, including, without limitation, Hedging Exposure to any Lender. For purposes of determining the proportionate amounts of all Benefited Obligations sharing in any such distribution under Section 4(a) SECOND: (i) the amount of the outstanding Credit Obligations shall be deemed to be the sum of the principal amount of the Credit Notes plus the Hedging Exposure and subject to Section 4(c), all Letter of Credit Usage, and all accrued interest and fees (including any breakage fees or charges) with respect thereto, (ii) the amount of the outstanding Senior Note Obligations shall be deemed to be the principal amount of the Senior Notes plus all accrued interest and fees with respect thereto, including, without limitation, the Make-Whole Amount, if any, in respect thereof, (iii) the amount of the outstanding Future Debt Obligations shall be deemed to be the principal amount of the Future Debt, plus all accrued interest and fees with respect thereto, including without limitation any prepayment premium, yield maintenance payment or make whole amount with respect thereto and (iv) the amount of the Hedging Exposure shall be the amount determined in accordance with the definition of "Hedging Exposure".

(c) Notwithstanding anything herein to the contrary, any Proceeds allocated pursuant to Section 4(b) to obligations under any undrawn Letter of Credit ("Undrawn L/C Proceeds") shall be held by the Collateral Agent for the benefit of all Benefited Parties but shall be allocated to the Lender which issued such undrawn Letter of Credit and shall be allocated by the Collateral Agent to a separate interest bearing account for each such Letter of Credit. If any such Letter of Credit is thereafter drawn upon, the Collateral Agent shall pay Undrawn L/C Proceeds allocable to the amount drawn with respect to such Letter of Credit (adjusted for any investment losses or gains) to the Lender for which the related account was established. If any Letter of Credit for which Undrawn L/C Proceeds have been allocated as set forth in this Section 4(c) expires or is terminated without having been drawn upon in full, the Collateral Agent shall, promptly upon its receipt of written notice thereof, reapply the remaining Undrawn L/C Proceeds (adjusted for any investment losses or gains) as if such Undrawn L/C Proceeds had been received by the Collateral Agent for application under Section 4(a).

(d) Payments by the Collateral Agent in respect of (i) the Credit Obligations shall be made to the Lenders in accordance with the Credit Agreement; (ii) the Senior Note Obligations shall be made as directed in writing by the Noteholder to whom such Senior Note Obligations are owed; (iii) the Future Debt Obligations shall be made as directed in writing by the Future Debt Holder to whom such Future Debt Obligations are owed; and (iv) Hedging Exposure shall be made as directed by the Lender to whom or to whose Affiliate such Hedging Exposure is owed.

SECTION 5. SHARING OF SET-OFF.

Each Benefited Party agrees with each other Benefited Party that, in the event it shall receive and retain any payment, whether by set-off or application of deposit balances or other similar means ("Set-Off") after the occurrence and during the continuance of an Event of Default, on or in respect of any deposit account in which the Company or any other Obligor has any interest (and whether or not any such balances were held prior to the occurrence of such Event of Default), it shall share all such Set-Offs with each of such other Benefited Parties pro-rata in accordance with the outstanding Benefited Obligations owed to each Benefited Party by complying with the terms and conditions of this Agreement, including without limitation Section 4 and this Section 5. The amount of any Set-Off shall be held by the party exercising such Set-Off for the benefit of the Benefited Parties until the earlier of the 10th day following such Set-Off and the date of the next subsequent Enforcement hereunder (provided, however, that nothing herein shall be construed to provide that Set-Offs may be exercised only on the date of any Enforcement hereunder), at which time such Set-Off shall be deemed to be a Special Payment and the amount thereof shall be immediately paid over by the party exercising such Set-Off to the Collateral Agent to be deposited into the Special Account for distribution to the Benefited Parties pursuant to Section 10.

SECTION 6. INFORMATION.

If the Collateral Agent proceeds to enforce any Security Document or to collect, sell, otherwise dispose of or take any other action with respect to any of such agreements or the Collateral or any portion thereof or proposes to take any other action pursuant to or contemplated by this Agreement, the Parties hereto agree as follows:

(a) Each Lender shall (i) promptly from time to time, upon the written request of the Collateral Agent, notify the Collateral Agent of the outstanding Credit Obligations owed to such Lender or its Affiliates as at such date as the Collateral Agent may specify; and (ii) promptly from time to time thereafter notify the Collateral Agent of any payment received by such Lender or its Affiliates to be applied to satisfy Credit Obligations owing to such Lender or its Affiliates. Each Lender shall certify as to such amounts and the Collateral Agent shall be entitled to rely conclusively upon such certification.

(b) Each Noteholder shall (i) promptly from time to time, upon the written request of the Collateral Agent, notify the Collateral Agent of the outstanding Senior Note Obligations owed to such Noteholder as at such date as the Collateral Agent may specify; (ii) promptly from time to time, upon the written request of the Collateral Agent, notify the Collateral Agent of the amount that would be payable as a "Make-Whole Amount" under Section 8.2 of the Note Agreements or any successor provision thereto if such "Make-Whole Amount" were payable as of such date as the Collateral Agent may specify and (iii) promptly from time to time thereafter, notify the Collateral Agent of any payment received thereafter by such Noteholder to be applied to the principal of or interest or "Make-Whole Amount" on the Senior Note Obligations owing to such Noteholder. Each Noteholder shall certify as

to such amounts and the Collateral Agent shall be entitled to rely conclusively upon such certification.

(c) Each Lender party to, or having an Affiliate a party to, a Hedging Transaction shall (i) promptly from time to time, upon the written request of the Collateral Agent, notify the Collateral Agent of the Hedging Exposure under such Hedging Transaction at the date specified by the Collateral Agent in such written request and (ii) promptly from time to time thereafter notify the Collateral Agent of any payment received by such Lender to be applied to amounts due upon early termination of such Hedging Transaction. Such Lender shall certify as to such amounts and the Collateral Agent shall be entitled to rely conclusively upon such certification.

(d) Each Lender party to any Letter of Credit shall (i) promptly from time to time, upon the written request of the Collateral Agent, notify the Collateral Agent of the Letter of Credit Usage applicable to such Letter of Credit and (ii) promptly from time to time thereafter notify the Collateral Agent of any draws under any Letter of Credit giving rise to reimbursement obligations of the Company with respect thereto or any payment received by such Lender to be applied to amounts due with respect to the Company's reimbursement obligations resulting from draws under such Letter of Credit. Such Lender shall certify as to such amounts and the Collateral Agent shall be entitled to rely conclusively upon such certification.

(e) Each Future Debt Holder party to any Future Debt Documents shall (i) promptly from time to time, upon the written request of the Collateral Agent, notify the Collateral Agent of the outstanding Future Debt Obligations owed to such Future Debt Holder as at such date as the Collateral Agent may specify; (ii) promptly from time to time, upon the written request of the Collateral Agent, notify the Collateral Agent of the amount that would be payable as a prepayment premium, yield maintenance payment or make-whole amount under the applicable terms of the Future Debt Documents and (iii) promptly from time to time thereafter, notify the Collateral Agent of any payment received thereafter by such Future Debt Holder to be applied to the principal of or interest or other amounts on the Future Debt Obligations owing to such Future Debt Holder. Each Future Debt Holder shall certify as to such amounts and the Collateral Agent shall be entitled to rely conclusively upon such certification.

(f) In connection with any request for information under Section 6, and in connection with any application of Proceeds or Special Payments under Sections 4, 5 and 10 hereof, the Collateral Agent will promptly provide to each of the Benefited Parties a written report setting forth the amounts and types of obligations owed to each Benefited Party (which may be based upon the information supplied by such parties hereunder), the aggregate amount of Proceeds and Special Payments from time to time received by the Collateral Agent from the Benefited Parties hereunder, the application and/or distribution of the amounts so received (including a schedule listing the amounts received by each Benefited

Party hereunder), together with its supporting calculations, in reasonable detail, and such other information as the Benefited Parties shall reasonably request.

SECTION 7. ADDITIONAL PARTIES.

(a) So long as it is permitted to do so by the terms of the Credit Agreement, the Note Agreements and the Future Debt Documents, the Company may enter into one or more Future Debt Documents and, pursuant thereto, incur additional indebtedness secured by the Collateral under the terms of the Security Documents; provided that, at the time the Company enters into any such Future Debt Documents, each such Future Debt Holder party to such Future Debt Documents, shall sign an acknowledgment in the form of Exhibit B-1 attached to this Agreement, by which such Future Debt Holder agrees to be bound by the terms of this Agreement, and shall deliver a signed acknowledgment hereof (also executed by the Company and the Collateral Agent) to the Collateral Agent; and provided further that on the date of execution and delivery of such Future Debt Documents and after giving effect to any indebtedness incurred by the Company thereunder and to the application of the proceeds thereof, no Default or Event of Default shall have occurred and be continuing under the Note Agreements, the Credit Agreement, such Future Debt Documents or any Future Debt Documents executed prior thereto.

(b) Upon the acquisition or creation of any Subsidiary that constitutes a Significant Domestic Subsidiary, (i) the Company shall execute, and cause such Subsidiary to execute, and deliver to the Collateral Agent and each Benefited Party the Security Documents to the extent required by Section 7.23 of the Credit Agreement and/or the applicable provisions of the Note Agreements or any Future Debt Documents and (ii) the Company shall cause such newly acquired or created Subsidiary (and any other Subsidiary required to deliver a stock pledge under Section 4.15 of the Security Agreement or a deed of charge under any comparable provision contained in the Share Charge) to execute and deliver to the Collateral Agent an acknowledgment substantially in the form of Exhibit B-2 attached to this Agreement, by which such Subsidiary agrees to be bound by the terms of this Agreement. Each such acknowledgment shall also be signed by the Company and the Collateral Agent.

(c) Notwithstanding anything in any of the Financing Agreements to the contrary, each Benefited Party agrees that it will not sell, assign, grant a participation or otherwise transfer any interest in any of the Benefited Obligations or interests therein to any Person other than another Benefited Party or the Company or any of the Company's Affiliates (provided that any note or other Benefited Obligation assigned to the Company or any of its Affiliates shall, concurrently with such assignment, be cancelled), unless such other Person shall become a Benefited Party under this Agreement by signing an acknowledgment to this Agreement substantially in the form of Exhibit B-3.

SECTION 8. DISCLAIMERS, INDEMNITY, ETC

(a) The Collateral Agent may execute any of its duties under this Agreement or any Security Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel (including in-house counsel) concerning all matters pertaining to such duties. The Collateral Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

(b) Neither the Collateral Agent nor any Agent-Related Persons shall (i) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any Security Document or the transactions contemplated hereby (except for its own or their gross negligence or willful misconduct), or (ii) be responsible in any manner to any of the Lenders or Noteholders or Future Debt Holders for any recital, statement, representation or warranty made by the Company, any other Grantor or any officer thereof, contained in this Agreement or any Security Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Collateral Agent under or in connection with, this Agreement or any Security Document or the validity, effectiveness, genuineness, enforceability, sufficiency or collectibility of this Agreement or any Security Document, any Benefited Obligations, or any Lien securing or intended to secure the Benefited Obligations, or the attachment, perfection or priority of any Liens securing or intended to secure the Benefited Obligations, or for any failure of the Company to perform its obligations hereunder or thereunder. Neither the Collateral Agent nor any Agent-Related Person shall be under any obligation to any Lender, any Noteholder or any Future Debt Holder to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any Security Document, or to inspect the properties, books or records of the Company.

(c) The Collateral Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex, statement or other document believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the Collateral Agent. The Collateral Agent shall be fully justified in failing or refusing to take any action under this Agreement or any Security Document unless it shall first receive written notice in the form specified in Section 3 from a Directing Party on behalf of the Majority Benefited Parties which notice is reasonably acceptable to the Collateral Agent and, if it so requests, it shall first be indemnified by the Benefited Parties ratably in accordance with the amount of the Benefited Obligations held by such Benefited Parties against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action to the extent not otherwise reimbursed hereunder. Any such indemnity given by a Benefited Party which is a bank, trust company, savings and loan association, pension fund, investment company, insurance company, fraternal benefit society, broker or dealer or other similar financial institution or entity, regardless of legal form, may be unsecured at the option of such Benefited Party. The Collateral Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or the Security Documents in accordance with

a request or consent of the Majority Benefited Parties and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Benefited Parties.

(d) The Collateral Agent shall not be deemed to have knowledge or notice of the occurrence of any Event of Default or Special Event of Default unless the Collateral Agent shall have received written notice from a Lender, a Noteholder, a Future Debt Holder or any of the Company or any Grantor referring to this Agreement, describing such Event of Default or Special Event of Default and stating that such notice is a "notice of default". Upon the Collateral Agent's receipt of such notice of default it shall promptly provide written notice of such Event of Default or Special Event of Default to all Benefited Parties. The Collateral Agent shall take such action under the Security Documents with respect to such Event of Default or Special Event of Default as may be requested by the Majority Benefited Parties in accordance with Section 3. Each Lender, each Noteholder and each Future Debt Holder acknowledges that the Collateral Agent is an agent of the Benefited Parties and before advancing any funds in connection with the performance of its duties as Collateral Agent, the Collateral Agent may request either advances from, or assurances of payment when requested by the Collateral Agent from, each of the Benefited Parties of its pro rata share of such funds; provided, that upon the return to the Collateral Agent of any such funds which the Collateral Agent advanced in the performance of its duties, the Collateral Agent shall promptly distribute such funds to the Benefited Parties who paid the same to the Collateral Agent.

(e) Each Lender, each Noteholder and each Future Debt Holder acknowledges that the Agent-Related Persons have not made any representation or warranty to it, and that no act by the Collateral Agent hereinafter taken, including any review of the affairs of the Company and its Subsidiaries, shall be deemed to constitute any representation or warranty by the Agent-Related Persons to any Lender, Noteholder or Future Debt Holder. Each Lender, each Noteholder and each Future Debt Holder acknowledges that it has, independently and without reliance upon the Collateral Agent and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Company and its Subsidiaries, and made its own decision to enter into this Agreement and to extend credit to the Company under the Financing Agreements to which it is a party. Each Lender, Noteholder and each Future Debt Holder also represents that it will, independently and without reliance upon the Agent-Related Persons and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement or any Security Document, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Company or any Subsidiary. Except for notices, reports and other documents expressly herein required to be furnished to the Lenders, the Noteholders and the Future Debt Holders by the Collateral Agent, the Collateral Agent shall not have any duty or responsibility to provide any Lender, Noteholder or Future Debt Holder with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Company or any Subsidiary which may come into the possession of any of the Agent-Related Persons.

(f) The Benefited Parties agree that they will indemnify the Collateral Agent in its capacity as the Collateral Agent, ratably in accordance with the amount of the Benefited Obligations held by such Benefited Parties to the extent neither reimbursed by Grantors under the Security Documents nor reimbursed out of any Special Payments or Proceeds pursuant to clause FIRST of Section 4(a) hereof, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by or asserted against the Collateral Agent in any way relating to or arising out of this Agreement or any Security Document or the enforcement of any of the terms of any thereof, including fees and expenses of counsel; provided, however, that no such Benefited Party shall be liable for any such payment to the extent the obligation to make such payment arises from the Collateral Agent's gross negligence or willful misconduct. The obligations of the Benefited Parties under this Section 8(f) shall survive the payment in full of the Benefited Obligations and the termination of this Agreement; provided, further, that no such Benefited Party shall be liable for any such payment to the extent that the action or inaction giving rise to the obligation to make such payment arose after the Benefited Obligations of such Benefited Party had been paid in full.

(g) Comerica (or any successor Collateral Agent) and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Company and its Subsidiaries and Affiliates as though Comerica (or such successor Collateral Agent) were not the Collateral Agent hereunder and without notice to or consent of the Lenders, the Noteholders or the Future Debt Holders. The Lenders, the Noteholders and the Future Debt Holders acknowledge that, pursuant to such activities, the Collateral Agent or its subsidiaries may receive information regarding the Company or its Subsidiaries (including information that may be subject to confidentiality obligations in favor of the Company or such Subsidiary) and acknowledge that the Collateral Agent shall be under no obligation to provide such information to them. With respect to its loans to the Company, the Collateral Agent shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Collateral Agent, and the terms "Lender" and "Lenders" include the Collateral Agent in its individual capacity.

(h) (i) The Collateral Agent may resign at any time by giving at least 30 days' notice thereof to the Parties, such resignation to take effect upon the acceptance by a successor Collateral Agent of any appointment as the Collateral Agent hereunder.

(ii) The Collateral Agent may be removed as the Collateral Agent at any time either (1) by (x) Benefited Parties holding (or representing) at least 66-2/3% of the outstanding principal amount under the Credit Notes, or if no indebtedness is then outstanding thereunder, holding 66-2/3% of the Percentages under (and as defined in) the Credit Agreement (but excluding the outstanding principal indebtedness, or if applicable, the Percentage, held by the Collateral Agent in the determination thereof, if the Collateral Agent is then a Lender) (it being understood that, if the Required Lenders agree on any instruction to be given to the Collateral Agent, the Required Lenders shall be entitled to vote on behalf of all Lenders for purposes of this clause) or (y) Benefited Parties holding (or representing) more than 51% of the outstanding principal amount under the Senior Notes

(it being understood that, if the Required Noteholders agree on any instruction to be given to the Collateral Agent, the Required Noteholders shall be entitled to vote on behalf of all Noteholders for purposes of this clause) or (z) Benefitted Parties holding (or representing) more than 51% of the outstanding principal amount under the Future Debt Documents (it being understood that, if the Required Future Debt Holders agree on any instruction to be given to the Collateral Agent, the Required Future Debt Holders shall be entitled to vote on behalf of all Future Debt Holders for purposes of this clause) either (I) upon the gross negligence or willful misconduct of the Collateral Agent or upon the failure of the Collateral Agent to comply with the terms and conditions of this Agreement or (II) if the Collateral Agent is no longer a Lender hereunder, or (2) by the Majority Benefited Parties, with or without cause. In the event of any such resignation or removal of the Collateral Agent, the Majority Benefited Parties shall thereupon have the right to appoint a successor Collateral Agent. If no successor Collateral Agent shall have been so appointed by the Majority Benefited Parties and shall have accepted such appointment within 30 days after the notice of the intent of the Collateral Agent to resign or the removal of the Collateral Agent, then the retiring Collateral Agent may, on behalf of the other Parties, appoint a successor Collateral Agent. Any successor Collateral Agent appointed pursuant to this Section 8(h)(ii) shall be a commercial bank or other financial institution organized under the laws of the United States of America or any state thereof having (1) a combined capital and surplus of at least $250,000,000 and (2) a rating upon its long-term senior unsecured indebtedness of "A-2" or better by Moody's Investors Service, Inc. or "A" or better by Standard & Poor's Services, a division of The McGraw Hill Companies, Inc. Notwithstanding the foregoing, in the event (y) the Collateral Agent shall have received a court order requiring that it resign as Collateral Agent or (z) the Collateral Agent shall have received a written opinion of independent outside counsel of nationally recognized standing reasonably acceptable to the Collateral Agent and Benefited Parties holding (or representing) more than 51% of the outstanding principal amount of the Senior Notes and the Future Debt that the performance by the Collateral Agent of its duties as Collateral Agent constitutes a conflict of interest which has adversely affected, or could reasonably be expected to affect adversely, the objective performance by Collateral Agent of its duties hereunder, then in either such event, the Collateral Agent shall give written notice of such event to the Parties and the Collateral Agent shall resign on the earlier of the 90th day following such notice or the date on which a successor Collateral Agent has accepted appointment hereunder. With regard to any such conflict of interest or perceived conflict of interest, the Parties agree to act in a commercially reasonable manner in addressing any such conflict of interest.

(iii) Upon the acceptance by a successor Collateral Agent of any appointment as the Collateral Agent hereunder, such successor Collateral Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Collateral Agent. The retiring or removed Collateral Agent shall be discharged from its duties and obligations hereunder upon the appointment of the successor Collateral Agent. After any retiring or removed Collateral Agent's resignation or removal hereunder as the Collateral Agent, the provisions of this Section 8 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Collateral Agent.

SECTION 9. INVALIDATED PAYMENTS.

If any amount distributed by the Collateral Agent to a Benefited Party in accordance with the provisions of this Agreement is subsequently required to be returned or repaid by the Collateral Agent or such Benefited Party to any of the Company or any other Obligor or any Affiliate thereof or their respective representatives or successors in interest, whether by court order, settlement or otherwise (a "Disgorgement Event"), the Collateral Agent shall promptly request funds from one or more of the Benefited Parties in appropriate amounts in order to adjust the amounts distributed to each Benefited Party so that after giving effect to any such adjustment all Benefited Parties will have received such proportion of the proceeds as would have been received had the original payment which gave rise to such Disgorgement Event not occurred. If a Disgorgement Event occurs which results in the Collateral Agent or any Benefited Party being required to return or repay any amount distributed by the Collateral Agent to any Benefited Party under this Agreement, the Benefited Party to which such amount was distributed shall, promptly upon its receipt of a notice thereof from the Collateral Agent, pay the Collateral Agent such amount; provided that, if any Benefited Party shall fail to promptly pay such amount to the Collateral Agent, the Collateral Agent may deduct such amount from any amounts payable thereafter to such Benefited Party under this Agreement.

SECTION 10. SPECIAL PAYMENTS AND SPECIAL ACCOUNT.

(a) The Collateral Agent shall give each Benefited Party a written notice (a "Notice of Special Default") promptly after being notified in writing by a Benefited Party that a Special Event of Default has occurred. Promptly following the receipt of such Notice of Special Default, all Special Payments (whether received by a Benefited Party prior to or after its receipt of such Notice of Special Default) other than those payments received pursuant to Section 10(b) shall be deposited into the Special Account by the Benefited Party having received such Special Payment. Each Benefited Party agrees that, solely for purposes of this Agreement (and as among the parties hereto other than the Company or any other Grantor), no Event of Default shall be deemed to have occurred as a result of payments so made on a timely basis to the Collateral Agent.

(b) If (i) such Special Event of Default is waived by the Required Lenders, the Required Noteholders or the Required Future Debt Holders, or any or all of them, to the extent such Special Event of Default constitutes an Event of Default under the Financing Agreements applicable to such class of Benefited Parties, as the case may be, and if no other Special Event of Default has occurred and is continuing, (ii) such Special Event of Default is cured by the Company or by any amendment of the Credit Agreement, the Note Agreements or the Future Debt Documents, as the case may be, and if no other Event of Default has occurred and is continuing or (iii) none of the Benefited Obligations have been accelerated and the Majority Benefited Parties have not instructed the Collateral Agent to seek the appointment of a receiver, commence litigation against the Company or any Obligor, liquidate the Collateral, commence a Bankruptcy Proceeding against the Company or any Obligor, seize Collateral, or exercise other remedies of similar character, in any such case under clauses (i) through (iii) hereof prior to the 90th day following the occurrence of such Special Event of Default, then the Collateral Agent thereupon shall return all amounts, together with their pro rata share of interest earned thereon, held in the Special Account representing payment of any

Benefited Obligations to the Benefited Party initially entitled thereto, and no payments thereafter received by a Benefited Party shall constitute a Special Payment by reason of such cured or waived Special Event of Default. No payment returned to a Benefited Party for which such Benefited Party has been obligated to make a deposit into the Special Account shall thereafter ever be characterized as a Special Payment.

(c) Each Benefited Party agrees that upon receiving a Notice of Special Default it shall (i) promptly notify the Collateral Agent of its prior and subsequent receipt of any Special Payments, (ii) hold such amounts for the Benefited Parties and act as agent of the Benefited Parties during the time any such amounts are held by it, and (iii) deliver to the Collateral Agent such amounts for deposit into the Special Account.

(d) If (i) a Special Event of Default has occurred and has not been waived or cured within 90 days after the occurrence thereof, (ii) any of the Benefited Obligations have been accelerated or (iii) the Majority Benefited Parties have instructed the Collateral Agent to seek the appointment of a receiver, commence litigation against the Company, any Grantor or other Obligor, liquidate the Collateral, commence a Bankruptcy Proceeding against the Company, or any Grantor or other Obligor, seize Collateral, or exercise other remedies of similar character, then all funds, together with interest earned thereon, held in the Special Account and all Special Payments shall be applied in accordance with the provisions of Section 4(a) above. Any Lender, any Noteholder or any Future Debt Holder which is aware of the same, shall promptly give the Collateral Agent written notice of any Special Event of Default which has occurred and which has not been cured or waived; provided that failure to give any such notice shall not modify, amend or otherwise prejudice or affect the rights of any Lender, Noteholder or Future Debt Holder hereunder.

SECTION 11. MISCELLANEOUS.

(a) All notices and other communications provided for herein shall be in writing and may be sent by overnight air courier, facsimile communication or United States mail and shall be deemed to have been given when delivered by overnight air courier, upon receipt of facsimile communication if concurrently with transmission of such telecopy or telex, a copy thereof shall be sent by overnight courier to the address specified for such notice or communication, or four business days after deposit in the United States mail, registered or certified, with postage prepaid and properly addressed. For the purposes hereof, the addresses of the parties hereto (until notice of a change thereof is delivered as provided in this Section 11(a)) shall be as set forth on Annex 1 hereto.

(b) This Agreement may be amended, modified or waived only by an instrument or instruments in writing signed by all of the holders of Benefited Obligations, the Collateral Agent and the Company; provided that, after the occurrence and during the continuance of any Default or Event of Default or after the commencement of an Enforcement, this Agreement may be amended or modified without the written consent of the Company so long as such amendment or modification does not modify the obligations of the Company or any Obligor under any Financing Agreement.

(c) This Agreement shall be binding upon and inure to the benefit of the Collateral Agent, each Party and their respective successors and assigns. In the event that the holder of any indebtedness outstanding under the Credit Agreement, any Note Agreement or any Future Debt Document shall assign or transfer such indebtedness or any portion thereof (other than by participation), the Company shall promptly so advise the Collateral Agent in writing. Each assignee or transferee of any such indebtedness (and any participant) shall take such indebtedness subject to the provisions of this Agreement and to any request made, waiver or consent given or other action taken or authorized hereunder, by or binding upon (even if not authorized by) each previous holder of such indebtedness, prior to the receipt by the Collateral Agent of written notice of such transfer; and, except as expressly otherwise provided in such notice, the Collateral Agent shall be entitled to assume conclusively that the transferee named in such notice shall thereafter be vested with all rights and powers as a Party under this Agreement. The Collateral Agent shall not be obligated to give any Party notice of any such transfer; provided that, upon the written request of any Benefited Party, the Collateral Agent shall promptly provide such Benefited Party with a then current list of all Benefited Parties.

(d) This Agreement shall continue to be effective among the Parties even though a case or proceeding under any bankruptcy or insolvency law or any proceeding in the nature of a receivership, whether or not under any insolvency law, shall be instituted with respect to any of the Company or any other Grantor, or any portion of the property or assets of any of the Company or any other Grantor, and all actions taken by the Parties with regard to such proceeding shall be by the Majority Benefited Parties; provided, however, that nothing herein shall be interpreted to preclude any Party from filing a proof of claim with respect to its Benefited Obligations, from casting its vote, or abstaining from voting, for or against confirmation of a plan of reorganization in a case of bankruptcy, insolvency or similar law, from filing a petition to initiate a bankruptcy proceeding against any Grantor or from providing financing to a trustee of any Grantor under 11 U.S.C. ss.364 (so long as such financing is not secured by a senior or equal and ratable Lien on any of the Collateral in existence as of the date of the commencement of such proceeding), in each case in its sole discretion.

(e) Each Party hereto agrees to do such further acts and things and to execute and deliver such additional agreements, powers and instruments as any other Party hereto may reasonably request to carry into effect the terms, provisions and purposes of this Agreement or to better assure and confirm unto such other Party hereto its respective rights, powers and remedies hereunder.

(f) This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the Parties hereto may execute this Agreement by signing any such counterpart. A telecopy of the signature of any Party on any counterpart shall be effective as the signature of the Party executing such counterpart for purposes of effectiveness of this Agreement.

(g) This Agreement shall become effective immediately upon execution by the Parties and shall continue in full force and effect until one year following the date upon which all Benefited

Obligations are irrevocably paid in full and all commitments under the Credit Agreement have expired or been terminated.

(h) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF MICHIGAN.

(i) TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE COLLATERAL AGENT, THE LENDERS, THE NOTEHOLDERS, THE FUTURE DEBT HOLDERS AND THE COMPANY, HEREBY IRREVOCABLY AGREE TO WAIVE THE RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY AND ALL ACTIONS OR PROCEEDINGS BETWEEN ANY OF THE PARTIES HERETO ARISING OUT OF, CONNECTED WITH, OR RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP BETWEEN ANY OF THEM IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. INSTEAD, ANY SUCH DISPUTE RESOLVED IN COURT WILL BE RESOLVED IN A BENCH TRIAL WITHOUT A JURY. THESE WAIVERS HAVE BEEN VOLUNTARILY GIVEN, WITH FULL KNOWLEDGE OF THE CONSEQUENCES THEREOF.

(j) Headings of sections of this Agreement have been included herein for convenience only and should not be considered in interpreting this Agreement.

(k) Nothing in this Agreement or any Security Document, expressed or implied, is intended or shall be construed to confer upon or give to any Person other than the Benefited Parties, any right, remedy or claim under or by reason of any such agreement or any covenant, condition or stipulation herein or therein contained, or, except as expressly set forth herein, to alter the rights or obligations under the Financing Agreements between any Benefited Party, on one hand, and the Company or any other Obligor, on the other hand. Notwithstanding the foregoing, however, each of the Benefited Parties, for purposes of the Financing Agreements to which it is a party, consents to the execution, delivery and performance by the Company of the Security Documents and this Agreement.

(l) In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

(m) The rights and duties created by this Agreement shall, in all cases, be interpreted consistently with, and shall be in addition to (and not in lieu of), the rights and duties created by the Financing Agreements. In the event that any provision of this Agreement shall be inconsistent with any provision of any other Financing Agreement, such provision of this Agreement shall govern.

(n) Each Benefited Party hereby agrees to provide written notice to the Collateral Agent of the bank account with a United States bank to which payments of all amounts due to such Benefited Party hereunder shall be made and the Collateral Agent hereby agrees to make such payments in immediately available funds to such bank account, marked for attention as indicated, or in such other manner or to such other account in any United States bank as such

Benefited Party may from time to time direct the Collateral Agent in writing.

(o) The Noteholders hereby consent and agree (and by its execution of the Acknowledgment and Agreement set forth below, the Company consents and agrees) to the provisions of Section 6.5 of the Security Agreement and to the amendment of their respective Note Agreements effected thereby.

(p) Notwithstanding Section 8.4 of the Credit Agreement and Section 6.1(d) of the Note Agreements, the Significant Domestic Subsidiaries may execute and deliver guaranties of the Benefited Obligations outstanding to the Lenders and the Noteholders, provided that concurrently with the giving of any such guaranty, each Lender and each Noteholder shall have the benefit of equal and ratable guaranties given by such Significant Domestic Subsidiaries on substantially similar terms. For avoidance of doubt with respect to Section 6.1(d) of the Note Agreements the debt of a Significant Domestic Subsidiary that is attributable to any guaranty by such Significant Domestic Subsidiary which complies with this Section 11(p) shall be excluded from the definition of "Total Restricted Subsidiary Debt" (as defined in the Note Agreements); and with respect to Section 8.4 of the Credit Agreement, any guaranty which complies with this Section 11(p) shall be deemed to be permitted under Section 8.4 of the Credit Agreement. The Noteholders and the Lenders, respectively, hereby consent and agree (and by its execution of the Acknowledgment and Agreement set forth below, the Company consents and agrees) to the provisions of this Section 11(p) and to the amendment of their respective Note Agreements and the Credit Agreement, as applicable, effected thereby.

In WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed as of the date and year first written above.

COMERICA BANK, as Collateral Agent

By: /S/ Michael P. Stapleton

Its: Vice President

LENDERS:

COMERICA BANK, as a Lender

By: /S/ Michael P. Stapletoton

Its: Vice President

NATIONSBANK, N.A.

By: /S/ Elizabeth Kurilecz

Its: Senior Vice President

THE BANK OF NOVA SCOTIA

By: /S/ F.C.H. Ashby

Its: Senior Manager Loan Operations

[SIGNATURE PAGE TO INTERCREDITOR AGREEMENT]

HARRIS TRUST AND SAVINGS BANK

By: /S/ Michael Cameli

Its: Vice President

[SIGNATURE PAGE TO INTERCREDITOR AGREEMENT]

LASALLE NATIONAL BANK

By: /S/ Lisa Mun

Its: Assistant Vice President

[SIGNATURE PAGE TO INTERCREDITOR AGREEMENT]

GREEN TREE FINANCIAL SERVICING
CORPORATION

By: /S/ C. A. Gouskos

Its: Sr. Vice President

[SIGNATURE PAGE TO INTERCREDITOR AGREEMENT]

NATIONAL CITY BANK OF MINNEAPOLIS

By: /S/ Steven R. Berglund

Its: Assistant Vice President

[SIGNATURE PAGE TO INTERCREDITOR AGREEMENT]

ALLSTATE LIFE INSURANCE CO.

By: /S/ Patricia W. Wilson

Name: Patricia W. Wilson
Title: Authorized Signatory

By: /S/ Ronald A. Mendel

Name: Ronald A. Mendel
Title: Authorized Signatory

[SIGNATURE PAGE TO INTERCREDITOR AGREEMENT]

THE OHIO CASUALTY INSURANCE COMPANY

By: /S/ Barry S. Porter

Name: Barry S. Porter
Title: CFO/Treasurer

THE OHIO LIFE INSURANCE COMPANY

By: /S/ Barry S. Porter

Name: Barry S. Porter
Title: CFO/Treasurer

[SIGNATURE PAGE TO INTERCREDITOR AGREEMENT]

WILLIAM BLAIR & COMPANY, LLC

By William Blair & Company, LLC,
Attorney-in-Fact

By: /S/ James D. McKinney

Name: James D. McKinney
Title: Principal and Manager
(Fixed Income)

[SIGNATURE PAGE TO INTERCREDITOR AGREEMENT]

CONNECTICUT GENERAL LIFE INSURANCE COMPANY
BY CIGNA INVESTMENTS, INC.

By: /S/ James R. Kuzemchak

Name: James R. Kuzemchak
Title: Managing Director

CONNECTICUT GENERAL LIFE INSURANCE COMPANY,
ON BEHALF OF ONE OR MORE SEPARATE ACCOUNTS BY CIGNA INVESTMENTS, INC.

By: /S/ James R. Kuzemchak

Name: James R. Kuzemchak
Title: Managing Director

WESTERN FARM BUREAU LIFE INSURANCE COMPANY

By: /S/ Robert J. Rummelhart

Name: Robert J. Rummelhart
Title: Fixed Income-Vice President

FARM BUREAU LIFE INSURANCE COMPANY

By: /S/ Robert J. Rummelhart

Name: Robert J. Rummelhart
Title: Fixed Income-Vice President

WASHINGTON NATIONAL INSURANCE COMPANY

By: /S/ Robert L. Cook

Name: Robert L. Cook
Title: Second Vice President

ASSET ALLOCATION & MANAGEMENT COMPANY
AS AGENT FOR CENTRAL STATES HEALTH &
LIFE COMPANY OF OMAHA

By: /S/ Kathy Lange

Name: Kathy Lange
Title:

ASSET ALLOCATION & MANAGEMENT COMPANY
AS AGENT FOR THE CHARLES SCHWAB TRUST
COMPANY FBO GUARANTY INCOME LIFE
INSURANCE COMPANY

By: /S/ Kathy Lange

Name: Kathy Lange
Title:

ASSET ALLOCATION & MANAGEMENT COMPANY
AS AGENT FOR AMERICAN COMMUNITY
MUTUAL INSURANCE

By: /S/ Kathy Lange

Name: Kathy Lange
Title:

ASSET ALLOCATION & MANAGEMENT COMPANY
AS AGENT FOR CENTRALRE CORP. &
PHOENIX

By: /S/ Kathy Lange

Name: Kathy Lange
Title:

ASSET ALLOCATION & MANAGEMENT COMPANY
AS AGENT FOR LONE STAR LIFE INSURANCE
COMPANY

By: /S/ Kathy Lange

Name: Kathy Lange
Title:

ASSET ALLOCATION & MANAGEMENT COMPANY
AS AGENT FOR OZARK NATIONAL LIFE
INSURANCE COMPANY

By: /S/ Kathy Lange

Name: Kathy Lange
Title:

ASSET ALLOCATION & MANAGEMENT COMPANY
AS AGENT FOR CSA FRATERNAL LIFE

By: /S/ Kathy Lange

Name: Kathy Lange
Title:

ASSET ALLOCATION & MANAGEMENT COMPANY
AS AGENT FOR KANAWHA INSURANCE
COMPANY

By: /S/ Kathy Lange

Name: Kathy Lange
Title:

ASSET ALLOCATION & MANAGEMENT COMPANY
AS AGENT FOR OLD GUARD MUTUAL
INSURANCE COMPANY

By: /S/ Kathy Lange

Name: Kathy Lange
Title:

COMBINED INSURANCE COMPANY OF AMERICA
BY: AON ADVISORS, INC.

By: /S/ Keith Lemmer

Name: Keith Lemmer
Title: Senior Portfolio Manager

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY

By: /S/ Richard E. Spencer II

Name: Richard E. Spencer II
Title: Managing Director

CM LIFE INSURANCE COMPANY

By: /S/ Richard E. Spencer II

Name: Richard E. Spencer II
Title: Managing Director

NATIONWIDE LIFE INSURANCE COMPANY

By: /S/ Mark W. Poeppelman

Name: Mark W. Poeppelman
Title: Authorized Signature

PAN AMERICAN LIFE INSURANCE COMPANY

By: /S/ F. Anderson Stone

Name: F. Anderson Stone
Title: Vice President
Corporate Securities

PHOENIX HOME LIFE MUTUAL INSURANCE COMPANY
BY: PHOENIX INVESTMENT COUNSEL, INC.

By: /S/ Rosemary T. Strekel

Name: Rosemary T. Strekel
Title: Senior Managing Director

SECURITY BENEFIT LIFE INSURANCE
COMPANY

By: /S/ Steven M. Bowser

Name: Steven M. Bowser
Title: Second Vice President

THE GUARDIAN LIFE INSURANCE COMPANY
OF AMERICA

By: /S/ Thomas M. Donohue

Name: Thomas M. Donohue
Title: Vice President

AMERICAN BANKERS INSURANCE COMPANY
OF FLORIDA

By: /S/ Gus Rodriguez

Name: Gus Rodriguez
Title: Director of Investments

VOYAGER PROPERTY & CASUALTY INSURANCE
CO.

By: /S/ Gus Rodriguez

Name: Gus Rodriguez
Title: Director of Investments

ASSET ALLOCATION & MANAGEMENT COMPANY
AS AGENT FOR AMERICAN PIONEER LIFE
INSURANCE COMPANY OF NEW YORK

By: /S/ Kathy Lange

Name: Kathy Lange
Title:

ASSET ALLOCATION & MANAGEMENT COMPANY
AS AGENT FOR AMERICAN PROGRESSIVE
LIFE AND HEALTH INSURANCE COMPANY OF
NEW YORK

By: /S/ Kathy Lange

Name: Kathy Lange
Title:

ASSET ALLOCATION & MANAGEMENT COMPANY
AS AGENT FOR FEDERATED RURAL ELECTRIC
INSURANCE CORP.

By: /S/ Kathy Lange

Name: Kathy Lange
Title:

ASSET ALLOCATION & MANAGEMENT COMPANY
AS AGENT FOR TOWER LIFE INSURANCE
COMPANY

By: /S/ Kathy Lange

Name: Kathy Lange
Title:

ASSET ALLOCATION & MANAGEMENT COMPANY
AS AGENT FOR PHYSICIANS LIFE
INSURANCE COMPANY VISTA 500

By: /S/ Kathy Lange

Name: Kathy Lange
Title:

ASSET ALLOCATION & MANAGEMENT COMPANY
AS AGENT FOR WORLD INSURANCE COMPANY

By: /S/ Kathy Lange

Name: Kathy Lange
Title:

ASSET ALLOCATION & MANAGEMENT COMPANY
AS AGENT FOR UNITED TEACHERS
ASSOCIATES INSURANCE COMPANY

By: /S/ Kathy Lange

Name: Kathy Lange
Title:

FARM BUREAU LIFE INSURANCE COMPANY

By: /S/ Robert J. Rummelhart

Name: Robert J. Rummelhart
Title: Fixed Income - Vice President

FARM BUREAU MUTUAL INSURANCE COMPANY

By: /S/ Robert J. Rummelhart

Name: Robert J. Rummelhart
Title: Fixed Income - Vice President

GENERAL AMERICAN LIFE INSURANCE
COMPANY
By: Conning Asset Management Company

By: /S/ Laura R. Caro

Name: Laura R. Caro
Title: Senior Vice President

ACKNOWLEDGMENT AND AGREEMENT

CREDIT ACCEPTANCE CORPORATION, a Michigan corporation (the "Company"), as the issuer of the Senior Notes and the Credit Notes and as the grantor of collateral pursuant to the Security Documents, hereby acknowledges and agrees to the foregoing terms and provisions contained in this Intercreditor Agreement. By executing this Intercreditor Agreement, the Company agrees to be bound by the provisions thereof as they relate to the relative rights of the Benefited Parties as among such Benefited Parties; provided, however, that, except as specifically provided herein, nothing in this Intercreditor Agreement shall amend, modify, change or supersede the respective terms of the Financing Agreements as between the Benefited Parties or any of them and any of the Company or any Subsidiary. In the event of any conflict or inconsistency between the terms of this Intercreditor Agreement and the other Financing Agreements, the other Financing Agreements shall govern as between the Benefited Parties thereto and the Company or any Subsidiary. The Company further agrees that, subject to Sections 3(g), 7, 10(a) and 11, the terms of this Intercreditor Agreement shall not give any of the Company or any Subsidiary any substantive rights, or (except as expressly provided in this Intercreditor Agreement) impose any duties or responsibilities, vis a vis any Benefited Party or the Collateral Agent and that, subject to the aforesaid Sections, none of them shall use the violation of this Intercreditor Agreement by any of the Parties hereto as a defense to the enforcement by any Benefited Party under any Financing Agreement, nor assert such violation as a counterclaim or basis for set-off or recoupment against any of them. The Company further acknowledges and agrees that the scope of the agency granted by this Intercreditor Agreement to the Collateral Agent hereunder is strictly limited by this Intercreditor Agreement.

By its execution hereof, the Company further specifically acknowledges the provisions of Sections 5 and 10 of this Intercreditor Agreement and agrees that, in the event any Benefited Party receives any amounts with respect to its Benefited Obligations and is required to share any such amounts with any other Benefited Party pursuant to the terms of this Intercreditor Agreement, the original claim of such Benefited Party against the Company or any Subsidiary that was discharged by the original receipt of such amounts shall automatically be reinstated to the extent of any amounts that are so required to be shared with any other Benefited Party.

CREDIT ACCEPTANCE CORPORATION

By: /S/ Brett A. Roberts

Title: Executive Vice President & CFO

Date: December 15, 1998

EXHIBIT 4 (g)(3)

EXECUTION COPY

DEED OF CHARGE,

dated 17 December, 1998,

between

CREDIT ACCEPTANCE CORPORATION,

as the Chargor,

and

COMERICA BANK,

as the Collateral Agent

MAYER, BROWN & PLATT
Bucklersbury House
3 Queen Victoria Street
London EC4N 8EL

THIS DEED OF CHARGE is made on 17 December, 1998
BETWEEN:

(1) CREDIT ACCEPTANCE CORPORATION, a Michigan corporation (the "Chargor"); and

(2) COMERICA BANK, a bank organised and existing under the laws of Michigan, as agent for the benefit of the Lenders, the Noteholders and the Future Debt Holders (in such capacity, the "Collateral Agent").

WHEREAS:

(A) The Chargor, Comerica Bank and the other financial institutions signatory thereto, each as "Banks" thereunder (and, in the case of Comerica Bank, in its separate additional capacity as "Issuing Bank" thereunder) (together with any Successor Lenders party thereto from time to time, collectively the "Lenders"), entered into that certain Second Amended and Restated Credit Agreement dated as of December 4, 1996, as amended by First Amendment and Consent dated as of June 4, 1997, Second Amendment dated as of December 12, 1997, Third Amendment dated as of May 11, 1998 and Fourth Amendment dated as of July 30, 1998 by and among the Chargor, the financial institutions from time to time parties thereto and Comerica Bank, as Agent (said credit agreement, as further amended, restated or otherwise modified from time to time, the "Existing Credit Agreement" and together with any Successor Credit Agreement, the "Credit Agreement").

(B) The Chargor entered into the separate note purchase agreements with the 1994 Noteholders dated as of October 1, 1994 (collectively, as amended by First Amendment to Note Purchase Agreement dated as of November 15, 1995, Second Amendment to Note Purchase Agreement dated as of August 29, 1996, Third Amendment to Note Purchase Agreement dated as of December 12, 1997 and Fourth Amendment to Note Purchase Agreement dated as of July 1, 1998, and as further amended, restated or otherwise modified from time to time, the "1994 Note Agreements"), pursuant to which the First Amended and Restated 9.12% Senior Notes due November 1, 2001 (collectively, as amended, restated or otherwise modified from time to time, the "1994 Senior Notes") are outstanding.

(C) The Chargor entered into the separate note purchase agreements with the 1996 Noteholders dated as of August 1, 1996 (collectively, as amended by First Amendment to Note Purchase Agreement dated as of December 12, 1997 and Second Amendment to Note Purchase Agreement dated as of July 1, 1998 and as further amended, restated or otherwise modified from time to time, the "1996 Note Agreements"), pursuant to which the First Amended and Restated 8.24% Senior Notes due July 1, 2001 (collectively, as amended, restated or otherwise modified from time to time, the "1996 Senior Notes") are outstanding.

(D) The Chargor entered into the separate note purchase agreements with the 1997 Noteholders dated as of March 25, 1997 (collectively, as amended by the First Amendment to Note Purchase Agreement dated as of December 12, 1997 and the Second Amendment to Note Purchase Agreement dated as of July 1, 1998, and as further amended, restated or otherwise modified from time to time, the "1997 Note Agreements") pursuant to which the First Amended and Restated 8.02% Senior Notes due October 1, 2001 (collectively, as amended, restated or otherwise modified from time to time, the "1997 Senior Notes") are outstanding.

(E) Pursuant to Section 7.23 of the Existing Credit Agreement, the Lenders have required that the Chargor grant (or cause to be granted) certain liens and security interests to the Collateral Agent, as contractual representative for the benefit of the Lenders, the Noteholders, and the Future Debt Holders, all to secure the obligations of the Chargor under the Credit Documents, the obligations of the Chargor under the Noteholder Documents and the obligations of the Chargor under the Future Debt Documents.

(F) The Lenders and the Noteholders have consented to the transactions contemplated hereby and by the Security Documents, and the Lenders and the Noteholders have agreed that the Chargor's obligations under the Credit Agreement, the Note Agreements and the Future Debt Documents shall be equally and ratably secured pursuant to this Deed and the other Security Documents.

(G) The Chargor has directly and indirectly benefited and will directly and indirectly benefit from the transactions evidenced by and contemplated in the Credit Agreement, the Note Agreements and the Future Debt Documents and has consented to the execution and delivery of that certain Intercreditor Agreement among the Collateral Agent, the Lenders (including Comerica Bank), the Noteholders and the Future Debt Holders, dated as of 15 December 1998 (as amended from time to time according to the terms thereof, the "Intercreditor Agreement").

(H) The Lenders, the Noteholders and the Collateral Agent have entered into the Intercreditor Agreement to define the rights, duties, authority and responsibilities of the Collateral Agent, acting on behalf of such parties regarding the Charged Property (as defined below), and the relationship among the parties regarding their equal and ratable interests in the Charged Property.

NOW THIS DEED WITNESSETH AND IT IS HEREBY AGREED as follows:

1. DEFINED TERMS; INTERPRETATION

(a) In this Deed, unless the context otherwise requires, the following expressions shall have the following meanings:

"Charged Property" means all the assets, property and rights charged to the Collateral Agent by the Chargor pursuant to Section 3 of this Deed;

"Chargor" is defined in the preamble;

"Collateral Agent" is defined in the preamble;

"Deed" means this Deed of Charge, as amended, modified or supplemented from time to time;

"Initial Shares" is defined in Section 3.1(a);

"Issuer" means Credit Acceptance Corporation UK Limited, a company organised and existing under the laws of England;

"Lien" means any mortgage, charge, pledge, hypothecation, assignment by way of security, deposit agreement, encumbrance, lien (statutory or otherwise), title retention, finance lease, factoring or discounting of debts or other security interest on or over present or future assets of the Person concerned securing any obligation of any Person or any other type of preferential or trust arrangement having a similar effect, including any such security interest which arises or is imposed by operation of law;

"Non-Charged Shares" means all those shares of the Issuer owned or at any time and from time to time acquired by the Chargor which are not Shares charged pursuant hereto;

"Percentage Limitation" means the lesser of (i) all of the shares of the Issuer owned or at any time and from time to time acquired by the Chargor or any of its Subsidiaries and (ii) sixty-five percent (65%) of the aggregate share capital of the Issuer at any time or from time to time issued and outstanding (determined in accordance with Section 956 of the Internal Revenue Code of the United States of America, as amended from time to time);

"Receiver" means any one or more administrative receivers, receivers and managers, administrators, liquidators or other insolvency officers appointed in any jurisdiction or (if the Collateral Agent so specifies in the relevant appointment) any such officers appointed by the Collateral Agent pursuant to this Deed in respect of the Chargor or over all or any of the Charged Property;

"Rights" is defined in Section 14(b);

"Shares" is defined in Section 3(b);

"Transfer Form" means a stock transfer form or other appropriate instrument of transfer executed by the Chargor as transferor and left undated and with details of the transferee left blank but with details of the transferor and the number and class of shares or securities completed.

(b) In this Deed:

(i) the parties hereto intend that this document shall take effect as a deed;

(ii) references to the "Chargor", the "Collateral Agent", the "Issuer" and any other person referred to in this Deed shall be construed so as to include their respective successors and permitted transferees and assigns in accordance with their respective interests;

(iii) capitalised terms used but not defined in this Deed (including the preamble hereto) have the same meanings as in the Intercreditor Agreement; and

(iv) this Deed is a Financing Agreement and shall be interpreted and construed in accordance with the terms and provisions of the Intercreditor Agreement.

2. COVENANT TO PAY

The Chargor covenants with the Collateral Agent that it will pay the Benefited Obligations as and when the same fall due for payment.

3. CHARGING SECTION

As a continuing security for the payment and discharge of all Benefited Obligations, the Chargor hereby charges and assigns, with full title guarantee, in favour of the Collateral Agent (to the intent that the security hereby created shall be a continuing security in favour of the Collateral Agent in its capacity as such) the following property and rights, both present and future, from time to time owned by the Chargor or in which the Chargor is from time to time interested:

(a) by way of first fixed charge, all the shares described in Schedule I hereto (the "Initial Shares"), all of the certificates and/or instruments representing such shares and all cash, distributions, dividends, rights, allotments, accretions, benefits and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares (whether by way of conversion, redemption, bonus, preference, option or otherwise);

(b) by way of first fixed charge, all additional shares of the Issuer at any time and from time to time acquired by the Chargor (collectively with the Initial Shares, the "Shares") in any manner (provided that the aggregate percentage of the share capital of the Issuer encumbered by any and all charges granted in favour of the Collateral Agent by the Chargor or any of its Subsidiaries pursuant hereto shall not at any time exceed the Percentage Limitation), all of the certificates and/or instruments representing such additional shares, and all cash, distributions, dividends, rights, allotments, accretions, benefits and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares (whether by way of conversion, redemption, bonus, preference, option or otherwise);

(c) by way of first fixed charge, all other property hereafter delivered to the Collateral Agent in substitution for or in addition to any of the foregoing, all certificates and instruments representing or evidencing such property, and all cash, distributions, dividends, rights, allotments, accretions, benefits and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all thereof (whether by way of conversion, redemption, bonus, preference, option or otherwise); and

(d) by way of first fixed charge, all products and proceeds of all of the foregoing.

The Collateral Agent shall hold the benefit of the covenants, charges and other undertakings given by the Chargor pursuant to this Deed upon trust for the Lenders, the Noteholders and the Future Debt Holders and the Collateral Agent, provided that the sole obligations of the Collateral Agent and of any Agent-Related Persons to the Lenders, the Noteholders and the Future Debt Holders shall be those set out in the Intercreditor Agreement (including, without limitation, Section 8 thereof) and neither the Collateral Agent nor any Agent-Related Persons shall be deemed to be a fiduciary hereunder.

4. DELIVERY

The Chargor agrees to deliver to the Collateral Agent, forthwith upon execution of this Deed (in connection with the Initial Shares) and from time to time (in connection with any other Shares), all share certificates and documents of title relating to the Shares together with Transfer Form(s) relating to all such Shares and covenants with the Collateral Agent to deliver to it all other share certificates, documents of title and Transfer Forms relating to the Charged Property which may at any time come into the possession or control of the Chargor; and prior to the delivery thereof to the Collateral Agent, the Chargor will hold all such certificates, documents of title and Transfer Forms on trust for the Collateral Agent.

5. REPRESENTATIONS AND WARRANTIES

The Chargor represents and warrants to the Collateral Agent on the date of this Deed and shall be deemed to have represented and warranted on each date when any Benefited Obligations is outstanding, in each case in the terms set out below:

(a) the Chargor is (or at the time of any future delivery, charge, assignment or transfer will be) the owner of the Charged Property with full title guarantee thereto, free and clear of all Liens, other than the security created hereunder;

(b) the charges and assignments constituted by this Deed create a valid first ranking charge over and, as the case may be, assignment of the Charged Property in favour of the Collateral Agent;

(c) all the Shares are (and all Shares which in the future become subject to charge hereunder will be) duly authorised, validly issued, fully paid, non-assessable and

not subject to any Lien or restriction on transfer imposed under the constitutional documents of the Issuer or otherwise;

(d) the information contained in Schedule I hereto in connection with the Initial Shares is true and accurate in all respects; and

(e) the Chargor is not unable to pay its debts as they fall due and is not otherwise insolvent.

6. NEGATIVE PLEDGE AND DISPOSAL RESTRICTIONS

During the continuance of the security constituted by this Deed, and without prejudice to the provisions of the Intercreditor Agreement and the other Financing Agreements, the Chargor will not (without the prior consent in writing of the Collateral Agent):

(a) create or agree or attempt to create or permit to subsist (in favour of any person other than the Collateral Agent) any Lien over the whole or any part of the Charged Property or of the Non-Charged Shares or agree (whether on a contingent basis or otherwise) to do so; or

(b) (whether by a single transaction or a number of related or unrelated transactions and whether at the same time or over a period of time) sell, transfer, lease out, lend or otherwise dispose of or cease to exercise direct control over all or any part of the Charged Property or of the Non-Charged Shares or any interest therein or the right to receive or to be paid the proceeds arising on the disposal of the same, or agree or attempt to do so; or

(c) dispose of the equity of redemption in respect of all or any part of the Charged Property or of the Non-Charged Shares; or

(d) except with the written consent of the Collateral Agent, permit the Issuer to issue to any of the Chargor's other Subsidiaries any shares in addition to or in substitution for the Shares or the Non-Charged Shares unless, concurrently with each issuance thereof, any and all such shares are charged in favour of the Collateral Agent pursuant to a deed of charge substantially in the form of this Deed; provided that the aggregate percentage of the share capital of the Issuer required to be encumbered by any and all charges granted in favour of the Collateral Agent by the Chargor or any of its Subsidiaries pursuant hereto shall not exceed the Percentage Limitation.

7. OTHER UNDERTAKINGS

(a) The Chargor will furnish the Collateral Agent with such information concerning the Charged Property and the Non-Charged Shares as the Collateral Agent may from time to time reasonably request, and will permit the Collateral Agent from time to time during business hours and on reasonable notice (or at any time without notice during the existence of an Event of Default), to inspect, audit and make copies of and

extracts from all records and all other papers in the possession of the Chargor which pertain to the Charged Property and/or the Non-Charged Shares.

(b) The Chargor will not do or cause or permit to be done anything (including, without limitation, by way of any exercise of its rights under Section 8) which may in any way depreciate, jeopardise or otherwise prejudice the value to the Collateral Agent of the Charged Property or the security constituted by this Deed; provided that, so long as no Event of Default (both before and after giving effect thereto) has occurred and is continuing, the Chargor may receive, retain and dispose of any and all lawful dividends and cash distributions payable in respect of the Charged Property; and further provided that this undertaking will only relate to matters affecting the Charged Property and no breach of this undertaking shall arise as a result of any general deterioration in the financial condition of the Issuer arising as a consequence of any action or omission of the Chargor or the Issuer in relation to the business or assets of the Issuer.

(c) The Chargor hereby declares and agrees that:

(i) this Deed shall be held by the Collateral Agent as a continuing security and shall not be satisfied by any intermediate payment or satisfaction of any part of the Benefited Obligations and shall remain in full force and effect until all Benefited Obligations have been unconditionally and irrevocably paid and discharged in full to the satisfaction of the Collateral Agent;

(ii) the Collateral Agent shall not be bound to enforce any guarantee or security or proceed to take any other steps against any other Person before enforcing this Deed; and

(iii) this Deed shall be in addition to, and not in substitution for, any other rights which the Collateral Agent or any Lender, Noteholder or Future Debt Holder may now or hereafter have under or by virtue of any guarantee or security or agreement or any Lien or by operation of law or under any collateral or other security now or hereafter held by the Collateral Agent or any Lender, Noteholder or Future Debt Holder or to which the Collateral Agent or any Lender, Noteholder or Future Debt Holder may be entitled.

(d) Any settlement or discharge under this Deed between the Collateral Agent and the Chargor shall be conditional upon no security or payment to the Collateral Agent or any Lender, Noteholder or Future Debt Holder by the Chargor or any other Person being avoided or set-aside or ordered to be refunded or reduced by virtue of any provision or enactment relating to bankruptcy, insolvency, administration or liquidation for the time being in force, and if such condition is not satisfied (but without limiting the other rights of the Collateral Agent or any Lender, Noteholder or Future Debt Holder hereunder or under applicable law) such settlement or discharge shall be of no effect and the security created by this Deed shall remain and/or shall be reinstated in full force and effect as if such settlement or discharge had not occurred and the Collateral Agent shall, on behalf of the Lenders, the Noteholders and the Future Debt Holders, be entitled to recover from

the Chargor on demand the value of the security or payment so avoided, set-aside, refunded or reduced.

8. VOTING RIGHTS AND DIVIDENDS

(a) So long as no Event of Default (both before and after giving effect thereto) has occurred and is continuing, the Chargor shall, subject to clause (b) of Section 7, be entitled to exercise any and all voting or consensual rights and powers attaching to the Charged Property.

(b) So long as no Event of Default (both before and after giving effect thereto) has occurred and is continuing, the Chargor shall, subject to clause (b) of Section 7, be entitled to receive and retain any and all lawful dividends and cash distributions payable in respect of the Charged Property.

(c) Upon the occurrence of an Event of Default, and for so long as the same shall be continuing, all rights, powers and entitlements which the Chargor is entitled to exercise pursuant to clause (a) or (b) will immediately be suspended until such Event of Default shall no longer exist, and all such rights, powers and entitlements will thereupon become vested in the Collateral Agent so that the Collateral Agent has the sole and exclusive authority to exercise such rights and powers and to receive such dividends and distributions. All money and other property paid over to or received by the Collateral Agent pursuant to this Section 8 will be retained by it as additional Charged Property and applied in accordance with the provisions of this Deed and the Intercreditor Agreement.

9. COMPLETION OF TRANSFER FORMS

(a) At any time on or following the occurrence of an Event of Default so long as such Event of Default is continuing, the Collateral Agent may complete the Transfer Forms delivered to it hereunder in favour of itself as transferee or in favour of such other nominee as it may select.

(b) At any time when any Charged Property is registered in or transferred into the name of the Collateral Agent or its nominee, neither the Collateral Agent nor such nominee will be under any duty to ensure that any dividends or distributions relating to the Charged Property are duly paid or received or to exercise, defend or take any action with respect to any voting, consensual or other rights or powers attaching to the Charged Property including rights which are by way of bonus, preference, option, warrant or otherwise.

10. FURTHER ASSURANCES; POWER OF ATTORNEY

(a) The Chargor hereby undertakes with the Collateral Agent to take such further acts, enter into such other instruments or documents and otherwise perform such action as may be necessary or as the Collateral Agent may otherwise reasonably request

to more fully give effect to the security granted hereunder and any other provision of this Deed.

(b) The Chargor hereby irrevocably and by way of security appoints the Collateral Agent and each Receiver appointed hereunder and each of their delegates severally as its attorney (with full power of substitution and delegation) in its name and on its behalf and as its act and deed to execute, seal and deliver and otherwise perfect and complete and do any deed, agreement, instrument, Transfer Form or other act or thing which the Chargor ought to execute and do under the terms of this Deed or which may otherwise be required or deemed proper by the Collateral Agent for the purposes of this Deed and the Chargor hereby covenants to ratify and confirm all acts and things done by such attorney. The power of attorney hereby granted is as regards the Collateral Agent and its delegates (and as the Chargor hereby acknowledges) granted irrevocably and for value as part of the security constituted by this Deed to secure proprietary interests in and the performance of obligations owed to the respective donees within the meaning of the Power of Attorney Act 1971, and shall be exercisable upon the occurrence and during the continuance of any Event of Default.

11. ENFORCEMENT

(a) The restrictions on the consolidation of mortgages imposed by Section 93 of the Law of Property Act 1925 will not apply to this Deed or any security granted pursuant to this Deed.

(b) Section 103 of the Law of Property Act 1925 will not apply to this Deed, which shall immediately become enforceable and the power of sale and other powers conferred by Section 101 of such Act (as varied or extended by this Deed) will be immediately exercisable at any time after an Event of Default has occurred.

(c) The powers conferred on mortgagees or receivers by the Law of Property Act 1925 and under the Insolvency Act 1986 (as the case may be) will apply to this Deed except insofar as they are expressly or impliedly excluded and if there is any ambiguity or conflict between the powers contained in such Acts and those contained in this Deed, those contained in this Deed will prevail.

(d) At any time after the security constituted by this Deed has become enforceable or if so requested by the Chargor, the Collateral Agent may by writing under hand signed by any officer or manager of the Collateral Agent appoint any person (or persons) to be a Receiver of all or any part of the Charged Property.

(e) Any powers conferred upon mortgagees or chargees by the Law of Property Act 1925 as hereby varied or extended and all or any rights conferred by this Deed on a Receiver (whether expressly or impliedly) may be exercised by the Collateral Agent without further notice to the Chargor at any time after the security constituted by this Deed has become enforceable and the Collateral Agent may exercise

such rights and powers irrespective of whether it has taken possession of or has appointed a Receiver in respect of the Charged Property.

(f) For the purpose of or pending the discharge of any of the Benefited Obligations, the Collateral Agent may, subject to the terms and conditions of the Intercreditor Agreement, convert any moneys received, recovered or realised in any currency under this Deed (including the proceeds of any previous conversion under this paragraph) from their existing currency of denomination into any other currency at such rate or rates of exchange and at such time as the Collateral Agent thinks fit and shall effect such conversion in such a manner as to minimise the number of currencies to be converted to the extent reasonably practicable.

12. RECEIVER

(a) Any Receiver appointed hereunder will be the agent of the Chargor and the Chargor will be solely responsible for his acts and defaults and for his remuneration and will be liable on any contracts entered into by him.

(b) Any Receiver appointed under this Deed will have power, in addition to the powers conferred by the Law of Property Act 1925 and Schedule 1 of the Insolvency Act 1986 (which are incorporated into this Deed), and notwithstanding the liquidation of the Chargor, to take possession, collect and get in all or any part of the Charged Property and for that purpose to take any proceedings in the name of the Chargor or otherwise, generally to manage the Charged Property, to make any arrangement or enter into or cancel any contracts relating to the Charged Property, to insure or increase insurance in respect of the Charged Property, to exercise all voting or other rights attaching to the Charged Property in such manner as he may think fit, to redeem any prior liens, to appoint and discharge employees and professionals appointed in relation to the protection of the Charged Property on such terms as he may think fit, to prosecute, enforce and discontinue all proceedings in the name of the Chargor in relation to the Charged Property, and to do all such other acts and things (including, without limitation, execution of all documents) as may be considered by the Receiver to be conducive to any of the matters or powers set out above and to use the name of the Chargor for such purposes.

(c) The Collateral Agent may by written notice from time to time remove any Receiver and appoint a new Receiver in his place and may from time to time fix the remuneration of any such Receiver.

(d) Sections 109(6) and (8) of the Law of Property Act 1925 will not apply to a Receiver appointed under this Deed.

(e) Any money recovered by the Collateral Agent or any Receiver pursuant to this Deed may be kept by them in a separate suspense account for so long and in such manner as they may think fit prior to application in accordance with the terms of this Deed.

(f) All monies received by the Collateral Agent or any Receiver appointed hereunder shall be applied by it or him in the following order:

(i) in payment of the costs, charges and expenses incurred, and payments made, by the Collateral Agent and/or any Receiver in connection with this Deed (including the payment of any preferential debts);

(ii) in payment of remuneration to the Receiver at such rates as may be agreed between him and the Collateral Agent at or any time after his appointment;

(iii) in or towards satisfaction of the Benefited Obligations (in such order (subject to the terms of the Intercreditor Agreement) as the Collateral Agent shall require); and

(iv) the surplus (if any) shall be paid to the Chargor or other person entitled to it.

13. PROTECTION OF THIRD PARTIES

No purchaser from, or other person dealing with, the Collateral Agent and/or any Receiver will be obliged or concerned to enquire whether the right of the Collateral Agent or any Receiver to exercise any of the powers conferred by this Deed has arisen or become exercisable or whether any of the Benefited Obligations remains outstanding and the receipt of the Collateral Agent or any Receiver shall be an absolute and complete discharge to any such purchaser and will relieve such purchaser of any obligation to see to the application of any monies paid to or by the direction of the Collateral Agent or any Receiver.

14. THE COLLATERAL AGENT'S REMEDIES

(a) The rights, powers and remedies provided in this Deed are cumulative and are not, nor are they to be construed as, exclusive of any rights, powers or remedies provided by law or otherwise.

(b) No failure on the part of the Collateral Agent or any Agent-Related Persons to exercise, or delay on its part in exercising, any of its rights, powers and remedies provided by this Deed or by law (collectively the "Rights") shall operate as a waiver thereof, nor shall any single or partial exercise of any of the Rights preclude any further or other exercise of that one of the Rights concerned or the exercise of any other of the Rights.

(c) The Chargor hereby agrees to indemnify the Collateral Agent and any Agent-Related Persons against all losses, actions, claims, costs, charges, expenses and liabilities incurred by the Collateral Agent and any Agent-Related Persons (including any substitute delegate attorney) in relation to this Deed or the Benefited Obligations (including, without limitation, the costs, charges and expenses incurred in the carrying

into effect of this Deed or in the exercise of any of the rights, remedies and powers conferred on the Collateral Agent hereby or in the perfection or enforcement of the security constituted hereby or pursuant hereto) or occasioned by any breach by the Chargor of any of its covenants or obligations to the Collateral Agent and any Agent-Related Persons under this Deed. The Chargor shall so indemnify the Collateral Agent on demand.

15. THE COLLATERAL AGENT'S DISCRETION

(a) Subject to the terms and conditions of the Intercreditor Agreement, any liberty or power which may be exercised or any determination which may be made hereunder by the Collateral Agent may be exercised or made in the reasonable discretion of the Collateral Agent.

(b) A certificate by an officer of the Collateral Agent (i) as to the amount for the time being due to the Collateral Agent or any Lender, Noteholder or Future Debt Holder under any Financing Agreement and (ii) as to any sums payable to the Collateral Agent or any Lender, Noteholder or Future Debt Holder hereunder, shall (save in the case of manifest error) be conclusive and binding upon the Chargor for all purposes.

16. AMENDMENTS

No amendment or waiver of any provision of this Deed and no consent to any departure by the Chargor therefrom shall in any event be effective unless the same shall be in writing and signed or approved in writing by the Collateral Agent in accordance with the provisions of the Intercreditor Agreement and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. In the event of any conflict between this Deed and the Intercreditor Agreement or any of the other Financing Agreements, the provisions of the Intercreditor Agreement or the relevant Financing Agreement shall prevail.

17. NOTICES

All notices and other communications provided to any party hereto in connection with this Deed shall be in writing and the provisions of Section 11(a) of the Intercreditor Agreement are hereby incorporated into this Deed with all necessary consequential changes.

18. RIGHTS AND REMEDIES CUMULATIVE; WAIVERS

(a) The rights and remedies of the Collateral Agent provided in this Deed are cumulative and not exclusive of any rights or remedies provided by law.

(b) A waiver given or consent granted by the Collateral Agent under this Deed will be effective only if given in writing and then only in the instance and for the purpose for which it is given.

19. INVALIDITY OF ANY PROVISION

If any provision of this Deed is or becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions will not be affected or impaired in any way.

20. ASSIGNMENT

The Collateral Agent may at any time assign or otherwise transfer all or any part of its rights under this Deed in accordance with and subject to the terms of the Intercreditor Agreement. The Chargor may not at any time assign or otherwise transfer any of its rights or obligations under this Deed.

21. NOTICE OF SUBSEQUENT CHARGE

If the Collateral Agent receives notice of any subsequent Lien affecting any part of the Charged Property, it may open a new account for the Chargor in its books and if it does not do so then it will, as from the time of receipt of such notice, automatically be treated as if all payments made to it by the Chargor have been credited to a new account of the Chargor and not as having been applied in reduction of the Benefited Obligations.

22. PERPETUITY PERIOD

For purposes of the Perpetuity and Accumulations Act 1964 the duration period of any trust established pursuant to this Deed shall be eighty (80) years from the date of this Deed.

23. NO WAIVER

The obligations of the Chargor contained in this Deed will not be affected by any act, omission or circumstance which (save for this provision) may operate so as to release or otherwise exonerate the Chargor from its obligations hereunder or otherwise affect any such obligation, including:

(a) any time, indulgence or waiver granted to or composition made with any obligor in respect of the Benefited Obligations or any other person;

(b) the taking, variation, compromise, renewal or release of or failure to enforce any rights, remedies or securities against or granted by any obligor in respect of the Benefited Obligations or any other person;

(c) any legal limitation, disability, incapacity or other circumstance relating to any obligor in respect of the Benefited Obligations or any other person or any variation of the terms of this Deed or any other document (including the other Financing Agreements); or

(d) any other act, omission or circumstance which might otherwise adversely affect any of the obligations of the Chargor hereunder.

No failure or delay by the Collateral Agent or any Agent-Related Persons in exercising any right, power or privilege under this Deed shall operate as a waiver thereof nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

24. COUNTERPARTS

This Deed may be executed in any number of counterparts and all of such counterparts taken together shall constitute one and the same instrument.

25. GOVERNING LAW AND SUBMISSION TO JURISDICTION

(a) LAW: This Deed and all matters and disputes relating hereto shall be governed and construed in accordance with English law.

(b) JURISDICTION: The Chargor irrevocably agrees for the benefit of the Collateral Agent that the courts of England shall have exclusive jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Deed and, for such purposes, irrevocably submits to the exclusive jurisdiction of such courts. The submission to the courts of England referred to in the preceding sentence of this clause (b) shall not limit the right of the Chargor to take proceedings in connection with any agreement relating to the Benefited Obligations to which it is a party and which is not governed by English law in any other court of competent jurisdiction.

(c) FORUM: The Chargor irrevocably waives any objection which it might now or hereafter have to the courts referred to in clause (b) being nominated as the forum to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Deed and agrees not to claim that any such court is not a convenient or appropriate forum.

(d) NON-EXCLUSIVE: The submission to the jurisdiction of the courts referred to in clause (b) shall not (and shall not be construed so as to) limit the right of the Collateral Agent to take proceedings against the Chargor in any other court of competent jurisdiction nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction, whether concurrently or not.

(e) PROCESS AGENT: The Chargor agrees that the process by which any suit, action or proceeding is begun may be served on it by being delivered in connection with any suit, action or proceeding in England, to it at c/o Credit Acceptance Corporation UK Limited, Burfree House, Teville Road, Worthing, West Sussex BN11 1UG, England, or, if different, the principal place of business of Credit Acceptance Corporation UK Limited in England for the time being.

(f) WAIVER OF IMMUNITY: To the extent that the Chargor may be entitled in any jurisdiction to claim for itself or its assets, immunity from suit, execution, attachment or other legal process whatsoever, it hereby irrevocably agrees not to claim and hereby irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction.

IN WITNESS whereof the parties hereto have caused this Deed to be duly executed, sealed where appropriate, and delivered as at the day and year first before written.

THE CHARGOR	)	
	)	
SIGNED AND SEALED	)	
as a DEED	)	/S/ Brett A. Roberts
for and on behalf of	)	
CREDIT ACCEPTANCE	)	
CORPORATION	)	
THE COLLATERAL AGENT	)	
	)	
SIGNED as a DEED	)	
for and on behalf of	)	
COMERICA BANK, as Collateral	)	/S/ Michael P. Stapleton
Agent for and on behalf of	)	
the Lenders, the Noteholders and	)	
the Future Debt Holders	)	

ACKNOWLEDGED this 17th day of December 1998

for and on behalf of	)	
CREDIT ACCEPTANCE	)	/S/ Brett A. Roberts
CORPORATION UK LIMITED	)	

SCHEDULE I

Issuer	Share Certificate No.	No. of Charged Shares	Charged Shares as % of Total Shares Issued and Outstanding	Total Shares of Issues Outstanding
Credit Acceptance Corporation UK Limited	4	130 Shares	65%	200 Shares

EXHIBIT 21(1)

The following is a list of subsidiaries as of the date of this filing of Credit Acceptance Corporation, other than subsidiaries which, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary, as defined by the Securities and Exchange Commission Regulation S-X.

Buyers Vehicle Protection Plan, Inc.
Credit Acceptance Corporation Life Insurance Company
Credit Acceptance Corporation UK Limited
CAC of Canada Limited
Credit Acceptance Corporation Ireland Limited
CAC Leasing, Inc.
CAC Reinsurance, Ltd.
Montana Investment Group, Inc.
Vehicle Remarketing Services, Inc.
CAC Funding Corp.
Arlington Investment Company

EXHIBIT 23(1)

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the Registration Statement of Credit Acceptance Corporation on Forms S-3 (File Nos. 33-75246 (as amended) and 333-18301) and Forms S-8 (File Nos. 33-64876 and 33-80339) of our report dated January 27, 1999, appearing in the Annual Report on Form 10-K of Credit Acceptance Corporation for the year ended December 31, 1998.

DELOITTE & TOUCHE
Detroit, Michigan
March 30, 1999

EXHIBIT 23(2)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated February 2, 1998 included in this Annual Report on Form 10-K of Credit Acceptance Corporation for the year ended December 31, 1998, into Credit Acceptance Corporation's previously filed Registration Statement on Forms S-3 (File Nos. 33-75246 (as amended) and 333-18301) and Forms S-8 (File Nos. 33-64876 and 33-80339). It should be noted that we have not audited any financial statements of Credit Acceptance Corporation subsequent to December 31, 1997 or performed any audit procedures subsequent to the date of our report.

ARTHUR ANDERSEN LLP

Detroit, Michigan
March 30, 1999

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YEAR
DEC-31-1998
JAN-01-1998
DEC-31-1998
13,775
10,191
671,768
7,075
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30,444
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.53