UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1998

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

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)	(IRS Employer Identification)
25505 WEST TWELVE MILE ROAD, SUITE 3000 SOUTHFIELD, MICHIGAN	48034-8339
(Address of principal executive offices)	(zip code)

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

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 the number of shares outstanding of each of the issuer's class of common stock, as of the latest practicable date.

The number of shares outstanding of Registrant's Common Stock, par value $.01, on August 12, 1998 was 46,113,115.

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CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED BALANCE SHEETS

(DOLLARS IN THOUSANDS)	AS OF 12/31/97	AS OF 6/30/98 (UNAUDITED)
ASSETS:		
Cash and cash equivalents	$ 349	$ 1,428
Investments	9,973	11,302
Installment contracts receivable.	1,049,818	874,662
Allowance for credit losses	(13,119)	(9,174)
Installment contracts receivable, net	1,036,699	865,488
Floor plan receivables.	19,800	18,457
Notes receivable.	1,231	1,574
Property and equipment, net	20,839	20,625
Deferred dealer enrollment costs, net	-	188
Other assets, net	26,719	11,093
TOTAL ASSETS	$1,115,610	$930,155
LIABILITIES:		
Senior notes	$ 175,150	$175,150
Lines of credit	212,717	135,653
Mortgage loan payable to bank	3,799	3,683
Income taxes payable.	-	3,546
Accounts payable and accrued liabilities.	22,851	28,378
Deferred dealer enrollment fees, net	421	-
Dealer holdbacks, net	437,065	306,539
Deferred income taxes, net.	14,616	12,910
TOTAL LIABILITIES.	866,619	665,859
SHAREHOLDERS' EQUITY		
Common stock.	461	461
Paid-in capital	128,336	128,377
Retained earnings	118,023	132,353
Cumulative translation adjustment	2,171	3,105
TOTAL SHAREHOLDERS' EQUITY	248,991	264,296
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,115,610	$930,155

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED INCOME STATEMENTS
(UNAUDITED)

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)	THREE MONTHS ENDED 6/30/97	THREE MONTHS ENDED 6/30/98	SIX MONTHS ENDED 6/30/97	SIX MONTHS ENDED 6/30/98
REVENUE:				
Finance charges	$ 32,602	$ 27,894	$ 63,293	$ 55,949
Vehicle service contract fees and other income	7,494	6,298	14,399	13,180
Dealer enrollment fees.	2,132	1,014	3,922	2,464
Premiums earned	2,625	2,630	5,008	5,553
Total revenue.	$ 44,853	$ 37,836	$ 86,622	$ 77,146
COSTS AND EXPENSES:				
Salaries and wages.	4,261	5,675	8,071	10,597
General and administrative.	5,315	6,900	9,494	14,142
Provision for credit losses	7,669	4,666	14,722	10,462
Sales and marketing	2,059	1,444	3,957	3,901
Provision for claims.	878	937	1,681	1,972
Interest	6,808	6,829	12,477	14,175
Total costs and expenses.	26,990	26,451	50,402	55,249
OPERATING INCOME	17,863	11,385	36,220	21,897
Foreign exchange gain(loss).	5	(7)	(15)	5
INCOME BEFORE PROVISION FOR INCOME TAXES	17,868	11,378	36,205	21,902
Provision for income taxes	5,818	3,935	12,117	7,572
NET INCOME	$ 12,050	$ 7,443	$ 24,088	$ 14,330
Net income per common share:				
Basic.	$ 0.26	$ 0.16	$ 0.52	$ 0.31
Diluted.	$ 0.26	$ 0.16	$ 0.52	$ 0.30
Weighted average shares outstanding:				
Basic.	46,112,448	46,113,115	46,094,448	46,113,115
Diluted.	46,594,721	47,410,190	46,748,606	47,179,931

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(DOLLARS IN THOUSANDS)	SIX MONTHS ENDED 6/30/97	6/30/98
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income.	$ 24,088	$ 14,330
Adjustments to reconcile net income to net cash provided by operating activities -		
Credit for deferred income taxes	(579)	(1,706)
Depreciation and amortization.	1,005	1,911
Loss on retirement of property and equipment	512	-
Provision for credit losses.	14,722	10,462
Dealer stock option plan expense	-	41
Change in operating assets and liabilities -		
Accounts payable and accrued liabilities	(4,285)	5,527
Income taxes payable	2,821	3,546
Deferred dealer enrollment costs, net.	-	(188)
Unearned insurance premiums, insurance reserves, and fees.	836	142
Deferred dealer enrollment fees, net	(787)	(421)
Other assets	(263)	15,626
Net cash provided by operating activities.	38,070	49,270
CASH FLOWS FROM INVESTING ACTIVITIES:		
Principal collected on installment contracts receivable	187,986	203,494
Purchase of marketable securities	(1,218)	(1,329)
Decrease(increase) in floor plan receivables.	(827)	1,343
Decrease(increase) in notes receivable.	845	(343)
Purchase of property and equipment.	(4,595)	(1,697)
Net cash provided by investing activities.	182,191	201,468
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of mortgage loan payable to bank.	(108)	(116)
Advances to dealers and payments of dealer holdback	(288,223)	(173,413)
Net repayments under line of credit agreement	(5,707)	(77,064)
Proceeds from sale of senior notes.	71,750	-
Proceeds from stock options exercised	2,867	-
Net cash used in financing activities.	(219,421)	(250,593)
Effect of exchange rate changes on cash.	(934)	934
NET INCREASE(DECREASE) IN CASH	(94)	1,079
Cash and cash equivalents - beginning of period	229	349
Cash and cash equivalents - end of period	$ 135	$ 1,428

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 1998
(UNAUDITED)

(DOLLARS IN THOUSANDS)	COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS	CUMULATIVE TRANSLATION ADJUSTMENT
Balance as of December 31, 1997.	$ 461	$ 128,336	$ 118,023	$ 2,171
Net income	-	-	14,330	-
Foreign currency translation adjustment. .	-	-	-	934
Dealer stock option plan expense	-	41	-	-
Balance as of June 30, 1998.	$ 461	$ 128,377	$ 132,353	$ 3,105

CREDIT ACCEPTANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. GENERAL

The unaudited consolidated operating results have been prepared on the same basis as the audited financial statements and, in the opinion of management, include all adjustments, consisting of normal recurring items, necessary for a fair presentation of the periods. The results of operations for interim periods are not necessarily indicative of actual results achieved for full fiscal years.

As contemplated by the Securities and Exchange Commission under rule 10-01 of Regulation S-X, the accompanying consolidated financial statements and related notes have been condensed and do not contain certain information included in the Company's annual consolidated financial statements and notes thereto. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

2. NET INCOME PER SHARE

Basic net income per share amounts are based on the weighted average number of common shares outstanding. Diluted net income per share amounts are based on 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. All per share amounts have been adjusted to reflect all stock splits declared by the Company.

3. 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. Other comprehensive income may include foreign currency transaction adjustments, minimum pension liability adjustments, and unrealized gains and losses on marketable securities classified as available-for-sale. The Company's total comprehensive income was as follows:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
DOLLARS IN THOUSANDS	6/30/97	6/30/98	6/30/97	6/30/98
Net income	$12,050	$7,443	$24,088	$14,330
Other comprehensive income (loss)	538	677	(607)	607
Total comprehensive income	$12,588	$8,120	$23,481	$14,957

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

THREE AND SIX MONTHS ENDED JUNE 30, 1997 COMPARED TO THREE MONTHS ENDED JUNE 30, 1998

TOTAL REVENUE. Total revenue decreased from $44.9 million and $86.6 million for the three and six months ended June 30, 1997 to $37.8 million and $77.1 million for the same periods in 1998, representing decreases of 15.6% and 10.9%, respectively. These decreases are primarily due to decreases in finance charge revenue resulting from decreases in average outstanding installment contracts receivable. The decreases in average outstanding installment contracts receivable are primarily the result of collections on and charge offs of installment contracts exceeding contract originations for the periods. The Company's volume of contract originations decreased in the fourth quarter of 1997 and in the first two quarters of 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 reviews 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 net installment contracts receivable, was approximately 11.4% and 11.6% for the six months ended June 30, 1997 and 1998, respectively.

Vehicle service contract fees and other income as a percent of total revenue, was 16.7% for the three months ended June 30, 1997 and 1998 and increased from 16.6% for the six months ended June 30, 1997 to 17.1% for the same period in 1998. The increase for the six month period is primarily due to a higher penetration rate of third party service contract products offered by dealers on installment contracts, as the Company earns a fee on the sale of these products. Also contributing to the increase in vehicle service contract fees and other income for the six month period is an increase in interest earned on floor plan financing which results from increased floor plan balances.

Earned dealer enrollment fees decreased, as a percent of total revenue, from 4.8% and 4.5% for the three and six months ended June 30, 1997 to 2.7% and 3.2% for the same periods in 1998. The decreases are 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.

Premiums earned increased, as a percent of total revenue, from 5.9% and 5.8% for the three and six months ended June 30, 1997 to 7.0% and 7.2% for the same periods 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.

SALARIES AND WAGES. Salaries and wages, as a percent of total revenue, increased from 9.5% and 9.3% for the three and six months ended June 30, 1997 to 15.0% and 13.7% for the same periods in 1998. The increases are primarily due to increases in employee headcount, particularly collection personnel added to service the Company's installment contract portfolio. To a lesser extent, the increase is due to an increase in the Company's average wage rates.

GENERAL AND ADMINISTRATIVE. General and administrative expenses, as a percent of total revenue, increased from 11.8% and 11.0% for the three and six months ended June 30, 1997 to 18.2% and 18.3% for the same periods in 1998. Increases in general and administrative expenses include increases in (i) legal fees and settlement provisions resulting from an increase in the frequency and magnitude of litigation against the Company; (ii) depreciation and amortization primarily resulting from the addition of new computer systems in 1997 and (iii) an increase in audit fees charged by the Company's independent accountants.

As previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 1997, the Company is currently a defendant in a class action proceeding in the United States District Court for the Western

District of Missouri seeking money damages resulting from multiple violations of state and federal consumer protection laws (the "Missouri Litigation"). 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 while denying summary judgment on certain other claims. The Court also ruled in favor of the Company on certain claims raised by class plaintiffs. The Company intends to appeal the Court's ruling and believes that it has substantial grounds for appeal. The remaining claims as well as the amount of damages will be determined at a hearing in January 1999. The Company will continue to monitor the progress of this case to determine appropriate levels of reserves in future periods.

PROVISION FOR CREDIT LOSSES. The amount provided for credit losses, as a percent of total revenue, decreased from 17.1% and 17.0% for the three and six months ended June 30, 1997 to 12.3% and 13.6% for the same periods in 1998. The provision for credit losses consists of two components: (i) a provision for loan losses for the earned but unpaid servicing fee or finance charge 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 35.5% and 32.3% of gross receivables as of June 30, 1997 and 1998, respectively.

SALES AND MARKETING. Sales and marketing expenses, as a percent of total revenue, decreased from 4.6% during the three months ended June 30, 1997 to 3.8% during the same period in 1998 and increased from 4.6% during the six months ended June 30, 1997 to 5.1% during the same period in 1998. The decrease for the three month period is primarily the result of a reduction in advertising and other promotional expenses resulting from the discontinuation of the Company's customer lead generating program. Sales and marketing expenses were comparable for the six month period but increased, as a percent of total revenue, as a result of increases in advertising during the first quarter of 1998 associated with the Company's customer lead generating program.

PROVISION FOR CLAIMS. The amount provided for insurance and service contract claims, as a percent of total revenue, increased from 2.0% during the three and six months ended June 30, 1997 to 2.5% and 2.6% during the same periods in 1998. These increases correspond with increases, as a percent of total revenue, in premiums earned from 5.9% and 5.8% for the three months ended June 30, 1997 to 7.0% and 7.2% for the same periods in 1998.

INTEREST EXPENSE. Interest expense, as a percent of total revenue, increased from 15.2% and 14.4% for the three and six months ended June 30, 1997 to 18.0% and 18.4% for the same periods in 1998. The increase for the three month period is primarily due to higher average interest rates in 1998. The increase for the six month period is primarily the result of an increase in the amount of average outstanding borrowings and, to a lesser extent, due to higher average interest rates. The increase in the average interest rate is primarily the result of increases in the Company's Eurocurrency based borrowing margins under its credit agreement with a commercial bank syndicate. In accordance with the terms of the credit agreement, the margins increased from 82.5 basis points to 120 basis points on October 22, 1997 as a result of 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. In addition, the Company's credit rating was further downgraded on June 24, 1998 by Moody's Investor Service from Ba2 to Ba3, resulting in an increase in the borrowing margins from 120 basis points to 140 basis points in accordance with the terms of the credit agreement. On July 30, 1998, the credit agreement was amended, pursuant to which the Eurocurrency based borrowing margin thereunder was fixed at 140 basis points. In connection with the Company's $50 million securitization, the Company's note purchase agreements with various insurance companies were amended on July 1, 1998. The amendments provide for a 25 basis point increase in the interest rate on outstanding borrowings under the note purchase agreements. See "Liquidity and Capital Resources".

OPERATING INCOME. As a result of the aforementioned factors, operating income decreased from $17.9 million and $36.2 million for the three and six months ended June 30, 1997 to $11.4 million and $21.9 million for the same periods in 1998, representing decreases of 36.3% and 39.5%, respectively.

FOREIGN EXCHANGE LOSS. The Company incurred a foreign exchange gain of $5,000 for the three months ended June 30, 1997 and a foreign exchange loss of $7,000 for the same period in 1998, and incurred a foreign exchange loss of $15,000 for the six months ended June 30, 1997 and a foreign exchange gain of $5,000 for the same period in 1998. The gains and losses result from the effect of exchange rate fluctuations between the U.S. dollar and foreign currencies on unhedged intercompany balances between the Company and its subsidiaries which operate outside the United States.

PROVISION FOR INCOME TAXES. The provision for income taxes decreased from $5.8 million and $12.1 million during the three and six months ended June 30, 1997 to $3.9 million and $7.6 million during the same periods in 1998.

The decrease is due to a lower level of pretax income in 1998. For the six months ended June 30, the effective tax rate was 33.5% in 1997 and 34.6% in 1998. The effective tax rate in 1997 was lower primarily due to the utilization of a $331,000 net operating loss carry forward.

INSTALLMENT CONTRACTS RECEIVABLE

The following table summarizes the composition of installment contracts receivable at the dates indicated:

(DOLLARS IN THOUSANDS)	AS OF 12/31/97	AS OF 6/30/98
		(UNAUDITED)
Gross installment contracts receivable. . . .	$1,254,858	$1,040,670
Unearned finance charges.	(196,357)	(157,183)
Unearned insurance premiums, insurance reserves, and fees	(8,683)	(8,825)
Installment contracts receivable.	$1,049,818	$ 874,662

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
(DOLLARS IN THOUSANDS)	6/30/97	6/30/98	6/30/97	6/30/98
	(UNAUDITED)		(UNAUDITED)	
Balance - beginning of period.	$1,360,899	$1,143,469	$1,251,139	$1,254,858
Gross amount of installment contracts accepted	242,660	153,515	533,641	356,480
Cash collections on installment contracts receivable.	(130,833)	(137,139)	(258,806)	(276,243)
Charge offs (a).	(55,317)	(121,789)	(101,594)	(296,678)
Currency translation	3,211	2,614	(3,760)	2,253
Balance - end of period.	$1,420,620	$1,040,670	$1,420,620	$1,040,670

(a) 1998 charge offs based on nine month recency method; 1997 based on one year recency method.

DEALER HOLDBACKS

The following table summarizes the composition of dealer holdbacks at the dates indicated:

(DOLLARS IN THOUSANDS)	AS OF 12/31/97	AS OF 6/30/98
		(UNAUDITED)
Dealer holdbacks.	$1,002,033	$ 830,885
Less: Advances (net of reserves of $16,369 and $25,274 at December 31, 1997 and June 30, 1998, respectively).	(564,968)	(524,346)
Dealer holdbacks, net	$ 437,065	$ 306,539

CREDIT POLICY AND EXPERIENCE

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 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. 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. 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 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. The Company believes these changes allow for earlier identification of under performing dealer pools.

The following tables set forth information relating to charge offs, the allowance for credit losses and the reserve on advances.

	THREE MONTHS ENDED		SIX MONTHS ENDED	
(DOLLARS IN THOUSANDS)	6/30/97	6/30/98	6/30/97	6/30/98
	(UNAUDITED)		(UNAUDITED)	
Charged against dealer holdbacks (a)	$ 44,237	$ 97,459	$ 81,223	$ 237,328
Charged against unearned finance charges (a)	9,876	22,133	18,133	53,481
Charged against allowance for credit losses (a)	1,204	2,197	2,238	5,869
Total contracts charged off (a)	$ 55,317	$ 121,789	$ 101,594	$ 296,678
Net charge offs against the reserve on advances	$ 994	$ -	$ 1,321	$ -

(a) 1998 charge offs based on nine month recency method; 1997 based on one year recency method.

(DOLLARS IN THOUSANDS)	THREE MONTHS ENDED 6/30/97	THREE MONTHS ENDED 6/30/98	SIX MONTHS ENDED 6/30/97	SIX MONTHS ENDED 6/30/98
	(UNAUDITED)		(UNAUDITED)	
ALLOWANCE FOR CREDIT LOSSES				
Balance - beginning of period.	$ 13,665	$ 10,473	$ 12,194	$ 13,119
Provision for loan losses.	2,062	875	4,615	1,905
Charge offs.	(1,204)	(2,197)	(2,238)	(5,869)
Currency translation	33	23	(15)	19
Balance - end of period.	$ 14,556	$ 9,174	$ 14,556	$ 9,174

(DOLLARS IN THOUSANDS)	THREE MONTHS ENDED 6/30/97	THREE MONTHS ENDED 6/30/98	SIX MONTHS ENDED 6/30/97	SIX MONTHS ENDED 6/30/98
	(UNAUDITED)		(UNAUDITED)	
RESERVE ON ADVANCES				
Balance - beginning of period.	$ 14,168	$ 21,262	$ 8,754	$ 16,369
Provision for advance losses	5,607	3,791	10,107	8,557
Advance reserve fees	944	15	2,274	167
Charge offs.	(994)	-	(1,321)	-
Currency translation	91	206	2	181
Balance - end of period.	$ 19,816	$ 25,274	$ 19,816	$ 25,274

(DOLLARS IN THOUSANDS)	AS OF 6/30/97	AS OF 6/30/98
Allowance for credit losses as a percent of gross installment contracts receivable	1.0%	0.9%
Reserve on advances as a percent of advances	3.3%	4.6%
Gross dealer holdbacks as a percent of gross installment contracts receivable	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 $288.2 million during the six months ended June 30, 1997 to $173.4 million during the same period 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 the first six months of 1998, the Company paid down approximately $77.1 million on its credit agreement with a commercial bank syndicate. The positive cash flow during the period is primarily a result of collections on installment contracts receivable exceeding cash advances to dealers and payments of dealer holdbacks. 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 first half of 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 the first half of 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.

At June 30, 1998, the Company had a $200 million credit agreement with a commercial bank syndicate. As of June 30, 1998, there was approximately $135.7 million outstanding under this facility. Pursuant to this agreement, upon the completion of the $50 million securitization, the amount of this facility was reduced to $160

million. On July 31, 1998, this facility was amended to provide for a $115 million credit agreement with a commitment period through June 15, 1999. The facility 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 the Company must execute documents to secure borrowings under the credit agreement with a lien on most of the Company's assets on an equal and ratable basis with the Company's unsecured senior notes by November 30, 1998. The agreement also 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.

On July 8, 1998, the Company completed a $50 million securitization. Pursuant to this transaction, the Company contributed dealer advances having a net book value of approximately $56 million to a wholly owned special purpose corporation (the SPC) and received approximately $50 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 financing is secured by the dealer advances, the rights to collections on the related installment contracts receivable contributed to the SPC and certain related assets up to the sum of the related dealer advance and the Company's servicing fee. The Company will receive a monthly servicing fee equal to 4% of the collections of the contributed installment contracts receivable. Except for a servicing fee and payments due to dealers, 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.

The Company also has a L2.0 million British pound sterling ($3.3 million U.S. dollars) line of credit agreement with a commercial bank in the United Kingdom, which is used to fund the day to day cash flow requirements of the Company's United Kingdom subsidiary. The borrowings are secured by a letter of credit issued by the Company's principal commercial bank with interest payable at the United Kingdom bank's base rate (7.25% at June 30, 1998) plus 65 basis points or at the LIBOR rate plus 56.25 basis points. The rates may be fixed for periods up to six months. As of June 30, 1998, there was approximately 21,000 British pounds ($35,000 U.S. dollars) outstanding under this facility. The facility expires on August 31, 1998, and the Company does not anticipate renewing the facility as it is not currently needed.

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.

On June 1, 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, and is not expected to have a significant impact on the Company's need for capital.

The Company maintains a significant dealer holdback on installment contracts accepted which assists the Company in funding its long-term cash flow requirements. In future periods, the Company's short and long-term cash flow requirements will continue to be funded primarily through cash flow from the collection of installment contracts, cash provided by operating activities and the Company's credit facilities. The Company expects to utilize various sources of financing available from time to time to fund the operations of the Company. Should such financing become limited, the Company's ability to fund cash advances to dealers in connection with the acceptance of installment contracts would be limited to earnings from operations and cash flow from the collection of installment contracts. As of August 10, 1998, the Company had approximately $88.5 million outstanding on its $115 million

credit agreement. The Company's senior notes require principal payments of $17.4 million and $8.9 million on October 1, 1998 and November 1, 1998, respectively. In addition, following the damage phase in January 1999 and 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 other financing alternatives available will provide sufficient financing for future operations.

YEAR 2000

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 systems 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 system is a third party software package. The vendor has indicated that it has a version of the software that is year 2000 compliant, to which the Company plans to upgrade. The Company utilizes certain other software that will be affected by the year 2000 date change. The Company expects that all other software installations or other modifications to its computer systems will be completed in 1998 and 1999. Anticipated spending for 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 does not expect that the cost of these modifications or software will have a material effect on its financial position, liquidity, or results of operations.

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 uncertainties, including 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, 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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

PART II.--OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 1997, the Company is currently a defendant in a class action proceeding in the United States District Court for the Western District of Missouri seeking money damages resulting from multiple violations of state and federal consumer protection laws (the "Missouri Litigation"). 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 while denying summary judgment on certain other claims. The Court also ruled in favor of the Company on certain claims raised by class plaintiffs. The Company intends to appeal the Court's ruling and believes that it has substantial grounds for appeal. The remaining claims as well as the amount of damages will be determined at a hearing in January 1999.

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

The Company held its Annual Meeting of Shareholders on May 18, 1998 at which the shareholders reelected the Company's five directors, each of which was an incumbent. The following table sets forth the number of shares for and withheld with respect to each nominee.

Nominee	Votes For	Votes Withheld
Donald A Foss	43,305,488	113,464
Harry E. Craig	43,300,411	118,541
Thomas A. FitzSimmons	43,305,041	113,911
David T. Harrison	43,299,621	119,331
Sam M. LaFata	43,305,021	113,931

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

See Index of Exhibits following the signature page.

(b) Reports on Form 8-K

The Company filed two current reports on Form 8-K during the quarter ended June 30, 1998, on April 23, 1998 and June 24, 1998, both disclosing certain information under Item 4, "Changes in Registrant's Certifying Accountant". No financial statements were filed therewith.

SIGNATURES

Pursuant to the requirements 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.

(REGISTRANT) CREDIT ACCEPTANCE CORPORATION

/S/ BRETT A. ROBERTS

BRETT A. ROBERTS
Executive Vice President and Chief Financial Officer
August 13, 1998
(Duly Authorized Officer and Principal Financial Officer)

/S/ JOHN P. CAVANAUGH

JOHN P. CAVANAUGH
Corporate Controller and Assistant Secretary
August 13, 1998
(Principal Accounting Officer)

INDEX OF EXHIBITS

EXHIBIT	DESCRIPTION
4(a)(4)	Fourth Amendment dated July 1, 1998 to Note Purchase Agreement dated October 1, 1994 between various insurance companies and the Company
4(a)(5)	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)(2)	Second Amendment dated July 1, 1998 to Note Purchase Agreement dated August 1, 1996 between various insurance companies and the Company
4(b)(3)	Limited Waiver dated July 27, 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)(4)	Fourth Amendment dated July 30, 1998 to Second Amended and Restated Credit Agreement dated as of December 4, 1996
4(e)(2)	Second Amendment dated July 1, 1998 to Note Purchase Agreement dated March 25, 1997 between various insurance companies and the Company
4(e)(3)	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)	Note Purchase Agreement dated July 7, 1998 among Kitty Hawk Funding Corporation, CAC Funding Corp. and NationsBank, N.A.
4(f)(1)	Security Agreement dated July 7, 1998 among Kitty Hawk Funding Corporation, CAC Funding Corp., the Company and NationsBank, N.A.
4(f)(2)	Servicing Agreement dated July 7, 1998 between CAC Funding Corp. and the Company
4(f)(3)	Contribution Agreement dated July 7, 1998 between the Company and CAC Funding Corp.
27	Financial Data Schedule

EXHIBIT 4(a)(4)

FOURTH AMENDMENT TO NOTE PURCHASE AGREEMENT
RE:
CREDIT ACCEPTANCE CORPORATION
8.87% SENIOR NOTES DUE NOVEMBER 1, 2001

Dated as of July 1, 1998

To the Noteholders listed on Annex I hereto

Ladies and Gentlemen:

Credit Acceptance Corporation, a Michigan corporation (together with its successors and assigns, the "Company"), hereby agrees with you as follows:

SECTION 1. INTRODUCTORY MATTERS.

1.1 DESCRIPTION OF OUTSTANDING NOTES. The Company currently has outstanding $45,900,000 in aggregate unpaid principal amount of its 8.87% Senior Notes due November 1, 2001 (collectively, as in effect immediately prior to the effective date of this Fourth Amendment, the "Original Notes", and as amended hereby, the "First Amended and Restated Notes") which it issued pursuant to the separate Note Purchase Agreements, each dated as of October 1, 1994 (collectively, as amended by the First Amendment to Note Purchase Agreement dated as of November 15, 1995, the Second Amendment to Note Purchase Agreement dated as of August 29, 1996 and the Third Amendment to Note Purchase Agreement dated as of December 12, 1997, the "Agreement"), entered into by the Company with each of the original holders of the Notes listed on Annex 1 thereto, respectively. Terms used herein but not otherwise defined herein shall have the meanings assigned thereto in the Agreement, as amended hereby.

1.2 PURPOSE OF AMENDMENT. The Company and you desire to amend the Agreement and the Original Notes as set forth in Section 2 hereof.

SECTION 2. AMENDMENT TO THE AGREEMENT AND NOTES.

Pursuant to Section 10.5 of the Agreement, the Company hereby agrees with you that the Agreement and the Original Notes shall be amended by this Fourth Amendment to Note Purchase Agreement (the "Fourth Amendment") in the following respects:

2.1 SECTION 1.1

Section 1.1 is amended and restated in its entirety as follows:

"1.1 AUTHORIZATION OF NOTES.

(a) On November 8, 1994, the Company issued Sixty Million Dollars ($60,000,000) in aggregate principal amount of its 8.87% Senior Notes due November 1, 2001 (the "Original Notes," such term to include

each Original Note delivered from time to time prior to the effectiveness of the Fourth Amendment in accordance with any of the Note Purchase Agreements), each:

(i) bearing interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof from the date of such Original Note at the rate of eight and eighty-seven one-hundredths percent (8.87%) PER ANNUM, payable semi-annually on the first (1st) day of November and the first (1st) day of May in each year commencing on the later of May 1, 1995 or the payment date next succeeding the date of such Original Note;

(ii) bearing interest, payable on demand, on any overdue principal (including any overdue prepayment of principal) and Make-Whole Amount, if any, and (to the extent permitted by applicable law) on any overdue installment of interest, at a rate equal to the lesser of

(A) the highest rate allowed by applicable law, or

(B) ten and eighty-seven one-hundredths percent (10.87%) PER ANNUM;

(iii) maturing on November 1, 2001; and

(iv) in the form of the Original Note set out in Exhibit A, as in effect on the Closing Date.

(b) Pursuant to the Fourth Amendment, the Company and the holders of the Original Notes have agreed to amend and restate in full the Original Notes substantially in the form attached to the Fourth Amendment as Attachment 1 thereto (the "First Amended and Restated Notes," such term to include each Original Note, as amended and restated pursuant to the Fourth Amendment, and each First Amended and Restated Note delivered from time to time on or after the effectiveness of the Fourth Amendment in accordance with any of the Note Purchase Agreements). Each First Amended and Restated Note will:

(i) be designated a "First Amended and Restated 9.12% Senior Note Due November 1, 2001";

(ii) bear interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof

from the date of such Note at the rate of eight and eighty-seven one-hundredths percent (8.87%) PER ANNUM through (but not including) July 1, 1998, and at the rate of nine and twelve one-hundredths percent (9.12%) PER ANNUM from and after July 1, 1998 to and including the date of maturity thereof, payable semi-annually on the first (1st) day of November and the first (1st) day of May in each year commencing on the payment date next succeeding the date of such First Amended and Restated Note;

(iii) bear interest, payable on demand, on any overdue principal (including any overdue prepayment of principal) and Make-Whole Amount, if any, and (to the extent permitted by applicable law) on any overdue installment of interest, at a rate equal to the lesser of

(A) the highest rate allowed by applicable law, or

(B) (I) ten and eighty-seven one-hundredths percent (10.87%) PER ANNUM if such time is prior to July 1, 1998, or (II) eleven and twelve one-hundredths percent (11.12%) PER ANNUM if such time is on or after July 1, 1998;

(iv) mature on November 1, 2001; and

(v) be in the form of the First Amended and Restated Note set out in Exhibit A (as in effect upon the effectiveness of the Fourth Amendment).

(c) The Original Notes and the First Amended and Restated Notes are referred to herein, collectively, as the "Notes". The term "Notes" as used herein shall include each Note delivered pursuant to the Note Purchase Agreements and each Note delivered in substitution or exchange for any such Note pursuant to Section 5.2 or Section 5.3, and shall be deemed (i) when reference is made to a date prior to the effective date of the Fourth Amendment, to be a reference to the Original Notes, and (ii) when reference is made to a date on or after the effective date of the Fourth Amendment, to be a reference to the First Amended and Restated Notes."

2.2 SECTION 6.1

(a) Paragraph (a) of Section 6.1 is hereby amended and restated in its entirety as follows:

"(a) TOTAL DEBT. The Company will not at any time permit Consolidated Total Debt to exceed any of the following:

(i)(A) two hundred seventy-five percent (275%) of Consolidated Tangible Net Worth prior to the effective date of the Fourth Amendment, and (B) two hundred percent (200%) of Consolidated Tangible Net Worth from the effective date of the Fourth Amendment until such time (but in no event prior to December 31, 1998) as the Company has maintained a ratio of (A) Consolidated Income Available for Fixed Charges for the four consecutive fiscal quarters of the Company most recently ended at such time to (B) Consolidated Fixed Charges for such period of not less than 2.25 to 1.0 for two consecutive fiscal quarters, then two hundred seventy-five percent (275%) of Consolidated Tangible Net Worth, provided however, that for the purposes of this test, Consolidated Total Debt shall be calculated by including all Debt incurred by a Special Purpose Subsidiary, whether or not included therein under GAAP;

(ii) eighty-five percent (85%) of Advances; and

(iii) sixty percent (60%) of Gross Current Installment Contract Receivables.".

(b) Section 6.1 is further amended by amending and restating paragraph (f) as follows:

"(f) GROSS ADVANCES. The Company will not at any time permit Gross Advances to exceed seventy percent (70%) of Net Installment Contract Receivables; provided, however, that at any time at which the Credit Agreement (as from time to time amended, restated, refinanced, replaced or supplemented) does not permit the amount of Gross Advances to exceed 65% of Net Installment Contract Receivables, the Company shall not permit Gross Advances to exceed sixty-five percent (65%) of Net Installment Contract Receivables.".

2.3 SECTION 6.2 Section 6.2 is hereby amended by deleting clause (v) thereof and the word "and" immediately preceding such clause and adding the following:

"(v) 2.0 to 1.0 for the four fiscal quarters ended September 30, 1998 and (vi) 2.25 to 1.0 for any four fiscal quarters ended on or after December 31, 1998."

2.4 SECTION 6.3 Section 6.3 is amended to change the reference to "Fifty-Five Million Dollars ($55,000,000)" in clause (a) thereof to "Two Hundred Million Dollars ($200,000,000)" and to change the reference to "January 1, 1994" in clause (b) thereof to "January 1, 1998".

2.5 SECTION 6.6

Clause (a)(i) of Section 6.6 is amended by adding, at the end of said clause prior to the semicolon the following:

"and any Lien encumbering Securitization Property which is the subject of a Transfer pursuant to a Permitted Securitization".

2.6 SECTION 6.7

Paragraph (b) of Section 6.7 is amended by replacing the "." at the end of clause (ii) thereof with "; or" and adding a new clause (iii) which reads as follows:

"(iii) the Transfer of Securitization Property to any Special Purpose Subsidiary in connection with a Permitted Securitization."

2.7 SECTION 6.8

(a) Paragraph (a) of Section 6.8 is amended by adding at the end of clause (ii) before the period the following:

";

(iii) Transfers of Securitization Property to a Restricted Subsidiary or a Special Purpose Subsidiary pursuant to a Permitted Securitization; and

(iv) Transfers of the capital stock of a Special Purpose Subsidiary to the Company or a Restricted Subsidiary."

(b) Paragraph (c) of Section 6.8 is amended by adding "except in connection with a Permitted Securitization," before the word "neither" in the second line thereof.

2.8 SECTION 6.10 Section 6.10 is amended by adding, after the word "except" in the third line thereof, the words "(a) a Permitted Securitization or (b)".

2.9 SECTION 6.19 New Section 6.19 is added, as follows:

"6.19 AMENDMENT OF SECURITIZATION DOCUMENTS. Once executed and delivered pursuant to a Permitted Securitization, the Company covenants

that it will not permit the "pertinent terms, conditions or provisions" of the Securitization Documents to be waived, amended, modified or otherwise altered in any material respect adverse to the Company or any Restricted Subsidiary or Special Purpose Subsidiary without the prior written approval of the Required Holders. For purposes of the Securitization Documents, the "pertinent terms, conditions or provisions" thereof shall be deemed solely those terms, conditions or provisions with respect to servicer fees, servicer expenses, defaults, events of default, recourse to the Company or any Restricted Subsidiary, Cleanup Calls or conditions contained therein which are required under or necessary for compliance with this Agreement."

2.10 SECTION 6.20 New Section 6.20 is added, as follows:

" 6.20 RESTRICTED PAYMENTS.

(a) The Company shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, declare, make, set apart any funds or other property for, or incur any liability to make any Restricted Payment unless, at the time of such action, at least two of the following four organizations shall have assigned an Investment Grade Rating to the Company, the Notes or any other senior unsecured debt obligation of the Company: Moody's Investors Service, Inc., Standard & Poor's Ratings Group, the National Association of Insurance Commissioners (the "NAIC"), or Fitch Investors Services, Inc."

(b) The parties hereto specifically acknowledge that the NAIC is not in any way a rating agency with functions such as those performed by Moody's Investors Service, Inc., Standard & Poor's Ratings Group, or Fitch Investors Services, Inc. Further, the parties hereto specifically acknowledge that any rating given to the Notes by the NAIC is not to be interpreted as an expression by the NAIC with respect to the suitability of an investment in the Notes or the likelihood of any payment in respect thereof. In addition, the signatories hereto specifically affirm that the holders of the Notes will not obtain any benefit from satisfaction of the requirement set forth in Section 6.20(a).

(c) If the NAIC makes specific reference to Section 6.20(a) and states that it will withdraw any rating or designation of the Notes, or will take any other action adverse to any one or more of the holders of the Notes, as a result of the agreement set forth in Section 6.20(a), the parties hereto hereby agree that:

(i) Section 6.20(a) shall, in lieu of the requirement set forth therein, be deemed to require an Investment Grade Rating from at least two of the following three organizations: Moody's Investors Service, Inc., Standard & Poor's Ratings Group, or Fitch Investors Services, Inc.; and

(ii) Clause (iii) of the definition of "Investment Grade Rating" shall be deemed to have been deleted.

Such changes shall take effect upon delivery of written notice to the Company by the Required Holders referring to such proposed withdrawal or other action and stating that the condition set forth in this Section 6.20(c) has occurred."

2.11 SECTION 6.21 New Section 6.21 is added, as follows:

" 6.21 NO SECURITIZATIONS OTHER THAN PERMITTED SECURITIZATIONS. The Company will not, and will not permit any Restricted Subsidiary to, engage in any Securitization Transaction other than a Permitted Securitization. For purposes of this Section, a "Securitization Transaction" means a Transfer of, or grant of a Lien on, Advances, Installment Contracts, accounts receivable and/or other financial assets by the Company or any Restricted Subsidiary to a Special Purpose Subsidiary or other special purpose or limited purpose entity and the issuance (whether by such Special Purpose Subsidiary or other special purpose or limited purpose entity or any other Person) of Debt or of any Securities secured directly or indirectly by interests in, or of trust certificates or other Securities directly or indirectly evidencing interests in, such Advances, Installment Contracts, accounts receivable and/or other financial assets.

2.12 SECTION 7.1 Section 7.1 is amended to add at the end thereof (following subparagraph (j) thereof), a new paragraph, as follows:

"In addition to the foregoing, the Company will also deliver to each holder of Notes:

(1) as soon as available, and in any event within sixty (60) days of the end of each fiscal quarter, (A) a "static pool analysis" substantially in the form of Exhibit F attached hereto and in any event satisfactory in form and substance to the Required Holders, which analyzes the performance of the Company's and each Restricted Subsidiary's Installment Contracts on a quarterly basis, certified by an authorized officer of the Company as to consistency with prior such analyses, accuracy and fairness of presentation,

and (B) a comparable "static pool analysis" which analyzes the performance of any installment contracts related to any Advances transferred or encumbered pursuant to a Permitted Securitization; and

(2) within five (5) Business Days after the execution and delivery thereof, a copy of any amendment to, or waiver of any provisions of, the Credit Agreement or Securitization Documents (in each case, as from time to time amended, restated, refinanced, replaced or supplemented)."

2.13 [RESERVED]

2.14 SECTION 8.1(c) Section 8.1(c) is amended to add, immediately after the phrase "Section 6.18" appearing therein, the following: "through Section 6.21, inclusive"

2.15 SECTION 8.1(k) A new clause (k) shall be added to Section 8.1 by deleting the word "or" at the end of clause (i) and adding immediately prior to the period at the end of clause (j) the following:

"; or

(k) with respect to the Securitization Documents, the occurrence (beyond any applicable period of grace or cure) of any "servicer event of default" thereunder or the occurrence of any other default (beyond any applicable period of grace or cure) by the Company or any of its Subsidiaries, including any Special Purpose Subsidiary, under the Securitization Documents which can be reasonably expected to result in recourse liability against the Company or any of its Restricted Subsidiaries in an aggregate amount exceeding $2,000,000"

2.16 SECTION 9.1

(a) The definition of "Advances" in Section 9.1 of the Agreement is hereby amended by deleting the second proviso and replacing the first proviso with the following:

"PROVIDED that Advances shall not include (a) any such advances (and the related Installment Contracts) transferred or encumbered pursuant to a Permitted Securitization and not held by the Company or a Restricted Subsidiary, (b) Excess New Dealer Advances or (c) Charged-Off Advances to the extent that such Charged-Off Advances exceed the portion of the Company's allowance for credit losses related to reserves against advances not expected to be recovered, as such allowance would appear in the footnotes to the financial statements of the Company and the Restricted Subsidiaries prepared in accordance with GAAP."

(b) The definition of "Charged-Off Advances" in Section 9.1 of the Agreement is hereby amended and restated in its entirety as follows:

"CHARGED-OFF ADVANCES -- means those Advances which the Company or any of its Restricted Subsidiaries has determined, based on the application of a static pool analysis or otherwise, are completely or partially impaired, to the extent of such impairment."

(c) The definition of "Consolidated Income Available for Fixed Charges" is amended to add, in the first line of paragraph (b) of such definition after the word "amortization", the phrase "(including the amortization of any excess servicing asset)".

(d) The definition of "Consolidated Net Income" is amended to add to the end of paragraph (c) of such definition (before the semicolon) the following clause:

"(including, without limitation, any gain on sale generated by a Permitted Securitization, except to the extent the Company has received a cash benefit therefrom in the applicable reporting period) and any interest income generated by a Permitted Securitization, except to the extent the Company has received a cash benefit therefrom in the applicable reporting period".

(e) The definition of "Consolidated Tangible Net Worth" in Section 9.1 of the Agreement is hereby amended by adding the following immediately after the end of clause (c):

" MINUS

(d) without duplication, any capitalized gain on sales of Advances pursuant to a Permitted Securitization, the equity interest in any Special Purpose Subsidiary, any interest income generated by a Permitted Securitization and any excess servicing asset (except to the extent the Company has received a cash benefit therefrom prior to such date),"

(f) The definition of "Consolidated Total Assets" is amended to add to the end of such definition the following clause:

(but excluding from the determination thereof, without duplication, any capitalized gain on sales of Advances pursuant to a Permitted Securitization, the equity interest in any Special Purpose Subsidiary, any interest income generated by a Permitted Securitization and any excess servicing asset, except to the extent the Company has received a cash benefit therefrom in the applicable reporting period)".

(g) The definition of "Credit Agreement" in Section 9.1 of the Agreement is amended and restated in its entirety as follows:

> "CREDIT AGREEMENT -- means the Credit Agreement described in Part 2.2(b) of Annex 3, as may be amended, restated, refinanced, replaced, supplemented or otherwise modified from time to time."

(h) The definition of "Debt" in Section 9.1 of the Agreement is amended by amending and restating the last sentence thereof to read as follows:

> "Except as provided in Section 6.1(a)(i), neither Debt of any Special Purpose Subsidiary which is an Unrestricted Subsidiary pursuant to a Permitted Securitization nor Dealer holdbacks shall be considered Debt of the Company."

(i) The definition of "Restricted Investment" in Section 9.1 of the Agreement is amended by deleting the word "and" from the end of clause (k), changing the reference to "clause (k)" in clause (l) to "clause (l)", changing clause (l) to clause (m) and adding a new clause (l) as follows:

> (l) Investments by the Company or any Restricted Subsidiary in the Company, any Restricted Subsidiary or any Special Purpose Subsidiary from and after the effective date of the Fourth Amendment, consisting of (i) dispositions of specific Advances (and the Company's or such Restricted Subsidiary's interest in the Installment Contracts related thereto) made pursuant to a Permitted Securitization and any resultant Debt issued by a Special Purpose Subsidiary to another Subsidiary as part of a Permitted Securitization, in each case to the extent constituting Investments, (ii) advances by the Company, as servicer of the Installment Contracts covered by a Permitted Securitization, in an aggregate amount not to exceed $750,000 outstanding at any time, to cover the interest component of obligations issued as part of a Permitted Securitization and payable from collections on such Installment Contracts (such advances to be repayable to the Company on a priority basis from such collections), (iii) the repurchase or replacement from and after the date of the effectiveness of the Fourth Amendment of an aggregate amount not to exceed $2,000,000 in Advances (and the Installment Contracts relating thereto) subsequently determined not to satisfy the eligibility standards contained in the applicable Securitization Documents relating to a Permitted Securitization, so long as (x) such replacement is accompanied by the repurchase of or release of encumbrances on Advances previously transferred or encumbered pursuant to such securitization and in the amount thereof, (y) any replacement Advances (and the related Installment Contracts) are selected by the Company according to the

requirements set forth in clause (a) of the definition of Permitted Securitization and (z) such replacements are made at a time when (both before and after giving effect thereto) no Default or Event of Default exists or would exist, (iv) amounts required to fund any Cleanup Call under the terms of such Permitted Securitization, exercised at a time when (both before and after giving effect thereto) no Default or Event of Default exists or would exist, and (v) the disposition of the capital stock of a Special Purpose Subsidiary; and

(j) The definitions of "Established Dealer" and "Trailing Twelve Months Payments" are deleted from Section 9.1 of the Agreement.

(k) The following definitions are added to Section 9.1:

"CLEANUP CALL(s) means (a) in the case of an optional cleanup call, a cleanup call to be exercised at the option of the Company or a Special Purpose Subsidiary under the terms of the applicable Permitted Securitization, in an amount not in excess of Five Percent (5%) of the initial proceeds received by the Company or the Special Purpose Subsidiary from the applicable Permitted Securitization, and (b) in the case of a mandatory cleanup call, a mandatory cleanup call to be exercised at the option of the investors under the terms of the applicable Permitted Securitization, in an amount not in excess of Two and One-Half Percent (2 1/2%) of the initial proceeds received by the Company or the Special Purpose Subsidiary from the applicable Permitted Securitization, in either case, such Cleanup Call to be exercisable only at such time as (both before and after giving effect thereto) no Default or Event of Default exists or would exist hereunder and being accompanied by the repurchase or release of encumbrances on Advances previously transferred or encumbered pursuant to such Permitted Securitization in the amount of such cleanup call."

"DEALER -- means a Person engaged in the business of the retail sale of used motor vehicles, including 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 the Company."

"DEALER AGREEMENTS -- means the servicing agreements between the Company or its Subsidiaries and a participating Dealer which sets forth the terms and conditions under which the Company or its Subsidiaries accepts, as nominee for such Dealer, the assignment of Installment Contracts for purposes of administration, servicing and collection and under which the

Company or its Subsidiary may make Advances to such Dealers, as such agreements may be in effect from time to time."

"FIRST AMENDED AND RESTATED NOTES -- Section 1.1(b)."

"FOURTH AMENDMENT -- means the Fourth Amendment, dated as of July 1, 1998, to the Agreement."

"INSTALLMENT CONTRACTS -- means retail installment contracts for the sale of used motor vehicles assigned by Dealers to the Company or a Subsidiary of the Company, as nominee for the Dealer, for administration, servicing and collection pursuant to an applicable Dealer Agreement."

"ORIGINAL NOTES -- Section 1.1(a)."

"PERMITTED SECURITIZATION(s) -- means each transfer or encumbrance (each a "disposition") of specific Advances (and any interest in or lien on the Installment Contracts or other rights relating thereto) by the Company or one or more Restricted Subsidiaries to a Special Purpose Subsidiary conducted in accordance with the following requirements:

(a) Each disposition shall identify with reasonable certainty the specific Advances covered by such disposition; and the Advances (and Installment Contracts or other rights relating thereto) shall have performance and other characteristics so that the quality of such Advances and related Installment Contracts is comparable to, but not materially better than, the overall quality of the Company's Advances (and related Installment Contracts) as a whole, as determined in good faith by the Company in its reasonable discretion;

(b) (i) The aggregate principal amount of all Debt incurred, and (without duplication) of Securities issued (other than subordinated Securities issued to and held by the Company or a Subsidiary), by any Special Purpose Subsidiary pursuant to any Permitted Securitization, together with the aggregate principal amount of all other Debt incurred, and (without duplication) Securities issued (other than subordinated Securities issued to and held by the Company or a Subsidiary), by such Special Purpose Subsidiary and/or any one or more other Special Purpose Subsidiaries, pursuant to such Permitted Securitization and/or any one or more other Permitted Securitizations, from and after the effective date of the Fourth Amendment, cumulatively shall not exceed $75,000,000 (which amount shall not be readvanced or reborrowed); (ii) the aggregate value of all

Advances disposed of by the Company and/or any one or more Restricted Subsidiaries to such Special Purpose Subsidiary pursuant to such Permitted Securitization, together with the aggregate value of all other Advances disposed of by the Company and/or any one or more Restricted Subsidiaries to such Special Purpose Subsidiary and/or any one or more other Special Purpose Subsidiaries, from and after the effective date of the Fourth Amendment, cumulatively (but without duplication) shall not exceed $88,236,000; and (iii) the Company or the Restricted Subsidiary disposing of such Advances shall itself actually receive (substantially contemporaneously with such disposition) cash from each disposition of such Advances in connection with any such securitization transaction in an amount not less than Eighty-Five Percent (85%) of the value of such Advances;

(c) Each such disposition shall be without recourse (except to the extent of normal and customary representations and warranties given as of the date of each such disposition, and not as continuing representations and warranties) and otherwise on normal and customary terms and conditions for comparable asset-based securitization transactions, which may include, without limitation, Cleanup Call provisions;

(d) Concurrently with each such disposition, the Company shall permanently reduce the "aggregate commitment" then in effect under the Credit Agreement (as from time to time amended, restated, refinanced, replaced or supplemented) by an amount not less than eighty percent (80%) of the proceeds of each such disposition (net of reasonable and customary third party expenses incurred by the Company in connection therewith), reducing the "line of credit maximum amount" and the "revolving credit maximum amount" on a PRO RATA basis (based on the "aggregate commitment" then in effect) to the extent both such facilities are in effect, each such reduction in the "aggregate commitment" to be accompanied by the prepayments of principal and other sums required under the Credit Agreement and otherwise in compliance with the Credit Agreement (terms in quotation marks in this clause (d) are defined in the Credit Agreement); and

(e) Both immediately before and after giving effect to such disposition, no Default or Event of Default (whether or not related to such disposition) exists or would exist.

In connection with each Permitted Securitization, not less than ten (10) Business Days prior to the date of consummation thereof, the Company shall provide to each holder of a Note (i) a schedule in the form attached hereto as Exhibit E identifying the specific Advances (and providing collection information regarding the related Installment Contracts) proposed to be covered by such transactions (with evidence supporting its determination under subparagraph (a) of this definition) and (ii) proposed drafts of the material Securitization Documents covering the applicable securitization (and the term sheet or commitment relating thereto); provided that with respect to the securitization transaction to be consummated contemporaneously with the execution of this Fourth Amendment, such schedule and proposed drafts shall have been delivered at least five (5) Business Days prior to the date of consummation thereof. Within five (5) Business Days following the consummation thereof, the Company shall have provided to each holder of a Note copies of the material Securitization Documents, as executed, including an updated schedule, substantially in the form of the schedule delivered under clause (i) above, identifying the Advances actually covered by such transaction."

"SECURITIZATION DOCUMENTS -- means any note purchase agreement (and any notes issued thereunder), transfer or security documents, master trust or other trust agreements, servicing agreement, indenture, pooling agreement, contribution or sale agreement or other documents, instruments and certificates executed and delivered, subject to the terms of this Agreement, to evidence or secure (or otherwise relating to) a Permitted Securitization, as the same may be amended from time to time (subject to the terms hereof) and any and all other documents executed in connection therewith or replacement or renewal thereof."

"SECURITIZATION PROPERTY -- (i) amounts advanced by the Company or a Restricted Subsidiary under a Dealer Agreement and payable from collections, including servicing charges, insurance charges and service policies and all related finance charges, late charges, and all other fees and charges charged to customers and all monies due or to become due, and all monies received, with respect thereto ("Loans"); (ii) all proceeds (including "proceeds" as defined in the Uniform Commercial Code) thereof; (iii) all of the Company's or a Restricted Subsidiary's interest in the Dealer Agreements and Installment Contracts securing payment of Loans, all security interests or liens purporting to secure payment of Loans and all other property obtained upon foreclosure of any security interest securing payment of Loans or any related Installment Contract and all guarantees, insurance (including insurance insuring the priority or perfection of any lien) or other agreements or arrangements of any kind from time to time supporting or securing

payment of such Installment Contract whether pursuant to such Installment Contract or otherwise; (iv) all records with respect to Loans, (v) the Company's or a Restricted Subsidiary's right, title and interest in and to business interruption insurance, and (vi) all payments received by the Company in respect of Transferred Loans in the form of cash, checks, wire transfers or other form of payment.

"SPECIAL PURPOSE SUBSIDIARY -- shall mean any Unrestricted Subsidiary of the Company, all of the capital stock of which is owned by the Company or a Restricted Subsidiary, which Unrestricted Subsidiary is formed for the sole purpose of conducting one or more Permitted Securitizations and is operated for such purpose in accordance with customary industry practices."

2.17 AMENDMENT AND RESTATEMENT OF EXHIBIT A. The form of 8.87% Senior Note Due November 1, 2001 set forth as Exhibit A to the Agreement is hereby amended and restated, in its entirety, to be in the form of Attachment 1 attached to this Fourth Amendment. All references to "Exhibit A" in the Note Purchase Agreements shall, if in reference to a date on or after the effective date of the Fourth Amendment, refer to the form of 8.87% Senior Note Due November 1, 2001, as amended and restated hereby.

2.18 AMENDMENT OF ORIGINAL NOTES. The forms of the respective Original Notes are hereby amended in their entirety to conform to the form of First Amended and Restated 9.12% Senior Note Due November 1, 2001 attached to this Fourth Amendment as Attachment 1. On the effective date of this Fourth Amendment, each of the terms of each outstanding Original Note shall be deemed to be amended to conform with such form, without any further action on the part of the Company or any holder of any Original Note (including, without limitation, any requirement that any holder surrender its outstanding Original Notes to the Company). Upon surrender of any outstanding Original Note, the Company shall deliver to the registered holder thereof a First Amended and Restated Note in the form attached hereto as Attachment 1, dated the date of the last interest payment on such surrendered Original Note and in an aggregate principal amount equal to the unpaid principal amount of such surrendered Original Note, all in accordance with the provisions of Section 5.2 of the Agreement. Without limitation of the foregoing, the amendment and restatement of the Original Notes provided for herein, including, without limitation, the increase in the interest rate applicable to the Notes, shall be effective with respect to any and all of the Notes irrespective of whether any such Notes are surrendered to the Company for reissuance in the form attached to this Fourth Amendment as Attachment 1.

2.19 ADDITIONAL EXHIBITS. The Agreement is hereby amended to add thereto additional exhibits, designated Exhibit E (Advances/Permitted Securitizations) and Exhibit F (Form of Static Pool Analysis), to read in their entirety as set forth on Attachment 2 and Attachment 3, respectively, hereto.

SECTION 3. MISCELLANEOUS

3.1 COUNTERPARTS. This Fourth Amendment may be executed in any number of counterparts, each executed counterpart constituting an original, but all together only one Fourth Amendment.

3.2 HEADINGS. The headings of the sections of this Fourth Amendment are for purposes of convenience only and shall not be construed to affect the meaning or construction of any of the provisions hereof.

3.3 GOVERNING LAW. This Fourth Amendment shall be governed by and construed in accordance with the internal laws of the State of Connecticut.

3.4 EFFECT OF AMENDMENT. Except as expressly provided herein (a) no other terms and provisions of the Agreement or the Notes shall be modified or changed by this Fourth Amendment and (b) the terms and provisions of the Agreement and the Notes, as amended by this Fourth Amendment, shall continue in full force and effect. The Company hereby acknowledges and reaffirms all of its obligations and duties under each of the Agreement and the Notes as modified by this Fourth Amendment.

3.5 REFERENCES TO THE AGREEMENT. Any and all notices, requests, certificates and other instruments executed and delivered concurrently with or after the execution of the Fourth Amendment may refer to the Agreement without making specific reference to this Fourth Amendment but nevertheless all such references shall be deemed to include, to the extent applicable, this Fourth Amendment unless the context shall otherwise require.

3.6 COMPLIANCE. The Company certifies that immediately before and after giving effect to this Fourth Amendment, no Default or Event of Default exists or would exist after giving effect hereto.

3.7 FULL DISCLOSURE. The Company warrants and represents to you that, as of the effective date hereof, none of the written statements, documents or other written materials furnished by, or on behalf of, the Company to you in connection with the negotiation, execution and delivery of this Fourth Amendment contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein or herein not misleading in light of the circumstances in which they were made. There is no fact of which any of the Company's executive officers has actual knowledge which the Company has not disclosed to you which materially affects adversely or, so far as the Company can now foresee, will materially affect adversely the business, prospects, profits, Properties or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole, or the ability of the Company to perform its obligations set forth in the Agreement (after giving effect to this Fourth Amendment) and the Notes.

3.8 EFFECTIVENESS OF AMENDMENTS.

The amendments to the Agreement and the Original Notes contemplated by Section 2 hereof shall (in accordance with Section 10.5(a) of the Agreement) become effective, if at all, at such time as all of the holders of the Original Notes shall have indicated their written consent to such amendments by executing and delivering the applicable counterparts of this Fourth Amendment. It is understood that any holder of Notes may withhold its consent for any reason, including, without limitation, any failure of the Company to satisfy all of the following conditions:

(a) This Fourth Amendment shall have been executed and delivered by the Company and each of the holders of the Original Notes.

(b) The execution, delivery and effectiveness of an agreement, signed by the Company and the requisite holders of the Company's 7.99% Senior Notes due July 1, 2001 issued under Note Purchase Agreements dated as of August 1, 1996, containing amendments to such Note Purchase Agreements and such Notes identical in substance to the amendments set forth in Section 2 hereof.

(c) The execution, delivery and effectiveness of an agreement, signed by the Company and the requisite holders of the Company's 7.77% Senior Notes due October 1, 2001 issued under Note Purchase Agreements dated as of March 25, 1997, containing amendments to such Note Purchase Agreements and such Notes identical in substance to the amendments set forth in Section 2 hereof.

(d) The holders of Notes shall have received from the Company a certificate of a Senior Officer, dated the effective date of this Fourth Amendment, certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of this Fourth Amendment and the transactions contemplated hereby.

(e) The Company's legal counsel shall have delivered an opinion, dated the effective date of this Fourth Amendment, substantially in the form attached as Attachment 4 hereto.

(f) The Company shall have paid the statement for reasonable fees and disbursements of Hebb & Gitlin, your special counsel, and Seward & Kissel, special counsel solely to The Guardian Life Insurance Company of America, presented to the Company on or prior to the effective date of this Fourth Amendment.

3.9 AMENDMENT TO CREDIT AGREEMENT. The Company represents that the Third Amendment to the Credit Agreement, as in effect on the date of the effectiveness of this Fourth Amendment, is in the form attached as Attachment 5 hereto.

[Remainder of page intentionally blank. Next page is signature page.]

If this Fourth Amendment is satisfactory to you, please sign the form of acceptance on the enclosed counterpart of this letter and return the same to the Company, whereupon this Fourth Amendment shall become binding between us in accordance with its terms.

Very truly yours,

CREDIT ACCEPTANCE CORPORATION

By: /S/ BRETT A. ROBERTS

Name: BRETT A. ROBERTS
Title: CFO

ACCEPTED: ALLSTATE LIFE INSURANCE CO.

By: /S/ RONALD A. MENDEL

Name: RONALD A. MENDEL
Title: AUTHORIZED SIGNATORY

THE OHIO CASUALTY INSURANCE
COMPANY

By: /S/ BARRY S. PORTER

Name: BARRY S. PORTER
Title: TREASURER/CFO

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

WILLIAM BLAIR & COMPANY, LLC

BY WILLIAM BLAIR & COMPANY, LLC
ATTORNEY-IN-FACT

By: /S/ JAMES D. MCKINNEY

Name: JAMES D. MCKINNEY
Title: Principal, Manager

ATTACHMENT 1

EXHIBIT A

[FORM OF NOTE]

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). ANY RESALE OR TRANSFER OF THIS NOTE WITHOUT REGISTRATION UNDER THE SECURITIES ACT MAY ONLY BE MADE IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

CREDIT ACCEPTANCE CORPORATION

FIRST AMENDED AND RESTATED 9.12% SENIOR NOTE DUE NOVEMBER 1, 2001

NO. R-___
$_____
PPN: 225310 A* 2 [DATE]

CREDIT ACCEPTANCE CORPORATION, a Michigan corporation (the "Company"), for value received, hereby promises to pay to _____ or registered assigns the principal sum of _____ DOLLARS ($_____) on November 1, 2001 and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof from the date of this Note (i) at the rate of eight and eighty-seven one-hundredths percent (8.87%) PER ANNUM through (but not including) July 1, 1998, and (ii) at the rate of nine and twelve one-hundredths percent (9.12%) PER ANNUM from and after July 1, 1998, payable semi-annually on the first (1st) day of November and May in each year, commencing on the payment date next succeeding the date hereof, until the principal amount hereof shall become due and payable; and to pay on demand interest on any overdue principal (including any overdue prepayment of principal) and Make-Whole Amount, if any, and (to the extent permitted by applicable law) on any overdue installment of interest, at a rate equal to the LESSER of (a) the highest rate allowed by applicable law or (b) ten and eighty-seven one-hundredths percent (10.87%) PER ANNUM if such time is prior to July 1, 1998, and eleven and twelve one-hundredths percent (11.12%) PER ANNUM if such time is on or after July 1, 1998.

Payments of principal, Make-Whole Amount, if any, and interest shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts to the registered holder hereof at the address shown in the register maintained by the Company for such purpose, in the manner provided in the Note Purchase Agreement (defined below).

This Note is one of an issue of Notes of the Company issued in an aggregate principal amount limited to Sixty Million Dollars ($60,000,000) pursuant to the Company's separate Note Purchase Agreements, each dated as of October 1, 1994 (collectively, as may be amended from time to time, the "Note Purchase Agreement"), with the purchasers listed on Annex 1 thereto. This Note is entitled to the benefits of the Note Purchase Agreement and the terms thereof are incorporated herein by reference. Capitalized terms used herein and not otherwise defined herein have the meanings specified in the Note Purchase Agreement. As provided in the Note Purchase Agreement, this Note is subject to prepayment, in whole or in part, in certain cases without a Make-Whole Amount and in other cases with a Make-Whole Amount. The Company agrees to make required prepayments on account of such Notes in accordance with the provisions of the Note Purchase Agreement.

This Note is a registered Note and is transferable only by surrender hereof at the principal office of the Company as specified in the Note Purchase Agreement, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Note or its attorney duly authorized in writing.

Under certain circumstances, as specified in the Note Purchase Agreement, the principal of this Note (in certain cases together with any applicable Make-Whole Amount) may be declared due and payable in the manner and with the effect provided in the Note Purchase Agreement.

The Company's First Amended and Restated 9.12% Senior Notes due November 1, 2001 (the "First Amended and Restated Notes") amend and restate the Company's 8.87% Senior Notes due November 1, 2001 (the "Original Notes"). The obligations formerly evidenced by the Original Notes are continuing obligations which are evidenced by the First Amended and Restated Notes and nothing contained in the First Amended and Restated Notes shall be deemed to constitute payment, settlement or a novation of such obligations.

THIS NOTE AND THE NOTE PURCHASE AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, INTERNAL CONNECTICUT LAW.

CREDIT ACCEPTANCE CORPORATION

By

Name:
Title:

ATTACHMENT 4

[FORM OF COMPANY COUNSEL LEGAL OPINION]
July __, 1998

To each of the Persons
listed on Annex 1 hereto

Re: Credit Acceptance Corporation, a Michigan corporation (the "Company")

Ladies and Gentlemen:

We have acted as special counsel to the Company and have provided this opinion pursuant to the Fourth Amendment, to Note Purchase Agreement, dated as of July 1, 1998 (the "Fourth Amendment") among the Company and the Persons listed on Annex 1 thereto (the "Holders"), in respect of the separate Note Purchase Agreements, each dated as of October 1, 1994 (collectively, as amended by the First Amendment to Note Purchase Agreement dated as of November 15, 1995, the Second Amendment to Note Purchase Agreement dated as of August 29, 1996 and the Third Amendment to Note Purchase Agreement dated as of December 12, 1997, the "Existing Note Agreement", and as further amended by the Fourth Amendment, the "Amended Note Agreement"), between the Company and each of the Persons listed on Annex 1 thereto (the "Purchasers"), pursuant to which the Company sold to the Purchasers its 8.87% Senior Notes due November 1, 2001 (the "Original Notes"), in the aggregate principal amount of Sixty Million Dollars ($60,000,000). The capitalized terms used herein and not defined herein have the meanings specified in the Amended Note Agreement.

The law covered by the opinions expressed herein is limited to the federal law of the United States and the laws of the State of Michigan. In rendering the opinion in paragraph (2) below, we have assumed that the laws of the State of Connecticut as to the enforceability of the Amended Note Agreement and the Notes are not different from the State of Michigan (excluding the choice of law rules).

In our examination, we have assumed the genuineness of all signatures (other than signatures of officers of the Company), the legal capacity of natural persons, the authenticity of all documents submitted to us as originals or copies, the conformity with originals of all documents submitted to us as copies and, as to documents executed by the Holders and Persons other than the Company, that each such Person executing documents had the power to enter into and perform its obligations under such documents, and that such documents have been duly authorized, executed and delivered by, and are binding upon and enforceable against, such Persons.

In rendering our opinion, we have relied, without further investigation or analysis, upon certificates of officers of the Company attached hereto; warranties and representations as to certain factual matters made by the Company and by the Holders in the Amended Note Agreement and in the certificate delivered to the Holders pursuant to the Fourth Amendment.

In acting as such counsel, we have examined (a) the Existing Note Agreement, (b) the Fourth Amendment, including the form of the Company's First Amended and Restated 9.12% Senior Note due November 1, 2001 attached to the Fourth Amendment as Attachment 1, (c) the bylaws of the Company, (d) the records of proceedings of the board of directors of the Company, (e) a certified copy of the articles of incorporation of the Company, as in effect on the date hereof, and (f) originals, or copies certified or otherwise identified to our satisfaction, of such other documents, records, instruments and certificates of public officials as we have deemed necessary or appropriate to enable us to render this opinion. The Original Notes held by the Holders, as amended and restated pursuant to the Fourth Amendment, are referred to herein as the "Notes".

Based upon and subject to the foregoing and to the additional assumptions, qualifications and limitations set forth herein, we are of the opinion that:

1. The Fourth Amendment has been duly authorized by all necessary corporate action on the part of the Company and has been executed and delivered by a duly authorized officer of the Company.

2. Each of the Amended Note Agreement and the Notes constitute a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as (a) the enforceability thereof may be limited by or subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws now or hereafter affecting creditors' rights generally, and (b) rights or remedies (including, without limitation, acceleration, specific performance and injunctive relief) may be limited by equitable principles of general applicability (including, without limitation, standards of materiality, good faith, fair dealing and reasonableness) whether such principles are considered in a proceeding in equity or at law, and may be subject to the discretion of the court before which any proceedings therefor may be brought.

3. All consents, approvals and authorizations of Governmental Authorities required on the part of the Company have been obtained in connection with the execution and delivery of the Fourth Amendment.

4. The execution and delivery of the Amended Note Agreement in accordance with, and subject to the terms and conditions of, the Amended Note Agreement, by the Company and the performance by the Company of its obligations thereunder and under the Notes do not violate any applicable statute, rule or regulation to which the Company is subject.

5. Under existing law, the amendment of the Original Notes under the circumstances contemplated by the Fourth Amendment is an exempt transaction under the Securities Act and

neither the registration of the Notes under the Securities Act, nor the qualification of an indenture with respect thereto under the Trust Indenture Act of 1939, as amended, is required in connection with such transaction.

In rendering this opinion, we assume no obligation to revise or supplement this opinion should any law now in effect be changed by legislative action, judicial decision or otherwise.

We acknowledge that this opinion is being issued at the request of the Company pursuant to the Fourth Amendment and we agree that the parties listed on Annex 1 hereto are relying hereon. Future holders of the Notes may rely on this opinion as if it were addressed to them. Except as otherwise provided in this paragraph, no one is entitled to rely on this opinion.

This opinion is solely for the information of the addressees hereof, and is not to be quoted in whole or in part or otherwise referred to, nor is it to be filed with any governmental agency or other person without our prior written consent (except that you may furnish a copy hereof (i) to any one or more of your employees, officers, directors, agents, attorneys, accountants or professional consultants, (ii) to any state or federal authority or independent insurance board or body having regulatory jurisdiction over any holder of a Note, (iii) pursuant to order or legal process of any court or governmental agency, (iv) in connection with any legal action in which you are a party arising out of or in respect of the transactions contemplated under the Amended Note Agreement, and (v) for informational and due diligence purposes only, to prospective transferees of the Notes).

Very truly yours,

ATTACHMENT 2

EXHIBIT E

[FORM OF ADVANCES/PERMITTED SECURITIZATIONS SCHEDULE]

ATTACHMENT 3

EXHIBIT F

[FORM OF STATIC POOL ANALYSIS]

ATTACHMENT 5

[THIRD AMENDMENT TO CREDIT AGREEMENT]

EXHIBIT 4(a)(5)

LIMITED WAIVER
RE:
CREDIT ACCEPTANCE CORPORATION
FIRST AMENDED AND RESTATED 9.12% SENIOR NOTES DUE NOVEMBER 1, 2001 ISSUED
UNDER NOTE PURCHASE AGREEMENT DATED AS OF OCTOBER 1, 1994

Dated as of July 27, 1998

Credit Acceptance Corporation
25505 West Twelve Mile Road
Suite 3000
Southfield, Michigan 48034-8339

Ladies and Gentlemen:

Reference is made to the First Amended and Restated 9.12% Senior Notes due November 1, 2001 (the "Notes") issued by Credit Acceptance Corporation, a Michigan corporation (together with its successors and assigns, the "Company"), in the original aggregate principal amount of $60,000,000 pursuant to separate Note Purchase Agreements, each dated as of October 1, 1994 (collectively, as amended, the "Note Agreement"), between the Company and each of the purchasers listed on Annex 1 thereto (collectively, together with their respective successors and assigns, the "Noteholders"). All terms not otherwise defined herein are used with the same meaning as set forth in the Note Agreement.

We have been informed by the Company that the Company and certain Restricted Subsidiaries propose to enter into an amendment to the Credit Agreement pursuant to which the Company will agree to grant to the Banks a Lien on certain collateral on or before November 30, 1998, including, without limitation, all right, title and interest of the Company and its "Significant Domestic Subsidiaries" (as defined in the Credit Agreement) to Advances (and Installment Contracts and other rights relating thereto), subject to the rights of its Dealers under the Dealer Agreements (excluding assets disposed of pursuant to a Permitted Securitization), 100% of the outstanding capital stock of its "Significant Domestic Subsidiaries" and 65% of the share capital of its Credit Acceptance Corporation UK Limited subsidiary (the "Lien Provision"). Section 6.6(a) of the Note Agreement prohibits the Company and the Restricted Subsidiaries from including the Lien Provision in the proposed amendment to the Credit Agreement. In addition, the definition of "Permitted Securitization" in the Credit Agreement is proposed to be amended to delete the requirement to reduce the "Aggregate Commitment", the "Line of Credit Maximum Amount" and the "Revolving Credit Maximum Amount" (as defined in the Credit Agreement) by 80% of the net proceeds of each disposition in connection with a securitization (the "Credit Agreement Reduction Provision").

1. Waiver. Subject to the terms and conditions set forth in Section 3 hereof, the Company requests that the Noteholders waive, and the undersigned Noteholders do hereby waive:

(a) any Event of Default resulting from the Company's failure to comply with Section 6.6(a) of the Note Agreement due solely to the existence of the Lien Provision in the Credit Agreement and the agreements set forth in Section 2(a) hereof;

(b) provided that the Noteholders are granted equal and ratable Liens in accordance with Section 6.6(b) of the Note Agreement (as if the Lien granted to the Banks was granted in violation of Section 6.6 of the Note Agreement) contemporaneously with the grant of Liens to the Banks pursuant to the Lien

Provision and on the same assets, any Event of Default resulting from the granting of the Liens to the Banks pursuant to the Lien Provision and to the holders of the Company's other two series of senior notes; and

(c) provided that, and only as long as and to the extent that, the Credit Agreement Reduction Provision is removed from the Credit Agreement, the requirement contained in paragraph (d) of the definition of Permitted Securitization in the Note Agreement to reduce the "aggregate commitment", the "revolving credit maximum amount" and the "line of credit maximum amount" under the Credit Agreement (as such terms are defined in the Credit Agreement) in connection with securitization transactions occurring after the date hereof.

2. Acknowledgments and Agreement.

(a) (i) At the time required under Section 6.6(b) of the Note Agreement (but in no event later than when such Liens are granted to Banks and holders of the Company's other two series of senior notes), the Company agrees that it will execute and deliver documents (in form and substance satisfactory to the Required Holders) granting to or for the benefit of the Noteholders, as security for the Notes, an equal and ratable Lien in the Property which is covered by the Liens to be granted to the Banks in accordance with the requirements of the Lien Provision and to the holders of the Company's other two series of senior notes in accordance with the requirements of their respective Note Purchase Agreements (as modified by the related Limited Waivers of even date herewith), all of which Liens shall be on an equal and ratable basis with the Liens granted in accordance with the requirements of the Note Agreement (as modified hereby).

(ii) Nothing herein shall be deemed to amend, modify or supersede the rights of the Noteholders pursuant to Section 6.6(b) of the Note Agreement; provided, however, that the last sentence of Section 6.6(b) of the Note Agreement shall be subject to Section 1(b) hereof.

(iii) The Company's failure to comply with the requirements of this Section 2(a) shall constitute a violation of Section 6.6 of the Note Agreement (and, accordingly, an Event of Default under the Note Agreement).

(b) Without limitation of Section 10.5(d) of the Note Agreement, the Company shall pay or, if paid by the Noteholders, reimburse the Noteholders for, all out of pocket fees, costs and expenses paid or incurred by any Noteholder in connection with the negotiation, preparation, drafting, implementation, modification, administration and enforcement of this letter, the Note Agreement, the Notes and the documents to be delivered pursuant to Section 2(a) hereof.

(c) The Company represents that no Default or Event of Default exists on the date hereof.

3. Effectiveness; Effect Upon Other Provisions of the Note Agreement and the Notes.

(a) The effectiveness of the waiver and other terms set forth herein is subject to the full execution and the delivery of this letter by the Company and the Required Holders, and full execution and delivery of letters containing substantially identical terms to those set forth in this letter by the Company and the "Required Holders" of each of the other two series of the Company's senior notes.

(b) The execution, delivery and effectiveness of this letter shall not be deemed, except as expressly provided herein, (i) to operate as a waiver of any right, power or remedy of the Noteholders under the Note Agreement or the Notes, nor constitute a waiver of any provision thereunder, or (ii) to prejudice any rights which any Noteholder now has or may have in the future under or in connection with the Note Agreement, the Notes or any other documents referred to therein. All terms and conditions of the Note Agreement shall remain unchanged and in full force and effect, except as, and to the extent, set forth in this letter agreement.

4. Counterparts.

This letter and all acceptances hereof may be executed simultaneously in any number of counterparts, each of which shall be deemed an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

If you are in agreement with the foregoing, please sign the form of acceptance on the enclosed counterpart of this letter and return the same to us in care of our special counsel, Hebb & Gitlin, a Professional Corporation, One State Street, Hartford, Connecticut 06103, Attention: David Silber (facsimile: (860)278-8968).

[Remainder of page intentionally blank. Next page is signature page.]

Very truly yours,

ALLSTATE LIFE INSURANCE CO.

By: /S/PATRICIA W. WILSON
Name: PATRICIA W. WILSON
Title: AUTHORIZED SIGNATORY

By: /S/JERRY D. ZINKUL
Name: JERRY D. ZINKUL
Title: AUTHORIZED SIGNATORY

THE OHIO CASUALTY INSURANCE COMPANY

By: /S/BRET PARRISH
Name: BRET PARRISH
Title: ASSOCIATE PORTFOLIO MANAGER

THE OHIO LIFE INSURANCE COMPANY

By: /S/BRET PARRISH
Name: BRET PARRISH
Title: ASSOCIATE PORTFOLIO MANAGER

WILLIAM BLAIR & COMPANY, LLC

By William Blair & Company, LLC, Attorney-in-Fact

By: /S/JAMES D. MCKINNEY
Name: JAMES D. MCKINNEY
Title: PRINCIPAL

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

Accepted and Agreed:

CREDIT ACCEPTANCE CORPORATION

By: /S/BRETT A. ROBERTS
Name: BRETT A. ROBERTS
Title: EXECUTIVE VICE PRESIDENT
AND CFO

ANNEX I

FIRST AMENDED AND RESTATED 9.12% SENIOR NOTES DUE NOVEMBER 1, 2001

Allstate Life Insurance Co.
The Ohio Casualty Insurance
The Ohio Life Insurance Company
Connecticut General Life Insurance Company
Western Farm Bureau Life Insurance Company
Farm Bureau Life Insurance Company
Washington National Insurance Company
William Blair & Company, LLC

EXHIBIT 4(b)(2)

SECOND AMENDMENT TO NOTE PURCHASE AGREEMENT
RE:
CREDIT ACCEPTANCE CORPORATION
7.99% SENIOR NOTES DUE JULY 1, 2001

Dated as of July 1, 1998

To the Noteholders listed on Annex I hereto

Ladies and Gentlemen:

Credit Acceptance Corporation, a Michigan corporation (together with its successors and assigns, the "Company"), hereby agrees with you as follows:

SECTION 1. INTRODUCTORY MATTERS.

1.1 DESCRIPTION OF OUTSTANDING NOTES. The Company currently has outstanding $44,800,000 in aggregate unpaid principal amount of its 7.99% Senior Notes due July 1, 2001 (collectively, as in effect immediately prior to the effective date of this Second Amendment, the "Original Notes", and as amended hereby, the "First Amended and Restated Notes") which it issued pursuant to the separate Note Purchase Agreements, each dated as of August 1, 1996 (collectively, as amended by the First Amendment to Note Purchase Agreement dated as of December 12, 1997, the "Agreement"), entered into by the Company with each of the original holders of the Notes listed on Annex 1 thereto, respectively. Terms used herein but not otherwise defined herein shall have the meanings assigned thereto in the Agreement, as amended hereby.

1.2 PURPOSE OF AMENDMENT. The Company and you desire to amend the Agreement and the Original Notes as set forth in Section 2 hereof.

SECTION 2. AMENDMENT TO THE AGREEMENT AND NOTES.

Pursuant to Section 10.5 of the Agreement, the Company hereby agrees with you that the Agreement and the Original Notes shall be amended by this Second Amendment to Note Purchase Agreement (the "Second Amendment") in the following respects:

2.1 SECTION 1.1

Section 1.1 is amended and restated in its entirety as follows:

"1.1 AUTHORIZATION OF NOTES.

(a) On August 29, 1996, the Company issued Seventy Million Dollars ($70,000,000) in aggregate principal amount of its 7.99% Senior Notes due July 1, 2001 (the "Original Notes," such term to include each Original Note delivered from time to time prior to the effectiveness of the

Second Amendment in accordance with any of the Note Purchase Agreements), each:

(i) bearing interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof from the date of such Original Note at the rate of seven and ninety-nine one-hundredths percent (7.99%) PER ANNUM, payable semi-annually on the first (1st) day of January and the first (1st) day of July in each year commencing on the later of January 1, 1997 or the payment date next succeeding the date of such Original Note;

(ii) bearing interest, payable on demand, on any overdue principal (including any overdue prepayment of principal) and Make-Whole Amount, if any, and (to the extent permitted by applicable law) on any overdue installment of interest, at a rate equal to the lesser of

(A) the highest rate allowed by applicable law, or

(B) nine and ninety-nine one-hundredths percent (9.99%) PER ANNUM;

(iii) maturing on July 1, 2001; and

(iv) in the form of the Original Note set out in Exhibit A, as in effect on the Closing Date.

(b) Pursuant to the Second Amendment, the Company and the holders of the Original Notes have agreed to amend and restate in full the Original Notes substantially in the form attached to the Second Amendment as Attachment 1 thereto (the "First Amended and Restated Notes," such term to include each Original Note, as amended and restated pursuant to the Second Amendment, and each First Amended and Restated Note delivered from time to time on or after the effectiveness of the Second Amendment in accordance with any of the Note Purchase Agreements). Each First Amended and Restated Note will:

(i) be designated a "First Amended and Restated 8.24% Senior Note Due July 1, 2001";

(ii) bear interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof from the date of such Note at the rate of seven and ninety-nine one-

hundredths percent (7.99%) PER ANNUM through (but not including) July 1, 1998, and at the rate of eight and twenty-four one-hundredths percent (8.24%) PER ANNUM from and after July 1, 1998 to and including the date of maturity thereof, payable semi-annually on the first (1st) day of January and the first (1st) day of July in each year commencing on the payment date next succeeding the date of such First Amended and Restated Note;

(iii) bear interest, payable on demand, on any overdue principal (including any overdue prepayment of principal) and Make-Whole Amount, if any, and (to the extent permitted by applicable law) on any overdue installment of interest, at a rate equal to the lesser of

(A) the highest rate allowed by applicable law, or

(B) (I) nine and ninety-nine one-hundredths percent (9.99%) PER ANNUM if such time is prior to July 1, 1998, or (II) ten and twenty-four one-hundredths percent (10.24%) PER ANNUM if such time is on or after July 1, 1998;

(iv) mature on July 1, 2001; and

(v) be in the form of the First Amended and Restated Note set out in Exhibit A (as in effect upon the effectiveness of the Second Amendment).

(c) The Original Notes and the First Amended and Restated Notes are referred to herein, collectively, as the "Notes". The term "Notes" as used herein shall include each Note delivered pursuant to the Note Purchase Agreements and each Note delivered in substitution or exchange for any such Note pursuant to Section 5.2 or Section 5.3, and shall be deemed (i) when reference is made to a date prior to the effective date of the Second Amendment, to be a reference to the Original Notes, and (ii) when reference is made to a date on or after the effective date of the Second Amendment, to be a reference to the First Amended and Restated Notes."

2.2 SECTION 6.1

(a) Paragraph (a) of Section 6.1 is hereby amended and restated in its entirety as follows:

"(a) TOTAL DEBT. The Company will not at any time permit Consolidated Total Debt to exceed any of the following:

(i)(A) two hundred seventy-five percent (275%) of Consolidated Tangible Net Worth prior to the effective date of the Second Amendment, and (B) two hundred percent (200%) of Consolidated Tangible Net Worth from the effective date of the Second Amendment until such time (but in no event prior to December 31, 1998) as the Company has maintained a ratio of (A) Consolidated Income Available for Fixed Charges for the four consecutive fiscal quarters of the Company most recently ended at such time to (B) Consolidated Fixed Charges for such period of not less than 2.25 to 1.0 for two consecutive fiscal quarters, then two hundred seventy-five percent (275%) of Consolidated Tangible Net Worth, provided however, that for the purposes of this test, Consolidated Total Debt shall be calculated by including all Debt incurred by a Special Purpose Subsidiary, whether or not included therein under GAAP;

(ii) eighty-five percent (85%) of Advances; and

(iii) sixty percent (60%) of Gross Current Installment Contract Receivables.".

(b) Section 6.1 is further amended by amending and restating paragraph (f) as follows:

"(f) GROSS ADVANCES. The Company will not at any time permit Gross Advances to exceed seventy percent (70%) of Net Installment Contract Receivables; provided, however, that at any time at which the Credit Agreement (as from time to time amended, restated, refinanced, replaced or supplemented) does not permit the amount of Gross Advances to exceed 65% of Net Installment Contract Receivables, the Company shall not permit Gross Advances to exceed sixty-five percent (65%) of Net Installment Contract Receivables.".

2.3 SECTION 6.2 Section 6.2 is hereby amended by deleting clause (v) thereof and the word "and" immediately preceding such clause and adding the following:

"(v) 2.0 to 1.0 for the four fiscal quarters ended September 30, 1998 and (vi) 2.25 to 1.0 for any four fiscal quarters ended on or after December 31, 1998."

2.4 SECTION 6.3 Section 6.3 is amended to change the reference to "One Hundred Fifty Million Dollars ($150,000,000)" in clause (a) thereof to "Two Hundred Million Dollars

($200,000,000)" and to change the reference to "January 1, 1996" in clause (b) thereof to "January 1, 1998".

2.5 SECTION 6.6

Clause (a)(i) of Section 6.6 is amended by adding, at the end of said clause prior to the semicolon the following:

"and any Lien encumbering Securitization Property which is the subject of a Transfer pursuant to a Permitted Securitization".

2.6 SECTION 6.7

Paragraph (b) of Section 6.7 is amended by replacing the "." at the end of clause (ii) thereof with "; or" and adding a new clause (iii) which reads as follows:

"(iii) the Transfer of Securitization Property to any Special Purpose Subsidiary in connection with a Permitted Securitization."

2.7 SECTION 6.8

(a) Paragraph (a) of Section 6.8 is amended by adding at the end of clause (ii) before the period the following:

";

(iii) Transfers of Securitization Property to a Restricted Subsidiary or a Special Purpose Subsidiary pursuant to a Permitted Securitization; and

(iv) Transfers of the capital stock of a Special Purpose Subsidiary to the Company or a Restricted Subsidiary."

(b) Paragraph (c) of Section 6.8 is amended by adding "except in connection with a Permitted Securitization," before the word "neither" in the second line thereof.

2.8 SECTION 6.10 Section 6.10 is amended by adding, after the word "except" in the third line thereof, the words "(a) a Permitted Securitization or (b)".

2.9 SECTION 6.19 New Section 6.19 is added, as follows:

"6.19 AMENDMENT OF SECURITIZATION DOCUMENTS. Once executed and delivered pursuant to a Permitted Securitization, the Company covenants that it will not permit the "pertinent terms, conditions or provisions" of the

Securitization Documents to be waived, amended, modified or otherwise altered in any material respect adverse to the Company or any Restricted Subsidiary or Special Purpose Subsidiary without the prior written approval of the Required Holders. For purposes of the Securitization Documents, the "pertinent terms, conditions or provisions" thereof shall be deemed solely those terms, conditions or provisions with respect to servicer fees, servicer expenses, defaults, events of default, recourse to the Company or any Restricted Subsidiary, Cleanup Calls or conditions contained therein which are required under or necessary for compliance with this Agreement."

2.10 SECTION 6.20 New Section 6.20 is added, as follows:

" 6.20 RESTRICTED PAYMENTS.

(a) The Company shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, declare, make, set apart any funds or other property for, or incur any liability to make any Restricted Payment unless, at the time of such action, at least two of the following four organizations shall have assigned an Investment Grade Rating to the Company, the Notes or any other senior unsecured debt obligation of the Company: Moody's Investors Service, Inc., Standard & Poor's Ratings Group, the National Association of Insurance Commissioners (the "NAIC"), or Fitch Investors Services, Inc."

(b) The parties hereto specifically acknowledge that the NAIC is not in any way a rating agency with functions such as those performed by Moody's Investors Service, Inc., Standard & Poor's Ratings Group, or Fitch Investors Services, Inc. Further, the parties hereto specifically acknowledge that any rating given to the Notes by the NAIC is not to be interpreted as an expression by the NAIC with respect to the suitability of an investment in the Notes or the likelihood of any payment in respect thereof. In addition, the signatories hereto specifically affirm that the holders of the Notes will not obtain any benefit from satisfaction of the requirement set forth in Section 6.20(a).

(c) If the NAIC makes specific reference to Section 6.20(a) and states that it will withdraw any rating or designation of the Notes, or will take any other action adverse to any one or more of the holders of the Notes, as a result of the agreement set forth in Section 6.20(a), the parties hereto hereby agree that:

(i) Section 6.20(a) shall, in lieu of the requirement set forth therein, be deemed to require an Investment Grade Rating from

at least two of the following three organizations: Moody's Investors Service, Inc., Standard & Poor's Ratings Group, or Fitch Investors Services, Inc.; and

(ii) Clause (iii) of the definition of "Investment Grade Rating" shall be deemed to have been deleted.

Such changes shall take effect upon delivery of written notice to the Company by the Required Holders referring to such proposed withdrawal or other action and stating that the condition set forth in this Section 6.20(c) has occurred."

2.11 SECTION 6.21 New Section 6.21 is added, as follows:

" 6.21 NO SECURITIZATIONS OTHER THAN PERMITTED SECURITIZATIONS. The Company will not, and will not permit any Restricted Subsidiary to, engage in any Securitization Transaction other than a Permitted Securitization. For purposes of this Section, a "Securitization Transaction" means a Transfer of, or grant of a Lien on, Advances, Installment Contracts, accounts receivable and/or other financial assets by the Company or any Restricted Subsidiary to a Special Purpose Subsidiary or other special purpose or limited purpose entity and the issuance (whether by such Special Purpose Subsidiary or other special purpose or limited purpose entity or any other Person) of Debt or of any Securities secured directly or indirectly by interests in, or of trust certificates or other Securities directly or indirectly evidencing interests in, such Advances, Installment Contracts, accounts receivable and/or other financial assets.

2.12 SECTION 7.1 Section 7.1 is amended to add at the end thereof (following subparagraph (j) thereof), a new paragraph, as follows:

"In addition to the foregoing, the Company will also deliver to each holder of Notes:

(1) as soon as available, and in any event within sixty (60) days of the end of each fiscal quarter, (A) a "static pool analysis" substantially in the form of Exhibit F attached hereto and in any event satisfactory in form and substance to the Required Holders, which analyzes the performance

of the Company's and each Restricted Subsidiary's Installment Contracts on a quarterly basis, certified by an authorized officer of the Company as to consistency with prior such analyses, accuracy and fairness of presentation, and (B) a comparable "static pool analysis" which analyzes the performance of any installment contracts related to any Advances transferred or encumbered pursuant to a Permitted Securitization; and

(2) within five (5) Business Days after the execution and delivery thereof, a copy of any amendment to, or waiver of any provisions of, the Credit Agreement or Securitization Documents (in each case, as from time to time amended, restated, refinanced, replaced or supplemented)."

2.13 [RESERVED]

2.14 SECTION 8.1(c) Section 8.1(c) is amended to add, immediately after the phrase "Section 6.18" appearing therein, the following: "through Section 6.21, inclusive"

2.15 SECTION 8.1(k) A new clause (k) shall be added to Section 8.1 by deleting the word "or" at the end of clause (i) and adding immediately prior to the period at the end of clause (j) the following:

"; or

(k) with respect to the Securitization Documents, the occurrence (beyond any applicable period of grace or cure) of any "servicer event of default" thereunder or the occurrence of any other default (beyond any applicable period of grace or cure) by the Company or any of its Subsidiaries, including any Special Purpose Subsidiary, under the Securitization Documents which can be reasonably expected to result in recourse liability against the Company or any of its Restricted Subsidiaries in an aggregate amount exceeding $2,000,000"

2.16 SECTION 9.1

(a) The definition of "Advances" in Section 9.1 of the Agreement is hereby amended by deleting the second proviso and replacing the first proviso with the following:

"PROVIDED that Advances shall not include (a) any such advances (and the related Installment Contracts) transferred or encumbered pursuant to a Permitted Securitization and not held by the Company or a Restricted Subsidiary, (b) Excess New Dealer Advances or (c) Charged-Off Advances to the extent that such Charged-Off Advances exceed the portion of the Company's allowance for credit losses related to reserves against advances not expected to be recovered, as such allowance would appear in the footnotes to the financial statements of the Company and the Restricted Subsidiaries prepared in accordance with GAAP."

(b) The definition of "Charged-Off Advances" in Section 9.1 of the Agreement is hereby amended and restated in its entirety as follows:

"CHARGED-OFF ADVANCES -- means those Advances which the Company or any of its Restricted Subsidiaries has determined, based on the application of a static pool analysis or otherwise, are completely or partially impaired, to the extent of such impairment."

(c) The definition of "Consolidated Income Available for Fixed Charges" is amended to add, in the first line of paragraph (b) of such definition after the word "amortization", the phrase "(including the amortization of any excess servicing asset)".

(d) The definition of "Consolidated Net Income" is amended to add to the end of paragraph (c) of such definition (before the semicolon) the following clause:

"(including, without limitation, any gain on sale generated by a Permitted Securitization, except to the extent the Company has received a cash benefit therefrom in the applicable reporting period) and any interest income generated by a Permitted Securitization, except to the extent the Company has received a cash benefit therefrom in the applicable reporting period".

(e) The definition of "Consolidated Tangible Net Worth" in Section 9.1 of the Agreement is hereby amended by adding the following immediately after the end of clause (c):

" MINUS

(d) without duplication, any capitalized gain on sales of Advances pursuant to a Permitted Securitization, the equity interest in any Special Purpose Subsidiary, any interest income generated by a Permitted Securitization and any excess servicing asset (except to the extent the Company has received a cash benefit therefrom prior to such date),"

(f) The definition of "Consolidated Total Assets" is amended to add to the end of such definition the following clause:

(but excluding from the determination thereof, without duplication, any capitalized gain on sales of Advances pursuant to a Permitted Securitization, the equity interest in any Special Purpose Subsidiary, any interest income generated by a Permitted Securitization and any excess servicing asset, except to the extent the Company has received a cash benefit therefrom in the applicable reporting period)".

(g) The definition of "Credit Agreement" in Section 9.1 of the Agreement is amended by adding the words ", refinanced, replaced, supplemented" after the word "restated" in the second line thereof.

(h) The definition of "Debt" in Section 9.1 of the Agreement is amended by amending and restating the last sentence thereof to read as follows:

> "Except as provided in Section 6.1(a)(i), neither Debt of any Special Purpose Subsidiary which is an Unrestricted Subsidiary pursuant to a Permitted Securitization nor Dealer holdbacks shall be considered Debt of the Company."

(i) The definition of "Restricted Investment" in Section 9.1 of the Agreement is amended by deleting the word "and" from the end of clause (k), changing the reference to "clause (k)" in clause (l) to "clause (l)", changing clause (l) to clause (m) and adding a new clause (l) as follows:

> (l) Investments by the Company or any Restricted Subsidiary in the Company, any Restricted Subsidiary or any Special Purpose Subsidiary from and after the effective date of the Second Amendment, consisting of (i) dispositions of specific Advances (and the Company's or such Restricted Subsidiary's interest in the Installment Contracts related thereto) made pursuant to a Permitted Securitization and any resultant Debt issued by a Special Purpose Subsidiary to another Subsidiary as part of a Permitted Securitization, in each case to the extent constituting Investments, (ii) advances by the Company, as servicer of the Installment Contracts covered by a Permitted Securitization, in an aggregate amount not to exceed $750,000 outstanding at any time, to cover the interest component of obligations issued as part of a Permitted Securitization and payable from collections on such Installment Contracts (such advances to be repayable to the Company on a priority basis from such collections), (iii) the repurchase or replacement from and after the date of the effectiveness of the Second Amendment of an aggregate amount not to exceed $2,000,000 in Advances (and the Installment Contracts relating thereto) subsequently determined not to satisfy the eligibility standards contained in the applicable Securitization Documents relating to a Permitted Securitization, so long as (x) such replacement is accompanied by the repurchase of or release of encumbrances on Advances previously transferred or encumbered pursuant to such securitization and in the amount thereof, (y) any replacement Advances (and the related Installment Contracts) are selected by the Company according to the requirements set forth in clause (a) of the definition of Permitted Securitization and (z) such replacements are made at a time when (both before and after giving effect thereto) no Default or Event of Default exists

or would exist, (iv) amounts required to fund any Cleanup Call under the terms of such Permitted Securitization, exercised at a time when (both before and after giving effect thereto) no Default or Event of Default exists or would exist, and (v) the disposition of the capital stock of a Special Purpose Subsidiary; and

(j) The definitions of "Established Dealer" and "Trailing Twelve Months Payments" are deleted from Section 9.1 of the Agreement.

(k) The following definitions are added to Section 9.1:

"CLEANUP CALL(S) means (a) in the case of an optional cleanup call, a cleanup call to be exercised at the option of the Company or a Special Purpose Subsidiary under the terms of the applicable Permitted Securitization, in an amount not in excess of Five Percent (5%) of the initial proceeds received by the Company or the Special Purpose Subsidiary from the applicable Permitted Securitization, and (b) in the case of a mandatory cleanup call, a mandatory cleanup call to be exercised at the option of the investors under the terms of the applicable Permitted Securitization, in an amount not in excess of Two and One-Half Percent (2 1/2%) of the initial proceeds received by the Company or the Special Purpose Subsidiary from the applicable Permitted Securitization, in either case, such Cleanup Call to be exercisable only at such time as (both before and after giving effect thereto) no Default or Event of Default exists or would exist hereunder and being accompanied by the repurchase or release of encumbrances on Advances previously transferred or encumbered pursuant to such Permitted Securitization in the amount of such cleanup call."

"DEALER -- means a Person engaged in the business of the retail sale of used motor vehicles, including 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 the Company."

"DEALER AGREEMENTS -- means the servicing agreements between the Company or its Subsidiaries and a participating Dealer which sets forth the terms and conditions under which the Company or its Subsidiaries accepts, as nominee for such Dealer, the assignment of Installment Contracts for purposes of administration, servicing and collection and under which the Company or its Subsidiary may make Advances to such Dealers, as such agreements may be in effect from time to time."

"FIRST AMENDED AND RESTATED NOTES -- Section 1.1(b)."

"INSTALLMENT CONTRACTS -- means retail installment contracts for the sale of used motor vehicles assigned by Dealers to the Company or a Subsidiary of the Company, as nominee for the Dealer, for administration, servicing and collection pursuant to an applicable Dealer Agreement."

"ORIGINAL NOTES -- Section 1.1(a)."

"PERMITTED SECURITIZATION(S) -- means each transfer or encumbrance (each a "disposition") of specific Advances (and any interest in or lien on the Installment Contracts or other rights relating thereto) by the Company or one or more Restricted Subsidiaries to a Special Purpose Subsidiary conducted in accordance with the following requirements:

(a) Each disposition shall identify with reasonable certainty the specific Advances covered by such disposition; and the Advances (and Installment Contracts or other rights relating thereto) shall have performance and other characteristics so that the quality of such Advances and related Installment Contracts is comparable to, but not materially better than, the overall quality of the Company's Advances (and related Installment Contracts) as a whole, as determined in good faith by the Company in its reasonable discretion;

(b) (i) The aggregate principal amount of all Debt incurred, and (without duplication) of Securities issued (other than subordinated Securities issued to and held by the Company or a Subsidiary), by any Special Purpose Subsidiary pursuant to any Permitted Securitization, together with the aggregate principal amount of all other Debt incurred, and (without duplication) Securities issued (other than subordinated Securities issued to and held by the Company or a Subsidiary), by such Special Purpose Subsidiary and/or any one or more other Special Purpose Subsidiaries, pursuant to such Permitted Securitization and/or any one or more other Permitted Securitizations, from and after the effective date of the Second Amendment, cumulatively shall not exceed $75,000,000 (which amount shall not be readvanced or reborrowed); (ii) the aggregate value of all Advances disposed of by the Company and/or any one or more Restricted Subsidiaries to such Special Purpose Subsidiary pursuant to such Permitted Securitization, together with the aggregate value of all other Advances disposed of by the Company and/or any one or more Restricted Subsidiaries to such Special Purpose Subsidiary and/or any one or more other Special Purpose Subsidiaries, from and after the effective date of the Second Amendment, cumulatively (but without duplication) shall not exceed $88,236,000; and (iii) the

Company or the Restricted Subsidiary disposing of such Advances shall itself actually receive (substantially contemporaneously with such disposition) cash from each disposition of such Advances in connection with any such securitization transaction in an amount not less than Eighty-Five Percent (85%) of the value of such Advances;

(c) Each such disposition shall be without recourse (except to the extent of normal and customary representations and warranties given as of the date of each such disposition, and not as continuing representations and warranties) and otherwise on normal and customary terms and conditions for comparable asset-based securitization transactions, which may include, without limitation, Cleanup Call provisions;

(d) Concurrently with each such disposition, the Company shall permanently reduce the "aggregate commitment" then in effect under the Credit Agreement (as from time to time amended, restated, refinanced, replaced or supplemented) by an amount not less than eighty percent (80%) of the proceeds of each such disposition (net of reasonable and customary third party expenses incurred by the Company in connection therewith), reducing the "line of credit maximum amount" and the "revolving credit maximum amount" on a PRO RATA basis (based on the "aggregate commitment" then in effect) to the extent both such facilities are in effect, each such reduction in the "aggregate commitment" to be accompanied by the prepayments of principal and other sums required under the Credit Agreement and otherwise in compliance with the Credit Agreement (terms in quotation marks in this clause (d) are defined in the Credit Agreement); and

(e) Both immediately before and after giving effect to such disposition, no Default or Event of Default (whether or not related to such disposition) exists or would exist.

In connection with each Permitted Securitization, not less than ten (10) Business Days prior to the date of consummation thereof, the Company shall provide to each holder of a Note (i) a schedule in the form attached hereto as Exhibit E identifying the specific Advances (and providing collection information regarding the related Installment Contracts) proposed to be covered by such transactions (with evidence supporting its determination under subparagraph (a) of this definition) and (ii) proposed drafts of the material Securitization Documents covering the applicable securitization (and the term sheet or commitment relating thereto); provided that with respect to

the securitization transaction to be consummated contemporaneously with the execution of this Second Amendment, such schedule and proposed drafts shall have been delivered at least five (5) Business Days prior to the date of consummation thereof. Within five (5) Business Days following the consummation thereof, the Company shall have provided to each holder of a Note copies of the material Securitization Documents, as executed, including an updated schedule, substantially in the form of the schedule delivered under clause (i) above, identifying the Advances actually covered by such transaction."

"SECOND AMENDMENT -- means the Second Amendment, dated as of July 1, 1998, to the Agreement."

"SECURITIZATION DOCUMENTS -- means any note purchase agreement (and any notes issued thereunder), transfer or security documents, master trust or other trust agreements, servicing agreement, indenture, pooling agreement, contribution or sale agreement or other documents, instruments and certificates executed and delivered, subject to the terms of this Agreement, to evidence or secure (or otherwise relating to) a Permitted Securitization, as the same may be amended from time to time (subject to the terms hereof) and any and all other documents executed in connection therewith or replacement or renewal thereof."

"SECURITIZATION PROPERTY -- (i) amounts advanced by the Company or a Restricted Subsidiary under a Dealer Agreement and payable from collections, including servicing charges, insurance charges and service policies and all related finance charges, late charges, and all other fees and charges charged to customers and all monies due or to become due, and all monies received, with respect thereto ("Loans"); (ii) all proceeds (including "proceeds" as defined in the Uniform Commercial Code) thereof; (iii) all of the Company's or a Restricted Subsidiary's interest in the Dealer Agreements and Installment Contracts securing payment of Loans, all security interests or liens purporting to secure payment of Loans and all other property obtained upon foreclosure of any security interest securing payment of Loans or any related Installment Contract and all guarantees, insurance (including insurance insuring the priority or perfection of any lien) or other agreements or arrangements of any kind from time to time supporting or securing payment of such Installment Contract whether pursuant to such Installment Contract or otherwise; (iv) all records with respect to Loans, (v) the Company's or a Restricted Subsidiary's right, title and interest in and to business interruption insurance, and (vi) all payments received by the Company in respect of Transferred Loans in the form of cash, checks, wire transfers or other form of payment.

"SPECIAL PURPOSE SUBSIDIARY -- shall mean any Unrestricted Subsidiary of the Company, all of the capital stock of which is owned by the Company or a Restricted Subsidiary, which Unrestricted Subsidiary is formed for the sole purpose of conducting one or more Permitted Securitizations and is operated for such purpose in accordance with customary industry practices."

2.17 AMENDMENT AND RESTATEMENT OF EXHIBIT A. The form of 7.99% Senior Note Due July 1, 2001 set forth as Exhibit A to the Agreement is hereby amended and restated, in its entirety, to be in the form of Attachment 1 attached to this Second Amendment. All references to "Exhibit A" in the Note Purchase Agreements shall, if in reference to a date on or after the effective date of the Second Amendment, refer to the form of 7.99% Senior Note Due July 1, 2001, as amended and restated hereby.

2.18 AMENDMENT OF ORIGINAL NOTES. The forms of the respective Original Notes are hereby amended in their entirety to conform to the form of First Amended and Restated 8.24% Senior Note Due July 1, 2001 attached to this Second Amendment as Attachment 1. On the effective date of this Second Amendment, each of the terms of each outstanding Original Note shall be deemed to be amended to conform with such form, without any further action on the part of the Company or any holder of any Original Note (including, without limitation, any requirement that any holder surrender its outstanding Original Notes to the Company). Upon surrender of any outstanding Original Note, the Company shall deliver to the registered holder thereof a First Amended and Restated Note in the form attached hereto as Attachment 1, dated the date of the last interest payment on such surrendered Original Note and in an aggregate principal amount equal to the unpaid principal amount of such surrendered Original Note, all in accordance with the provisions of Section 5.2 of the Agreement. Without limitation of the foregoing, the amendment and restatement of the Original Notes provided for herein, including, without limitation, the increase in the interest rate applicable to the Notes, shall be effective with respect to any and all of the Notes irrespective of whether any such Notes are surrendered to the Company for reissuance in the form attached to this Second Amendment as Attachment 1.

2.19 ADDITIONAL EXHIBITS. The Agreement is hereby amended to add thereto additional exhibits, designated Exhibit E (Advances/Permitted Securitizations) and Exhibit F (Form of Static Pool Analysis), to read in their entirety as set forth on Attachment 2 and Attachment 3, respectively, hereto.

SECTION 3. MISCELLANEOUS

3.1 COUNTERPARTS. This Second Amendment may be executed in any number of counterparts, each executed counterpart constituting an original, but all together only one Second Amendment.

3.2 HEADINGS. The headings of the sections of this Second Amendment are for purposes of convenience only and shall not be construed to affect the meaning or construction of any of the provisions hereof.

3.3 GOVERNING LAW. This Second Amendment shall be governed by and construed in accordance with the internal laws of the State of Connecticut.

3.4 EFFECT OF AMENDMENT. Except as expressly provided herein (a) no other terms and provisions of the Agreement or the Notes shall be modified or changed by this Second Amendment and (b) the terms and provisions of the Agreement and the Notes, as amended by this Second Amendment, shall continue in full force and effect. The Company hereby acknowledges and reaffirms all of its obligations and duties under each of the Agreement and the Notes as modified by this Second Amendment.

3.5 REFERENCES TO THE AGREEMENT. Any and all notices, requests, certificates and other instruments executed and delivered concurrently with or after the execution of the Second Amendment may refer to the Agreement without making specific reference to this Second Amendment but nevertheless all such references shall be deemed to include, to the extent applicable, this Second Amendment unless the context shall otherwise require.

3.6 COMPLIANCE. The Company certifies that immediately before and after giving effect to this Second Amendment, no Default or Event of Default exists or would exist after giving effect hereto.

3.7 FULL DISCLOSURE. The Company warrants and represents to you that, as of the effective date hereof, none of the written statements, documents or other written materials furnished by, or on behalf of, the Company to you in connection with the negotiation, execution and delivery of this Second Amendment contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein or herein not misleading in light of the circumstances in which they were made. There is no fact of which any of the Company's executive officers has actual knowledge which the Company has not disclosed to you which materially affects adversely or, so far as the Company can now foresee, will materially affect adversely the business, prospects, profits, Properties or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole, or the ability of the Company to perform its obligations set forth in the Agreement (after giving effect to this Second Amendment) and the Notes.

3.8 EFFECTIVENESS OF AMENDMENTS.

The amendments to the Agreement and the Original Notes contemplated by Section 2 hereof shall (in accordance with Section 10.5(a) of the Agreement) become effective, if at all, at such time as all of the holders of the Original Notes shall have indicated their written consent to such amendments by executing and delivering the applicable counterparts of this Second Amendment.

It is understood that any holder of Notes may withhold its consent for any reason, including, without limitation, any failure of the Company to satisfy all of the following conditions:

(a) This Second Amendment shall have been executed and delivered by the Company and each of the holders of the Original Notes.

(b) The execution, delivery and effectiveness of an agreement, signed by the Company and the requisite holders of the Company's 8.87% Senior Notes due November 1, 2001 issued under Note Purchase Agreements dated as of October 1, 1994, containing amendments to such Note Purchase Agreements and such Notes identical in substance to the amendments set forth in Section 2 hereof.

(c) The execution, delivery and effectiveness of an agreement, signed by the Company and the requisite holders of the Company's 7.77% Senior Notes due October 1, 2001 issued under Note Purchase Agreements dated as of March 25, 1997, containing amendments to such Note Purchase Agreements and such Notes identical in substance to the amendments set forth in Section 2 hereof.

(d) The holders of Notes shall have received from the Company a certificate of a Senior Officer, dated the effective date of this Second Amendment, certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of this Second Amendment and the transactions contemplated hereby.

(e) The Company's legal counsel shall have delivered an opinion, dated the effective date of this Second Amendment, substantially in the form attached as Attachment 4 hereto.

(f) The Company shall have paid the statement for reasonable fees and disbursements of Hebb & Gitlin, your special counsel, and Seward & Kissel, special counsel solely to The Guardian Life Insurance Company of America, presented to the Company on or prior to the effective date of this Second Amendment.

3.9 AMENDMENT TO CREDIT AGREEMENT. The Company represents that the Third Amendment to the Credit Agreement, as in effect on the date of the effectiveness of this Second Amendment, is in the form attached as Attachment 5 hereto.

[Remainder of page intentionally blank. Next page is signature page.]

If this Second Amendment is satisfactory to you, please sign the form of acceptance on the enclosed counterpart of this letter and return the same to the Company, whereupon this Second Amendment shall become binding between us in accordance with its terms.

Very truly yours,

CREDIT ACCEPTANCE CORPORATION

By: /S/ BRETT A. ROBERTS

Name: BRETT A. ROBERTS
Title: CFO

ACCEPTED:

ASSET ALLOCATION & MANAGEMENT COMPANY AS AGENT FOR CENTRAL STATES HEALTH & LIFE COMPANY OF OMAHA

By: /S/ K. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ASSET ALLOCATION & MANAGEMENT COMPANY AS AGENT FOR THE CHARLES SCHWAB TRUST COMPANY FBO GUARANTY INCOME LIFE INSURANCE COMPANY

By: /S/ K. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ASSET ALLOCATION & MANAGEMENT COMPANY AS AGENT FOR AMERICAN COMMUNITY MUTUAL INSURANCE

By: /S/ K. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ASSET ALLOCATION & MANAGEMENT COMPANY AS AGENT FOR CENTRAL RE CORP. & PHOENIX

By: /S/ K. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ASSET ALLOCATION & MANAGEMENT
COMPANY AS AGENT FOR LONE STAR
LIFE INSURANCE COMPANY

By: /S/ K. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ASSET ALLOCATION & MANAGEMENT
COMPANY AS AGENT FOR OZARK
NATIONAL LIFE INSURANCE COMPANY

By: /S/ K. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ASSET ALLOCATION & MANAGEMENT
COMPANY AS AGENT FOR CSA
FRATERNAL LIFE

By: /S/ K. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ASSET ALLOCATION & MANAGEMENT
COMPANY AS AGENT FOR KANAWHA
INSURANCE COMPANY

By: /S/ K. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ASSET ALLOCATION & MANAGEMENT
COMPANY AS AGENT FOR OLD GUARD
MUTUAL INSURANCE COMPANY

By: /S/ K. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

COMBINED INSURANCE COMPANY OF
AMERICA
BY: AON ADVISORS, INC.

By: /S/ KEITH LEMMER

Name: KEITH LEMMER
Title: SENIOR PORTFOLIO MANAGER

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

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: Investment Officer

NATIONWIDE LIFE INSURANCE COMPANY

By: /S/ MARK W. POEPPELMAN

Name: MARK W. POEPPELMAN
Title: Investment Officer

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 Vice President

SECURITY BENEFIT LIFE INSURANCE
COMPANY

By: /S/ STEVEN M. BOWSER

Name: STEVEN M. BOWSER
Title: Second Vice President

WILLIAM BLAIR & COMPANY, LLC

BY WILLIAM BLAIR & COMPANY, LLC
ATTORNEY-IN-FACT

By: /S/ JAMES D. MCKINNEY

Name: JAMES D. MCKINNEY
Title: Principal, Manager

ATTACHMENT 1

EXHIBIT A

[FORM OF NOTE]

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). ANY RESALE OR TRANSFER OF THIS NOTE WITHOUT REGISTRATION UNDER THE SECURITIES ACT MAY ONLY BE MADE IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

CREDIT ACCEPTANCE CORPORATION

FIRST AMENDED AND RESTATED 8.24% SENIOR NOTE DUE JULY 1, 2001

NO. R-___
$_____
PPN: 225310 A@ 0 [DATE]

CREDIT ACCEPTANCE CORPORATION, a Michigan corporation (the "Company"), for value received, hereby promises to pay to _____ or registered assigns the principal sum of _____ DOLLARS ($_____) on July 1, 2001 and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof from the date of this Note (i) at the rate of seven and ninety-nine one-hundredths percent (7.99%) PER ANNUM through (but not including) July 1, 1998, and (ii) at the rate of eight and twenty-four one-hundredths percent (8.24%) PER ANNUM from and after July 1, 1998, payable semi-annually on the first (1st) day of January and July in each year, commencing on the payment date next succeeding the date hereof, until the principal amount hereof shall become due and payable; and to pay on demand interest on any overdue principal (including any overdue prepayment of principal) and Make-Whole Amount, if any, and (to the extent permitted by applicable law) on any overdue installment of interest, at a rate equal to the LESSER of (a) the highest rate allowed by applicable law or (b) nine and ninety-nine one-hundredths percent (9.99%) PER ANNUM if such time is prior to July 1, 1998, and ten and twenty-four one-hundredths percent (10.24%) PER ANNUM if such time is on or after July 1, 1998.

Payments of principal, Make-Whole Amount, if any, and interest shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts to the registered holder hereof at the address shown in the register maintained by the Company for such purpose, in the manner provided in the Note Purchase Agreement (defined below).

This Note is one of an issue of Notes of the Company issued in an aggregate principal amount limited to Seventy Million Dollars ($70,000,000) pursuant to the Company's separate Note Purchase Agreements, each dated as of August 1, 1996 (collectively, as may be amended from time to time, the "Note Purchase Agreement"), with the purchasers listed on Annex 1 thereto. This Note is entitled to the benefits of the Note Purchase Agreement and the terms thereof are incorporated herein by reference. Capitalized terms used herein and not otherwise defined herein have the meanings specified in the Note Purchase Agreement. As provided in the Note Purchase Agreement, this Note is subject to prepayment, in whole or in part, in certain cases without a Make-Whole Amount and in other cases with a Make-Whole Amount. The Company agrees to make required prepayments on account of such Notes in accordance with the provisions of the Note Purchase Agreement.

This Note is a registered Note and is transferable only by surrender hereof at the principal office of the Company as specified in the Note Purchase Agreement, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Note or its attorney duly authorized in writing.

Under certain circumstances, as specified in the Note Purchase Agreement, the principal of this Note (in certain cases together with any applicable Make-Whole Amount) may be declared due and payable in the manner and with the effect provided in the Note Purchase Agreement.

The Company's First Amended and Restated 8.24% Senior Notes due July 1, 2001 (the "First Amended and Restated Notes") amend and restate the Company's 7.99% Senior Notes due July 1, 2001 (the "Original Notes"). The obligations formerly evidenced by the Original Notes are continuing obligations which are evidenced by the First Amended and Restated Notes and nothing contained in the First Amended and Restated Notes shall be deemed to constitute payment, settlement or a novation of such obligations.

THIS NOTE AND THE NOTE PURCHASE AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, INTERNAL CONNECTICUT LAW.

CREDIT ACCEPTANCE CORPORATION

By

Name:
Title:

ATTACHMENT 4

[FORM OF COMPANY COUNSEL LEGAL OPINION]
July __, 1998

To each of the Persons
listed on Annex 1 hereto

Re: Credit Acceptance Corporation, a Michigan corporation (the "Company")

Ladies and Gentlemen:

We have acted as special counsel to the Company and have provided this opinion pursuant to the Second Amendment, to Note Purchase Agreement, dated as of July 1, 1998 (the "Second Amendment") among the Company and the Persons listed on Annex 1 thereto (the "Holders"), in respect of the separate Note Purchase Agreements, each dated as of August 1 (collectively, as amended by the First Amendment to Note Purchase Agreement dated as of December 12, 1997, the "Existing Note Agreement", and as further amended by the Second Amendment, the "Amended Note Agreement"), between the Company and each of the Persons listed on Annex 1 thereto (the "Purchasers"), pursuant to which the Company sold to the Purchasers its 7.99% Senior Notes due July 1, 2001 (the "Original Notes"), in the aggregate principal amount of Seventy Million Dollars ($70,000,000). The capitalized terms used herein and not defined herein have the meanings specified in the Amended Note Agreement.

The law covered by the opinions expressed herein is limited to the federal law of the United States and the laws of the State of Michigan. In rendering the opinion in paragraph (2) below, we have assumed that the laws of the State of Connecticut as to the enforceability of the Amended Note Agreement and the Notes are not different from the State of Michigan (excluding the choice of law rules).

In our examination, we have assumed the genuineness of all signatures (other than signatures of officers of the Company), the legal capacity of natural persons, the authenticity of all documents submitted to us as originals or copies, the conformity with originals of all documents submitted to us as copies and, as to documents executed by the Holders and Persons other than the Company, that each such Person executing documents had the power to enter into and perform its obligations under such documents, and that such documents have been duly authorized, executed and delivered by, and are binding upon and enforceable against, such Persons.

In rendering our opinion, we have relied, without further investigation or analysis, upon certificates of officers of the Company attached hereto; warranties and representations as to certain

factual matters made by the Company and by the Holders in the Amended Note Agreement and in the certificate delivered to the Holders pursuant to the Second Amendment.

In acting as such counsel, we have examined (a) the Existing Note Agreement, (b) the Second Amendment, including the form of the Company's First Amended and Restated 8.24% Senior Note due July 1, 2001 attached to the Second Amendment as Attachment 1, (c) the bylaws of the Company, (d) the records of proceedings of the board of directors of the Company, (e) a certified copy of the articles of incorporation of the Company, as in effect on the date hereof, and (f) originals, or copies certified or otherwise identified to our satisfaction, of such other documents, records, instruments and certificates of public officials as we have deemed necessary or appropriate to enable us to render this opinion. The Original Notes held by the Holders, as amended and restated pursuant to the Second Amendment, are referred to herein as the "Notes".

Based upon and subject to the foregoing and to the additional assumptions, qualifications and limitations set forth herein, we are of the opinion that:

1. The Second Amendment has been duly authorized by all necessary corporate action on the part of the Company and has been executed and delivered by a duly authorized officer of the Company.

2. Each of the Amended Note Agreement and the Notes constitute a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as (a) the enforceability thereof may be limited by or subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws now or hereafter affecting creditors' rights generally, and (b) rights or remedies (including, without limitation, acceleration, specific performance and injunctive relief) may be limited by equitable principles of general applicability (including, without limitation, standards of materiality, good faith, fair dealing and reasonableness) whether such principles are considered in a proceeding in equity or at law, and may be subject to the discretion of the court before which any proceedings therefor may be brought.

3. All consents, approvals and authorizations of Governmental Authorities required on the part of the Company have been obtained in connection with the execution and delivery of the Second Amendment.

4. The execution and delivery of the Amended Note Agreement in accordance with, and subject to the terms and conditions of, the Amended Note Agreement, by the Company and the performance by the Company of its obligations thereunder and under the Notes do not violate any applicable statute, rule or regulation to which the Company is subject.

5. Under existing law, the amendment of the Original Notes under the circumstances contemplated by the Second Amendment is an exempt transaction under the Securities Act and neither the registration of the Notes under the Securities Act, nor the qualification of an indenture

with respect thereto under the Trust Indenture Act of 1939, as amended, is required in connection with such transaction.

In rendering this opinion, we assume no obligation to revise or supplement this opinion should any law now in effect be changed by legislative action, judicial decision or otherwise.

We acknowledge that this opinion is being issued at the request of the Company pursuant to the Second Amendment and we agree that the parties listed on Annex 1 hereto are relying hereon. Future holders of the Notes may rely on this opinion as if it were addressed to them. Except as otherwise provided in this paragraph, no one is entitled to rely on this opinion.

This opinion is solely for the information of the addressees hereof, and is not to be quoted in whole or in part or otherwise referred to, nor is it to be filed with any governmental agency or other person without our prior written consent (except that you may furnish a copy hereof (i) to any one or more of your employees, officers, directors, agents, attorneys, accountants or professional consultants, (ii) to any state or federal authority or independent insurance board or body having regulatory jurisdiction over any holder of a Note, (iii) pursuant to order or legal process of any court or governmental agency, (iv) in connection with any legal action in which you are a party arising out of or in respect of the transactions contemplated under the Amended Note Agreement, and (v) for informational and due diligence purposes only, to prospective transferees of the Notes).

Very truly yours,

ATTACHMENT 2

EXHIBIT E

[FORM OF ADVANCES/PERMITTED SECURITIZATIONS SCHEDULE]

ATTACHMENT 3

EXHIBIT F

[FORM OF STATIC POOL ANALYSIS]

ATTACHMENT 5

[THIRD AMENDMENT TO CREDIT AGREEMENT]

EXHIBIT 4(b)(3)

LIMITED WAIVER
RE:
CREDIT ACCEPTANCE CORPORATION
FIRST AMENDED AND RESTATED 8.24% SENIOR NOTES DUE JULY 1, 2001 ISSUED
UNDER NOTE PURCHASE AGREEMENT DATED AS OF AUGUST 1, 1996

Dated as of July 27, 1998

Credit Acceptance Corporation
25505 West Twelve Mile Road
Suite 3000
Southfield, Michigan 48034-8339

Ladies and Gentlemen:

Reference is made to the First Amended and Restated 8.24% Senior Notes due July 1, 2001 (the "Notes") issued by Credit Acceptance Corporation, a Michigan corporation (together with its successors and assigns, the "Company"), in the original aggregate principal amount of $70,000,000 pursuant to separate Note Purchase Agreements, each dated as of August 1, 1996 (collectively, as amended, the "Note Agreement"), between the Company and each of the purchasers listed on Annex 1 thereto (collectively, together with their respective successors and assigns, the "Noteholders"). All terms not otherwise defined herein are used with the same meaning as set forth in the Note Agreement.

We have been informed by the Company that the Company and certain Restricted Subsidiaries propose to enter into an amendment to the Credit Agreement pursuant to which the Company will agree to grant to the Banks a Lien on certain collateral on or before November 30, 1998, including, without limitation, all right, title and interest of the Company and its "Significant Domestic Subsidiaries" (as defined in the Credit Agreement) to Advances (and Installment Contracts and other rights relating thereto), subject to the rights of its Dealers under the Dealer Agreements (excluding assets disposed of pursuant to a Permitted Securitization), 100% of the outstanding capital stock of its "Significant Domestic Subsidiaries" and 65% of the share capital of its Credit Acceptance Corporation UK Limited subsidiary (the "Lien Provision"). Section 6.6(a) of the Note Agreement prohibits the Company and the Restricted Subsidiaries from including the Lien Provision in the proposed amendment to the Credit Agreement. In addition, the definition of "Permitted Securitization" in the Credit Agreement is proposed to be amended to delete the requirement to reduce the "Aggregate Commitment", the "Line of Credit Maximum Amount" and the "Revolving Credit Maximum Amount" (as defined in the Credit Agreement) by 80% of the net proceeds of each disposition in connection with a securitization (the "Credit Agreement Reduction Provision").

1. Waiver. Subject to the terms and conditions set forth in Section 3 hereof, the Company requests that the Noteholders waive, and the undersigned Noteholders do hereby waive:

(a) any Event of Default resulting from the Company's failure to comply with Section 6.6(a) of the Note Agreement due solely to the existence of the Lien Provision in the Credit Agreement and the agreements set forth in Section 2(a) hereof;

(b) provided that the Noteholders are granted equal and ratable Liens in accordance

with Section 6.6(b) of the Note Agreement (as if the Lien granted to the Banks was granted in violation of Section 6.6 of the Note Agreement) contemporaneously with the grant of Liens to the Banks pursuant to the Lien Provision and on the same assets, any Event of Default resulting from the granting of the Liens to the Banks pursuant to the Lien Provision and to the holders of the Company's other two series of senior notes; and

(c) provided that, and only as long as and to the extent that, the Credit Agreement Reduction Provision is removed from the Credit Agreement, the requirement contained in paragraph (d) of the definition of Permitted Securitization in the Note Agreement to reduce the "aggregate commitment", the "revolving credit maximum amount" and the "line of credit maximum amount" under the Credit Agreement (as such terms are defined in the Credit Agreement) in connection with securitization transactions occurring after the date hereof.

2. Acknowledgments and Agreement.

(a) (i) At the time required under Section 6.6(b) of the Note Agreement (but in no event later than when such Liens are granted to Banks and holders of the Company's other two series of senior notes), the Company agrees that it will execute and deliver documents (in form and substance satisfactory to the Required Holders) granting to or for the benefit of the Noteholders, as security for the Notes, an equal and ratable Lien in the Property which is covered by the Liens to be granted to the Banks in accordance with the requirements of the Lien Provision and to the holders of the Company's other two series of senior notes in accordance with the requirements of their respective Note Purchase Agreements (as modified by the related Limited Waivers of even date herewith), all of which Liens shall be on an equal and ratable basis with the Liens granted in accordance with the requirements of the Note Agreement (as modified hereby).

(ii) Nothing herein shall be deemed to amend, modify or supersede the rights of the Noteholders pursuant to Section 6.6(b) of the Note Agreement; provided, however, that the last sentence of Section 6.6(b) of the Note Agreement shall be subject to Section 1(b) hereof.

(iii) The Company's failure to comply with the requirements of this Section 2(a) shall constitute a violation of Section 6.6 of the Note Agreement (and, accordingly, an Event of Default under the Note Agreement).

(b) Without limitation of Section 10.5(d) of the Note Agreement, the Company shall pay or, if paid by the Noteholders, reimburse the Noteholders for, all out of pocket fees, costs and expenses paid or incurred by any Noteholder in connection with the negotiation, preparation, drafting, implementation, modification, administration and enforcement of this letter, the Note Agreement, the Notes and the documents to be delivered pursuant to Section 2(a) hereof.

(c) The Company represents that no Default or Event of Default exists on the date hereof.

3. Effectiveness; Effect Upon Other Provisions of the Note Agreement and the Notes.

(a) The effectiveness of the waiver and other terms set forth herein is subject to the

full execution and the delivery of this letter by the Company and the Required Holders, and full execution and delivery of letters containing substantially identical terms to those set forth in this letter by the Company and the "Required Holders" of each of the other two series of the Company's senior notes.

(b) The execution, delivery and effectiveness of this letter shall not be deemed, except as expressly provided herein, (i) to operate as a waiver of any right, power or remedy of the Noteholders under the Note Agreement or the Notes, nor constitute a waiver of any provision thereunder, or (ii) to prejudice any rights which any Noteholder now has or may have in the future under or in connection with the Note Agreement, the Notes or any other documents referred to therein. All terms and conditions of the Note Agreement shall remain unchanged and in full force and effect, except as, and to the extent, set forth in this letter agreement.

4. Counterparts.

This letter and all acceptances hereof may be executed simultaneously in any number of counterparts, each of which shall be deemed an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

If you are in agreement with the foregoing, please sign the form of acceptance on the enclosed counterpart of this letter and return the same to us in care of our special counsel, Hebb & Gitlin, a Professional Corporation, One State Street, Hartford, Connecticut 06103, Attention: David Silber (facsimile: (860)278-8968).

[Remainder of page intentionally blank. Next page is signature page.]

Very truly yours,

ASSET ALLOCATION & MANAGEMENT COMPANY AS AGENT FOR
CENTRAL STATES HEALTH & LIFE COMPANY OF OMAHA

By: /S/ K. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ASSET ALLOCATION & MANAGEMENT COMPANY AS AGENT FOR
THE CHARLES SCHWAB TRUST COMPANY FBO GUARANTY
INCOME LIFE INSURANCE COMPANY

By: /S/ K. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ASSET ALLOCATION & MANAGEMENT COMPANY AS AGENT FOR
AMERICAN COMMUNITY MUTUAL INSURANCE

By: /S/ K. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY:

ASSET ALLOCATION & MANAGEMENT COMPANY AS AGENT FOR
CENTRAL RE CORP. & PHOENIX

By: /S/ K. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

[Signature Page to Limited Waiver dated as of July 27, 1998 in respect of First Amended and Restated 8.24% Senior Notes Due July 1, 2001 of Credit Acceptance Corporation]

ASSET ALLOCATION & MANAGEMENT COMPANY AS AGENT FOR
LONE STAR LIFE INSURANCE COMPANY

By: /S/ K. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ASSET ALLOCATION & MANAGEMENT COMPANY AS AGENT FOR
OZARK NATIONAL LIFE INSURANCE COMPANY

By: /S/ K. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ASSET ALLOCATION & MANAGEMENT COMPANY AS AGENT FOR
CSA FRATERNAL LIFE

By: /S/ K. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ASSET ALLOCATION & MANAGEMENT COMPANY AS AGENT FOR
KANAWHA INSURANCE COMPANY

By: /S/ K. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

[Signature Page to Limited Waiver dated as of July 27, 1998 in respect of First Amended and Restated 8.24% Senior Notes Due July 1, 2001 of Credit Acceptance Corporation]

ASSET ALLOCATION & MANAGEMENT COMPANY AS AGENT FOR
OLD GUARD MUTUAL INSURANCE COMPANY

By: /S/ K. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

WILLIAM BLAIR & COMPANY, LLC

BY WILLIAM BLAIR & COMPANY, LLC,
ATTORNEY-IN-FACT

By: /S/ JAMES D. MCKINNEY

Name: JAMES D. MCKINNEY
Title: PRINCIPAL

COMBINED INSURANCE COMPANY OF AMERICA
BY: AON ADVISORS, INC.

By: /S/ KEITH LEMMER

Name: KEITH LEMMER
Title: SENIOR PORTFOLIO MANAGER

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

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY

By: /S/ THOMAS LI

Name: THOMAS LI
Title: MANAGING DIRECTOR

CM LIFE INSURANCE COMPANY

By: /S/ THOMAS LI

Name: THOMAS LI
Title: MANAGING DIRECTOR

NATIONWIDE LIFE INSURANCE COMPANY

By: /S/ MARK W. POEPPELMAN

Name: MARK W. POEPPELMAN
Title: INVESTMENT OFFICER

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

Accepted and Agreed:

CREDIT ACCEPTANCE CORPORATION

By: /S/ BRETT A. ROBERTS

Name: BRETT A. ROBERTS
Title: EXECUTIVE VICE PRESIDENT AND CFO

[Signature Page to Limited Waiver dates as of July 27, 1998 in respect of First Amended and Restated 8.24% Senior Notes Due July 1, 2001 of Credit Acceptance Corporation]

ANNEX I

FIRST AMENDED AND RESTATED 8.24% SENIOR NOTES DUE JULY 1, 2001

Central States Health & Life Company of Omaha
The Charles Schwab Trust Company fbo Guaranty Income Life Insurance Company
American Community Mutual Insurance
Central Re Corp. & Phoenix
Lone Star Life Insurance Company
Ozark National Life Insurance Company
CSA Fraternal Life
Kanawha Insurance Company
Old Guard Mutual Insurance Company
Combined Insurance Company of America
Connecticut General Life Insurance Company
Massachusetts Mutual Life Insurance Company
CM Life Insurance Company
Nationwide Life Insurance Company
Pan American Life Insurance Company
Phoenix Home Life Mutual Insurance Company
Security Benefit Life Insurance Company
William Blair & Company, LLC

EXHIBIT 4(c)(4)

EXECUTION COPY
07/29/98

FOURTH AMENDMENT TO CREDIT AGREEMENT

This FOURTH AMENDMENT TO CREDIT AGREEMENT ("Fourth Amendment") is made as of this 30th day of July, 1998 by and among Credit Acceptance Corporation, a Michigan corporation ("Company"), the Permitted Borrowers signatory hereto (each, a "Permitted Borrower" and collectively, the "Permitted Borrowers"), Comerica Bank ("Comerica") and the other banks signatory hereto (individually, a "Bank" and collectively, the "Banks") and Comerica Bank, as agent for the Banks (in such capacity, "Agent").

RECITALS

A. Company, Permitted Borrowers, Agent and the Banks 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 and Third Amendment to Credit Agreement dated as of May 11, 1998 (as amended, the "Credit Agreement") under which the Banks renewed and extended (or committed to extend) credit to the Company and the Permitted Borrowers, as set forth therein.

B. The Company and the Permitted Borrowers have requested that Agent and the Banks agree to make certain amendments to the Credit Agreement and to extend the Revolving Credit Maturity Date presently in effect, and Agent and the Banks are willing to do so, but only on the terms and conditions set forth in this Fourth Amendment.

NOW, THEREFORE, Company, Permitted Borrowers, Agent and the Banks agree:

l. Section 1 of the Credit Agreement is hereby amended, as follows:

(a) The definition of "Cleanup Call" is amended by adding the words "or a Special Purpose Subsidiary" in the fourth and eighth lines thereof, after the word "Company".

(b) The defined term "Co-Agents" is deleted.

(c) A new definition of "Collateral" is added, as follows:

"'Collateral' shall mean all right, title and interest of the Company and each of its Significant Domestic Subsidiaries in, to and under its accounts,

inventory, machinery, equipment, contract rights, chattel paper, general intangibles, including without limitation Advances to Dealers, Dealer Agreements (and any amounts advanced to or liens granted by Dealers thereunder), Installment Contracts and related financial property (such Dealer Agreements , Advances to Dealers and the Installment Contracts, accounts, contract rights, chattel paper and general intangibles relating to such Dealer Agreements and Advances to Dealers being subject to the rights of Dealers under Dealer Agreements), and computer records and software relating thereto, whether now owned or hereafter acquired by such Person, one hundred percent (100%) of the share capital of each Significant Domestic Subsidiary of the Company (whether direct or indirect) and not less than sixty-five percent (65%) of the share capital of CAC UK, and all proceeds and products of the foregoing.

(d) A new definition of "Collateral Documents" is added, as follows:

"'Collateral Documents' shall mean such security agreements, stock pledges, collateral assignments, hypothecations, and other documents and instruments required to be executed and delivered by the Company and its Significant Subsidiaries in order to provide the Banks with the security interests and other liens and encumbrances required under Section 7.23 hereof, and any other documents or instruments (including, without limitation, financing statements, stock powers, acknowledgments, registrations and the like) necessary to protect or perfect the security interests, liens and other encumbrances established thereby, all in form and substance satisfactory to Agent and the Banks, as each and any of such documents or instruments may be amended from time to time."

(e) The definition of "Consolidated Tangible Net Worth" is amended by replacing, in the last line thereof, the words "in the applicable reporting period" with the words "prior to such date".

(f) The definition of "Debt Rating" is amended and restated in its entirety as follows;

"'Debt Rating' shall mean the debt rating of Company's long-term non-credit enhanced senior debt by Fitch."

(g) A new definition of "Equity Offering" is added, as follows:

"'Equity Offering' shall mean the issuance and sale for cash, on or after the Fourth Amendment Effective Date by Company or any of its Subsidiaries

of additional capital stock or other equity interests, other than upon the exercise of employee and dealer stock options pursuant to stock option plans maintained or offered by the Company or its Subsidiaries in the ordinary course of business and not in anticipation of any sale of capital stock or equity interests to the general public."

(h) A new definition of "Equity Offering Adjustment" is added, as follows:

"Equity Offering Adjustment' shall mean that amount to be added to the minimum Consolidated Tangible Net Worth required to be maintained under Section 7.7 hereof consisting of an amount equal to one hundred percent (100%) of each Equity Offering conducted by the Company or any of its subsidiaries, net of related costs of issuance payable to third parties, on and after July 1, 1998, on a cumulative basis."

(i) A new definition of "Excess Exposure" is added, as follows:

"'Excess Exposure'" shall mean, at any time, that amount, if any, by which the Percentage of the Revolving Credit Maximum Amount held by Comerica or NationsBank (and their respective Affiliates), as the case may be (expressed as an amount in Dollars), exceeds, at any time, Thirty Million Dollars ($30,000,000.00); provided, however, that (i) for purposes of the computations of Excess Exposure hereunder, the Excess Exposure for each such Bank shall not exceed Five Million Dollars ($5,000,000.00); (ii) once the Excess Exposure has been eliminated for a Bank, Excess Exposure shall not subsequently be deemed to exist for such Bank unless payments received by such Bank were required to have been disgorged or otherwise readvanced by such Bank; (iii) in connection with the elimination of the Excess Exposure, Agent shall prepare and distribute to Company and the Banks a revised Exhibit D to the Credit Agreement setting forth the applicable new Percentages, if any; and (iv) neither Comerica nor NationsBank shall have any obligation to take any action to reduce its Excess Exposure."

(j) The definition of "Eurocurrency-Interest Period" is amended to delete the availability thereunder of an Interest Period of twelve months.

(k) A new definition of "Fourth Amendment Effective Date" is added as follows:

"Fourth Amendment Effective Date" shall mean the date on which all conditions are satisfied to the effectiveness of the Fourth Amendment to

Credit Agreement dated as of July 30, 1998 executed and delivered by and among the Company, Permitted Borrowers, the Banks and the Agent."

(l) Paragraph (d) of the definition of "Funding Conditions" is amended and restated in its entirety as follows:

"(d) concurrently with the incurring of such additional Debt, (i) so long as any Excess Exposure of Comerica or NationsBank exists, the Aggregate Commitment shall be automatically reduced to eliminate such Excess Exposure (in its entirety) and the proceeds of such Debt, net of third party expenses incurred by the Company in connection with the issuance of such Debt, shall be applied by the Company first to reduce the outstanding principal balance under the Revolving Credit (taking into account outstanding Letters of Credit and Swing Line Advances) to an amount not greater than the Aggregate Commitment, as so reduced, remitting such proceeds to Comerica and NationsBank, as applicable and (ii) thereafter, (x) the proceeds of such Debt, net of third party expenses incurred by the Company in connection with the issuance of such Debt, shall be applied to reduce the principal balance outstanding under the Senior Debt or the Future Debt or (y) the principal balance outstanding under the Revolving Credit (to the extent then outstanding, and including the aggregate amount of drawings made under any Letter of Credit and the aggregate amount of drawings made under any Letter of Credit for which the Agent has not received full payment) shall be reduced by the amount of Debt so incurred, net of third party expenses incurred by Company in connection with the issuance of such Debt, subject to the right to reborrow in accordance with this Agreement."

(m) The definition of "Future Debt" is amended, in clause (x) thereof (defining "Long Term Notes") to add, in the first line of the definition of Long Term Notes (following the word "unsecured"), the words "or, subject to the terms hereof, secured".

(n) "Keystone Acquisition" shall mean that certain acquisition by Company of the public vehicle auction business of Keystone Auto Auction, Inc., conducted in compliance with the terms and conditions set forth in the written consent of Agent (for and on behalf of the Banks) issued on May 29, 1998 under this Agreement.

(o) The definition of "Line of Credit Maximum Amount" is amended and restated in its entirety to read as follows:

"'Line of Credit Maximum Amount' shall mean zero (0)."

(p) The definition of "Loan Documents" is amended to add, in the second line thereof (following the words "Letter of Credit Agreements") the words ", any Collateral Documents executed under Section 7.23 hereof".

(q) A new definition of "New Bank Addendum" is added, as follows:

"'New Bank Addendum' shall mean an addendum, substantially in the form of Exhibit M hereto, to be executed and delivered by each Bank becoming a party to this Agreement pursuant to Section 3.18 hereof."

(r) The definition of "Permitted Acquisition" is hereby amended by adding, immediately following the words "Tele-Track Acquisition," (in the first line thereof), the words "Keystone Acquisition" and by deleting from the first paragraph thereof the words "primarily engaged in the provision of financing programs for the purchase of used motor vehicles".

(s) The definition of "Permitted Guaranties" is amended and restated in its entirety to read as follows:

"'Permitted Guaranties' shall mean (i) any guaranties or other support provided by the Company, for the benefit of the Permitted Borrowers, covering any overdraft lines of credit or similar credit arrangements maintained by the Permitted Borrowers or Arlington Investment Company under Section 8.5(d) hereof or (ii) any agreement or other undertaking by the Company, as servicer of the Installment Contracts covered by a Permitted Securitization, to advance funds to cover the interest component of obligations issued as part of such securitization and payable from collections on such Installment Contracts (such advances to be repayable to Company on a priority basis from such collections), provided that the aggregate amount of such advances under this clause (ii) at any time outstanding shall not exceed $750,000."

(t) The definition of "Permitted Investment" is hereby amended by changing the period at the end of clause(e) to a semicolon and adding the word "and", and adding a new clause (f), as follows:

"(f) Investments by CAC UK in obligations similar in nature, term and credit quality to those enumerated in paragraphs (a) through (e) above except that the United Kingdom shall be substituted

for the United States of America in each case."

(u) Paragraph (b) of the definition of "Permitted Securitization" is hereby amended and restated in its entirety as follows:

"(b) (i) The aggregate principal amount of all Debt incurred, and (without duplication) of securities issued (other than subordinated securities issued to and held by the Company or a Subsidiary), by any Special Purpose Subsidiary pursuant to any Permitted Securitization, together with the aggregate principal amount of all other Debt incurred, and (without duplication) securities issued (other than subordinated securities issued to and held by the Company or a Subsidiary), by such Special Purpose Subsidiary and/or any one or more other Special Purpose Subsidiaries, pursuant to such Permitted Securitization and/or any one or more other Permitted Securitizations, from and after the effective date of the Third Amendment, cumulatively shall not exceed $100,000,000 (which amount shall not be readvanced or reborrowed); (ii) the aggregate value of all Advances to Dealers disposed of by the Company and/or any one or more Subsidiaries to such Special Purpose Subsidiary pursuant to such Permitted Securitization, together with the aggregate value of all other Advances to Dealers disposed of by the Company and/or any one or more Subsidiaries to such Special Purpose Subsidiary and/or any one or more other Special Purpose Subsidiaries, from and after the effective date of the Third Amendment, cumulatively (but without duplication) shall not exceed $117,648,000; and (iii) the Company or the Subsidiary disposing of such Advances to Dealers shall itself actually receive (substantially contemporaneously with such disposition) cash from each disposition of such Advances to Dealers in connection with any such securitization transaction in an amount not less than Eighty-Five Percent (85%) of the value of such Advances to Dealers;".

(v) Paragraph (d) of the definition of "Permitted Securitization" is hereby amended and restated in its entirety, as follows:

"(d) Concurrently with each such disposition, (i) to the extent any Excess Exposure of Comerica or NationsBank exists, the Aggregate Commitment shall be automatically reduced to eliminate such Excess Exposure (in its entirety) and the Company shall apply the proceeds of each such disposition (net of customary third party expenses incurred by the Company in connection therewith) to reduce the outstanding principal balance under the Revolving Credit (taking into account outstanding Letters of Credit and Swing Line Advances) to an amount equal to (or less

than) the Aggregate Commitment, as so reduced, remitting such proceeds to Comerica and NationsBank, as applicable, and (ii) once the Excess Exposure of Comerica and NationsBank has been eliminated (in its entirety), the aforesaid net proceeds shall be applied to reduce the principal balance outstanding under the Revolving Credit (to the extent then outstanding, and including the aggregate amount of drawings made under any Letter of Credit and the aggregate amount of drawings made under any Letter of Credit for which the Agent has not received full payment) by the amount of such net proceeds, subject to the right to reborrow in accordance with this Agreement."

(w) The definition of "Permitted Transfer" is amended to add, at the end of such definition (before the period), the following:

", any transfer of property by a Subsidiary to the Company and any transfer of the stock of a Special Purpose Subsidiary to the Company or to any other Subsidiary which is not a Special Purpose Subsidiary."

(x) The definition of "Revolving Credit Maturity Date" is amended by deleting the date "May 15, 1999" in the first line thereof (after giving effect to the Third Amendment) and substituting therefor the words "June 15, 1999, subject to any extensions thereof pursuant to Section 3.16 hereof".

(y) The definition of "Revolving Credit Maximum Amount" is amended and restated in its entirety to read as follows:

"'Revolving Credit Maximum Amount' shall mean One Hundred Fifteen Million Dollars ($115,000,000), subject to any increases in the Revolving Credit Maximum Amount, pursuant to Section 3.18 of this Agreement, by an amount not to exceed the Revolving Credit Optional Increase and subject to any reductions of the Revolving Credit Maximum Amount in connection with the elimination of Excess Exposure hereunder or any reductions or termination under Sections 3.15 or 9.2 of this Agreement."

(z) A new definition of "Revolving Credit Optional Increase" is hereby added, as follows:

"'Revolving Credit Optional Increase' shall mean an amount up to Thirty Five Million Dollars ($35,000,000)."

(aa) The definition of "Securitization Documents" is amended and restated in

its entirety, as follows:

"'Securitization Documents' shall mean any note purchase agreement (and any notes issued thereunder), transfer or security document, master trust or other trust agreement, servicing agreement, indenture, pooling agreement, contribution or sale agreement or other document, instruments and certificates executed and delivered, subject to the terms of this Agreement, to evidence or secure (or otherwise relating to) a Permitted Securitization, as the same may be amended from time to time (subject to the terms hereof) and any and all other documents executed in connection therewith or replacement or renewal thereof."

(bb) A new definition of "Securitization Transaction" is added, as follows:

"Securitization Transaction" shall mean a transfer of, or grant of a Lien on, Advances to Dealers, Installment Contracts, accounts receivable and/or other financial assets by the Company or any Subsidiary to a Special Purpose Subsidiary or other special purpose or limited purpose entity and the issuance (whether by such Special Purpose Subsidiary or other special purpose or limited purpose entity or any other Person) of Debt or of any securities secured directly or indirectly by interests in, or of trust certificates or other securities directly or indirectly evidencing interests in, such Advances to Dealers, Installment Contracts, accounts receivable and/or other financial assets."

(cc) A new definition of "Syndications Agent" is added to the Credit Agreement as follows:

"Syndications Agent" shall mean NationsBank, N.A. ("NationsBank"), or such successor syndication agent as appointed by the Company under Section 12.15 hereof.

2. Notwithstanding anything to the contrary contained in Section 2 of the Credit Agreement, neither the Company nor the Permitted Borrowers shall be entitled to receive, request or maintain any Advances of the Line of Credit.

3. Section 3 of the Credit Agreement is amended, as follows:

(a) Section 3.5 is amended to add at the end of said section the following:

"(vii) each Request for Swing Line Advance, once delivered to Swing Line Bank, shall not be

revocable by Company, and shall constitute and include a certification by the Company as of the date thereof that:

(A) both before and after such Swing Line Advance, the obligations of the Company set forth in this Agreement and the Loan Documents, are valid, binding and enforceable obligations of the Company;

(B) all conditions to the making of Swing Line Advances have been satisfied (both before and after giving effect to such Advance);

(C) both before and after the making of such Swing Line Advance, there is no Default or Event of Default in existence; and

(D) both before and after such Swing Line Advance, the representations and warranties contained in this Agreement and the other Loan Documents are true and correct in all material respects.

Swing Line Bank shall promptly deliver to Agent by telecopy a copy of any Request for Swing Line Advance received hereunder."

(b) Section 3.16 is amended to replace the word "[Reserved]" with the following:

"EXTENSION OF REVOLVING CREDIT MATURITY DATE. Provided that no Default or Event of Default has occurred and is continuing, Company may, by written notice to Agent and each Bank (which notice shall be irrevocable and which shall not be deemed effective unless actually received by Agent and each Bank), prior to April 15, but not before March 15, of each year beginning in 1999 request that the Banks extend the then applicable Revolving Credit Maturity Date to a date that is 364 days later than the Revolving Credit Maturity Date then in effect (each such request, a "Request").

Each Bank shall, not later than thirty (30) calendar days following the date of its receipt of a Request, give written notice to the Agent stating whether such Bank is willing to extend the Revolving Credit Maturity Date as requested. If Agent has received the aforesaid written approvals of such Request from each of the Banks, then, effective on (but not before) such

Revolving Credit Maturity Date (so long as no Default or Event of Default has occurred and is continuing and none of the Banks has withdrawn its approval, in writing, prior thereto), the Revolving Credit Maturity Date shall be so extended for an additional period of 364 days, the term Revolving Credit Maturity Date shall mean such extended date and Agent shall promptly notify the Company and the Banks that such extension has occurred. If (i) any Bank gives the Agent written notice that it is unwilling to extend the Revolving Credit Maturity Date as requested or (ii) any Bank fails to provide written approval to Agent of the Request within thirty (30) calendar days of the date of Agent's receipt of such Request, or (iii) withdraws its approval in writing prior to the Revolving Credit Maturity Date then in effect then (x) the Banks shall be deemed to have declined to extend the Revolving Credit Maturity Date, (y) the then-current Revolving Credit Maturity Date shall remain in effect (with no further right on the part of Company, to request extensions thereof under this Section 3.16) and (z) the commitments of the Banks to make Advances of the Revolving Credit hereunder shall terminate on the Revolving Credit Maturity Date then in effect, and Agent shall promptly notify Company and the Banks thereof."

(c) New Section 3.18 is added to the Credit Agreement as follows:

"3.18 OPTIONAL INCREASE IN REVOLVING CREDIT MAXIMUM AMOUNT. Provided that no Default or Event of Default has occurred and is continuing, and provided that the Company has not previously elected to reduce or terminate the Revolving Credit Maximum Amount under Section 3.15 hereof, and provided further that the Excess Exposure of Comerica and NationsBank no longer exists, the Company may request that the Revolving Credit Maximum Amount be increased in an aggregate amount (for all such Requests under this Section 3.18) not to exceed the Revolving Credit Optional Increase, subject, in each case, to Section 11.1 hereof and to the satisfaction concurrently with or prior to the date of each such request of the following conditions:

(a) the Company shall have delivered to the Agent not less than thirty (30) days prior to the Revolving Credit Maturity Date then in effect a written request for such increase, specifying the amount of Revolving Credit Optional Increase thereby requested (each such request, a "Request for Increase"); provided, however that in the event the Company has previously delivered a Request for Increase pursuant to this Section 3.18, the Company may not deliver a subsequent Request for Increase until all the conditions to effectiveness of such first Request for

Increase have been fully satisfied hereunder (or such Request for Increase has been withdrawn); and provided further that the Company may make no more than two Requests for Increase in any calendar year;

(b) a lender or lenders meeting the requirements of Section 13.8(c) hereof and acceptable to the Company, Syndication Agent and the Agent (including, for the purposes of this Section 3.18, any existing Bank which agrees to increase its commitment hereunder, the "New Bank(s)") shall have become a party to this Agreement by executing and delivering a New Bank Addendum for a minimum amount (including for the purposes of this Section 3.18, the existing commitment of any existing Bank) for each such New Bank of Ten Million Dollars ($10,000,000) and an aggregate amount for all such New Banks of that portion of the Revolving Credit Optional Increase, taking into account the amount of any prior increase in the Revolving Credit Maximum Amount (pursuant to this Section 3.18), covered by the applicable Request, provided, however that each New Bank shall remit to the Agent funds in an amount equal to its Percentage (after giving effect to this Section 3.18) of all Advances of the Revolving Credit then outstanding, such sums to be reallocated among and paid to the existing Banks based upon the new Percentages as determined below;

(c) the Company shall have paid to the Agent for distribution to the existing Banks, as applicable, all interest, fees (including the Revolving Credit Facility Fee) and other amounts, if any, accrued to the effective date of such increase and any breakage fees attributable to the reduction (prior to the last day of the applicable Interest Period) of any outstanding Eurocurrency-based Advances, calculated on the basis set forth in Section 11.1 hereof as though Company has prepaid such Advances;

(d) the Company and each of the Permitted Borrowers shall have executed and delivered to the Agent new Revolving Credit Notes payable to each of the New Banks in the face amount of each such New Bank's Percentage of the Revolving Credit Maximum Amount (after giving effect to this Section 3.18) and, if applicable, renewal and replacement Revolving Credit Notes payable to each of the existing Banks in the face amount of each such Bank's Percentage of the Revolving Credit Maximum Amount (after giving effect to this Section 3.18), each of such Revolving Credit Notes to be substantially in the form of Exhibit C-1 or C-2 to the Credit Agreement, as applicable, and dated as of the effective date of such increase (with appropriate insertions relevant to such Notes

and acceptable to the applicable Bank, including the New Banks);

(e) the representations and warranties made by Company, the Permitted Borrower, each Guarantor or any other party to any of the Loan Documents (excluding the Agent and Banks) in this Agreement or any of the other Loan Documents, and the representations and warranties of any of the foregoing which are contained in any certificate, document or financial or other statement furnished at any time hereunder or thereunder or in connection herewith or therewith shall have been true and correct in all material respects when made and shall be true and correct in all material respects on and as of the Fourth Amendment Effective Date; and (ii) no Default or Event of Default shall have occurred and be continuing; and

(f) such other amendments, acknowledgments, consents, documents, instruments, any registrations, if any, shall have been executed and delivered and/or obtained by Company as required by Agent or the Majority Banks, in their reasonable discretion.

Promptly on or after the date on which all of the conditions to such Request for Increase set forth above have been satisfied, Agent shall notify the Company and each of the Banks of the amount of the Revolving Credit Maximum Amount as increased pursuant this Section 3.18 and the date on which such increase has become effective and shall prepare and distribute to Company and each of the Banks (including the New Banks) a revised Exhibit D to the Credit Agreement setting forth the applicable new Percentages of the Banks (including the New Bank(s), taking into account such increase and assignments (if any).".

(d) New Section 3.19 is added to the Credit Agreement, as follows:

"3.19 MANDATORY REDUCTION OF REVOLVING CREDIT MAXIMUM AMOUNT. If, at any time during which any Excess Exposure of Comerica or NationsBank exists and the Collateral Documents required under Section 7.23 hereof have not yet been delivered, the average principal Indebtedness outstanding under the Revolving Credit for any period of thirty (30) consecutive days exceeds Ninety-One percent (91%) of the Revolving Credit Maximum Amount then in effect hereunder, the Company shall be obligated, within thirty (30) days of such occurrence, to reduce the amount of the Aggregate Commitment by the amount of the Excess Exposure (in its entirety), such reduction in the Aggregate Commitment to be accompanied by prepayments of principal sufficient to reduce the

outstanding principal balance under the Revolving Credit (taking into account outstanding Letters of Credit and Swing Line Advances) to an amount not greater than the Aggregate Commitment, as so reduced, such prepayments to be remitted by the Agent to Comerica and NationsBank, as applicable."

4. Section 7 of the Credit Agreement is amended, as follows:

(a) Paragraph (a) of Section 7.4 is amended by replacing "2.00" in the fifth line thereof with "2.25".

(b) Section 7.5 is amended by adding, after the word "Debt" in the second line thereof, the words "at a level equal to or less than Two Hundred Percent (200%) of the Company's Consolidated Tangible Net Worth and".

(c) Section 7.7 is amended and restated in its entirety, as follows:

"7.7 MINIMUM TANGIBLE NET WORTH. On a Consolidated basis, maintain consolidated tangible net worth of not less than Two Hundred Three Million Dollars ($203,000,000.00), plus the sum of (i) seventy-five percent (75%) of Consolidated Net Income for each fiscal quarter of the Company (A) beginning on or after July 1, 1998, (B) ending on or before the applicable date of determination thereof, and (C) for which Consolidated Net Income as determined above is a positive amount and (ii) the Equity Offering Adjustment."

(d) Section 7.8 is amended to change the reference to "sixty-five percent (65%)" therein (after giving effect to the Third Amendment) to "seventy percent (70%)".

(e) Section 7.9 is amended (i) to delete the word "and" from the end of clause (d), (ii) to replace existing clause (e) with new clause (e), "(e) from September 30, 1998 to December 30, 1998, 2.0 to 1.0" and (iii) to add new clause (f), "(f) from and after December 31, 1998, 2.25 to 1.0."

(f) Section 7.10 is amended to add, in the third line thereof (following the word "properties") the parenthetical clause "(including without limitation, any Collateral)".

(g) Section 7.12 is amended to add, in the last line thereof (following the words "Loan Documents"), the words ", including without limitation any

Collateral Documents required under Section 7.23 hereof.".

(h) Section 7.13 is amended to add, in the seventh line thereof (following the words "similarly situated"), the words "(and including such lender loss payee clauses and/or endorsements as Agent or the Majority Banks may request following the delivery of the Collateral Documents under Section 7.23 hereof)".

(i) Section 7.19 is amended and restated in its entirety as follows:

"7.19 MAINTAIN DEBT RATING. Cause Fitch on an ongoing basis, but not less than once during each calendar year, to maintain a Debt Rating for Company's long term, non-credit enhanced senior debt."

(j) New Section 7.23 is added, as follows:

"7.23. REQUIRED COLLATERAL. As soon as reasonably practicable, but in any event on or before Agent's close of business on November 30, 1998, execute and/or deliver to the Agent, for and on behalf of the Banks, (i) Collateral Documents granting to Agent, for and on behalf of the Banks, as security for the Indebtedness, a first priority perfected security interest, mortgage and lien encumbering the Collateral, subject only to Liens permitted under Sections 8.6(a) through (c) hereof and to the grant of security interests and liens in favor of the holders of the Senior Debt (and, to the extent applicable, Future Debt under clause (x) of the definition thereof) on an equal and ratable basis with the liens granted hereunder and (ii) to the extent necessary (as determined by the Agent or the Majority Banks) an intercreditor agreement(s); provided however that in accepting such Collateral, Agent and the Banks agree, upon the request of the Company, in connection with a Permitted Securitization, to release such Collateral, but only to the extent of the Advances to Dealers (and the Dealer Agreements, Installment Contracts and related property) covered by such Permitted Securitization;."

(k) New Section 7.24 is added, as follows:

"7.24 YEAR 2000 REQUIREMENT. The Company and its Subsidiaries shall review the areas in their business and operations which could be materially adversely affected by, and develop a program to address on a timely basis the risk that, computer applications used by the Company and its Subsidiaries may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date after

December 31, 1999. Any reprogramming required to permit the proper functioning, in and following the year 2000, computer systems and equipment containing embedded microchips owned or leased by the Company or any of its Subsidiaries and the testing of all such systems and equipment, as so reprogrammed, will be completed by June 1, 1999. The cost to the Company and its Subsidiaries of such reprogramming and testing and of the reasonably foreseeable consequences of year 2000 to the Company and its Subsidiaries (including, without limitation, reprogramming errors and the failure of others' systems or equipment) will not result in a Default or have a material adverse effect on the Company and its Subsidiaries, taken as a whole."

5. Section 8 of the Credit Agreement is hereby amended, as follows:

"(a) Section 8.5(c) is amended to add in the last line thereof (following the word "outstanding"), the words:

"and mortgage debt incurred (by assumption or otherwise) by Arlington Investment Company, a Subsidiary of the Company, in an aggregate principal amount not to exceed $1,000,000.00 at any time outstanding".

(b) Section 8.5(d) is amended and restated in its entirety as follows:

"(d) the Senior Debt, Future Debt, Permitted CAC UK Debt, the Subordinated Debt, unsecured overdraft lines of credit or similar credit arrangements maintained by the Permitted Borrowers in the ordinary course of business in the countries of their formation, in an amount not to exceed, in the case of CAC UK, L2,000,000 and in the case of each of the other Permitted Borrowers, $1,500,000, or the equivalent thereof in an Alternative Currency, lines of credit maintained by Arlington Investment Company, in the ordinary course of business, in an aggregate amount not to exceed $5,000,000.00 at any time outstanding, and such other debt set forth in Schedule 8.5 attached hereto, if any (in addition to any other matters set forth in this Section 8.5), and any renewals or refinancing of such indebtedness in amounts not exceeding the scheduled amounts (less any required amortization according to the terms thereof) on substantially the same terms and otherwise in compliance with this Agreement;"

(c) Section 8.6(a) is amended by adding, at the end of said section (immediately following the word "Indebtedness"), the words "and any Liens granted to the holders of Senior Debt (and, to the extent applicable, Future Debt under clause (x) of the definition thereof) as contemplated by Section 7.23 hereof,

on an equal and ratable basis with comparable Liens granted to Agent, for and on behalf of the Banks."

(d) Section 8.6(b) is amended to add in the last line thereof (following the word "hereof," but preceding the semicolon) the words "and mortgage debt identified in Section 8.5(c) encumbering that certain land and building currently leased to Arlington Investment Company by MP Developers".

(e) Section 8.6(d) is amended by adding, in the first line thereof (following the words "Company or any of its Subsidiaries"), the words ", other than Advances to Dealers, Installment Contracts or property related thereto, by adding in clause (y) thereof, after the word "Company" the words "(other than Special Purpose Subsidiaries) and", and by deleting clause (z) thereof, but retaining the words at end of said Section 8.6(d), "all as of the applicable date of determination".

(f) Section 8.7 is amended by deleting the words "or any material portion" from the third line thereof.

(g) Paragraph (i) of Section 8.8 is amended by deleting the word "and" before "(z)" and adding the following in the last line thereof after the word "continuing" (before the semicolon): "and (zz) the disposition to the Company or any Subsidiary (other than a Special Purpose Subsidiary) of the capital stock of any Special Purpose Subsidiary".

(h) Section 8.16 is amended (i) by adding, in the first line thereof, (immediately following the caption), the words "Engage in a Securitization Transaction, other than a Permitted Securitization and", (ii) by changing the caption to read, in its entirety, "SECURITIZATION TRANSACTION; AMENDMENTS TO SECURITIZATION DOCUMENTS" and (iii) by adding, after the word "respect" in the fourth line thereof, the words "adverse to the Company or any Subsidiary" and amending and restating the last sentence thereof to read as follows:

> "For purposes of the Securitization Documents, the 'material terms and conditions' thereof shall be deemed solely those terms or conditions with respect to servicer fees, servicer expenses, defaults, events of default, recourse to the Company or any Subsidiary (other than a Special Purpose Subsidiary), Cleanup Calls or conditions contained therein which are required under or necessary for compliance with this Agreement."

6. Section 9 of the Credit Agreement is amended as follows:

(a) Section 9.1(e) is amended to add, after each reference therein to the "Foreign Guaranty" the words "or any of the Collateral Documents executed and delivered under Section 7.23 hereof,".

(b) Section 9.2(e) is amended to add, in the last line thereof (following the words "Loan Documents") the words ", including without limitation any Collateral Documents executed and delivered by the Company pursuant to Section 7.23 hereof,".

7. Section 10.2 of the Credit Agreement is amended to add, in the third line thereof (following the words "or others"), the words ", the proceeds of any Collateral (if provided to the Banks under Section 7.23 hereof)".

8. Section 12.15 of the Credit Agreement is amended and restated in its entirety as follows:

"12.15 SYNDICATION AGENT. NationsBank N.A. has been designated by the Company as "Syndication Agent" under this Agreement. Other than its rights and remedies as a Bank hereunder, the Syndication Agent shall have no administrative, collateral or other rights or responsibilities, provided, however, that the Syndication Agent shall be entitled to the benefits afforded to Agent under Sections 12.5, 12.6 and 12.11 hereof."

9. Section 13.11 of the Credit Agreement is amended to add at the end of the second to last sentence thereof (following the words "Swing Line Bank") the following:

"and no amendment, waiver or consent shall, unless in writing and signed by Comerica and NationsBank (together with such other Banks as necessary to constitute Majority Banks), change the definition of Excess Exposure, or any term or provision related thereto."

10. This Fourth Amendment shall become effective (according to the terms and as of the date hereof) upon satisfaction by the Company of the following conditions:

(a) Agent shall have received:

(i) counterpart originals of this Fourth Amendment, in each case duly executed and delivered by Company, the Permitted Borrowers and the Banks signatory to this Fourth Amendment, in form satisfactory to Agent and the Banks;

(ii) renewal and replacement Notes (the "New Notes") substantially in the form of Exhibits C-1 and C-2 to the Credit Agreement, payable to the order of each of the Banks in the face amount of each such Bank's Percentage of the Revolving Credit Maximum Amount as set forth in Attachment I (Exhibit D -- Percentages) hereto;

(iii) certified copies of resolutions of the Boards of Directors of each of the Company and the Permitted Borrowers authorizing, as applicable, the execution and delivery of this Fourth Amendment, the New Notes and the other Loan Documents required under this clause (a) and the performance by the Company and the Permitted Borrowers of each of their respective obligations under the Credit Agreement as amended by this Fourth Amendment and the New Notes;

(iv) a certificate of the Secretary or other authorized officer of each of the Company and the Permitted Borrowers certifying the names of the officer or officers of the Company or the Permitted Borrowers, as the case may be, authorized to sign this Fourth Amendment and the New Notes and such other Loan Documents required under this clause (a) together with a sample of the true signature of each such officer;

(v) a certificate of the Secretary or other authorized officer of the Company certifying that, except as have been previously obtained, no consents or other authorizations of any third parties are required in connection with this Fourth Amendment; and that, after giving effect to this Fourth Amendment, no Default or Event of Default has occurred and is continuing on the proposed Fourth Amendment Effective Date;

(vi) an opinion of counsel to the Company in form and substance satisfactory to Agent and the Majority Banks;

(vii) a receipt and acknowledgment of those banks which were parties to the Third Amendment, but which are not parties to this Fourth Amendment confirming repayment and discharge in full of the Indebtedness outstanding to them immediately prior to the Fourth Amendment Effective Date and that such banks are no longer parties to the Credit Agreement; and

(viii) duly executed copies of such waivers or consents as required under the Senior Debt Documents in connection with the Company's execution and delivery of this Fourth Amendment.

(b) Company shall have paid to the Agent, for distribution to the Banks (including, where applicable, those Banks parties to the Credit Agreement immediately prior to the Fourth Amendment Effective Date, but not parties to this Fourth Amendment): (i) all sums outstanding under the Line of Credit on the Fourth Amendment Effective Date and (ii) the upfront fee referred to in the 7/6/98 term sheet issued by Syndications Agent and all interest, fees (including the Revolving Credit Fee) and other amounts, if any, accrued to the Fourth Amendment Effective Date; and Company shall have paid to Agent and Syndication Agent, as the case may be, all fees referenced in the respective agency fee letters entered into by agents with the Company.

If the foregoing conditions have not been satisfied or waived on or before July 31, 1998, this Fourth Amendment shall lapse and be of no further force and effect.

11. New Exhibit D (setting forth the applicable Percentages as revised hereunder) and New Schedule 4.1 (Pricing Grid), attached hereto as Attachments I and II respectively, shall replace existing Exhibit D and Schedule 4.1 in their entirety. New Exhibit M (New Bank Addendum), attached hereto as Attachment III, is hereby added to the Agreement; and new Schedule 6.15 (Litigation) attached hereto as Attachment IV shall replace existing Schedule 6.15 in its entirety..

12. Concurrently with the Fourth Amendment Effective Date pursuant to Section 10 hereof, each Bank shall have (i) a Percentage equal to the percentage set forth in Attachment I hereto and (ii) Revolving Loans (and participations in Letters of Credit) in its Percentage of all Revolving Loans (and Letters of Credit) outstanding on the Fourth Amendment Effective Date. To facilitate the foregoing, each Bank which as a result of the adjustments of Percentages evidenced by Attachment I is to have a greater principal amount of Revolving Loans outstanding than such Bank had outstanding under the Credit Agreement immediately prior to the Fourth Amendment Effective Date shall deliver to the Agent immediately available funds to cover such Revolving Loans (and the Agent shall, to the extent of the funds so received, and after remitting funds to those Banks no longer parties to the Credit Agreement after giving effect to the Fourth Amendment disburse funds to each Bank which, as a result of the adjustment of the Percentages, is to have a lesser principal amount of Revolving Loans outstanding than such Bank had under the Credit Agreement immediately prior to the Fourth Amendment Effective Date). Each Bank which was a party to the Credit Agreement prior the Fourth Amendment Effective Date, upon receipt of its New Note(s) (which Notes are to be in exchange for and not in payment of the predecessor Revolving Credit Notes) issued by the Company to such Bank, shall return its predecessor Revolving Credit Notes and, if applicable, its Swing Line Note, to the Agent which shall stamp such Notes "Exchanged" and deliver said Notes to the Company.

13. Each of the Company and the Permitted Borrowers ratifies and confirms, as of the date hereof and after giving effect to the amendments contained herein, each of the

representations and warranties set forth in Sections 6.1 through 6.22, inclusive, of the Credit Agreement and acknowledges that such representations and warranties are and shall remain continuing representations and warranties during the entire life of the Credit Agreement.

14. Except as specifically set forth above, this Fourth Amendment shall not be deemed to amend or alter in any respect the terms and conditions of the Credit Agreement, any of the Notes issued thereunder or any of the other Loan Documents, or to constitute a waiver by the Banks or Agent of any right or remedy under or a consent to any transaction not meeting the terms and conditions of the Credit Agreement, any of the Notes issued thereunder or any of the other Loan Documents.

15. Unless otherwise defined to the contrary herein, all capitalized terms used in this Fourth Amendment shall have the meaning set forth in the Credit Agreement.

16. This Fourth Amendment may be executed in counterpart in accordance with Section 13.10 of the Credit Agreement.

17. This Fourth Amendment shall be construed in accordance with and governed by the laws of the State of Michigan.

[SIGNATURES FOLLOW ON SUCCEEDING PAGES]

WITNESS the due execution hereof as of the day and year first above written.

COMERICA BANK,
as Agent

By: /S/ MIKE STAPLETON
Its: VICE PRESIDENT

One Detroit Center
500 Woodward Avenue
Detroit, Michigan 48226
Attention: Michael P. Stapleton

CREDIT ACCEPTANCE CORPORATION

By: /S/ DOUGLAS W. BUSK
Its: TREASURER

CREDIT ACCEPTANCE CORPORATION
UK LIMITED

By: /S/ DOUGLAS W. BUSK
Its: TREASURER

CAC OF CANADA LIMITED

By: /S/ DOUGLAS W. BUSK
Its: TREASURER

CREDIT ACCEPTANCE CORPORATION IRELAND LIMITED

By: /S/ DOUGLAS W. BUSK
Its: TREASURER

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

COMERICA BANK

By: /S/ MICHAEL STAPLETON

Its: VICE PRESIDENT

HARRIS TRUST AND SAVINGS BANK

By: /S/ MICHAEL CAMELI

Its: VICE PRESIDENT

LASALLE NATIONAL BANK

By: /S/ TERRY KEATING

Its: SENIOR VICE PRESIDENT

EXHIBIT D

Bank	Percentages Percentage	Commitment Allocation (Expressed in Dollars)
Comerica	30.435	35,000,000
NationsBank	30.435	35,000,000
LaSalle	17.391	20,000,000
Harris	13.043	15,000,000
ScotiaBank	8.696	10,000,000
	100.000%	$115,000,000

SCHEDULE 4.1 (*)

PRICING MATRIX

	THE APPLICABLE MARGIN FOR		THE APPLICABLE FEE PERCENTAGE FOR THE	
	ADVANCES AT THE PRIME-BASED RATE SHALL BE	ADVANCES AT THE EUROCURRENCY-BASED RATE SHALL BE	REVOLVING CREDIT FACILITY FEE SHALL BE	LETTER OF CREDIT FEE (**) SHALL BE
NOTWITHSTANDING THE RATING LEVEL MAINTAINED BY THE COMPANY:	0%	1.40%	.6000%	1.525%

(*)All terms as defined in the Agreement.
(**)Includes Facing Fee.

EXHIBIT 4(e)(2)

SECOND AMENDMENT TO NOTE PURCHASE AGREEMENT
RE:
CREDIT ACCEPTANCE CORPORATION
7.77% SENIOR NOTES DUE OCTOBER 1, 2001

Dated as of July 1, 1998

To the Noteholders listed on Annex I hereto

Ladies and Gentlemen:

Credit Acceptance Corporation, a Michigan corporation (together with its successors and assigns, the "Company"), hereby agrees with you as follows:

SECTION 1. INTRODUCTORY MATTERS.

1.1 DESCRIPTION OF OUTSTANDING NOTES. The Company currently has outstanding $71,750,000 in aggregate unpaid principal amount of its 7.77% Senior Notes due October 1, 2001 (collectively, as in effect immediately prior to the effective date of this Second Amendment, the "Original Notes", and as amended hereby, the "First Amended and Restated Notes") which it issued pursuant to the separate Note Purchase Agreements, each dated as of March 25, 1997 (collectively, as amended by the First Amendment to Note Purchase Agreement dated as of December 12, 1997, the "Agreement"), entered into by the Company with each of the original holders of the Notes listed on Annex 1 thereto, respectively. Terms used herein but not otherwise defined herein shall have the meanings assigned thereto in the Agreement, as amended hereby.

1.2 PURPOSE OF AMENDMENT. The Company and you desire to amend the Agreement and the Original Notes as set forth in Section 2 hereof.

SECTION 2. AMENDMENT TO THE AGREEMENT AND NOTES.

Pursuant to Section 10.5 of the Agreement, the Company hereby agrees with you that the Agreement and the Original Notes shall be amended by this Second Amendment to Note Purchase Agreement (the "Second Amendment") in the following respects:

2.1 SECTION 1.1

Section 1.1 is amended and restated in its entirety as follows:

"1.1 AUTHORIZATION OF NOTES.

(a) On March 28, 1997, the Company issued Seventy-One Million Seven Hundred Fifty Thousand Dollars ($71,750,000) in aggregate principal

amount of its 7.77% Senior Notes due October 1, 2001 (the "Original Notes," such term to include each Original Note delivered from time to time prior to the effectiveness of the Second Amendment in accordance with any of the Note Purchase Agreements), each:

(i) bearing interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof from the date of such Original Note at the rate of seven and seventy-seven one-hundredths percent (7.77%) PER ANNUM, payable semi-annually on the first (1st) day of April and the first (1st) day of October in each year commencing on the later of October 1, 1997 or the payment date next succeeding the date of such Original Note;

(ii) bearing interest, payable on demand, on any overdue principal (including any overdue prepayment of principal) and Make-Whole Amount, if any, and (to the extent permitted by applicable law) on any overdue installment of interest, at a rate equal to the lesser of

(A) the highest rate allowed by applicable law, or

(B) nine and seventy-seven one-hundredths percent (9.77%) PER ANNUM;

(iii) maturing on October 1, 2001; and

(iv) in the form of the Original Note set out in Exhibit A, as in effect on the Closing Date.

(b) Pursuant to the Second Amendment, the Company and the holders of the Original Notes have agreed to amend and restate in full the Original Notes substantially in the form attached to the Second Amendment as Attachment 1 thereto (the "First Amended and Restated Notes," such term to include each Original Note, as amended and restated pursuant to the Second Amendment, and each First Amended and Restated Note delivered from time to time on or after the effectiveness of the Second Amendment in accordance with any of the Note Purchase Agreements). Each First Amended and Restated Note will:

(i) be designated a "First Amended and Restated 8.02% Senior Note Due October 1, 2001";

(ii) bear interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof from the date of such Note at the rate of seven and seventy-seven one-hundredths percent (7.77%) PER ANNUM through (but not including) July 1, 1998, and at the rate of eight and two one-hundredths percent (8.02%) PER ANNUM

from and after July 1, 1998 to and including the date of maturity thereof, payable semi-annually on the first (1st) day of April and the first (1st) day of October in each year commencing on the payment date next succeeding the date of such First Amended and Restated Note;

(iii) bear interest, payable on demand, on any overdue principal (including any overdue prepayment of principal) and Make-Whole Amount, if any, and (to the extent permitted by applicable law) on any overdue installment of interest, at a rate equal to the lesser of

(A) the highest rate allowed by applicable law, or

(B) (I) nine and seventy-seven one-hundredths percent (9.77%) PER ANNUM if such time is prior to July 1, 1998, or (II) ten and two one-hundredths percent (10.02%) PER ANNUM if such time is on or after July 1, 1998;

(iv) mature on October 1, 2001; and

(v) be in the form of the Note set out in Exhibit A (as in effect upon the effectiveness of the Second Amendment).

(c) The Original Notes and the First Amended and Restated Notes are referred to herein, collectively, as the "Notes". The term "Notes" as used herein shall include each Note delivered pursuant to the Note Purchase Agreements and each Note delivered in substitution or exchange for any such Note pursuant to Section 5.2 or Section 5.3, and shall be deemed (i) when reference is made to a date prior to the effective date of the Second Amendment, to be a reference to the Original Notes, and (ii) when reference is made to a date on or after the effective date of the Second Amendment, to be a reference to the First Amended and Restated Notes."

2.2 SECTION 6.1

(a) Paragraph (a) of Section 6.1 is hereby amended and restated in its entirety as follows:

"(a) TOTAL DEBT. The Company will not at any time permit Consolidated Total Debt to exceed any of the following:

(i)(A) two hundred seventy-five percent (275%) of Consolidated Tangible Net Worth prior to the effective date of the Second Amendment, and (B) two hundred percent (200%) of

Consolidated Tangible Net Worth from the effective date of the Second Amendment until such time (but in no event prior to December 31, 1998) as the Company has maintained a ratio of (A) Consolidated Income Available for Fixed Charges for the four consecutive fiscal quarters of the Company most recently ended at such time to (B) Consolidated Fixed Charges for such period of not less than 2.25 to 1.0 for two consecutive fiscal quarters, then two hundred seventy-five percent (275%) of Consolidated Tangible Net Worth, provided however, that for the purposes of this test, Consolidated Total Debt shall be calculated by including all Debt incurred by a Special Purpose Subsidiary, whether or not included therein under GAAP;

(ii) eighty-five percent (85%) of Advances; and

(iii) sixty percent (60%) of Gross Current Installment Contract Receivables.".

(b) Section 6.1 is further amended by amending and restating paragraph (f) as follows:

"(f) GROSS ADVANCES. The Company will not at any time permit Gross Advances to exceed seventy percent (70%) of Net Installment Contract Receivables; provided, however, that at any time at which the Credit Agreement (as from time to time amended, restated, refinanced, replaced or supplemented) does not permit the amount of Gross Advances to exceed 65% of Net Installment Contract Receivables, the Company shall not permit Gross Advances to exceed sixty-five percent (65%) of Net Installment Contract Receivables.".

2.3 SECTION 6.2 Section 6.2 is hereby amended by deleting clause (v) thereof and the word "and" immediately preceding such clause and adding the following:

"(v) 2.0 to 1.0 for the four fiscal quarters ended September 30, 1998 and (vi) 2.25 to 1.0 for any four fiscal quarters ended on or after December 31, 1998."

2.4 SECTION 6.3 Section 6.3 is amended to change the reference to "One Hundred Fifty Million Dollars ($150,000,000)" in clause (a) thereof to "Two Hundred Million Dollars ($200,000,000)" and to change the reference to "January 1, 1996" in clause (b) thereof to "January 1, 1998".

2.5 SECTION 6.6

Clause (a)(i) of Section 6.6 is amended by adding, at the end of said clause prior to the semicolon the following:

"and any Lien encumbering Securitization Property which is the subject of a Transfer pursuant to a Permitted Securitization".

2.6 SECTION 6.7

Paragraph (a) of Section 6.7 is amended by replacing the "." at the end of clause (ii)(B) thereof with "; or" and adding the following:

"(iii) the Transfer of Securitization Property to any Special Purpose Subsidiary in connection with a Permitted Securitization."

2.7 SECTION 6.8

(a) Paragraph (a) of Section 6.8 is amended by adding at the end of clause (ii) before the period the following:

";

(iii) Transfers of Securitization Property to a Restricted Subsidiary or a Special Purpose Subsidiary pursuant to a Permitted Securitization; and

(iv) Transfers of the capital stock of a Special Purpose Subsidiary to the Company or a Restricted Subsidiary."

(b) Paragraph (c) of Section 6.8 is amended by adding "except in connection with a Permitted Securitization," before the word "neither" in the second line thereof.

2.8 SECTION 6.10 Section 6.10 is amended by adding, after the word "except" in the third line thereof, the words "(a) a Permitted Securitization or (b)".

2.9 SECTION 6.19 New Section 6.19 is added, as follows:

"6.19 AMENDMENT OF SECURITIZATION DOCUMENTS. Once executed and delivered pursuant to a Permitted Securitization, the Company covenants that it will not permit the "pertinent terms, conditions or provisions" of the Securitization Documents to be

waived, amended, modified or otherwise altered in any material respect adverse to the Company or any Restricted Subsidiary or Special Purpose Subsidiary without the prior written approval of the Required Holders. For purposes of the Securitization Documents, the "pertinent terms, conditions or provisions" thereof shall be deemed solely those terms, conditions or provisions with respect to servicer fees, servicer expenses, defaults, events of default, recourse to the Company or any Restricted Subsidiary, Cleanup Calls or conditions contained therein which are required under or necessary for compliance with this Agreement."

2.10 SECTION 6.20 New Section 6.20 is added, as follows:

" 6.20 RESTRICTED PAYMENTS.

(a) The Company shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, declare, make, set apart any funds or other property for, or incur any liability to make any Restricted Payment unless, at the time of such action, at least two of the following four organizations shall have assigned an Investment Grade Rating to the Company, the Notes or any other senior unsecured debt obligation of the Company: Moody's Investors Service, Inc., Standard & Poor's Ratings Group, the National Association of Insurance Commissioners (the "NAIC"), or Fitch Investors Services, Inc."

(b) The parties hereto specifically acknowledge that the NAIC is not in any way a rating agency with functions such as those performed by Moody's Investors Service, Inc., Standard & Poor's Ratings Group, or Fitch Investors Services, Inc. Further, the parties hereto specifically acknowledge that any rating given to the Notes by the NAIC is not to be interpreted as an expression by the NAIC with respect to the suitability of an investment in the Notes or the likelihood of any payment in respect thereof. In addition, the signatories hereto specifically affirm that the holders of the Notes will not obtain any benefit from satisfaction of the requirement set forth in Section 6.20(a).

(c) If the NAIC makes specific reference to Section 6.20(a) and states that it will withdraw any rating or designation of the Notes, or will take any other action adverse to any one or more of the holders of the Notes, as a result of the agreement set forth in Section 6.20(a), the parties hereto hereby agree that:

(i) Section 6.20(a) shall, in lieu of the requirement set forth therein, be deemed to require an Investment Grade Rating from at least two of the following three organizations: Moody's Investors Service, Inc., Standard & Poor's Ratings Group, or Fitch Investors Services, Inc.; and

(ii) Clause (iii) of the definition of "Investment Grade Rating"

shall be deemed to have been deleted.

Such changes shall take effect upon delivery of written notice to the Company by the Required Holders referring to such proposed withdrawal or other action and stating that the condition set forth in this Section 6.20(c) has occurred."

2.11 SECTION 6.21 New Section 6.21 is added, as follows:

" 6.21 NO SECURITIZATIONS OTHER THAN PERMITTED SECURITIZATIONS. The Company will not, and will not permit any Restricted Subsidiary to, engage in any Securitization Transaction other than a Permitted Securitization. For purposes of this Section, a "Securitization Transaction" means a Transfer of, or grant of a Lien on, Advances, Installment Contracts, accounts receivable and/or other financial assets by the Company or any Restricted Subsidiary to a Special Purpose Subsidiary or other special purpose or limited purpose entity and the issuance (whether by such Special Purpose Subsidiary or other special purpose or limited purpose entity or any other Person) of Debt or of any Securities secured directly or indirectly by interests in, or of trust certificates or other Securities directly or indirectly evidencing interests in, such Advances, Installment Contracts, accounts receivable and/or other financial assets.
.

2.12 SECTION 7.1 Section 7.1 is amended to add at the end thereof (following subparagraph (j) thereof), a new paragraph, as follows:

"In addition to the foregoing, the Company will also deliver to each holder of Notes:

(1) as soon as available, and in any event within sixty (60) days of the end of each fiscal quarter, (A) a "static pool analysis" substantially in the form of Exhibit F attached hereto and in any event satisfactory in form and substance to the Required Holders, which analyzes the performance of the Company's and each Restricted Subsidiary's Installment Contracts on a quarterly basis, certified by an authorized officer of the Company as to consistency with prior such analyses, accuracy and fairness of presentation, and (B) a comparable "static pool analysis" which analyzes the performance of any installment contracts related to any Advances transferred or encumbered pursuant to a Permitted Securitization; and

(2) within five (5) Business Days after the execution and delivery

thereof, a copy of any amendment to, or waiver of any provisions of, the Credit Agreement or Securitization Documents (in each case, as from time to time amended, restated, refinanced, replaced or supplemented)."

2.13 [RESERVED]

2.14 SECTION 8.1(c) Section 8.1(c) is amended to add, immediately after the phrase "Section 6.18" appearing therein, the following: "through Section 6.21, inclusive"

2.15 SECTION 8.1(k) A new clause (k) shall be added to Section 8.1 by deleting the word "or" at the end of clause (i) and adding immediately prior to the period at the end of clause (j) the following:

"; or

(k) with respect to the Securitization Documents, the occurrence (beyond any applicable period of grace or cure) of any "servicer event of default" thereunder or the occurrence of any other default (beyond any applicable period of grace or cure) by the Company or any of its Subsidiaries, including any Special Purpose Subsidiary, under the Securitization Documents which can be reasonably expected to result in recourse liability against the Company or any of its Restricted Subsidiaries in an aggregate amount exceeding $2,000,000"

2.16 SECTION 9.1

(a) The definition of "Advances" in Section 9.1 of the Agreement is hereby amended by deleting the second proviso and replacing the first proviso with the following:

"PROVIDED that Advances shall not include (a) any such advances (and the related Installment Contracts) transferred or encumbered pursuant to a Permitted Securitization and not held by the Company or a Restricted Subsidiary, (b) Excess New Dealer Advances or (c) Charged-Off Advances to the extent that such Charged-Off Advances exceed the portion of the Company's allowance for credit losses related to reserves against advances not expected to be recovered, as such allowance would appear in the footnotes to the financial statements of the Company and the Restricted Subsidiaries prepared in accordance with GAAP."

(b) The definition of "Charged-Off Advances" in Section 9.1 of the Agreement is hereby amended and restated in its entirety as follows:

"CHARGED-OFF ADVANCES -- means those Advances which the Company or any of its Restricted Subsidiaries has determined, based on the application of a static pool analysis or otherwise, are

completely or partially impaired, to the extent of such impairment."

(c) The definition of "Consolidated Income Available for Fixed Charges" is amended to add, in the first line of paragraph (b) of such definition after the word "amortization", the phrase "(including the amortization of any excess servicing asset)".

(d) The definition of "Consolidated Net Income" is amended to add to the end of paragraph (c) of such definition (before the semicolon) the following clause:

"(including, without limitation, any gain on sale generated by a Permitted Securitization, except to the extent the Company has received a cash benefit therefrom in the applicable reporting period) and any interest income generated by a Permitted Securitization, except to the extent the Company has received a cash benefit therefrom in the applicable reporting period".

(e) The definition of "Consolidated Tangible Net Worth" in Section 9.1 of the Agreement is hereby amended by adding the following immediately after the end of clause (c):

" MINUS

(d) without duplication, any capitalized gain on sales of Advances pursuant to a Permitted Securitization, the equity interest in any Special Purpose Subsidiary, any interest income generated by a Permitted Securitization and any excess servicing asset (except to the extent the Company has received a cash benefit therefrom prior to such date),"

(f) The definition of "Consolidated Total Assets" is amended to add to the end of such definition the following clause:

(but excluding from the determination thereof, without duplication, any capitalized gain on sales of Advances pursuant to a Permitted Securitization, the equity interest in any Special Purpose Subsidiary, any interest income generated by a Permitted Securitization and any excess servicing asset, except to the extent the Company has received a cash benefit therefrom in the applicable reporting period)".

(g) The definition of "Credit Agreement" in Section 9.1 of the Agreement is amended by adding the words ", refinanced, replaced, supplemented" after the word "restated" in the second line thereof.

(h) The definition of "Debt" in Section 9.1 of the Agreement is amended by

amending and restating the last sentence thereof to read as follows:

> "Except as provided in Section 6.1(a)(i), neither Debt of any Special Purpose Subsidiary which is an Unrestricted Subsidiary pursuant to a Permitted Securitization nor Dealer holdbacks shall be considered Debt of the Company."

(i) The definition of "Restricted Investment" in Section 9.1 of the Agreement is amended by deleting the word "and" from the end of clause (k), changing the reference to "clause (k)" in clause (l) to "clause (l)", changing clause (l) to clause (m) and adding a new clause (l) as follows:

> (l) Investments by the Company or any Restricted Subsidiary in the Company, any Restricted Subsidiary or any Special Purpose Subsidiary from and after the effective date of the Second Amendment, consisting of (i) dispositions of specific Advances (and the Company's or such Restricted Subsidiary's interest in the Installment Contracts related thereto) made pursuant to a Permitted Securitization and any resultant Debt issued by a Special Purpose Subsidiary to another Subsidiary as part of a Permitted Securitization, in each case to the extent constituting Investments, (ii) advances by the Company, as servicer of the Installment Contracts covered by a Permitted Securitization, in an aggregate amount not to exceed $750,000 outstanding at any time, to cover the interest component of obligations issued as part of a Permitted Securitization and payable from collections on such Installment Contracts (such advances to be repayable to the Company on a priority basis from such collections), (iii) the repurchase or replacement from and after the date of the effectiveness of the Second Amendment of an aggregate amount not to exceed $2,000,000 in Advances (and the Installment Contracts relating thereto) subsequently determined not to satisfy the eligibility standards contained in the applicable Securitization Documents relating to a Permitted Securitization, so long as (x) such replacement is accompanied by the repurchase of or release of encumbrances on Advances previously transferred or encumbered pursuant to such securitization and in the amount thereof, (y) any replacement Advances (and the related Installment Contracts) are selected by the Company according to the requirements set forth in clause (a) of the definition of Permitted Securitization and (z) such replacements are made at a time when (both before and after giving

effect thereto) no Default or Event of Default exists or would exist, (iv) amounts required to fund any Cleanup Call under the terms of such Permitted Securitization, exercised at a time when (both before and after giving effect thereto) no Default or Event of Default exists or would exist, and (v) the disposition of the capital stock of a Special Purpose Subsidiary; and

(j) The definitions of "Established Dealer" and "Trailing Twelve Months Payments" are deleted from Section 9.1 of the Agreement.

(k) The following definitions are added to Section 9.1:

"CLEANUP CALL(S) means (a) in the case of an optional cleanup call, a cleanup call to be exercised at the option of the Company or a Special Purpose Subsidiary under the terms of the applicable Permitted Securitization, in an amount not in excess of Five Percent (5%) of the initial proceeds received by the Company or the Special Purpose Subsidiary from the applicable Permitted Securitization, and (b) in the case of a mandatory cleanup call, a mandatory cleanup call to be exercised at the option of the investors under the terms of the applicable Permitted Securitization, in an amount not in excess of Two and One-Half Percent (2 1/2%) of the initial proceeds received by the Company or the Special Purpose Subsidiary from the applicable Permitted Securitization, in either case, such Cleanup Call to be exercisable only at such time as (both before and after giving effect thereto) no Default or Event of Default exists or would exist hereunder and being accompanied by the repurchase or release of encumbrances on Advances previously transferred or encumbered pursuant to such Permitted Securitization in the amount of such cleanup call."

"DEALER -- means a Person engaged in the business of the retail sale of used motor vehicles, including 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 the Company."

"DEALER AGREEMENTS -- means the servicing agreements between the Company or its Subsidiaries and a participating Dealer which sets forth the terms and conditions under which the Company or its Subsidiaries accepts, as nominee for such Dealer, the assignment of Installment Contracts for purposes of

administration, servicing and collection and under which the Company or its Subsidiary may make Advances to such Dealers, as such agreements may be in effect from time to time."

"FIRST AMENDED AND RESTATED NOTES -- Section 1.1(b)."

"INSTALLMENT CONTRACTS -- means retail installment contracts for the sale of used motor vehicles assigned by Dealers to the Company or a Subsidiary of the Company, as nominee for the Dealer, for administration, servicing and collection pursuant to an applicable Dealer Agreement."

"ORIGINAL NOTES -- Section 1.1(a)."

"PERMITTED SECURITIZATION(s) -- means each transfer or encumbrance (each a "disposition") of specific Advances (and any interest in or lien on the Installment Contracts or other rights relating thereto) by the Company or one or more Restricted Subsidiaries to a Special Purpose Subsidiary conducted in accordance with the following requirements:

(a) Each disposition shall identify with reasonable certainty the specific Advances covered by such disposition; and the Advances (and Installment Contracts or other rights relating thereto) shall have performance and other characteristics so that the quality of such Advances and related Installment Contracts is comparable to, but not materially better than, the overall quality of the Company's Advances (and related Installment Contracts) as a whole, as determined in good faith by the Company in its reasonable discretion;

(b) (i) The aggregate principal amount of all Debt incurred, and (without duplication) of Securities issued (other than subordinated Securities issued to and held by the Company or a Subsidiary), by any Special Purpose Subsidiary pursuant to any Permitted Securitization, together with the aggregate principal amount of all other Debt incurred, and (without duplication) Securities issued (other than subordinated Securities issued to and held by the Company or a Subsidiary), by such Special Purpose Subsidiary and/or any one or more other Special Purpose Subsidiaries, pursuant to such Permitted Securitization and/or any one or more other Permitted Securitizations, from and after the effective date of the Second Amendment, cumulatively shall not exceed $75,000,000 (which amount shall not be readvanced or reborrowed); (ii) the aggregate value of all Advances disposed of by the Company and/or any one or more Restricted Subsidiaries to such Special Purpose Subsidiary pursuant to such Permitted Securitization, together with the aggregate value of all other Advances disposed of by the Company and/or any one or more Restricted Subsidiaries to such Special Purpose Subsidiary and/or any one or more other Special Purpose Subsidiaries, from and after the effective date of the Second Amendment, cumulatively (but

without duplication) shall not exceed $88,236,000; and (iii) the Company or the Restricted Subsidiary disposing of such Advances shall itself actually receive (substantially contemporaneously with such disposition) cash from each disposition of such Advances in connection with any such securitization transaction in an amount not less than Eighty-Five Percent (85%) of the value of such Advances;

(c) Each such disposition shall be without recourse (except to the extent of normal and customary representations and warranties given as of the date of each such disposition, and not as continuing representations and warranties) and otherwise on normal and customary terms and conditions for comparable asset-based securitization transactions, which may include, without limitation, Cleanup Call provisions;

(d) Concurrently with each such disposition, the Company shall permanently reduce the "aggregate commitment" then in effect under the Credit Agreement (as from time to time amended, restated, refinanced, replaced or supplemented) by an amount not less than eighty percent (80%) of the proceeds of each such disposition (net of reasonable and customary third party expenses incurred by the Company in connection therewith), reducing the "line of credit maximum amount" and the "revolving credit maximum amount" on a PRO RATA basis (based on the "aggregate commitment" then in effect) to the extent both such facilities are in effect, each such reduction in the "aggregate commitment" to be accompanied by the prepayments of principal and other sums required under the Credit Agreement and otherwise in compliance with the Credit Agreement (terms in quotation marks in this clause (d) are defined in the Credit Agreement); and

(e) Both immediately before and after giving effect to such disposition, no Default or Event of Default (whether or not related to such disposition) exists or would exist.

In connection with each Permitted Securitization, not less than ten (10) Business Days prior to the date of consummation thereof, the Company shall provide to each holder of a Note (i) a schedule in the form attached hereto as Exhibit E identifying the specific Advances (and providing collection information regarding the related Installment Contracts) proposed to be covered by such transactions (with evidence supporting its determination under subparagraph (a) of this definition) and (ii) proposed drafts of the material Securitization Documents covering the applicable securitization (and the term sheet or commitment relating thereto); provided that with respect to the securitization transaction to be consummated contemporaneously with the execution of this

Second Amendment, such schedule and proposed drafts shall have been delivered at least five (5) Business Days prior to the date of consummation thereof. Within five (5) Business Days following the consummation thereof, the Company shall have provided to each holder of a Note copies of the material Securitization Documents, as executed, including an updated schedule, substantially in the form of the schedule delivered under clause (i) above, identifying the Advances actually covered by such transaction."

"SECOND AMENDMENT -- means the Second Amendment, dated as of July 1, 1998, to the Agreement."

"SECURITIZATION DOCUMENTS -- means any note purchase agreement (and any notes issued thereunder), transfer or security documents, master trust or other trust agreements, servicing agreement, indenture, pooling agreement, contribution or sale agreement or other documents, instruments and certificates executed and delivered, subject to the terms of this Agreement, to evidence or secure (or otherwise relating to) a Permitted Securitization, as the same may be amended from time to time (subject to the terms hereof) and any and all other documents executed in connection therewith or replacement or renewal thereof."

"SECURITIZATION PROPERTY -- (i) amounts advanced by the Company or a Restricted Subsidiary under a Dealer Agreement and payable from collections, including servicing charges, insurance charges and service policies and all related finance charges, late charges, and all other fees and charges charged to customers and all monies due or to become due, and all monies received, with respect thereto ("Loans"); (ii) all proceeds (including "proceeds" as defined in the Uniform Commercial Code) thereof; (iii) all of the Company's or a Restricted Subsidiary's interest in the Dealer Agreements and Installment Contracts securing payment of Loans, all security interests or liens purporting to secure payment of Loans and all other property obtained upon foreclosure of any security interest securing payment of Loans or any related Installment Contract and all guarantees, insurance (including insurance insuring the priority or perfection of any lien) or other agreements or arrangements of any kind from time to time supporting or securing payment of such Installment Contract whether pursuant to such Installment Contract or otherwise; (iv) all records with respect to Loans, (v) the Company's or a Restricted Subsidiary's right, title

and interest in and to business interruption insurance, and (vi) all payments received by the Company in respect of Transferred Loans in the form of cash, checks, wire transfers or other form of payment.

"SPECIAL PURPOSE SUBSIDIARY -- shall mean any Unrestricted Subsidiary of the Company, all of the capital stock of which is owned by the Company or a Restricted Subsidiary, which Unrestricted Subsidiary is formed for the sole purpose of conducting one or more Permitted Securitizations and is operated for such purpose in accordance with customary industry practices."

2.17 AMENDMENT AND RESTATEMENT OF EXHIBIT A. The form of 7.77% Senior Note Due October 1, 2001 set forth as Exhibit A to the Agreement is hereby amended and restated, in its entirety, to be in the form of Attachment 1 attached to this Second Amendment. All references to "Exhibit A" in the Note Purchase Agreements shall, if in reference to a date on or after the effective date of the Second Amendment, refer to the form of 7.77% Senior Note Due October 1, 2001, as amended and restated hereby.

2.18 AMENDMENT OF ORIGINAL NOTES. The forms of the respective Original Notes are hereby amended in their entirety to conform to the form of First Amended and Restated 8.02% Senior Note Due October 1, 2001 attached to this Second Amendment as Attachment 1. On the effective date of this Second Amendment, each of the terms of each outstanding Original Note shall be deemed to be amended to conform with such form, without any further action on the part of the Company or any holder of any Original Note (including, without limitation, any requirement that any holder surrender its outstanding Original Notes to the Company). Upon surrender of any outstanding Original Note, the Company shall deliver to the registered holder thereof a First Amended and Restated Note in the form attached hereto as Attachment 1, dated the date of the last interest payment on such surrendered Original Note and in an aggregate principal amount equal to the unpaid principal amount of such surrendered Original Note, all in accordance with the provisions of Section 5.2 of the Agreement. Without limitation of the foregoing, the amendment and restatement of the Original Notes provided for herein, including, without limitation, the increase in the interest rate applicable to the Notes, shall be effective with respect to any and all of the Notes irrespective of whether any such Notes are surrendered to the Company for reissuance in the form attached to this Second Amendment as Attachment 1.

2.19 ADDITIONAL EXHIBITS. The Agreement is hereby amended to add thereto additional exhibits, designated Exhibit E (Advances/Permitted Securitizations) and Exhibit F (Form of Static Pool Analysis), to read in their entirety as set forth on Attachment 2 and Attachment 3, respectively, hereto.

SECTION 3. MISCELLANEOUS

3.1 COUNTERPARTS. This Second Amendment may be executed in any number of counterparts, each executed counterpart constituting an original, but all together only one Second Amendment.

3.2 HEADINGS. The headings of the sections of this Second Amendment are for purposes of convenience only and shall not be construed to affect the meaning or construction of any of the provisions hereof.

3.3 GOVERNING LAW. This Second Amendment shall be governed by and construed in accordance with the internal laws of the State of New York.

3.4 EFFECT OF AMENDMENT. Except as expressly provided herein (a) no other terms and provisions of the Agreement or the Notes shall be modified or changed by this Second Amendment and (b) the terms and provisions of the Agreement and the Notes, as amended by this Second Amendment, shall continue in full force and effect. The Company hereby acknowledges and reaffirms all of its obligations and duties under each of the Agreement and the Notes as modified by this Second Amendment.

3.5 REFERENCES TO THE AGREEMENT. Any and all notices, requests, certificates and other instruments executed and delivered concurrently with or after the execution of the Second Amendment may refer to the Agreement without making specific reference to this Second Amendment but nevertheless all such references shall be deemed to include, to the extent applicable, this Second Amendment unless the context shall otherwise require.

3.6 COMPLIANCE. The Company certifies that immediately before and after giving effect to this Second Amendment, no Default or Event of Default exists or would exist after giving effect hereto.

3.7 FULL DISCLOSURE. The Company warrants and represents to you that, as of the effective date hereof, none of the written statements, documents or other written materials furnished by, or on behalf of, the Company to you in connection with the negotiation, execution and delivery of this Second Amendment contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein or herein not misleading in light of the circumstances in which they were made. There is no fact of which any of the Company's executive officers has actual knowledge which the Company has not disclosed to you which materially affects adversely or, so far as the Company can now foresee, will materially affect adversely the business, prospects, profits, Properties or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole, or the ability of the Company to perform its obligations set forth in the Agreement (after giving effect to this Second Amendment) and the Notes.

3.8 EFFECTIVENESS OF AMENDMENTS.

The amendments to the Agreement and the Original Notes contemplated by Section 2 hereof shall (in accordance with Section 10.5(a) of the Agreement) become effective, if at all, at

such time as all of the holders of the Original Notes shall have indicated their written consent to such amendments by executing and delivering the applicable counterparts of this Second Amendment. It is understood that any holder of Notes may withhold its consent for any reason, including, without limitation, any failure of the Company to satisfy all of the following conditions:

(a) This Second Amendment shall have been executed and delivered by the Company and each of the holders of the Original Notes.

(b) The execution, delivery and effectiveness of an agreement, signed by the Company and the requisite holders of the Company's 8.87% Senior Notes due November 1, 2001 issued under Note Purchase Agreements dated as of October 1, 1994, containing amendments to such Note Purchase Agreements and such Notes identical in substance to the amendments set forth in Section 2 hereof.

(c) The execution, delivery and effectiveness of an agreement, signed by the Company and the requisite holders of the Company's 7.99% Senior Notes due July 1, 2001 issued under Note Purchase Agreements dated as of August 1, 1996, containing amendments to such Note Purchase Agreements and such Notes identical in substance to the amendments set forth in Section 2 hereof.

(d) The holders of Notes shall have received from the Company a certificate of a Senior Officer, dated the effective date of this Second Amendment, certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of this Second Amendment and the transactions contemplated hereby.

(e) The Company's legal counsel shall have delivered an opinion, dated the effective date of this Second Amendment, substantially in the form attached as Attachment 4 hereto.

(f) The Company shall have paid the statement for reasonable fees and disbursements of Hebb & Gitlin, your special counsel, and Seward & Kissel, special counsel solely to The Guardian Life Insurance Company of America, presented to the Company on or prior to the effective date of this Second Amendment.

3.9 AMENDMENT TO CREDIT AGREEMENT. The Company represents that the Third Amendment to the Credit Agreement, as in effect on the date of the effectiveness of this Second Amendment, is in the form attached as Attachment 5 hereto.

[Remainder of page intentionally blank. Next page is signature page.]

If this Second Amendment is satisfactory to you, please sign the form of acceptance on the enclosed counterpart of this letter and return the same to the Company, whereupon this Second Amendment shall become binding between us in accordance with its terms.

Very truly yours,

CREDIT ACCEPTANCE CORPORATION

By: /S/ BRETT A. ROBERTS

Name: BRETT A. ROBERTS
Title: CFO

ACCEPTED:

THE GUARDIAN LIFE INSURANCE
COMPANY OF AMERICA

By: /S/ THOMAS M. DONAHUE

Name: THOMAS M. DONAHUE
Title: VICE PRESIDENT

MASSACHUSETTS MUTUAL 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: INVESTMENT OFFICER

AMERICAN BANKERS INSURANCE
COMPANY OF FLORIDA

By: /G/ GUS RODRIQUEZ

Name: GUS RODRIQUEZ
Title: DIRECTOR OF INVESTMENTS

VOYAGER PROPERTY & CASUALTY
INSURANCE CO.

By: /G/ GUS RODRIQUEZ

Name: GUS RODRIQUEZ
Title: DIRECTOR OF INVESTMENTS

ACCEPTED:

ASSET ALLOCATION & MANAGEMENT
COMPANY AS AGENT FOR
AMERICAN PIONEER LIFE INSURANCE
COMPANY OF NEW YORK

By: /S/ KATHY R. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ASSET ALLOCATION & MANAGEMENT
COMPANY AS AGENT FOR
AMERICAN PROGRESSIVE LIFE AND
HEALTH INSURANCE COMPANY OF
NEW YORK

By: /S/ KATHY R. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ASSET ALLOCATION & MANAGEMENT
COMPANY AS AGENT FOR
FEDERATED RURAL ELECTRIC
INSURANCE CORP.

By: /S/ KATHY R. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ASSET ALLOCATION & MANAGEMENT
COMPANY AS AGENT FOR
TOWER LIFE INSURANCE COMPANY

By: /S/KATHY R. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ACCEPTED:

ASSET ALLOCATION & MANAGEMENT
COMPANY AS AGENT FOR
PHYSICIANS LIFE INSURANCE COMPANY
VISTA 500

By: /S/ KATHY R. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ASSET ALLOCATION & MANAGEMENT
COMPANY AS AGENT FOR
WORLD INSURANCE COMPANY

By: /S/ KATHY R. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ASSET ALLOCATION & MANAGEMENT
COMPANY AS AGENT FOR
UNITED TEACHERS ASSOCIATES
INSURANCE COMPANY

By: /S/ KATHY R. LANGE

Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ACCEPTED:

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/ LAURIE CARO

Name: LAURIE CARO
Title: SENIOR VICE PRESIDENT

WILLIAM BLAIR & COMPANY, LLC

BY WILLIAM BLAIR & COMPANY, LLC
ATTORNEY-IN-FACT

By: /S/ JAMES D. MCKINNEY

Name: JAMES D. MCKINNEY
Title: PRINCIPAL MANAGER

ATTACHMENT 1

EXHIBIT A

[FORM OF NOTE]

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). ANY RESALE OR TRANSFER OF THIS NOTE WITHOUT REGISTRATION UNDER THE SECURITIES ACT MAY ONLY BE MADE IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

CREDIT ACCEPTANCE CORPORATION

FIRST AMENDED AND RESTATED 8.02% SENIOR NOTE DUE OCTOBER 1, 2001

NO. R-___
$_____
PPN: 225310 A# 8 [DATE]

CREDIT ACCEPTANCE CORPORATION, a Michigan corporation (the "Company"), for value received, hereby promises to pay to _____ or registered assigns the principal sum of _____ DOLLARS ($_____) on October 1, 2001 and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof from the date of this Note (i) at the rate of seven and seventy-seven one-hundredths percent (7.77%) PER ANNUM through (but not including) July 1, 1998, and (ii) at the rate of eight and two one-hundredths percent (8.02%) PER ANNUM from and after July 1, 1998, payable semi-annually on the first (1st) day of April and October in each year, commencing on the payment date next succeeding the date hereof, until the principal amount hereof shall become due and payable; and to pay on demand interest on any overdue principal (including any overdue prepayment of principal) and Make-Whole Amount, if any, and (to the extent permitted by applicable law) on any overdue installment of interest, at a rate equal to the LESSER of (a) the highest rate allowed by applicable law or (b) nine and seventy-seven one-hundredths percent (9.77%) PER ANNUM if such time is prior to July 1, 1998, and ten and two one-hundredths percent (10.02%) PER ANNUM if such time is on or after July 1, 1998.

Payments of principal, Make-Whole Amount, if any, and interest shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts to the registered holder hereof at the address shown in the register maintained by the Company for such purpose, in the manner provided in the Note Purchase Agreement (defined below).

This Note is one of an issue of Notes of the Company issued in an aggregate principal amount limited to Seventy-One Million Seven Hundred Fifty Thousand Dollars ($71,750,000) pursuant to the Company's separate Note Purchase Agreements, each dated as of March 25, 1997 (collectively, as may be amended from time to time, the "Note Purchase Agreement"), with the purchasers listed on Annex 1 thereto. This Note is entitled to the benefits of the Note Purchase Agreement and the terms thereof are incorporated herein by reference. Capitalized terms used herein and not otherwise defined herein have the meanings specified in the Note Purchase Agreement. As provided in the Note Purchase Agreement, this Note is subject to prepayment, in whole or in part, in certain cases without a Make-Whole Amount and in other cases with a Make-Whole Amount. The Company agrees to make required prepayments on account of such Notes in accordance with the provisions of the Note Purchase Agreement.

This Note is a registered Note and is transferable only by surrender hereof at the principal office of the Company as specified in the Note Purchase Agreement, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Note or its attorney duly authorized in writing.

Under certain circumstances, as specified in the Note Purchase Agreement, the principal of this Note (in certain cases together with any applicable Make-Whole Amount) may be declared due and payable in the manner and with the effect provided in the Note Purchase Agreement.

The Company's First Amended and Restated 8.02% Senior Notes due October 1, 2001 (the "First Amended and Restated Notes") amend and restate the Company's 7.77% Senior Notes due October 1, 2001 (the "Original Notes"). The obligations formerly evidenced by the Original Notes are continuing obligations which are evidenced by the First Amended and Restated Notes and nothing contained in the First Amended and Restated Notes shall be deemed to constitute payment, settlement or a novation of such obligations.

THIS NOTE AND THE NOTE PURCHASE AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, INTERNAL NEW YORK LAW.

CREDIT ACCEPTANCE CORPORATION

By

Name:
Title:

ATTACHMENT 4

[FORM OF COMPANY COUNSEL LEGAL OPINION]
July __, 1998

To each of the Persons
listed on Annex 1 hereto

Re: Credit Acceptance Corporation, a Michigan corporation (the "Company")

Ladies and Gentlemen:

We have acted as special counsel to the Company and have provided this opinion pursuant to the Second Amendment, to Note Purchase Agreement, dated as of July 1, 1998 (the "Second Amendment") among the Company and the Persons listed on Annex 1 thereto (the "Holders"), in respect of the separate Note Purchase Agreements, each dated as of March 25, 1997 (collectively, as amended by the First Amendment to Note Purchase Agreement dated as of December 12, 1997, the "Existing Note Agreement", and as further amended by the Second Amendment, the "Amended Note Agreement"), between the Company and each of the Persons listed on Annex 1 thereto (the "Purchasers"), pursuant to which the Company sold to the Purchasers its 7.77% Senior Notes due October 1, 2001 (the "Original Notes"), in the aggregate principal amount of Seventy-One Million Seven Hundred Fifty Thousand Dollars ($71,750,000). The capitalized terms used herein and not defined herein have the meanings specified in the Amended Note Agreement.

The law covered by the opinions expressed herein is limited to the federal law of the United States and the laws of the State of Michigan. In rendering the opinion in paragraph (2) below, we have assumed that the laws of the State of New York as to the enforceability of the Amended Note Agreement and the Notes are not different from the State of Michigan (excluding the choice of law rules).

In our examination, we have assumed the genuineness of all signatures (other than signatures of officers of the Company), the legal capacity of natural persons, the authenticity of all documents submitted to us as originals or copies, the conformity with originals of all documents submitted to us as copies and, as to documents executed by the Holders and Persons other than the Company, that each such Person executing documents had the power to enter into and perform its obligations under such documents, and that such documents have been duly authorized, executed and delivered by, and are binding upon and enforceable against, such Persons.

In rendering our opinion, we have relied, without further investigation or analysis, upon certificates of officers of the Company attached hereto; warranties and representations as to certain factual matters made by the Company and by the Holders in the Amended Note Agreement and in the certificate delivered to the Holders pursuant to the Second Amendment.

In acting as such counsel, we have examined (a) the Existing Note Agreement, (b) the Second Amendment, including the form of the Company's First Amended and Restated 8.02% Senior Note due October 1, 2001 attached to the Second Amendment as Attachment 1, (c) the bylaws of the Company, (d) the records of proceedings of the board of directors of the Company, (e) a certified copy of the articles of incorporation of the Company, as in effect on the date hereof, and (f) originals, or copies certified or otherwise identified to our satisfaction, of such other documents, records, instruments and certificates of public officials as we have deemed necessary or appropriate to enable us to render this opinion. The Original Notes held by the Holders, as amended and restated pursuant to the Second Amendment, are referred to herein as the "Notes".

Based upon and subject to the foregoing and to the additional assumptions, qualifications and limitations set forth herein, we are of the opinion that:

1. The Second Amendment has been duly authorized by all necessary corporate action on the part of the Company and has been executed and delivered by a duly authorized officer of the Company.

2. Each of the Amended Note Agreement and the Notes constitute a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as (a) the enforceability thereof may be limited by or subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws now or hereafter affecting creditors' rights generally, and (b) rights or remedies (including, without limitation, acceleration, specific performance and injunctive relief) may be limited by equitable principles of general applicability (including, without limitation, standards of materiality, good faith, fair dealing and reasonableness) whether such principles are considered in a proceeding in equity or at law, and may be subject to the discretion of the court before which any proceedings therefor may be brought.

3. All consents, approvals and authorizations of Governmental Authorities required on the part of the Company have been obtained in connection with the execution and delivery of the Second Amendment.

4. The execution and delivery of the Amended Note Agreement in accordance with, and subject to the terms and conditions of, the Amended Note Agreement, by the Company and the performance by the Company of its obligations thereunder and under the Notes do not violate any applicable statute, rule or regulation to which the Company is subject.

5. Under existing law, the amendment of the Original Notes under the circumstances contemplated by the Second Amendment is an exempt transaction under the Securities Act and neither the registration of the Notes under the Securities Act, nor the qualification of an indenture with respect thereto under the Trust Indenture Act of 1939, as amended, is required in connection with such transaction.

In rendering this opinion, we assume no obligation to revise or supplement this opinion should any law now in effect be changed by legislative action, judicial decision or otherwise.

We acknowledge that this opinion is being issued at the request of the Company pursuant to the Second Amendment and we agree that the parties listed on Annex 1 hereto are relying hereon. Future holders of the Notes may rely on this opinion as if it were addressed to them. Except as otherwise provided in this paragraph, no one is entitled to rely on this opinion.

This opinion is solely for the information of the addressees hereof, and is not to be quoted in whole or in part or otherwise referred to, nor is it to be filed with any governmental agency or other person without our prior written consent (except that you may furnish a copy hereof (i) to any one or more of your employees, officers, directors, agents, attorneys, accountants or professional consultants, (ii) to any state or federal authority or independent insurance board or body having regulatory jurisdiction over any holder of a Note, (iii) pursuant to order or legal process of any court or governmental agency, (iv) in connection with any legal action in which you are a party arising out of or in respect of the transactions contemplated under the Amended Note Agreement, and (v) for informational and due diligence purposes only, to prospective transferees of the Notes).

Very truly yours,

ATTACHMENT 2

EXHIBIT E

[FORM OF ADVANCES/PERMITTED SECURITIZATIONS SCHEDULE]

ATTACHMENT 3

EXHIBIT F

[FORM OF STATIC POOL ANALYSIS]

ATTACHMENT 5

[THIRD AMENDMENT TO CREDIT AGREEMENT]

EXHIBIT 4(e)(3)

LIMITED WAIVER
RE:
CREDIT ACCEPTANCE CORPORATION
FIRST AMENDED AND RESTATED 8.02% SENIOR NOTES DUE OCTOBER 1, 2001 ISSUED
UNDER NOTE PURCHASE AGREEMENT DATED AS OF MARCH 25, 1997

Dated as of July 27, 1998

Credit Acceptance Corporation
25505 West Twelve Mile Road
Suite 3000
Southfield, Michigan 48034-8339

Ladies and Gentlemen:

Reference is made to the First Amended and Restated 8.02% Senior Notes due October 1, 2001 (the "Notes") issued by Credit Acceptance Corporation, a Michigan corporation (together with its successors and assigns, the "Company"), in the original aggregate principal amount of $71,750,000 pursuant to separate Note Purchase Agreements, each dated as of March 25, 1997 (collectively, as amended, the "Note Agreement"), between the Company and each of the purchasers listed on Annex 1 thereto (collectively, together with their respective successors and assigns, the "Noteholders"). All terms not otherwise defined herein are used with the same meaning as set forth in the Note Agreement.

We have been informed by the Company that the Company and certain Restricted Subsidiaries propose to enter into an amendment to the Credit Agreement pursuant to which the Company will agree to grant to the Banks a Lien on certain collateral on or before November 30, 1998, including, without limitation, all right, title and interest of the Company and its "Significant Domestic Subsidiaries" (as defined in the Credit Agreement) to Advances (and Installment Contracts and other rights relating thereto), subject to the rights of its Dealers under the Dealer Agreements (excluding assets disposed of pursuant to a Permitted Securitization), 100% of the outstanding capital stock of its "Significant Domestic Subsidiaries" and 65% of the share capital of its Credit Acceptance Corporation UK Limited subsidiary (the "Lien Provision"). Section 6.6(a) of the Note Agreement prohibits the Company and the Restricted Subsidiaries from including the Lien Provision in the proposed amendment to the Credit Agreement. In addition, the definition of "Permitted Securitization" in the Credit Agreement is proposed to be amended to delete the requirement to reduce the "Aggregate Commitment", the "Line of Credit Maximum Amount" and the "Revolving Credit Maximum Amount" (as defined in the Credit Agreement) by 80% of the net proceeds of each disposition in connection with a securitization (the "Credit Agreement Reduction Provision").

1. Waiver. Subject to the terms and conditions set forth in Section 3 hereof, the Company requests that the Noteholders waive, and the undersigned Noteholders do hereby waive:

(a) any Event of Default resulting from the Company's failure to comply with Section 6.6(a) of the Note Agreement due solely to the existence of the Lien Provision in the Credit Agreement and the agreements set forth in Section 2(a) hereof;

(b) provided that the Noteholders are granted equal and ratable Liens in accordance

with Section 6.6(b) of the Note Agreement (as if the Lien granted to the Banks was granted in violation of Section 6.6 of the Note Agreement) contemporaneously with the grant of Liens to the Banks pursuant to the Lien Provision and on the same assets, any Event of Default resulting from the granting of the Liens to the Banks pursuant to the Lien Provision and to the holders of the Company's other two series of senior notes; and

(c) provided that, and only as long as and to the extent that, the Credit Agreement Reduction Provision is removed from the Credit Agreement, the requirement contained in paragraph (d) of the definition of Permitted Securitization in the Note Agreement to reduce the "aggregate commitment", the "revolving credit maximum amount" and the "line of credit maximum amount" under the Credit Agreement (as such terms are defined in the Credit Agreement) in connection with securitization transactions occurring after the date hereof.

2. Acknowledgments and Agreement.

(a) (i) At the time required under Section 6.6(b) of the Note Agreement (but in no event later than when such Liens are granted to Banks and holders of the Company's other two series of senior notes), the Company agrees that it will execute and deliver documents (in form and substance satisfactory to the Required Holders) granting to or for the benefit of the Noteholders, as security for the Notes, an equal and ratable Lien in the Property which is covered by the Liens to be granted to the Banks in accordance with the requirements of the Lien Provision and to the holders of the Company's other two series of senior notes in accordance with the requirements of their respective Note Purchase Agreements (as modified by the related Limited Waivers of even date herewith), all of which Liens shall be on an equal and ratable basis with the Liens granted in accordance with the requirements of the Note Agreement (as modified hereby).

(ii) Nothing herein shall be deemed to amend, modify or supersede the rights of the Noteholders pursuant to Section 6.6(b) of the Note Agreement; provided, however, that the last sentence of Section 6.6(b) of the Note Agreement shall be subject to Section 1(b) hereof.

(iii) The Company's failure to comply with the requirements of this Section 2(a) shall constitute a violation of Section 6.6 of the Note Agreement (and, accordingly, an Event of Default under the Note Agreement).

(b) Without limitation of Section 10.5(d) of the Note Agreement, the Company shall pay or, if paid by the Noteholders, reimburse the Noteholders for, all out of pocket fees, costs and expenses paid or incurred by any Noteholder in connection with the negotiation, preparation, drafting, implementation, modification, administration and enforcement of this letter, the Note Agreement, the Notes and the documents to be delivered pursuant to Section 2(a) hereof.

(c) The Company represents that no Default or Event of Default exists on the date hereof.

3. Effectiveness; Effect Upon Other Provisions of the Note Agreement and the Notes.

(a) The effectiveness of the waiver and other terms set forth herein is subject to the

full execution and the delivery of this letter by the Company and the Required Holders, and full execution and delivery of letters containing substantially identical terms to those set forth in this letter by the Company and the "Required Holders" of each of the other two series of the Company's senior notes.

(b) The execution, delivery and effectiveness of this letter shall not be deemed, except as expressly provided herein, (i) to operate as a waiver of any right, power or remedy of the Noteholders under the Note Agreement or the Notes, nor constitute a waiver of any provision thereunder, or (ii) to prejudice any rights which any Noteholder now has or may have in the future under or in connection with the Note Agreement, the Notes or any other documents referred to therein. All terms and conditions of the Note Agreement shall remain unchanged and in full force and effect, except as, and to the extent, set forth in this letter agreement.

4. Counterparts.

This letter and all acceptances hereof may be executed simultaneously in any number of counterparts, each of which shall be deemed an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

If you are in agreement with the foregoing, please sign the form of acceptance on the enclosed counterpart of this letter and return the same to us in care of our special counsel, Hebb & Gitlin, a Professional Corporation, One State Street, Hartford, Connecticut 06103, Attention: David Silber (facsimile: (860)278-8968).

[Remainder of page intentionally blank. Next page is signature page.]

Very truly yours,

THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

By: /S/THOMAS M. DONAHUE
Name: THOMAS M. DONAHUE
Title: VICE PRESIDENT

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY

By: /S/THOMAS LI
Name: THOMAS LI
Title: MANAGING DIRECTOR

NATIONWIDE LIFE INSURANCE COMPANY

By: /S/MARK W. POEPPELMAN
Name: MARK W. POEPPELMAN
Title: INVESTMENT OFFICER

WILLIAM BLAIR & COMPANY, LLC

By William Blair & Company, LLC,
Attorney-in-Fact

By: /S/JAMES MCKINNEY
Name: JAMES D. MCKINNEY
Title: PRINCIPAL

AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA

By: /S/GUS RODRIQUEZ
Name: GUS RODRIQUEZ
Title: DIRECTOR OF INVESTMENTS

VOYAGER PROPERTY & CASUALTY INSURANCE CO.

By: /S/GUS RODRIQUEZ
Name: GUS RODRIQUEZ
Title: DIRECTOR OF INVESTMENTS

ASSET ALLOCATION & MANAGEMENT
COMPANY AS AGENT FOR AMERICAN PIONEER
LIFE INSURANCE COMPANY OF NEW YORK

By: /S/K. LANGE
Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ASSET ALLOCATION & MANAGEMENT COMPANY AS AGENT FOR
AMERICAN PROGRESSIVE LIFE AND HEALTH INSURANCE
COMPANY OF NEW YORK

By: /S/K. LANGE
Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ASSET ALLOCATION & MANAGEMENT COMPANY AS AGENT FOR
FEDERATED RURAL ELECTRIC INSURANCE CORP.

By: /S/K. LANGE
Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ASSET ALLOCATION & MANAGEMENT COMPANY AS AGENT FOR
TOWER LIFE INSURANCE COMPANY

By: /S/K. LANGE
Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ASSET ALLOCATION & MANAGEMENT COMPANY AS AGENT FOR
PHYSICIANS LIFE INSURANCE COMPANY VISTA 500

By: /S/K. LANGE
Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ASSET ALLOCATION & MANAGEMENT COMPANY AS AGENT FOR
WORLD INSURANCE COMPANY

By: /S/K. LANGE
Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

ASSET ALLOCATION & MANAGEMENT COMPANY AS AGENT FOR
UNITED TEACHERS ASSOCIATES INSURANCE COMPANY

By: /S/K. LANGE
Name: KATHY R. LANGE
Title: AUTHORIZED SIGNATORY

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/LAURIE CARO
Name: LAURIE CARO
Title: SENIOR VICE PRESIDENT

Accepted and Agreed:

CREDIT ACCEPTANCE CORPORATION

By: /S/BRETT A. ROBERTS
Name: BRETT A. ROBERTS
Title: EXECUTIVE VICE PRESIDENT
AND CFO

[Signature Page to Limited Waiver dated as of July 27, 1998 in respect of First Amended and Restated 8.02% Senior Notes Due October 1, 2001 of Credit Acceptance Corporation]

ANNEX I

FIRST AMENDED AND RESTATED 8.02% SENIOR NOTES DUE OCTOBER 1, 2001

The Guardian Life Insurance Company of America
Massachusetts Mutual Life Insurance Company
Nationwide Life Insurance Company
American Bankers Insurance Company of Florida
Voyager Property and Casualty Insurance Co.
American Pioneer Life Insurance Company of New York
American Progressive Life and Health Insurance Company of New York
Federated Rural Electric Insurance Corp.
Tower Life Insurance Company
Physicians Life Insurance Company Vista 500
World Insurance Company
United Teachers Associates Insurance Company
Farm Bureau Life Insurance Company
Farm Bureau Mutual Insurance Company
General American Life Insurance Company
William Blair & Company, LLC

EXHIBIT 4(f)

NOTE PURCHASE AGREEMENT

NOTE PURCHASE AGREEMENT (this "AGREEMENT"), dated as of July 7, 1998, among KITTY HAWK FUNDING CORPORATION, a Delaware corporation, as lender (together with its successors and assigns, the "COMPANY"), CAC FUNDING CORP., a Nevada corporation, as borrower (together with its successors and assigns, the "ISSUER") and NATIONSBANK, N.A., a national banking association ("NATIONSBANK"), as agent for the Company and the Bank Investors (in such capacity, together with its successors, the "AGENT") and as a Bank Investor.

W I T N E S S E T H :

WHEREAS, subject to the terms and conditions of this Agreement and the Security Agreement, the Issuer desires to obtain funds from the Company or the Bank Investors, as applicable, and to evidence the obligation to repay such amounts, together with interest thereon, through the issuance of the Note;

WHEREAS, pursuant to the Security Agreement, the Issuer will pledge to the Collateral Agent for the benefit of the Secured Parties its interest in the Collateral, including the Issuer's security interest in the Contracts;

NOW THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1. DEFINITIONS. All capitalized terms not otherwise defined herein shall have the meanings specified in the Security Agreement. The following terms shall have the meanings specified below, and shall include in the singular number the plural and in the plural number the singular:

"ADMINISTRATIVE AGENT" shall mean NationsBank, N.A., as administrative agent for the Company.

"AFFILIATE" shall have the meaning specified in the Security Agreement.

"AGENT" means NationsBank, N.A., in its capacity as agent for the Company and the Bank Investors, and any successor thereto appointed pursuant to Article VI of this Agreement.

"AGGREGATE OUTSTANDING ELIGIBLE LOAN BALANCE" shall have the meaning specified in the Security Agreement.

"AGREEMENT" shall mean this Note Purchase Agreement, as it may from time to time be amended, supplemented or otherwise modified in accordance with the terms hereof.

"ASSIGNMENT AMOUNT" with respect to a Bank Investor shall mean at any time an amount equal to the lesser of (i) such Bank Investor's Pro Rata Share of the Net Investment at such time and (ii) such Bank Investor's unused Commitment.

"ASSIGNMENT AND ASSUMPTION AGREEMENT" means an Assignment and Assumption Agreement substantially in the form of Exhibit A attached hereto.

"BANK INVESTORS" shall mean NationsBank, N.A. and each other financial institution identified as such on the signature pages hereof and their respective successors and assigns.

"BLENDED ADVANCE RATE" shall have the meaning specified in the Security Agreement.

"BUSINESS DAY" shall have the meaning specified in the Security Agreement.

"CAC" shall mean Credit Acceptance Corporation, a Michigan corporation, and its permitted successors and assigns.

"CARRYING COSTS" shall have the meaning specified in the Security Agreement.

"CLOSING DATE" shall mean July 7, 1998.

"COLLATERAL" shall have the meaning set forth in the Security Agreement.

"COLLATERAL AGENT" shall mean NationsBank, N.A., or any successor thereto, as Collateral Agent under the Security Agreement.

"COLLECTION GUIDELINES" shall have the meaning specified in the Security Agreement.

"COLLECTIONS" shall have the meaning specified in the Security Agreement.

"COMMERCIAL PAPER" shall mean promissory notes of the Company issued by the Company in the commercial paper market.

"COMMITMENT" means for each Bank Investor, the commitment of such Bank Investor to make acquisitions from the Issuer or the Company in accordance herewith in an amount not to exceed the dollar amount set forth opposite such Bank Investor's signature on the signature page hereto under the heading "COMMITMENT".

"COMMITMENT TERMINATION DATE" means July 6, 1999, or such later date to which the Commitment Termination Date may be extended by the Issuer, the Agent and the Bank Investors not later than 60 days prior to the then current Commitment Termination Date.

"COMMON STOCK" shall mean 1000 shares of the Issuer's common stock, par value $1.00 per share.

"COMPANY" shall mean Kitty Hawk Funding Corporation, a Delaware corporation, together with its successors and assigns.

"CONDUIT ASSIGNEE" shall mean any commercial paper conduit administered by NationsBank and designated by NationsBank from time to time to accept an assignment by the Company of all or a portion of the Net Investment.

"CONTRACT" shall have the meaning specified in the Security Agreement.

"CONTRIBUTION AGREEMENT" shall have the meaning specified in the Security Agreement.

"CONTRIBUTION TERMINATION DATE" means the date upon which CAC shall cease, for any reason whatsoever, to

make contributions of Loans to the Issuer under the Contribution Agreement or the Contribution Agreement shall terminate for any reason whatsoever.

"CREDIT GUIDELINES" shall have the meaning specified in the Security Agreement.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA AFFILIATE" shall have the meaning specified in the Security Agreement.

"EXCLUDED LOAN BALANCE" shall have the meaning specified in the Security Agreement.

"FACILITY LIMIT" shall mean initially, $51,500,000, and at any time after the Closing Date, 103% of the Net Investment.

"FEE LETTER" means that certain letter regarding fees dated the date hereof and by and between the Company, the Issuer, and the Agent.

"FUNDING" shall have the meaning specified in Section 2.1(a) hereof.

"FUNDING REQUEST" shall have the meaning specified in 2.1(a) hereof.

"GAAP" shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements of the Financial Accounting Standards Board or in such other statements or pronouncements by such other entity as approved by a significant segment of the accounting profession, which are in effect from time to time.

"INDEMNIFIED AMOUNTS" shall have the meaning set forth in Section 5.1 hereof.

"INDEMNIFIED PARTIES" shall have the meaning set forth in Section 5.1 hereof.

"INITIAL FUNDING" shall have the meaning set forth in Section 2.1(a) hereof.

"INTEREST COMPONENT" shall have the meaning specified in the Security Agreement.

"ISSUER" shall mean CAC Funding Corp., a Nevada corporation, and its successors and permitted assigns.

"LAW" shall have the meaning specified in the Security Agreement.

"LIQUIDITY AGREEMENT" shall mean the agreement between the Company and the Liquidity Provider evidencing the obligation of the Liquidity Provider to provide liquidity support to the Company in connection with the issuance of Commercial Paper.

"LIQUIDITY PROVIDER" shall mean the Person or Persons who will provide liquidity support to the Company in connection with the issuance by the Company of its Commercial Paper, and shall include any Person which acquires a participation interest therein.

"LOAN" shall have the meaning specified in the Security Agreement.

"MAJORITY INVESTORS" shall have the meaning specified in Section 6.1(a) hereof.

"MERRILL" shall have the meaning specified in Section 7.10.

"MONTHLY SERVICER'S CERTIFICATE" shall have the meaning set forth in the Security Agreement.

"MONTHLY SERVICING FEE" shall have the meaning specified in the Security Agreement.

"MOODY'S" shall mean Moody's Investors Service, Inc.

"NET ASSET TEST" shall mean a test that is satisfied if the Net Investment is equal to or less than the Aggregate Outstanding Eligible Loan Balance.

"NET INVESTMENT" shall have the meaning specified in the Security Agreement.

"NOTE" shall mean the note issued to the Company pursuant to Section 2.1 of this Agreement.

"NOTICE TERMINATION DATE" means the second

Business Day after the delivery by the Company to the Issuer of written notice that the Company elects to liquidate its interest in the Note.

"OBLIGOR" shall have the meaning set forth in the Security Agreement.

"OFFICIAL BODY" shall have the meaning set forth in the Security Agreement.

"OTHER TRANSFEROR" shall mean any Person other than the Issuer that has entered into a receivables purchase agreement, transfer and administration agreement or other similar agreement with the Company.

"OUTSTANDING BALANCE" shall have the meaning specified in the Security Agreement.

"PERSON" shall have the meaning specified in the Security Agreement.

"POTENTIAL TERMINATION EVENT" shall have the meaning specified in the Security Agreement.

"PROGRAM SUPPORT AGREEMENT" shall mean an agreement between the Company and a Program Support Provider evidencing the obligation of such Program Support Provider to provide liquidity or credit enhancement or asset purchase facilities for or in respect of any assets or liabilities of the Company in connection with the issuance by the Company of Commercial Paper.

"PROGRAM SUPPORT PROVIDER" shall mean the Person or Persons who will provide program support to the Company in connection with the issuance by the Company of Commercial Paper.

"PRO RATA SHARE" means, for a Bank Investor, the Commitment of such Bank Investor divided by the sum of the Commitments of all Bank Investors.

"REMITTANCE DATE" shall have the meaning specified in the Security Agreement.

"REQUIREMENTS OF LAW" shall have the meaning specified in the Security Agreement.

"RESERVE ACCOUNT" shall have the meaning

specified in the Security Agreement.

"S&P" shall mean Standard & Poor's Ratings Group, a Division of The McGraw-Hill Companies.

"SECURED PARTIES" shall have the meaning specified in the Security Agreement.

"SECURITY AGREEMENT" shall mean the Security Agreement dated as of July 7, 1998 among CAC, as Servicer, the Issuer, the Collateral Agent and the Company.

"SERVICER" shall mean CAC as servicer under the Servicing Agreement or any Successor Servicer.

"SERVICING AGREEMENT" shall have the meaning specified in the Security Agreement.

"SUBSIDIARY" shall mean any corporation more than 50% of the outstanding voting securities of which shall at any time be owned or controlled, directly or indirectly, by the Issuer or one or more Subsidiaries, or any similar business organization which is so owned or controlled.

"SUBSEQUENT FUNDING" shall have the meaning specified in Section 2.1.

"SUBSEQUENT FUNDING DATE" shall mean any day on which a Subsequent Funding occurs.

"SUCCESSOR SERVICER" shall have the meaning specified in Section 4.1(a) of the Security Agreement.

"TERMINATION DATE" means the earliest of (i) the Business Day designated by the Issuer to the Agent as the Termination Date at any time following 60 days' written notice to the Agent, (ii) the date of termination of the commitment of the Liquidity Provider under the Liquidity Provider Agreement, (iii) the date of termination of the commitment of the Credit Support Provider under the Credit Support Agreement, (iv) the day upon which the Termination Date is declared or automatically occurs pursuant to Section 6.1 of the Security Agreement, (v) two Business Days prior to the Commitment Termination Date, (vi) the day on which a

Notice Termination Date shall occur, (vii) the Contribution Termination Date, or (viii) July 6, 1999.

"TERMINATION EVENT" shall have the meaning specified in the Security Agreement.

"TRANSACTION COSTS" shall have the meaning specified in Section 5.3 hereto.

"TRANSACTION DOCUMENTS" shall have the meaning specified in the Security Agreement.

"UNIFORM COMMERCIAL CODE" OR "UCC" shall have the meaning specified in the Security Agreement.

ARTICLE II

FUNDINGS; THE NOTE

SECTION 2.1. FUNDING; THE NOTE. (a) FUNDING. Upon the terms and subject to the conditions set forth herein (x) prior to the Termination Date the Company may, and (y) prior to the Commitment Termination Date and provided that no Termination Event shall have occurred, the Bank Investors shall, in the case of the Initial Funding, and may, in the case of any Subsequent Funding, if requested, make an advance (any such advance, a "FUNDING," the first such advance, the "INITIAL FUNDING," each such additional funding, a "SUBSEQUENT FUNDING") to the Issuer from time to time on or after the Closing Date. In the event the Bank Investors elect to make a Subsequent Funding, the Bank Investors shall be required to accept an assignment of the Note from the Company in accordance with Section 6.7 hereof. In connection with the Funding, the Issuer shall, by notice (such notice, the "FUNDING REQUEST") request such Funding at least one Business Day prior to the proposed date of such Funding. Such notice shall specify the amount of the proposed Funding (which shall be at least $1,000,000 or integral multiples of $100,000 in excess thereof) and the proposed date of the Funding. The Initial Funding shall take place on the Closing Date. On any Business Day occurring after the Initial Funding under this Section, upon one Business Day notice to the Agent, which shall be in the form of Exhibit B hereto and satisfy the requirements of Section 2.1(b)(iii) below (the "FUNDING REQUEST"), the Issuer may request that the Company or the Bank Investors, as appropriate, make Subsequent Fundings (which shall be at least $1,000,000 or integral multiples

of $100,000 in excess thereof). Any Subsequent Funding shall be made at the sole discretion of the Company or the Bank Investors, as appropriate, and the ability of the Issuer to request Subsequent Fundings shall not obligate either the Company or the Bank Investors to make any such Subsequent Funding, and shall in no way be interpreted as implying that the Company or the Bank Investors intend to make any Subsequent Funding.

(b) CONDITIONS TO FUNDING. Neither the Company nor the Bank Investors shall have any obligation to advance any funds to the Issuer in connection with the Funding unless on the date of such Funding (i) either (a) the sum of the Net Investment, plus the aggregate Interest Component, if the Net Investment is funded by the Company, or (b) the Net Investment, if the Net Investment is funded by the Bank Investors, would not (after giving effect to such Funding) exceed the Facility Limit; (ii) the Net Investment, after giving effect to such Funding, would not be greater than the product of (x) the Aggregate Outstanding Eligible Loan Balance minus the Excluded Loan Balance and (y) the Blended Advance Rate; (iii) the Issuer has provided a Funding Request to the Agent, which shall include the calculations necessary to satisfy the requirements set forth in clauses (i) and (ii) above and shall also include a certification by an authorized officer of the Issuer that to the best of such officer's knowledge, no event has occurred since the most recent Funding (or the Closing Date, in the case of the Initial Funding) that would have a material and adverse effect on the Loans, the Contracts, the Servicer or the Issuer; (iv) the Issuer shall have deposited in the Reserve Account, or shall have given irrevocable instructions to the Agent to withhold from the proceeds of such Funding and to deposit in the Reserve Account, an amount equal to the amount necessary to cause the amount on deposit in the Reserve Account to at least equal the Required Reserve Account Balance (calculated as if such Funding shall have occurred); (v) each representation and warranty of the Issuer herein or in the Security Agreement shall be true and correct with respect to the Issuer and each Loan listed on Exhibit D to the Security Agreement as of the date of such Funding; (vi) a Potential Termination Event or a Termination Event shall not have occurred or be continuing; (vii) the Company is able to obtain funds for the making of such Funding in the commercial paper market or pursuant to the Liquidity Agreement (only in the case of a Funding to be made by the Company); (viii) in the case of each Subsequent Funding, the Agent has delivered to the Issuer its

written approval of such Funding and a notice containing certain terms and provisions applicable to such Funding, including (a) the Blended Advance Rate, (b) applicable pricing, and (c) the dollar amount of such Funding; and (ix) in connection with the Initial Funding, the conditions precedent set forth in Article III of this Agreement shall be satisfied.

(c) FUNDING REQUEST IRREVOCABLE. The notice of the proposed Initial Funding and any Subsequent Funding shall be irrevocable and binding on the Issuer and the Issuer shall indemnify the Company and the Bank Investors against any loss or expense incurred by the Company or the Bank Investors, either directly or indirectly (including through the Liquidity Agreement) as a result of any failure by the Issuer to complete the requested Funding including, without limitation, any loss (including loss of anticipated profits) or expense incurred by the Company or the Bank Investors, either directly or indirectly (including pursuant to the Liquidity Agreement), by reason of the liquidation or reemployment of funds acquired by the Company (or the Liquidity Provider) (including, without limitation, funds obtained by issuing commercial paper or promissory notes or obtaining deposits or loans from third parties) for the Company or the Bank Investors to complete the requested Funding.

(d) DISBURSEMENT OF FUNDS. No later than 4:30 p.m. (New York City time) on the date on which a Funding is to be made, the Company or the Bank Investors, as applicable, will make available to the Issuer in immediately available funds, the amount of the Funding to be made on such day by remitting the required amount thereof to an account of the Issuer as designated in the related notice requesting such Funding.

(e) THE NOTE.

(i) The Issuer's obligation to pay the principal of and interest on all amounts advanced by the Company or the Bank Investors pursuant to any Funding shall be evidenced by a single note of the Issuer (the "NOTE") which shall (1) be dated the Closing Date; (2) be in the stated principal amount equal to the Facility Limit (as reflected from

time to time on the grid attached thereto); (3) bear interest as provided therein; (4) be payable to the order of the Agent for the account of the Company or the Bank Investors and mature on June 30, 2006 and (5) be substantially in the form of Exhibit C to this Agreement, with blanks appropriately completed in conformity herewith. The Company shall, and is hereby authorized to, make a notation on the schedule attached to the Note of the date and the amount of each Funding and the date and amount of the payment of principal thereon, and prior to any transfer of the Note, the Company shall endorse the outstanding principal amount of the Note on the schedule attached thereto; PROVIDED, HOWEVER, that failure to make such notation shall not adversely affect the Company's rights with respect to the Note.

(ii) Although the Note shall be dated the Closing Date, interest in respect thereof shall be payable only for the periods during which amounts are outstanding thereunder. In addition, although the stated principal amount of the Note shall be equal to the Facility Limit, the Note shall be enforceable with respect to the Issuer's obligation to pay the principal thereof only to the extent of the unpaid principal amount of the Fundings outstanding thereunder at the time such enforcement shall be sought.

SECTION 2.2. SHARING OF PAYMENTS, ETC. If the Company or any Bank Investor (for purposes of this Section only, being a "RECIPIENT") shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) on account of any interest in the Note owned by it in excess of its ratable share of payments on account of any interest in the Note obtained by the Company and/or the Bank Investors entitled thereto, such Recipient shall forthwith purchase from the Company and/or the Bank Investors entitled to a share of such amount participations in the percentage interests owned by such Persons as shall be necessary to cause such Recipient to share the excess payment ratably with each such other Person entitled thereto; PROVIDED, HOWEVER, that if all or any portion of such excess payment is thereafter recovered from such Recipient, such purchase from each such other Person shall be rescinded and each such other

Person shall repay to the Recipient the purchase price paid by such Recipient for such participation to the extent of such recovery, together with an amount equal to such other Person's ratable share (according to the proportion of (a) the amount of such other Person's required payment to (b) the total amount so recovered from the Recipient) of any interest or other amount paid or payable by the Recipient in respect of the total amount so recovered.

SECTION 2.3. RIGHT OF SETOFF. Without in any way limiting the provisions of Section 2.2, each of the Company and the Bank Investors is hereby authorized (in addition to any other rights it may have) at any time after the occurrence of a Termination Event or during the continuance of a Potential Termination Event to set-off, appropriate and apply (without presentment, demand, protest or other notice which are hereby expressly waived) any deposits and any other indebtedness held or owing by the Company or such Bank Investor to, or for the account of, the Issuer against the amount owing by the Issuer hereunder to such Person (even if contingent or unmatured).

SECTION 2.4. FEES. The Issuer shall pay, in accordance with the Fee Letter, such fees as are described therein, all of which shall be non-refundable.

ARTICLE III

CONDITIONS PRECEDENT

SECTION 3.1 CONDITIONS PRECEDENT TO FUNDING. On or prior to the Closing Date, there shall be delivered to the Agent (with sufficient copies for its counsel) the following documents, instruments and fees, all of which shall be in a form and substance acceptable to the Agent:

(a) A copy of the resolutions of the Board of Directors of each of the Issuer and CAC, certified by its Secretary, approving the execution, delivery and performance by the Issuer and CAC, respectively, of each Transaction Document to which the Issuer or CAC is a party.

(b) The certificates of incorporation of

the Issuer and CAC, certified by the Secretary of State or other similar official of its jurisdiction of incorporation, as amended through the Closing Date.

(c) A Good Standing Certificate for each of the Issuer and CAC issued by the Secretary of State or other similar official of its jurisdiction of incorporation dated a date reasonably prior to the Closing Date.

(d) Certificates of qualification as a foreign corporation of CAC issued by the Secretaries of State or other similar officials of the ten jurisdictions with the greatest concentration of Contracts to be included in the Collateral on the Closing Date.

(e) A certificate from each of the Issuer and CAC executed by the Secretary or Assistant Secretary of the Issuer and CAC certifying (i) the names and signatures of the officers authorized on its behalf to execute each Transaction Document to be delivered by the Issuer and CAC hereunder (on which certificate the Company, the Agent and the Bank Investors may conclusively rely until such time as the Agent shall receive from the Issuer or CAC a revised certificate meeting the requirements of this subsection (e)(i)) and (ii) a copy of the Issuer's and CAC's certificate of incorporation and by-laws.

(f) Copies of proper financing statements (Form UCC-1) naming CAC as the debtor in respect of the Loans and the other Collateral, the Issuer as secured party and the Collateral Agent as assignee or other similar instruments or documents as may be necessary or in the opinion of the Agent desirable under the UCC of all appropriate jurisdictions or any comparable law to evidence the perfection of the Issuer's security interest in the Loans and the other Collateral.

(g) Copies of proper financing statements (Form UCC-1) naming the Issuer as the debtor in respect of the Loans and the other Collateral and the Collateral Agent as secured party or other similar instruments or documents as may be necessary or in the opinion of the Agent desirable under the UCC of all appropriate jurisdictions or any comparable law to evidence the perfection of the Collateral Agent's security interest in the Loans and the other Collateral.

(h) Copies of proper financing statements

(Form UCC-3), if any, necessary to terminate all security interests and other rights of any Person in the Loans and the other Collateral previously granted by the Issuer, CAC or any Obligor.

(i) Certified copies of requests for information or copies (Form UCC-11) (or a similar search report certified by parties acceptable to the Agent) dated a date reasonably prior to the Closing Date listing all effective financing statements which name the Issuer or CAC (under its present name and any previous names) as debtor and which are filed with respect to the Issuer or CAC in the jurisdictions in which the filings were made pursuant to clauses (f) and (g) above.

(j) Favorable opinions of Dykema Gossett PLLC, counsel to the Issuer and CAC, (i) with respect to certain corporate, enforceability and security interest matters and (ii) in form and substance satisfactory to the Agent and its counsel with respect to certain true sale, nonconsolidation and federal income tax matters.

(k) Favorable opinion(s)of Dykema, Gossett PLLC and any other counsel, if required, as counsel to the Issuer and CAC that under the laws of the state of Michigan, and any other state with a concentration by contract balance of 10% or more of the pool of Contracts, substantially to the effect that under applicable state law (including statutes) the Agent and CAC, on behalf of the Secured Parties, may enforce against the related financed vehicles the security interests created by the retail installment sales contracts, even though the Agent is not shown on the related certificates of title as the lienholder.

(l) An executed copy of the Contribution Agreement, this Agreement, the Security Agreement, the Fee Letter, the Interest Rate Cap and each of the other Transaction Documents to be executed by the Issuer, CAC or the Servicer.

(m) The Note in the face amount of $51,500,000 to the Agent as specified in Section 2.1(e) hereof.

(n) Payment of (i) any fees to be paid on or prior to the date hereof pursuant to the Fee Letter

and (ii) all up-front fees to be paid to the Company, if any.

(o) Such other documents, instruments, certificates and opinions as the Agent or any Bank Investor shall reasonably request.

ARTICLE IV

REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE ISSUER

SECTION 4.1. REPRESENTATIONS AND WARRANTIES OF THE ISSUER. The Issuer represents and warrants to and covenants with the Company and the Bank Investors as of the Closing Date and, except as otherwise provided herein, as of any Subsequent Funding Date that:

(a) CORPORATE EXISTENCE AND POWER. The Issuer is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all corporate power and all material governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is now conducted.

(b) CORPORATE AND GOVERNMENTAL AUTHORIZATION; CONTRAVENTION. The execution, delivery and performance by the Issuer of this Agreement, the Contribution Agreement, the Servicing Agreement, the Security Agreement, the Fee Letter and the Note are within the Issuer's corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official, and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the Certificate of Incorporation or Bylaws of the Issuer or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Issuer or result in the creation or imposition of any lien on assets of the Issuer, or require the consent or approval of, or the filing of any notice or other documentation with, any governmental authority or other Person.

(c) BINDING EFFECT. Each of this Agreement, the Security Agreement, the Contribution Agreement, the Servicing Agreement, the Fee Letter and the Note constitutes the legal, valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar laws affecting the rights of creditors.

(d) ACCURACY OF INFORMATION. All information heretofore furnished by the Issuer (including without limitation, the Monthly Servicer's Certificate

and CAC's financial statements) to the Company, the Bank Investors or the Agent for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by the Issuer to the Company, the Bank Investors or the Agent will be, true and accurate in every material respect, on the date such information is stated or certified.

(e) TAX STATUS. All tax returns (federal, state and local) required to be filed with respect to the Issuer have been filed (which filings may be made by an Affiliate of the Issuer on a consolidated basis covering the Issuer and other Persons) and there has been paid or adequate provision made for the payment of all taxes, assessments and other governmental charges in respect of the Issuer (or in the event consolidated returns have been filed, with respect to the Persons subject to such returns).

(f) ACTION, SUITS. There are no actions, suits or proceedings pending, or to the knowledge of the Issuer threatened, against or affecting the Issuer or any Affiliate of the Issuer or their respective properties, in or before any court, arbitrator or other body, which may have a material adverse effect on the Issuer's ability to perform its obligations hereunder, under the Security Agreement or under the Note or under the Contribution Agreement.

(g) USE OF PROCEEDS. The proceeds of any Funding will be distributed by the Issuer to CAC as a return of capital.

(h) PLACE OF BUSINESS. The chief place of business and chief executive office of the Issuer are located at the address of the Issuer indicated in Section 7.1 hereof and the offices where the Issuer keeps all its records, are located at the address indicated in Section 7.1 hereof.

(i) MERGER AND CONSOLIDATION. As of the date hereof the Issuer has not changed its name, merged with or into or been consolidated with any other corporation or been the subject of any proceeding under Title 11, United States Code (Bankruptcy).

(j) SOLVENCY. The Issuer is not insolvent and will not be rendered insolvent immediately following the consummation on the Closing Date of the transactions contemplated by this Agreement and the Security Agreement, including the pledge by the Issuer to the Collateral Agent of the Collateral.

(k) NO TERMINATION EVENT. After giving effect to the Funding, no Potential Termination Event or Termination Event exists.

(l) COMPLIANCE. The Issuer has complied in all material respects with all Requirements of Law in respect of the conduct of its business and ownership of its property.

(m) NOT AN INVESTMENT COMPANY. The Issuer is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or is exempt from all provisions of such Act.

(n) ERISA. The Issuer is in compliance in all material respects with ERISA and no lien in favor of the PBGC on any of the Loans shall exist.

(o) SUBSIDIARIES. The Issuer does not have any Subsidiaries.

(p) CAPITAL STOCK. The Issuer has neither sold nor pledged any of its Common Stock to any entity other than CAC.

Any document, instrument, certificate or notice delivered to the Company or the Agent by the Issuer hereunder shall be deemed a representation and warranty by the Issuer.

The representations and warranties set forth in this Section 4.1 shall survive the pledge and assignment of the Collateral to the Collateral Agent for the benefit of the Secured Parties. Upon discovery by the Issuer, the Company, the Agent or a Bank Investor of a breach of any of the foregoing representations and warranties, the party discovering such breach shall give prompt written notice to the others.

SECTION 4.2. COVENANTS OF THE ISSUER. At all times from the date hereof to the later to occur of (i) the Termination Date or (ii) the date on which the Net Investment has been reduced to zero and all other amounts due hereunder or under the Note shall have been paid in

full, in cash, unless the Agent shall otherwise consent in writing:

(a) FINANCIAL REPORTING. The Issuer will maintain a system of accounting established and administered in accordance with GAAP, and furnish to the Agent:

(i) ANNUAL REPORTING. Within ninety (90) days after the close of the Issuer's and CAC's fiscal years, audited financial statements, prepared in accordance with GAAP on a consolidated basis for (x) the Issuer and (y) for CAC and its Subsidiaries, in each case, including balance sheets as of the end of such period, related statements of operations, shareholder's equity and cash flows, accompanied by an unqualified audit report certified by independent certified public accountants, acceptable to the Agent, prepared in accordance with generally accepted auditing principles and any management letter prepared by said accountants.

(ii) QUARTERLY REPORTING. Within forty-five (45) days after the close of the first three quarterly periods of each of the Issuer's and CAC's fiscal years, for (x) the Issuer and (y) for CAC and its Subsidiaries, in each case, consolidated unaudited balance sheets as at the close of each such period and consolidated related statements of operations, shareholder's equity and cash flows for the period from the beginning of such fiscal year to the end of such quarter, all certified by its chief financial officer as true, accurate and complete in all material respects.

(iii) COMPLIANCE CERTIFICATE. Together with the financial statements required hereunder, a compliance certificate signed by the Issuer's or CAC's, as applicable, chief financial officer stating that (x) the attached financial statements have been prepared in accordance with GAAP and accurately reflect the financial condition of the Issuer or CAC as applicable and (y) to the best of such Person's

knowledge, no Termination Event or Potential Termination Event exists, or if any Termination Event or Potential Termination Event exists, stating the nature and status thereof.

(iv) SHAREHOLDERS STATEMENTS AND REPORTS. Promptly upon the furnishing thereof to the shareholders of the Issuer or CAC, copies of all financial statements, reports and proxy statements so furnished, to the extent such information has not been provided pursuant to another clause of this Section 4.2(a).

(v) S.E.C. FILINGS. Promptly upon the filing thereof, copies of all registration statements and annual, quarterly, monthly or other regular reports which CAC or any subsidiary files with the Securities and Exchange Commission.

(vi) NOTICE OF TERMINATION EVENTS OR POTENTIAL TERMINATION EVENTS. As soon as possible and in any event within two (2) days after the occurrence of each Termination Event or each Potential Termination Event, a statement of the chief financial officer or chief accounting officer of the Issuer setting forth details of such Termination Event or Potential Termination Event and the action which the Issuer proposes to take with respect thereto.

(vii) CHANGE IN COLLECTION GUIDELINES AND DEBT RATINGS. Within ten (10) days after the date any material change in or amendment to the Collection Guidelines is made, a notice describing such change or amendment. The Servicer shall notify the Collateral Agent of any material change in or amendment to the Servicer's accounting policies within ten (10) days after the date such change or amendment has been made. Within five (5) days after the date of any change in the Issuer's or CAC's public or private debt ratings, if any, a written certification of the Issuer's or CAC's public and private debt ratings after giving effect to any such change.

(viii) CREDIT GUIDELINES; COLLECTION GUIDELINES. On the Closing Date, a complete

copy of the Credit Guidelines and Collection Guidelines then in effect.

(ix) ERISA. Promptly after the filing or receiving thereof, copies of all reports and notices with respect to any Reportable Event (as defined in Article IV of ERISA) which the Issuer, CAC or any ERISA Affiliate of the Issuer or CAC files under ERISA with the Internal Revenue Service, the Pension Benefit Guaranty Corporation or the U.S. Department of Labor or which the issuer, CAC or any ERISA Affiliates of the issuer or CAC receives from the Internal Revenue Service, the Pension Benefit Guaranty Corporation or the U.S. Department of Labor.

(x) OTHER INFORMATION. Such other information (including non-financial information) as the Agent or the Administrative Agent may from time to time reasonably request with respect to CAC, the Issuer or any Subsidiary of any of the foregoing.

(b) CONDUCT OF BUSINESS. The Issuer will carry on and conduct its business in substantially the same manner and in substantially the same fields of enterprise as it is presently conducted and do all things necessary to remain duly incorporated, validly existing and in good standing as a domestic corporation in its jurisdiction of incorporation and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted.

(c) COMPLIANCE WITH LAWS. The Issuer will comply with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it or its respective properties may be subject.

(d) FURNISHING OF INFORMATION AND INSPECTION OF RECORDS. The Issuer will, and will cause CAC to, furnish to the Agent from time to time such information with respect to the Loans and Contracts as the Agent may reasonably request, including, without limitation, listings identifying the Obligor and the Outstanding Balance for each Contract and/or Loan. The Issuer will, and will cause CAC to, at any time and from time to time during regular business hours permit the Agent, or its agents or representatives, (i) to examine and make copies of and take abstracts from all Records

and (ii) to visit the offices and properties of the Issuer or CAC, as applicable, for the purpose of examining such Records, and to discuss matters relating to Loans and/or Contracts or the Issuer's or CAC's performance hereunder and under the other Transaction Documents to which such Person is a party with any of the officers, directors, employees or independent public accountants of the Issuer or CAC, as applicable, having knowledge of such matters.

(e) SALE TREATMENT. The Issuer will not and will not permit CAC to, account for (including for accounting and tax purposes), or otherwise treat, the transactions contemplated by the Contribution Agreement in any manner other than as a contribution of Loans by CAC to the Issuer. In addition, the Issuer shall, and shall cause CAC to, disclose (in a footnote or otherwise) in all of its respective financial statements (including any such financial statements consolidated with any other Persons' financial statements) the existence and nature of the transaction contemplated hereby and by the Contribution Agreement and the interest of the Issuer (in the case of CAC's financial statements) and the Agent, on behalf of the Company and the Bank Investors, in the Loans and Contracts.

(f) SEPARATE BUSINESS. The Issuer shall at all times (i) to the extent the Issuer's office is located in the offices of CAC or any Affiliate of CAC, pay fair market rent for its executive office space located in the offices of CAC or any Affiliate of CAC, (ii) have at all times at least two members of its board of directors which are not and have never been employees, officers or directors of CAC or any Affiliate of CAC or of any major creditor of CAC or any Affiliate of CAC and are persons who are familiar and have experience with asset securitization, (iii) maintain the Issuer's books, financial statements, accounting records and other corporate documents and records separate from those of CAC or any other entity, (iv) not commingle the Issuer's assets with those of CAC or any other entity, (v) act solely in its corporate name and through its own authorized officers and agents, (vi) make investments directly or by brokers engaged and paid by the Issuer or its agents (provided that if any such agent is an Affiliate of the Issuer it shall be compensated at a fair market rate for its services), (vii) separately manage

the Issuer's liabilities from those of CAC or any Affiliates of CAC and pay its own liabilities, including all administrative expenses, from its own separate assets, except that CAC may pay the organizational expenses of the Issuer, and (viii) pay from the Issuer's assets all obligations and indebtedness of any kind incurred by the Issuer. The Issuer shall abide by all corporate formalities, including the maintenance of current minute books, and the Issuer shall cause its financial statements to be prepared in accordance with generally accepted accounting principles in a manner that indicates the separate existence of the Issuer and its assets and liabilities. The Issuer shall (w) pay all its liabilities, (x) not assume the liabilities of CAC or any Affiliate of CAC, (y) not lend funds or extend credit to CAC or any affiliate of CAC except pursuant to the Contribution Agreement in connection with the purchase of Loans thereunder and (z) not guarantee the liabilities of CAC or any Affiliates of CAC. The officers and directors of the Issuer (as appropriate) shall make decisions with respect to the business and daily operations of the Issuer independent of and not dictated by any controlling entity. The Issuer shall not engage in any business not permitted by its Certificate of Incorporation as in effect on the Closing Date.

(g) CORPORATE DOCUMENTS. The Issuer shall only amend, alter, change or repeal Articles Eighth, Fourteenth or Fifteenth of its Articles of Incorporation with the prior written consent of the Agent.

(h) NO CHANGE IN BUSINESS. The Issuer will not make any change in the character of its business which change would impair the collectibility of any Loan or Contract or otherwise cause a Material Adverse Change.

(i) NO MERGERS, ETC. The Issuer will not, (i) consolidate or merge with or into any other Person, or (ii) sell, lease or transfer all or substantially all of its assets to any other Person.

(j) CHANGE OF NAME, ETC. The Issuer will not change its name, identity or structure or the location of its chief executive office, unless at least 10 days prior to the effective date of any such change the Issuer delivers to the Agent such documents, instruments or agreements, executed by the Issuer as are necessary to reflect such change and to continue the perfection of the Agent's ownership interests or security

interests in the Collateral and the Note.

(k) AMENDMENT TO CONTRIBUTION AGREEMENT. The Issuer will not amend, modify, or supplement the Contribution Agreement or waive any provision thereof, in each case except with the prior written consent of the Agent and the Administrative Agent; nor shall the Issuer take, or permit CAC to take, any other action under the Contribution Agreement that shall have a material adverse affect on the Agent, the Company or any Bank Investor or which is inconsistent with the terms of this Agreement.

(l) OTHER DEBT. Except as provided for herein, the Issuer will not create, incur, assume or suffer to exist any indebtedness whether current or funded, or any other liability other than (i) indebtedness of the Issuer representing fees, expenses and indemnities arising hereunder or under the Contribution Agreement for the purchase price of the Loans under the Contribution Agreement, and (ii) other indebtedness incurred in the ordinary course of its business in an amount not to exceed $9,500 at any time outstanding.

ARTICLE V

INDEMNIFICATION

SECTION 5.1. INDEMNITY. Without limiting any other rights which the Company or the Bank Investors may have hereunder or under applicable law, the Issuer agrees to indemnify the Company, the Bank Investors, the Collateral Agent, the Agent, the Administrative Agent, the Liquidity Provider, the Program Support Provider and any permitted assigns and their respective agents, officers, directors and employees (collectively, "INDEMNIFIED PARTIES") from and against any and all damages, losses, claims, liabilities, costs and expenses, including reasonable attorneys' fees (which such attorneys may be employees of the Company, the Bank Investors, the Agent, the Collateral Agent, the Administrative Agent, the Liquidity Provider and the Program Support Provider) and disbursements (all of the foregoing being collectively referred to as "INDEMNIFIED AMOUNTS") awarded against or incurred by any of them arising out of or as a result of this Agreement or the

ownership, either directly or indirectly, by the Company, the Bank Investors, the Agent, the Administrative Agent, the Liquidity Provider or the Program Support Provider of the Note excluding, however, (i) Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of an Indemnified Party or (ii) recourse (except as otherwise specifically provided in this Agreement) for uncollectible Loans. Such Indemnified Amounts shall be paid in accordance with Sections 5.1(a)(vi) and (b)(iv) of the Security Agreement. Without limiting the generality of the foregoing, the Issuer shall indemnify each Indemnified Party for Indemnified Amounts relating to or resulting from:

(a) reliance on any representation or warranty made by the Issuer, CAC or the Servicer (or any officers of the Issuer or the Servicer) under or in connection with this Agreement, the Security Agreement, the Servicing Agreement, any Funding Request, any Monthly Servicer's Certificate or any other information or report delivered by the Issuer, CAC or the Servicer pursuant hereto or thereto, which shall have been false or incorrect in any material respect when made or deemed made;

(b) the failure by the Issuer, CAC or the Servicer to comply with any applicable law, rule or regulation with respect to the Collateral, or the nonconformity of the Collateral with any such applicable law, rule or regulation;

(c) the failure to vest and maintain vested in the Collateral Agent a first priority perfected security interest in the Collateral, free and clear of any Lien;

(d) the failure to file, or any delay in filing, financing statements, continuation statements, or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to all or any part of the Collateral which failure has an adverse effect on the validity, perfected status or priority of the security interest granted to the Collateral Agent under the Security Agreement;

(e) any valid dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Loan (including, without limitation, a defense based on such

Loan not being legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of services related to such Loan or the furnishing or failure to furnish such services;

(f) any failure of the Issuer to perform its duties or obligations in accordance with the provisions of the Security Agreement; or

(g) any products liability claim or personal injury or property damage suit or other similar or related claim or action of whatever sort arising out of or in connection with related merchandise or services which are the subject of any Loan;

PROVIDED, HOWEVER, that if the Company enters into agreements for the purchase of interests in receivables from one or more Other Transferors, the Company shall allocate such Indemnified Amounts which are in connection with the Liquidity Agreement or the Program Support Agreement to the Issuer and each Other Transferor; and PROVIDED, FURTHER, that if such Indemnified Amounts are attributable to the Issuer and not attributable to any Other Transferor, the Issuer shall be solely liable for such Indemnified Amounts or if such Indemnified Amounts are attributable to Other Transferors and not attributable to the Issuer, such Other Transferors shall be solely liable for such Indemnified Amounts.

SECTION 5.2. INDEMNITY FOR TAXES, RESERVES AND EXPENSES. (a) If after the date hereof, the adoption of any Law or bank regulatory guideline or any amendment or change in the interpretation of any existing or future Law or bank regulatory guideline by any Official Body charged with the administration, interpretation or application thereof, or the compliance with any directive of any Official Body (in the case of any bank regulatory guideline, whether or not having the force of Law):

(1) shall subject any Indemnified Party to any tax, duty or other charge with respect to this Agreement, the Security Agreement, the Note, the Net Investment, the Collateral or payments of amounts due hereunder, or shall change the basis of taxation of payments to any Indemnified Party of amounts payable in respect of this Agreement, the Note, the Net Investment, the Collateral or payments of amounts due hereunder or

its obligation to advance funds under the Liquidity Agreement, the Program Support Agreement or otherwise in respect of this Agreement, the Security Agreement, the Note, the Net Investment or the Collateral (except for changes in the rate of federal, state or local general corporate, franchise, net income or other income or similar tax imposed on such Indemnified Party by the jurisdiction in which such Indemnified Party's principal executive office is located); or

(2) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System) against assets of, deposits with or for the account of, or credit extended by, any Indemnified Party or shall impose on any Indemnified Party or on the United States market for certificates of deposit or the London interbank market any other condition affecting this Agreement, the Security Agreement, the Note, the Net Investment, the Collateral or payments of amounts due hereunder or its obligation to advance funds under the Liquidity Agreement, the Program Support Agreement or otherwise in respect of this Agreement, the Note, the Net Investment or the Collateral;

(3) imposes upon any Indemnified Party any other expense (including, without limitation, reasonable attorneys' fees and expenses, and expenses of litigation or preparation therefor in contesting any of the foregoing) with respect to this Agreement, the Security Agreement, the Note, the Net Investment, the Collateral or payments of amounts due hereunder or its obligation to advance funds under the Liquidity Agreement or the Program Support Agreement or otherwise in respect of this Agreement, the Note, the Net Investment or the Collateral;

and the result of any of the foregoing is to increase the cost to such Indemnified Party with respect to this Agreement, the Security Agreement, the Note, the Net Investment, the Collateral, the obligations hereunder, the funding of any purchases hereunder, the Liquidity Agreement or the Program Support Agreement, by an amount reasonably deemed by such Indemnified Party to be material, then within 10 days after demand by the Company, the Issuer shall pay to the Company such additional amount or amounts as will compensate such Indemnified Party for such increased cost PROVIDED that

no such amount shall be payable with respect to any period commencing more than 90 days prior to the date the Company first notifies the Issuer of its intention to demand compensation therefor under this Section 5.2(a).

(b) If any Indemnified Party shall have determined that after the date hereof, the adoption of any applicable Law or bank regulatory guideline regarding capital adequacy, or any change therein, or any change in the interpretation thereof by any Official Body, or any directive regarding capital adequacy (in the case of any bank regulatory guideline, whether or not having the force of law) of any such Official Body, has or would have the effect of reducing the rate of return on capital of such Indemnified Party (or its parent) as a consequence of such Indemnified Party's obligations hereunder or with respect hereto to a level below that which such Indemnified Party (or its parent) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount reasonably deemed by such Indemnified Party to be material, then from time to time, within 10 days after demand by the Company, the Issuer shall pay to the Company such additional amount or amounts as will compensate such Indemnified Party (or its parent) for such reduction; PROVIDED that no such amount shall be payable with respect to any period commencing less than 30 days after the date the Company first notifies the Issuer of its intention to demand compensation under this Section 5.2(b).

(c) The Company will promptly notify the Issuer of any event of which it has knowledge, occurring after the date hereof, which will entitle an Indemnified Party to compensation pursuant to this Section 5.2. A notice by the Company claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, the Company may use any reasonable averaging and attributing methods.

(d) Anything in this Section 5.2 to the contrary notwithstanding, if the Company enters into agreements for the acquisition of interests in receivables from one or more Other Transferors, the

Company shall allocate the liability for any amounts under this Section 5.2 ("SECTION 5.2 COSTS") ratably to the Issuer and each Other Transferor; PROVIDED, HOWEVER, that if such Section 5.2 Costs are attributable to the Issuer and not attributable to any Other Transferor, the Issuer shall be solely liable for such Section 5.2 Costs or if such Section 5.2 Costs are attributable to Other Transferors and not attributable to the Issuer, such Other Transferors shall be solely liable for such Section 5.2 Costs.

SECTION 5.3. OTHER COSTS, EXPENSES AND RELATED MATTERS. The Issuer agrees, upon receipt of a written invoice, to pay or cause to be paid, and to save the Company, the Bank Investors, the Collateral Agent, the Agent and the Administrative Agent harmless against liability for the payment of, all reasonable out-of-pocket expenses (including, without limitation, all reasonable attorneys', accountant's and other third parties' fees and expenses, any filing fees and expenses incurred by officers or employees of the Company or any Bank Investor) incurred by or on behalf of the Company, any Bank Investor, the Collateral Agent, the Agent or the Administrative Agent (i) in connection with the negotiation, execution, delivery and preparation of this Agreement, the Note and the Security Agreement and any documents or instruments delivered pursuant hereto or thereto and the transactions contemplated hereby and thereby and (ii) from time to time (a) relating to any amendments, waivers or consents under this Agreement, the Note and the Security Agreement, (b) arising in connection with the Company's or its agent's enforcement or preservation of rights (including, without limitation, the perfection and protection of the Collateral Agent's security interest in the Collateral), or (c) arising in connection with any audit, dispute, disagreement, litigation or preparation for litigation involving this Agreement (all of such amounts, collectively, "TRANSACTION COSTS").

ARTICLE VI

THE AGENT; BANK COMMITMENT

SECTION 6.1. AUTHORIZATION AND ACTION. (a) The Company and each Bank Investor hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Security Agreement as are delegated to

the Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. In furtherance, and without limiting the generality of the foregoing, the Company and each Bank Investor hereby appoints the Agent as its agent to execute and deliver all further instruments and documents, and take all further action that the Agent may deem necessary or appropriate or that the Company or a Bank Investor may reasonably request in order to perfect, protect or more fully evidence the interests transferred or to be transferred from time to time by the Issuer hereunder, or to enable any of them to exercise or enforce any of their respective rights hereunder, including, without limitation, the execution by the Agent as secured party/assignee of such financing or continuation statements, or amendments thereto or assignments thereof, relative to all or any of the Loans now existing or hereafter arising, and such other instruments or notices, as may be necessary or appropriate for the purposes stated hereinabove. The Company and the Majority Investors may direct the Agent to take any such incidental action hereunder. With respect to other actions which are incidental to the actions specifically delegated to the Agent hereunder, the Agent shall not be required to take any such incidental action hereunder, but shall be required to act or to refrain from acting (and shall be fully protected in acting or refraining from acting) upon the direction of the Majority Investors; PROVIDED, HOWEVER, that Agent shall not be required to take any action hereunder if the taking of such action, in the reasonable determination of the Agent, shall be in violation of any applicable law, rule or regulation or contrary to any provision of this Agreement or shall expose the Agent to liability hereunder or otherwise. Upon the occurrence and during the continuance of any Termination Event or Potential Termination Event the Agent shall take no action hereunder (other than ministerial actions or such actions as are specifically provided for herein) without the prior consent of the Majority Investors. The Agent shall not, without the prior written consent of all Bank Investors (which consent shall not be unreasonably withheld or delayed), agree to (i) amend, modify or waive any provision of this Agreement in any way which would (A) reduce or impair Collections or the payment of fees payable hereunder to the Bank Investors or delay the scheduled dates for payment of such amounts, (B) increase

the Monthly Servicing Fee to a percentage greater than 8% of the Available Collections, (C) modify any provisions of this Agreement or the Contribution Agreement relating to the timing of payments required to be made by the Issuer or CAC or the application of the proceeds of such payments, (D) the appointment of any Person (other than the Agent) as Successor Servicer or (E) release any property from the lien provided by the Security Agreement (other than as expressly contemplated therein). The Agent shall not agree to any amendment of this Agreement which increases the dollar amount of a Bank Investor's Commitment without the prior consent of such Bank Investor. In addition, the Agent shall not agree to any amendment of this Agreement not specifically described in the two preceding sentences without the consent of the related Majority Investors (which consent shall not be unreasonably withheld or delayed). "Majority Investors" shall mean, at any time, the Agent and those Bank Investors which hold Commitments aggregating in excess of 50% of the Facility Limit as of such date. In the event the Agent requests the Company's or a Bank Investor's consent pursuant to the foregoing provisions and the Agent does not receive a consent (either positive or negative) from the Company or such Bank Investor within 10 Business Days of the Company's or Bank Investor's receipt of such request, then the Company or such Bank Investor (and its percentage interest hereunder) shall be disregarded in determining whether the Agent shall have obtained sufficient consent hereunder.

(b) The Agent shall exercise such rights and powers vested in it by this Agreement and the Security Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

SECTION 6.2. AGENT'S RELIANCE, ETC. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them as Agent under or in connection with this Agreement or the Security Agreement, except for its or their own gross negligence or willful misconduct. Without limiting the foregoing, the Agent: (i) may consult with legal counsel (including counsel for the Issuer or CAC), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) makes no warranty or

representation to the Company or any Bank Investor and shall not be responsible to the Company or any Bank Investor for any statements, warranties or representations made in or in connection with this Agreement; (iii) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or of the Security Agreement on the part of the Issuer or CAC or to inspect the property (including the books and records) of the Issuer or CAC; (iv) shall not be responsible to the Company or any Bank Investor for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, the Security Agreement or any other instrument or document furnished pursuant hereto or thereto; and (v) shall incur no liability under or in respect of this Agreement, the Security Agreement by acting upon any notice (including notice by telephone), consent, certificate or other instrument or writing (which may be by telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 6.3. CREDIT DECISION. The Company and each Bank Investor acknowledges that it has, independently and without reliance upon the Agent, any of the Agent's Affiliates, any other Bank Investor or the Company (in the case of any Bank Investor) and based upon such documents and information as it has deemed appropriate, made its own evaluation and decision to enter into this Agreement to which it is a party and, if so required, to acquire an interest in the Note. The Company and each Bank Investor also acknowledges that it will, independently and without reliance upon the Agent, any of the Agent's Affiliates, any other Bank Investor or the Company (in the case of any Bank Investor) and based on such documents and information as it shall deem appropriate at the time, continue to make its own decisions in taking or not taking action under this Agreement and the other Transaction Documents to which it is a party.

SECTION 6.4. INDEMNIFICATION OF THE AGENT. The Bank Investors agree to indemnify the Agent (to the extent not reimbursed by the Issuer), ratably in accordance with their Pro Rata Shares, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or

disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Agent, PROVIDED that the Bank Investors shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct. Without limitation of the foregoing, the Bank Investors agree to reimburse the Agent, ratably in accordance with their Pro Rata Shares, promptly upon demand for any out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that such expenses are incurred in the interests of or otherwise in respect of the Bank Investors hereunder and/or thereunder and to the extent that the Agent is not reimbursed for such expenses by the Issuer.

SECTION 6.5. SUCCESSOR AGENT. The Agent may resign at any time by giving written notice thereof to each Bank Investor, the Company and the Issuer and may be removed at any time with cause by the Majority Investors. Upon any such resignation or removal, the Company and the Majority Investors shall appoint a successor Agent. The Company and each Bank Investor agrees that it shall not unreasonably withhold or delay its approval of the appointment of a successor Agent. If no such successor Agent shall have been so appointed, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Majority Investors' removal of the retiring Agent, then the retiring Agent may, on behalf of the Company and the Bank Investors, appoint a successor Agent which successor Agent shall be either (i) a commercial bank organized under the laws of the United States or of any state thereof and have a combined capital and surplus of at least $50,000,000 or (ii) an Affiliate of such a bank. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VI shall continue

to inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

SECTION 6.6. PAYMENTS BY THE AGENT. Unless specifically allocated to a Bank Investor pursuant to the terms of this Agreement, all amounts received by the Agent on behalf of the Bank Investors shall be paid by the Agent to the Bank Investors (at their respective accounts specified in their respective Assignment and Assumption Agreements) in accordance with their respective related pro rata interests in the Net Investment on the Business Day received by the Agent, unless such amounts are received after 12:00 noon on such Business Day, in which case the Agent shall use its reasonable efforts to pay such amounts to the Bank Investors on such Business Day, but, in any event, shall pay such amounts to the Bank Investors in accordance with their respective related pro rata interests in the Net Investment not later than the following Business Day.

SECTION 6.7. BANK COMMITMENT; ASSIGNMENT TO BANK INVESTORS.

(a) BANK COMMITMENT. At any time on or prior to the Commitment Termination Date, in the event that the Bank Investors elect to make a Subsequent Funding as requested under Section 2.1, then at any time, the Issuer shall be considered to have directed the Company to assign its interest in the Note in whole to the Bank Investors pursuant to this Section 6.7, the Bank Investors agree to accept such assignment, and the Issuer hereby agrees to pay the amounts described in Section 6.7(d) below. In addition, at any time on or prior to the Commitment Termination Date upon the occurrence of a Termination Event or the Termination Date, the Issuer hereby requests and directs that the Company assign its interest in the Note in whole to the Bank Investors pursuant to this Section 6.7 and the Issuer hereby agrees to pay the amounts described in Section 6.7(d) below. Provided that the Net Asset Test is satisfied, upon any such election by the Company or any such request by the Issuer, the Company shall make such assignment and the Bank Investors shall accept such assignment and shall assume all of the Company's obligations hereunder. In connection with any assignment from the Company to the Bank Investors pursuant to this Section 6.7, each Bank

Investor shall, on the date of such assignment, pay to the Company an amount equal to its Assignment Amount. In addition, at any time on or prior to the Commitment Termination Date the Issuer shall have the right to request funding under this Agreement directly from the Bank Investors provided that at such time all conditions precedent set forth herein and in the Security Agreement for a Subsequent Funding shall be satisfied and PROVIDED FURTHER that in connection with such funding by the Bank Investors, the Bank Investors accept the assignment of the Note from the Company and assume all of the Company's obligations hereunder concurrently with or prior to any such Subsequent Funding. Upon any assignment by the Company to the Bank Investors contemplated hereunder, the Company shall cease to make any further advances to the Issuer hereunder.

(b) ASSIGNMENT. No Bank Investor may assign all or a portion of its interest in the Note and its rights and obligations hereunder to any Person unless approved in writing by the Agent and the Issuer. In the case of an assignment by the Company to the Bank Investors or by a Bank Investor to another Person, the assignor shall deliver to the assignee(s) an Assignment and Assumption Agreement, duly executed, assigning to the assignee a pro rata interest in the Note and the assignor's rights and obligations hereunder and the assignor shall promptly execute and deliver all further instruments and documents, and take all further action, that the assignee may reasonably request, in order to protect, or more fully evidence the assignee's right, title and interest in and to such interest and to enable the Agent, on behalf of such assignee, to exercise or enforce any rights hereunder and under the other documents to which such assignor is or, immediately prior to such assignment, was a party. Upon any such assignment, (i) the assignee shall have all of the rights and obligations of the assignor hereunder and under the other documents to which such assignor is or, immediately prior to such assignment, was a party with respect to such interest for all purposes of this Agreement and under the other documents to which such assignor is or, immediately prior to such assignment, was a party and (ii) the assignor shall relinquish its rights with respect to such interest for all purposes of this Agreement and under the other documents to which such assignor is or, immediately prior to such assignment, was a party. No such assignment shall be effective unless a fully executed copy of the related Assignment and Assumption Agreement shall be delivered to the Agent and

the Issuer. All reasonable costs and expenses of the Agent and the assignor incurred in connection with any assignment hereunder shall be borne by the Issuer and not by the assignor or any such assignee. No Bank Investor shall assign any portion of its Commitment hereunder without also simultaneously assigning an equal portion of its interest in the Liquidity Agreement.

(c) EFFECTS OF ASSIGNMENT. By executing and delivering an Assignment and Assumption Agreement, the assignor and assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Assumption Agreement, the assignor makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, the other documents or any other instrument or document furnished pursuant hereto or thereto or the execution, legality, validity, enforceability, genuineness, sufficiency or value or this Agreement, the other documents or any such other instrument or document; (ii) the assignor makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Issuer or CAC or the performance or observance by the Issuer or CAC of any of its obligations under this Agreement, the Contribution Agreement, the Security Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, the Security Agreement, the Contribution Agreement and such other instruments, documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Assumption Agreement and to purchase such interest; (iv) such assignee will, independently and without reliance upon the Agent, or any of its Affiliates, or the assignor and based on such agreements, documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other documents; (v) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement, the other documents and any other instrument or document furnished pursuant hereto or thereto as are delegated to the Agent by the terms hereof or thereof, together with such powers as are reasonably

incidental thereto and to enforce its respective rights and interests in and under this Agreement, the Security Agreement and the other documents; (vi) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement and the other documents are required to be performed by it as the assignee of the assignor; and (vii) such assignee agrees that it will not institute against the Company any proceeding of the type referred to in Section 7.6 prior to the date which is one year and one day after the payment in full of all Commercial Paper issued by the Company.

(d) ISSUER'S OBLIGATION TO PAY CERTAIN AMOUNTS; ADDITIONAL ASSIGNMENT AMOUNT. The Issuer shall pay to the Agent, for the account of the Company, in connection with any assignment by the Company to the Bank Investors pursuant to this Section 6.7, an aggregate amount equal to all Carrying Costs to accrue with respect to obligations already entered into by the Company as a result of or in connection with this Agreement. To the extent that such Carrying Costs relate to interest or discount on Commercial Paper issued to fund or refinance the Net Investment, if the Issuer fails to make payment of such amounts at or prior to the time of assignment by the Company to the Bank Investors, such amount shall be paid by the Bank Investors (in accordance with their respective Pro Rata Shares) to the Company as additional consideration for the interests assigned to the Bank Investors and the amount of the Net Investment hereunder held by the Bank Investors shall be increased by an amount equal to the additional amount so paid by the Bank Investors.

(e) ADMINISTRATION OF AGREEMENT AFTER ASSIGNMENT. After any assignment by the Company to the Bank Investors pursuant to this Section 6.7 (and the payment of all amounts owing to the Company in connection therewith), all rights of the Administrative Agent and the Collateral Agent set forth herein shall be deemed to be afforded to the Agent on behalf of the Bank Investors instead of either such party.

(f) PAYMENTS. After any assignment by the Company to the Bank Investors pursuant to this Section 6.7, all payments to be made hereunder by the Issuer or the Servicer to the Bank Investors shall be made to the Agent's account as such account shall have been notified to the Issuer.

(g) DOWNGRADE OF BANK INVESTOR. If at

any time prior to any assignment by the Company to the Bank Investors as contemplated pursuant to this Section 6.7, the short term debt rating of any Bank Investor shall be "A-2" or "P-2" with negative credit implications from S&P or Moody's, respectively, such Bank Investor, upon request of the Agent, shall, within 30 days of such request, assign its rights and obligations hereunder to another financial institution (which institution's short term debt shall be rated at least "A-2" and "P-2" from S&P and Moody's, respectively, and which shall not be so rated with negative credit implications). If the short term debt rating of a Bank Investor shall be "A-3" or "P-3", or lower, from S&P or Moody's, respectively (or such rating shall have been withdrawn by S&P's or Moody's), such Bank Investor, upon request of the Agent, shall, within five (5) Business Days of such request, assign its rights and obligations hereunder to another financial institution (which institution's short term debt shall be rated at least "A-2" and "P-2" from S&P and Moody's, respectively, and which shall not be so rated with negative credit implications). In either such case, if any such Bank Investor shall not have assigned its rights and obligations under this Agreement within the applicable time period described above, the Company shall have the right to require such Bank Investor to accept the assignment of such Bank Investor's Pro Rata Share of the Net Investment; such assignment shall occur in accordance with the applicable provisions of this Section 6.7. Such Bank Investor shall be obligated to pay to the Company, in connection with such assignment, in addition to the Pro Rata Share of the Net Investment, an amount equal to the interest component of the outstanding Commercial Paper issued to fund the portion of the Net Investment being assigned to such Bank Investor, as reasonably determined by the Agent. Notwithstanding anything contained herein to the contrary, upon any such assignment to a downgraded Bank Investor as contemplated pursuant to the immediately preceding sentence, the aggregate available amount of the Facility Limit, solely as it relates to new Fundings, shall be reduced by the amount of unused Commitment of such downgraded Bank Investor; it being understood and agreed, that nothing in this sentence or the two preceding sentences shall affect or diminish in any way any such downgraded Bank Investor's Commitment to the Issuer or such downgraded Bank Investor's other obligations and liabilities hereunder and under the other documents.

ARTICLE VII

MISCELLANEOUS

SECTION 7.1. NOTICES, ETC. Except where telephonic instructions or notices are authorized herein to be given, all notices, demands, instructions and other communications required or permitted to be given to or made upon any party hereto shall be in writing and shall be sent by facsimile transmission with a confirmation of the receipt thereof and shall be deemed to be given for purposes of this Agreement on the day that the receipt of such facsimile transmission is confirmed in accordance with the provisions of this Section 7.1. Unless otherwise specified in a notice sent or delivered in accordance with the foregoing provisions of this Section, notices, demands, instructions and other communications in writing shall be given to or made upon the respective parties hereto at their respective addresses indicated below, and, in the case of telephonic instructions or notices, by calling the telephone number or numbers indicated for such party below:

If to the Company:

Kitty Hawk Funding Corporation
c/o Lord Securities, Inc.
2 Wall Street
New York, New York 10005
Attention: Richard Taiano
Telephone: (212) 346-9006
Telecopy: (212) 346-9012

(with a copy to the Administrative Agent)

If to the Issuer:

CAC Funding Corp.
Silver Triangle Building
25505 West Twelve Mile Road
Southfield, Michigan 48034-8339
Attention: Douglas W. Busk
Telephone: (248) 353-2700 (ext. 432)
Telecopy: (248) 827-8542

If to the Agent:

NationsBank, N.A.

NationsBank Corporate Center
100 North Tryon Street
NC1-007-10-07
Charlotte, North Carolina 28255-0001
Attention: Michelle M. Heath
Investment Banking
Telephone: (704) 386-7922
Telecopy: (704) 388-9169

SECTION 7.2. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon the Issuer and the Company and their respective successors and assigns and shall inure to the benefit of the Issuer, and the Company and their respective successors and assigns including the Liquidity Provider; PROVIDED, HOWEVER, that the Issuer shall not assign any of its rights or obligations hereunder without the prior written consent of the Company and the Collateral Agent. The Issuer hereby acknowledges that the Company has assigned and granted a security interest in all of its rights hereunder to the Collateral Agent. In addition, the Issuer hereby acknowledges that the Company may at any time and from time to time assign all or a portion of its rights hereunder to the Liquidity Provider pursuant to the Liquidity Agreement. Except as expressly permitted hereunder or in the agreements establishing the Company's commercial paper program, the Company shall not assign any of its rights or obligations hereunder without the prior written consent of the Issuer.

Without limiting the foregoing, the Company may, from time to time, with prior or concurrent notice to the Issuer and the Servicer, in one transaction or a series of transactions, assign all or a portion of the Net Investment and its rights and obligations under this Agreement and any other Transaction Documents to which it is a party to a Conduit Assignee. Upon and to the extent of such assignment by the Company to a Conduit Assignee, (i) such Conduit Assignee shall be the owner of the assigned portion of the Net Investment, (ii) the related administrative or managing agent for such Conduit Assignee will act as the Administrative Agent for such Conduit Assignee, with all corresponding rights and powers, expressed or implied, granted to the Administrative Agent hereunder or under the other Transaction Documents, (iii) such Conduit Assignee and its liquidity support provider(s) and credit support

provider(s) and other related parties shall have the benefit of all the rights and protections provided to the Company and its Liquidity Provider(s) and Program Support Provider(s), respectively, herein and in the other Transaction Documents (including, without limitation, any limitation on recourse against such Conduit Assignee or related parties, any agreement not to file or join in the filing of a petition to commence an insolvency proceeding against such Conduit Assignee, and the right to assign to another Conduit Assignee as provided in this paragraph), (iv) such Conduit Assignee shall assume all (or the assigned or assumed portion) of the Company's obligations, if any, hereunder or any other Transaction Document, and the Company shall be released from such obligations, in each case to the extent of such assignment, and the obligations of the Company and such Conduit Assignee shall be several and not joint, (v) all distributions in respect of the Net Investment and the Note shall be made to the applicable agent or administrative agent, as applicable, on behalf of the Company and such Conduit Assignee on a pro rata basis according to their respective interets, (vi) the definition of the term "Carrying Costs" with respect to the portion of the Net Investment funded with commercial paper issued by the Conduit Assignee from time to time shall be determined on the basis of the interest rate or discount applicable to commercial paper issued by such Conduit Assignee (rather than the Company), (vii) the defined terms and other terms and provisions of this Agreement and the other Transaction Documents shall be interpreted in accordance with the foregoing, and (viii) if requested by the Agent or the agent of administrative agent with respect to the Conduit Assignee, the parties will execute and deliver such further agreements and documents and take such other actions as the Agent or such agent or administrative agent may reasonably request to evidence and give effect to the foregoing. No Assignment by the Company to a Conduit Assignee of all or any portion of the Net Investment shall in any way diminish the related Bank Investors' obligation under Section 2.1(a) to fund the Initial Funding if not funded by the Company or such Conduit Assignee or under Section 6.7(a) to acquire from the Company or such Conduit Assignee all or any portion of the Net Investment.

SECTION 7.3. SEVERABILITY CLAUSE. Any provisions of this Agreement which are 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 hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 7.4. AMENDMENTS. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER MAY NOT BE CHANGED ORALLY BUT ONLY BY AN INSTRUMENT IN WRITING SIGNED BY THE PARTIES HERETO; PROVIDED THAT THE PRIOR CONSENT OF THE MAJORITY INVESTORS SHALL BE REQUIRED EXCEPT IN SUCH CIRCUMSTANCES DESCRIBED IN SECTION 6.1(a) WHERE THE PRIOR CONSENT OF ALL BANK INVESTORS SHALL BE REQUIRED.

SECTION 7.5. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

SECTION 7.6. NO BANKRUPTCY PETITION AGAINST THE COMPANY. The Issuer covenants and agrees that and each of the other parties hereto covenant and agree that, and each such Person agrees that they shall cause any Successor Servicer appointed pursuant to Section 4.1 of the Security Agreement to covenant and agree that, prior to the date which is one year and one day after the payment in full of all Commercial Paper issued by the Company, it will not institute against, or join any other Person in instituting against, the Company or the Issuer, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any federal or state bankruptcy or similar law.

SECTION 7.7. SETOFF. The Issuer hereby irrevocably and unconditionally waives all right of setoff that it may have under contract (including this Agreement), applicable law or otherwise with respect to any funds or monies of the Company at any time held by or in the possession of the Company.

SECTION 7.8. NO RECOURSE. The Issuer's obligations under the Note are payable solely from the Collateral and no general recourse shall be had on the Note against the Issuer or CAC. Except as otherwise expressly provided in this Agreement, it is understood and agreed that neither the Issuer nor CAC shall be

liable for the payment of Commercial Paper or for any losses suffered by the Company in respect of the Note. The foregoing sentence shall not relieve the Issuer from any liability hereunder or under the Security Agreement with respect to its representations, warranties, covenants and other payment and performance obligations herein or therein described.

SECTION 7.9. FURTHER ASSURANCES. The Issuer agrees to do such further acts and things and to execute and deliver to the Company or the Collateral Agent such additional assignments, agreements, powers and instruments as are required by the Company to carry into effect the purposes of this Agreement or the Security Agreement or to better assure and confirm unto the Company or the Collateral Agent its rights, powers and remedies hereunder or thereunder.

SECTION 7.10. NO RECOURSE AGAINST STOCKHOLDERS, OFFICERS OR DIRECTORS. Notwithstanding anything to the contrary contained in this Agreement, the obligations of the Company under this Agreement and all other Transaction Documents are solely the corporate obligations of the Company and shall be payable solely to the extent of funds received from the Issuer in accordance herewith or from any party to any Transaction Document in accordance with the terms thereof in excess of funds necessary to pay matured and maturing Commercial Paper. No recourse under any obligation, covenant or agreement of the Company contained in this Agreement shall be had against Merrill Lynch Money Markets Inc. ("MERRILL")(or any affiliate thereof), or any stockholder, officer or director of the Company, as such, by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that this Agreement is solely a corporate obligation of the Company, and that no personal liability whatsoever shall attach to or be incurred by Merrill (or any affiliate thereof), or the stockholders, officers or directors of the buyer, as such, or any of them, under or by reason of any of the obligations, covenants or agreements of the Company contained in this Agreement, or implied therefrom, and that any and all personal liability for breaches by the Company of any of such obligations, covenants or agreements, either at common law or at equity, or by statute or constitution, of Merrill (or any affiliate thereof) and every such stockholder, officer or director of the Company is hereby expressly waived as a condition of and consideration for the execution of this

Agreement.

SECTION 7.11. COUNTERPARTS. This Agreement may be executed in any number of copies, and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument.

SECTION 7.12. HEADINGS. Section headings used in this Agreement are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

IN WITNESS WHEREOF, the Issuer, the Company and the Agent have caused this Note Purchase Agreement to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

CAC FUNDING CORP.,
as Issuer

By: /S/DOUGLAS W. BUSK
Name: DOUGLAS W. BUSK
Title: TREASURER

KITTY HAWK FUNDING CORPORATION,
as Company

By: /S/RICHARD L. TAIANO
Name: RICHARD L. TAIANO
Title: VICE PRESIDENT

NATIONSBANK, N.A., as Agent
and as Bank Investor

$51,500,000
Commitment

By: /S/ROBERT R. WOOD
Name: ROBERT R. WOOD
Title: VICE PRESIDENT

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NOTE PURCHASE AGREEMENT

among

CAC FUNDING CORP.
as Issuer,

KITTY HAWK FUNDING CORPORATION,
as Company,

and

NATIONSBANK, N.A.,
as Agent and Bank Investor

Dated as of July 7, 1998

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EXHIBITS

EXHIBIT 4(f)(1)

SECURITY AGREEMENT

SECURITY AGREEMENT (this "AGREEMENT"), dated as of July 7, 1998 among KITTY HAWK FUNDING CORPORATION, a Delaware corporation, as a secured party (together with its successors and assigns, the "COMPANY"), CAC FUNDING CORP., a Nevada corporation, as debtor (together with its successors and assigns, the "DEBTOR"), CREDIT ACCEPTANCE CORPORATION, a Michigan corporation, individually and as servicer (together with its successors and assigns, the "SERVICER"), and NATIONSBANK, N.A., a national banking association ("NATIONSBANK"), individually and as collateral agent (together with its successors and assigns in such capacity, the "COLLATERAL AGENT").

W I T N E S S E T H :

WHEREAS, subject to the terms and conditions of this Agreement, the Debtor desires to grant a security interest in and to the Loans and related property (including the Debtor's interest in the Contracts securing payment of such Loans) and the Collections derived therefrom during the full term of this Agreement;

WHEREAS, pursuant to the Note Purchase Agreement, the Debtor has issued the Note to the Company and will be obligated to the holder of such Note to pay the principal of and interest on such Note in accordance with the terms thereof;

WHEREAS, the Debtor is granting a security interest in the Collateral to the Collateral Agent, for the benefit of the Secured Parties, to secure the payment and performance of the Debtor of its obligations under the Note, the Note Purchase Agreement and this Agreement;

NOW THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 DEFINITIONS. All capitalized terms used herein shall have the meanings herein specified, and shall include in the singular number the plural and in the plural number the singular:

"ACCRUED INTEREST COMPONENT" shall mean, for any Collection Period, the Interest Component of all Related Commercial Paper outstanding at any time during such Collection Period which has accrued from the first day through the last day of such Collection Period, whether or not such Related Commercial Paper matures during such Collection Period. For purposes of the immediately preceding sentence, the portion of the Interest Component of Related Commercial Paper accrued in a Collection Period in which Related Commercial Paper has a stated maturity date that succeeds the last day of such Collection Period shall be computed based on the actual number of days that such Related Commercial Paper was outstanding during such Collection Period.

"ADJUSTED LIBOR RATE" means, with respect to any Collection Period, a rate per annum equal to the sum (rounded upwards, if necessary, to the next higher 1/100 of 1%) of (A) the rate obtained by dividing (i) the applicable LIBOR Rate by (ii) a percentage equal to 100% minus the reserve percentage used for determining the maximum reserve requirement as specified in Regulation D (including, without limitation, any marginal, emergency, supplemental, special or other reserves) that is applicable to the Agent during such Collection Period in respect of eurocurrency or eurodollar funding, lending or liabilities (or, if more than one percentage shall be so applicable, the daily average of such percentage for those days in such Collection Period during which any such percentage shall be applicable) plus (B) the then daily net annual assessment rate (rounded upwards, if necessary, to the nearest 1/100 of 1%) as estimated by the Agent for determining the current annual assessment payable by the Agent to the Federal Deposit Insurance Corporation in respect of eurocurrency or eurodollar

funding, lending or liabilities.

"ADMINISTRATIVE AGENT" shall mean NationsBank, N.A., as administrative agent for the Company.

"ADMINISTRATIVE EXPENSES" shall mean, with respect to any Collection Period, the sum of: (a) the reasonable expenses incurred by the Debtor in the ordinary course of business, (b)the reasonable expenses of the Debtor relating to the maintenance of the Collateral, and (c) all other expenses of the Debtor relating to the issuance of the Note pursuant to this Agreement, including legal fees and expenses of counsel and accountants; PROVIDED, that Administrative Expenses shall not exceed $25,000 in any given calendar year.

"AFFILIATE" shall mean, with respect to a Person, any other Person which directly or indirectly controls, is controlled by or is under common control with such Person. The term "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.

"AGENT" shall have the meaning specified in the Note Purchase Agreement.

"AGGREGATE OUTSTANDING ELIGIBLE LOAN BALANCE" shall mean, with respect to any date of determination, the aggregate Outstanding Balance under all Eligible Loans at the end of such day.

"AGREEMENT" shall mean this Security Agreement, as it may from time to time be amended, supplemented or otherwise modified in accordance with the terms hereof.

"AVAILABLE CASH" shall mean the Accrued Interest Component of Related Commercial Paper which is distributed to the Agent pursuant to Section 5.1(a)(iii), with respect to which such Related Commercial Paper did not mature during the related Collection Period.

"AVAILABLE COLLECTIONS" shall mean, with respect to each Remittance Date, all Collections received by the Servicer, from whatever source, including amounts paid by the Debtor under Section 3.2(e) during or with

respect to the prior Collection Period.

"BANK INVESTORS" shall have the meaning specified in the Note Purchase Agreement.

"BASE RATE" means, a rate per annum equal to the greater of (i) the prime rate of interest announced by the Liquidity Provider (or, if more than one Liquidity Provider, then by NationsBank, N.A.) from time to time, changing when and as said prime rate changes (such rate not necessarily being the lowest or best rate charged by the Liquidity Provider (or NationsBank, N.A. as applicable)) and (ii) the sum of (a) 1.50% and (b) the rate equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day for such transactions received by the Liquidity Provider (or, if more than one Liquidity Provider, then by NationsBank, N.A.) from three Federal funds brokers of recognized standing selected by it.

"BLENDED ADVANCE RATE" shall mean the percentage designated by the Company, in its sole discretion, on the day of the most recent Funding. As of the Closing Date, the Blended Advance Rate will be 72.77%.

"BUSINESS DAY" shall mean any day excluding Saturday, Sunday and any day on which banks in New York, New York, Charlotte, North Carolina or Detroit, Michigan are authorized or required by law to close.

"CAC" shall mean Credit Acceptance Corporation, a Michigan corporation, and its successors and assigns.

"CARRYING COSTS" shall mean, with respect to any Collection Period, the sum (without duplication) of (i) the sum of the dollar amount of the obligations of the Company and any related Program Support Providers for such Collection Period determined on an accrual basis in

accordance with generally accepted accounting principles consistently applied (a) to pay interest accrued during such Collection Period with respect to the Note pursuant to the Liquidity Provider Agreement and amounts outstanding under the Program Support Agreement at any time during such Collection Period, whether or not such interest is payable during such Collection Period, and (b) to pay the Accrued Interest Component of Related Commercial Paper with respect to such Collection Period, and (ii) the sum of (a) amounts payable in respect of the Note by the Debtor pursuant to Article V of the Note Purchase Agreement, and (b) to pay all fees payable pursuant to the Fee Letter accrued from the first day of such Collection Period through the last day of such Collection Period to the extent not paid by the Debtor in accordance with the provisions of the Note Purchase Agreement and such Fee Letter. During any Collection Period during which the Bank Investors have (x) advanced funds with respect to a Funding or (y) acquired an interest in the Note, in lieu of the amounts described in clause (i)(b) above, Carrying Costs shall include interest on the daily average Net Investment for the related Collection Period at the Adjusted LIBOR Rate, or if such rate is unavailable, at the Base Rate, or if a Termination Event (other than a Termination Event described in clauses (vii) and (viii) of Section 6.1) shall have occurred and be continuing, at the Base Rate plus 2.00%.

"CLOSING DATE" shall mean July 7, 1998.

"CODE" shall mean the Internal Revenue Code of 1986, as amended from time to time (including any successor statute), and the regulations promulgated and the rulings issued thereunder.

"COLLATERAL" shall have the meaning set forth in Section 2.1 of this Agreement.

"COLLATERAL AGENT" shall mean NationsBank, N.A., or any successor thereto, as Collateral Agent hereunder.

"COLLECTION ACCOUNT" shall mean the account established pursuant to Section 4.7 of this Agreement.

"COLLECTION GUIDELINES" shall mean policies and procedures of the Servicer, relating to the collection of

amounts due on contracts for the sale of automobiles and/or light-duty trucks, as in effect on the Cut-Off Date and as amended from time to time in accordance herewith and with the other Transaction Documents.

"COLLECTION PERIOD" shall mean, with respect to any Remittance Date, the period from and including the first day of the calendar month immediately preceding the calendar month in which such Remittance Date occurs through and including the last day of such immediately preceding calendar month; PROVIDED, that the first Collection Period shall begin on the Cut-Off Date and shall end on the 31st day of the calendar month following the month containing the Cut-Off Date.

"COLLECTIONS" shall mean all payments (including Recoveries, credit-related insurance proceeds, Interest Rate Cap proceeds and proceeds of Related Security) received by the Servicer, CAC or the Debtor on or after the Cut-Off Date in respect of the Loans in the form of cash, checks, wire transfers or other form of payment in accordance with the Loans and the Dealer Agreements.

"COMMERCIAL PAPER" shall mean promissory notes of the Company issued by the Company in the commercial paper market.

"COMPANY" shall mean Kitty Hawk Funding Corporation, a Delaware corporation, together with its successors and assigns.

"CONTRACT" shall mean each retail installment sales contract, in substantially one of the forms attached hereto as Exhibit A, relating to the sale of a new or used automobile or light-duty truck originated by a Dealer and in which CAC shall have been granted a security interest and shall have acquired certain other ownership rights under the related Dealer Agreement to secure the related dealer's obligation to repay one or more Loans.

"CONTRIBUTION AGREEMENT" shall mean a Contribution Agreement, dated as of July 7, 1998, substantially in the form of Exhibit B hereto between CAC

and the Debtor, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"CREDIT GUIDELINES" shall mean policies and procedures of CAC, relating to the extension of credit to automobile and light-duty truck dealers in respect of retail installment contracts for the sale of automobiles and/or light-duty trucks, including, without limitation, the policies and procedures for determining the creditworthiness of such dealers and relating to this extension of credit to such dealers and the maintenance of installment sale contracts, as in effect on the Cut-Off Date and as amended from time to time in accordance herewith and with the other Transaction Documents.

"CUT-OFF DATE" shall mean June 30, 1998.

"DATE OF PROCESSING" shall mean, with respect to any transaction relating to a Loan or a Contract, the date on which such transaction is first recorded on the Servicer's master servicing file (without regard to the effective date of such recordation).

"DEALER" shall mean any new or used automobile and/or light-duty truck dealer who has entered into a Dealer Agreement with CAC.

"DEALER AGREEMENT" shall mean each agreement between CAC and any Dealer, in substantially the form attached hereto as Exhibit C.

"DEALER COLLECTIONS" shall have the meaning specified in Section 5.1(e).

"DEALER CONCENTRATION LIMIT" shall mean 3% of the Net Investment on any date of determination.

"DEBTOR" shall mean CAC Funding Corp., a Nevada corporation, and its successors and assigns.

"DEBTOR RELIEF LAW" shall mean the Bankruptcy Code of the United States of America, and any successor to such code, and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, suspension of payments, readjustment of debt, marshaling of assets or

similar debtor relief laws of the United States, any state or any foreign country from time to time in effect affecting the rights of creditors generally.

"DEFAULTED CONTRACT" shall mean each Contract for which the amounts due thereunder should be charged off as uncollectible in accordance with the Servicer's accounting policies in effect from time to time. A Contract shall become a Defaulted Contract on the day on which the amounts due under such Contract are recorded as charged off on the Servicer's master file of Contracts, but, in any event, shall be deemed a Defaulted Contract no later than the earliest of (x) the day it becomes 270 days delinquent, based on the date the last payment thereon was received by the Servicer and (y) the day on which it is identified by the Servicer as uncollectible. Notwithstanding any other provision of this Agreement, any amount due under a Defaulted Contract which is an Ineligible Contract shall be treated as an amount due under an Ineligible Contract rather than as an amount due under a Defaulted Contract.

"DETERMINATION DATE" shall mean the eighth day of each calendar month or, if such eighth day is not a Business Day, the next succeeding Business Day.

"DISSOLUTION EVENT" shall mean CAC, the Servicer or the Debtor voluntarily seeking, consenting to or acquiescing in the benefit or benefits of any Debtor Relief Law or similar proceeding or becoming a party to (or be made the subject of) any proceeding provided for by any Debtor Relief Law or similar proceedings of or relating to CAC, the Servicer or the Debtor, or relating to all or substantially all of their respective properties, other than as a creditor or claimant, and in the event such proceeding is involuntary, the petition instituting the same is not dismissed within 60 days of its filing; or CAC, the Servicer or the Debtor, as applicable, shall admit in writing its inability to pay its debts generally as they become due, make an assignment for the benefit of its creditors or voluntarily suspend payment of its obligations.

"DOLLAR," "DOLLARS" and the symbol "$" shall mean lawful money of the United States of America.

"DUFF & PHELPS" shall mean Duff & Phelps Credit

Rating Company.

"ELIGIBLE CONTRACT" shall mean each Contract which satisfies the requirements for "Qualified Receivable" set forth in the related Dealer Agreement.

"ELIGIBLE DEALER AGREEMENT" means, each Dealer Agreement:

(a) which was originated in compliance with all applicable requirements of law and which complies with all applicable requirements of law;

(b) with respect to which all material consents, licenses, approvals or authorizations of, or registrations or declarations with, any Governmental Authority required to be obtained, effected or given by the Debtor, CAC or by the Servicer in connection with the origination of such Dealer Agreement or the execution, delivery and performance by the Debtor, CAC or by the Servicer of such Dealer Agreement have been duly obtained, effected or given and are in full force and effect;

(c) as to which at the time of the transfer of rights thereunder to the Collateral Agent and the Secured Parties, the Debtor will have good and marketable title thereto, free and clear of all Liens (other than the interests of the applicable Dealer thereunder);

(d) The rights under which have been the subject of a valid grant of a first priority perfected security interest in such rights and in the proceeds thereof;

(e) which will at all times be the legal, valid and binding obligation of the Dealer thereof (it being understood that recourse for such payment obligation shall be limited to the extent set forth in the Dealer Agreement), enforceable against such Dealer in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or

hereafter in effect, affecting the enforcement of creditors' rights in general and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or inequity);

(f) which constitutes either a "general intangible" or "chattel paper" under and as defined in Article 9 of the UCC as in effect in the Relevant UCC State;

(g) which, at the time of the pledge of the rights to payment thereunder to the Collateral Agent and the Secured Parties, has not been waived or modified;

(h) which is not subject to any right of rescission, setoff, counterclaim or other defense (including the defense of usury), other than defenses arising out of applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights in general;

(i) as to which CAC, the Servicer and the Debtor have satisfied all obligations to be fulfilled at the time the rights to payment thereunder are pledged to the Collateral Agent and the Secured Parties;

(j) as to which the related Dealer has not asserted that such agreement is void or unenforceable;

(k) as to which the related Dealer is not bankrupt or insolvent to the best of CAC's knowledge; and

(l) as to which none of CAC, the Servicer nor the Debtor has done anything, at the time of its pledge to the Collateral Agent and Secured Parties, to impair the rights of the Collateral Agent and Secured Parties therein.

"ELIGIBLE INSTITUTION" shall mean the Collateral Agent or any other depository institution organized under the laws of the United States or any one of the States thereof including the District of Columbia, the deposits in which are insured by the FDIC and which at all times has a short-term unsecured debt rating of at least "A-1+" and "P-1" from Standard & Poor's and

Moody's, respectively, and of at least "D-1+" from Duff & Phelps, if such institution is rated by Duff & Phelps, and of at least "F-1+" from Fitch, if such institution is rated by Fitch.

"ELIGIBLE INVESTMENTS" shall mean (a) negotiable instruments or securities represented by instruments in bearer or registered or in book-entry form which evidence (i) obligations fully guaranteed by the United States of America; (ii) time deposits in, or bankers acceptances issued by, any depository institution or trust company incorporated under the laws of the United States of America or any state thereof (or any domestic branch or agency of any foreign bank) and subject to supervision and examination by Federal or state banking or depository institution authorities; PROVIDED, HOWEVER, that at the time of the investment or contractual commitment to invest therein, the certificates of deposit or short-term deposits, if any, or long-term unsecured debt obligations (other than any such obligation whose rating is based on collateral or on the credit of a Person other than such institution or trust company) of such depository institution or trust company shall have a credit rating from Moody's and Standard & Poor's of at least "P-1" and "A-1+", respectively, and from Duff & Phelps of at least "D-1+", if such investment is rated by Duff & Phelps, and from Fitch of at least "F-1+", if such investment is rated by Fitch, in the case of the certificates of deposit or short-term deposits, or a rating not lower than one of the two highest investment categories granted by Moody's and Standard & Poor's and Duff & Phelps, if such investment is rated by Duff & Phelps, and Fitch, if such investment is rated by Fitch; (iii) certificates of deposit having, at the time of the investment or contractual commitment to invest therein, a rating from Moody's and Standard & Poor's of at least "P-1" and "A-1+", respectively, and from Duff & Phelps of at least "D-1+", if such certificates of deposit are rated by Duff & Phelps, and from Fitch of at least "F-1", if such certificates of deposit are rated by Fitch; or (iv) investments in money market funds rated in the highest investment category, (b) demand deposits in the name of the Secured Parties or the Collateral Agent on behalf of

the Secured Parties in any depository institution or trust company referred to in (a)(ii) above, (c) commercial paper (having original or remaining maturities of no more than 30 days) having, at the time of the investment or contractual commitment to invest therein, a credit rating from Moody's and Standard & Poor's of at least "P-1" and "A-1+", respectively, and from Duff & Phelps of at least "D-1+", if such commercial paper is rated by Duff & Phelps, and from Fitch of at least "F-1", if such commercial paper is rated by Fitch, (d) Eurodollar time deposits having a credit rating from Moody's and Standard & Poor's of at least "P-1" and "A-1+", respectively, and from Duff & Phelps of at least "D-1+", if such deposits are rated by Duff & Phelps, and from Fitch of at least "F-1", if such deposits are rated by Fitch, and (e) repurchase agreements involving any of the Eligible Investments described in clauses (a)(i), (a)(iii) and (d) hereof so long as the other party to the repurchase agreement has at the time of the investment therein, a rating from Moody's and Standard & Poor's of at least "P-1" and "A-1+", respectively, and from Duff & Phelps of at least "D-1+", if such party is rated by Duff & Phelps, and from Fitch of at least "F-1", if such party is rated by Fitch.

"ELIGIBLE LOAN" means, each Loan:

(a) which has arisen under a Dealer Agreement that, on the day the Loan was created, qualified as an Eligible Dealer Agreement;

(b) which was created in compliance with all applicable requirements of law and pursuant to a Dealer Agreement which complies with all applicable requirements of law;

(c) with respect to which all material consents, licenses, approvals or authorizations of, or registrations or declarations with, any Governmental Authority required to be obtained, effected or given by the Debtor or by the original creditor, if not the Debtor, in connection with the creation of such Loan or the execution, delivery and performance by the Debtor or by the original creditor, if not the Debtor, of the related Dealer Agreement have been duly obtained, effected or given and are in full force and effect;

(d) as to which at the time of the pledge of such Loan to the Collateral Agent and the Secured Parties, the Debtor will have good and marketable title thereto, free and clear of all Liens;

(e) which has been the subject of a grant of a valid first priority perfected security interest in such Loan and in the proceeds thereof;

(f) which will at all times be the legal, valid and binding payment obligation of the Obligor thereof (it being understood that recourse for such payment obligation shall be limited to the extent set forth in the Dealer Agreement), enforceable against such Obligor in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, affecting the enforcement of creditors' rights in general and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or equity);

(g) which constitutes a "general intangible" under and as defined in Article 9 of the UCC as in effect in the Relevant UCC State;

(h) the financing of which with the proceeds of commercial paper would constitute a "current transaction" within the meaning of Section 3(a)(3) of the Securities Act;

(i) which is denominated and payable in United States dollars;

(j) which, at the time of its pledge to the Collateral Agent and the Secured Parties, has not been waived or modified;

(k) which is not subject to any right of rescission (subject to the rights of the dealer to repay the outstanding balance of the Loan and terminate the related Dealer Agreement), setoff, counterclaim or other defense (including the defense of usury), other than

defenses arising out of applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights in general;

(l) as to which CAC, the Servicer and the Debtor have satisfied all obligations to be fulfilled at the time it is pledged to the Collateral Agent and the Secured Parties;

(m) as to which the related Dealer has not asserted that the related Dealer Agreement is void or unenforceable;

(n) as to which the related Dealer is not bankrupt or insolvent to the best of CAC's knowledge;

(o) as to which none of CAC, the Servicer nor the Debtor has done anything, at the time of its pledge to the Collateral Agent and the Secured Parties, to impair the rights of the Collateral Agent and the Secured Parties;

(p) the ratio of the outstanding advance to the gross contract balance securing such Loan is less than or equal to 45%; PROVIDED, that Loans which otherwise satisfy the definition of Eligible Loan but with regard to which such ratio is greater than 45% shall be considered Eligible Loans but only to the extent the Outstanding Balance of such Loans does not exceed 22.5% of the Aggregate Outstanding Eligible Loan Balance (not giving effect to this clause (p)); and

(q) the proceeds of which were used to finance the purchases of new or used automobiles and/or light-duty trucks and related products.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA AFFILIATE" shall mean with respect to the Debtor, at any time, each trade or business (whether or not incorporated) that would, at the time, be treated together with the Debtor as a single employer under Section 4001 of ERISA or Sections 414(b), (c), (m) or (o) of the Code.

"EXCLUDED LOAN BALANCE" shall mean, with respect to any date of determination, the sum, without duplication, of the aggregate for all Dealers of the amount by which (A) the aggregate Outstanding Balance of all Loans made to each such Dealer exceeds (B) the product of the Dealer Concentration Limit and the Aggregate Outstanding Eligible Loan Balance.

"FACE AMOUNT" shall mean (i) with respect to Commercial Paper issued on a discount basis, the face amount stated therein, and (ii) with respect to Commercial Paper which is interest-bearing, the principal amount of and interest accrued and to accrue on such Commercial Paper to its stated maturity.

"FEE LETTER" shall mean the letter agreement, dated the Closing Date, among the Company, the Administrative Agent and the Debtor in respect of the payment by the Debtor of certain fees.

"FITCH" shall mean Fitch IBCA, Inc.

"FUNDING" shall have the meaning specified in the Note Purchase Agreement.

"GOVERNMENTAL AUTHORITY" shall mean the United States of America, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"GUARANTY" shall mean any agreement, undertaking or arrangement by which any Person guarantees, endorses, or otherwise becomes contingently liable (whether directly, or indirectly by way of agreement, contingent or otherwise, or purchase, to provide funds for payment, to supply funds to or otherwise invest in the debtor, or otherwise to assure the creditor against loss) upon, the indebtedness, obligation or liability of any Person, or guarantees the payment of dividends or other distributions upon the stock of any corporation.

"INCOME COLLECTIONS" shall mean all Collections received in respect of any dealer servicing fee, as stated in, and determined in accordance with, each respective Dealer Agreement, plus all investment earnings on amounts on deposit in the Collection Account.

"INELIGIBLE CONTRACT" shall mean each Contract other than an Eligible Contract.

"INELIGIBLE LOAN" shall mean each Loan other than an Eligible Loan.

"INITIAL FUNDING" shall have the meaning specified in the Note Purchase Agreement.

"INSTRUMENTS" shall mean "instruments" as defined in Section 9-105 of the UCC.

"INSURANCE POLICY" shall mean the business interruption insurance policy number FIP 000490002 issued by Fidelity & Deposit Company of Maryland.

"INTEREST COMPONENT" shall mean, with respect to Commercial Paper issued (i) on a discount basis, the portion of the Face Amount of such Commercial Paper representing the discount incurred in respect thereof and (ii) on an interest-bearing basis, the interest payable on such Commercial Paper at its maturity PROVIDED, HOWEVER, that if any component of such rate is a discount rate in calculating the Interest Component, the rate used to calculate such component of such rate shall be a rate resulting from converting such discount rate to an interest bearing equivalent rate per annum.

"INTEREST RATE CAP" shall have the meaning specified in Section 3.3(q).

"INVESTMENT COMPANY ACT" shall mean the Investment Company Act of 1940, as amended.

"KHFC COLLATERAL AGENT" shall mean NationsBank, N.A. as collateral agent in respect of the Company's Commercial Paper program.

"LAW" shall mean any law (including common

law), constitution, statute, treaty, regulation, rule, ordinance, order, injunction, writ, decree or award of any Official Body.

"LIBOR RATE" means, with respect to any Collection Period, the rate determined by NationsBank, N.A. ("NATIONSBANK") to be (i) the per annum rate for deposits in U.S. Dollars for a term of one month which appears on the Telerate Page 3750 Screen on the day that is two London Business Days prior to the first day of such Collection Period except, that if such first day of the Collection Period is not a Business Day, then the first preceding day that is a Business Day (rounded upwards, if necessary, to the nearest 1/100,000 of 1%), (ii) if such rate does not appear on the Telerate Page 3750 Screen, the term "LIBOR Rate" with respect to that Collection Period shall be the arithmetic mean (rounded upwards, if necessary, to the nearest 1/100,000 of 1%) of the offered quotations obtained by NationsBank from four major banks in the London interbank market selected by NationsBank (the "REFERENCE BANKS") for deposits in U.S. Dollars to leading banks in the London interbank market as of approximately 11:00 a.m. (London time) on the day that is two London Business Days prior to the first day of such Collection Period, unless such first day of the Collection Period is not a Business Day, in which case, the first preceding day that is a Business Day or (iii) if fewer than two Reference Banks provide NationsBank with such quotations, the LIBOR Rate shall be the rate per annum which NationsBank determines to be the arithmetic mean (rounded upwards, if necessary, to the nearest 1/100,000 of 1%) of the offered quotations which leading banks in New York City selected by NationsBank are quoting in the New York interbank market on such date for deposits in U.S. dollars to the Reference Banks or; if fewer than two such quotations are available, to leading European and Canadian Banks.

"LIEN" shall mean any mortgage, deed of trust, pledge, hypothecation, assignment, participation, deposit arrangement, encumbrance, lien (statutory or other), preference, priority, charge or other security agreement or preferential arrangement of any kind or nature whatsoever, including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing and the filing of any

financing statement under the Uniform Commercial Code (other than any such financing statement filed for informational purposes only) or comparable law of any jurisdiction to evidence any of the foregoing.

"LIQUIDITY AGREEMENT" shall mean the agreement between the Company and any Liquidity Provider evidencing the obligation of the Liquidity Provider to provide liquidity support to the Company in connection with the issuance of Commercial Paper.

"LIQUIDITY PROVIDER" shall have the meaning specified in the Note Purchase Agreement.

"LIQUIDITY PROVIDER AGREEMENT" shall have the meaning specified in the Note Purchase Agreement.

"LOAN" shall mean all amounts advanced by CAC under a Dealer Agreement and payable from Collections, including servicing charges, insurance charges and service policies and all related finance charges, late charges, and all other fees and charges charged to customers; PROVIDED, HOWEVER, that the term "Loan" shall, for the purposes of this Agreement, include only those Loans identified from time to time on Exhibit D hereto, as amended from time to time in accordance herewith.

"LONDON BUSINESS DAY" shall mean any day which is a Business Day and also is a day on which commercial banks are open for international business (including dealings in U.S. Dollar deposits) in London.

"MANDATORY CLEAN-UP EVENT" shall mean any day on which the Net Investment is $500,000 or less.

"MATERIAL ADVERSE CHANGE" Any circumstance or event which in the reasonable judgment of the Collateral Agent (a) may be reasonably expected to cause a material adverse change to the validity or enforceability of this Agreement or the Servicing Agreement, (b) may be reasonably expected to be material and adverse to the financial condition, business, operations or property of the Servicer (other than a decline in the volume of vehicles sold in the United States automobile and

light-duty truck market or a circumstance or event that has a material adverse effect on the United States financial markets) or (c) may be reasonably expected to materially impair the ability of the Servicer to fulfill its obligations under this Agreement or the Servicing Agreement.

"MATERIAL ADVERSE EFFECT" shall mean, with respect to any Person, a material adverse effect on (i) the financial condition or operations of such Person and its subsidiaries, as the case may be, taken as one enterprise, (ii) the ability of such Person to perform its obligations under this Agreement and the other Transaction Documents, (iii) the legality, validity or enforceability of this Agreement and the other Transaction Documents, (iv) the Collection Agent's interest in the aggregate amount of Loans and other Collateral or in any significant portion of the Loans and other Collateral, or (v) the collectibility of the aggregate amount of Loans or of any significant portion of the Loans, other than, in the case of clauses (i)-(v), such Material Adverse Effects which are the direct result of actions or omissions of the Collection Agent, the Company or their respective Affiliates.

"MONTHLY SERVICER'S CERTIFICATE" shall have the meaning specified in Section 4.5 hereof.

"MONTHLY SERVICING FEE" shall mean, with respect to any Remittance Date, an amount equal to the product of (i) 4.00% and (ii) the Available Collections (excluding from Available Collections such amounts paid by the Debtor under Section 3.2(e) with respect to such Remittance Date and any proceeds received pursuant to the Interest Rate Cap).

"MOODY'S" shall mean Moody's Investors Service, Inc.

"MULTIEMPLOYER PLAN" shall mean a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA to which contributions are or have been made by the Debtor or any ERISA Affiliate of the Debtor.

"NATIONSBANK" shall mean NationsBank, N.A., a national banking association, and its successors and assigns.

"NET INVESTMENT" shall mean with respect to any Determination Date, (i) the amount of the Initial Funding PLUS any Subsequent Fundings LESS (ii) all Collections distributed to the Noteholder in reduction of the Net Investment pursuant to Section 5.1 hereof on or prior to such Determination Date LESS (iii) any draws from the Reserve Account distributed to the Noteholder in reduction of the Net Investment, LESS (iv) any amounts paid to the Noteholder allocable to principal pursuant to Section 3.2(e), and LESS (v) any other amounts applied in reduction of the Net Investment.

"NOTE" shall mean the note issued by the Debtor to the Company pursuant to Section 2.1(e) of the Note Purchase Agreement.

"NOTEHOLDER" shall mean the Company as holder of the Note or any assignee thereof.

"NOTE INTEREST" shall have the meaning specified in Section 5.1(c).

"NOTE PURCHASE AGREEMENT" shall mean the Note Purchase Agreement dated as of July 7, 1998 among the Debtor, the Company and NationsBank, as Agent and as a Bank Investor, as such agreement may be amended, modified and supplemented from time to time.

"OBLIGOR" shall mean, with respect to any Loan, Dealer Agreement or Contract, the Person or Persons obligated to make payments with respect to such Dealer Agreement, Loan or Contract, respectively, including any guarantor thereof.

"OFFICIAL BODY" shall mean any government or political subdivision or any agency, authority, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

"OPTIONAL CLEAN-UP EVENT" shall mean any day on which the amount of the Net Investment is 5% (or less) of the amount of the highest Net Investment on any preceding day.

"OUTSTANDING BALANCE" shall mean,

(i) with respect to any Contract, all amounts owing under such Contract (whether considered principal or as finance charges) from time to time. The Outstanding Balance with respect to a Contract shall be deemed to have been created at the end of the day on the Date of Processing of such Contract; and

(ii) with respect to any Loan, the aggregate amount advanced under such Loan plus all collection costs owed to CAC under and as defined in the related Dealer Agreement less all Collections applied in accordance with the related Dealer Agreement to the reduction of the balance of such Loan.

"PBGC" shall mean the Pension Benefit Guaranty Corporation or any other entity succeeding to the functions currently performed by the Pension Benefit Guaranty Corporation.

"PERSON" shall mean any legal person, including any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Authority or other entity of similar nature.

"PLAN" shall mean any employee pension benefit plan that (a) is or has been maintained by the Debtor or any ERISA Affiliate of the Debtor, or to which contributions by any such Person are or have been required to be made, (b) is subject to the provisions of Title IV of ERISA and (c) is not a Multiemployer Plan.

"POTENTIAL TERMINATION EVENT" means an event which but for the lapse of time or the giving of notice, or both, would constitute a Termination Event.

"PRINCIPAL COLLECTIONS" shall mean all Collections which are not Income Collections or Dealer Collections.

"PROGRAM SUPPORT AGREEMENT" shall have the

meaning specified in the Note Purchase Agreement.

"PROGRAM SUPPORT PROVIDER" shall have the meaning specified in the Note Purchase Agreement.

"RECORDS" shall mean the Dealer Agreements, Contracts and all other documents, books, records and other information (including, without limitation, computer programs, tapes, discs, punch cards, data processing software and related contracts, records and other media for storage of information) maintained with respect to the Loans and the Contracts and the related Obligors.

"RECOVERIES" shall mean all amounts, if any, received or collected by the Servicer or CAC with respect to Defaulted Contracts.

"RECENCY BASIS" shall mean the method of aging a Contract, which determines the delinquency of a Contract based upon the number of days elapsed since the date the last payment was received.

"REGULATION D" shall mean Regulation D of the Board of Governors of the Federal Reserve System, as the same may be amended, supplemented or otherwise modified and is effect from time to time.

"RELATED COMMERCIAL PAPER" shall mean Commercial Paper issued by the Company the proceeds of which were used to acquire, or refinance the acquisition of, an interest in the Net Investment with respect to the Debtor.

"RELATED SECURITY" shall mean with respect to any Loan all of CAC's and the Debtor's interest in:

(i) the Dealer Agreements and Contracts securing payment of such Loan;

(ii) all security interests or liens purporting to secure payment of such Loan, whether pursuant to such Loan, the related Dealer Agreement or otherwise, together with all financing statements signed by the related Obligor describing any collateral securing such Loan and all other property obtained upon foreclosure of any security interest securing payment of such Loan or any

related Contract; and

(iii) all guarantees, insurance (including insurance insuring the priority or perfection of any lien) or other agreements or arrangements of any kind from time to time supporting or securing payment of such Contract whether pursuant to such Contract or otherwise, including any of the foregoing relating to any Contract securing payment of such Loan.

"RELEVANT UCC STATE" shall mean the States of New York and Michigan, as applicable.

"REMITTANCE DATE" shall mean the twelfth day of each calendar month, or, if such twelfth day is not a Business Day, the next succeeding Business Day.

"REPORTABLE EVENT" shall mean any of the events set forth in section 4043(b) of ERISA, other than those events for which notice to the PBGC is waived under applicable PBGC regulations.

"REQUIRED RESERVE ACCOUNT BALANCE" shall mean an amount equal to the product of (i) 1.45% and (ii) the Net Investment (after the application of funds pursuant to Section 5.1 on the related Remittance Date).

"REQUIREMENTS OF LAW" for any Person shall mean the certificate of incorporation or articles of association and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation, or determination of an arbitrator or Governmental Authority, in each case applicable to or binding upon such Person or to which such Person is subject, whether Federal, state or local (including, without limitation, usury laws, the Federal Truth in Lending Act and Regulation Z and Regulation B of the Board of Governors of the Federal Reserve System).

"RESERVE ACCOUNT" shall mean the account established pursuant to Section 4.7(b) hereof.

"RESERVE ADVANCE" shall have the meaning specified in Section 5.1(c).

"S&P" shall mean Standard & Poor's Ratings Group, a Division of The McGraw-Hill Companies.

"SECURED PARTIES" shall mean the Company, the Bank Investors and their respective successors and assigns.

"SECURITIES ACT" shall mean the Securities Act of 1933, as amended.

"SECURITIES INTERMEDIARY" shall mean NationsBank, N.A. and any other entity acting in the capacity of a "securities intermediary" as defined in Section 8-102(14) of the UCC.

"SERVICER" shall mean initially CAC and thereafter any Person appointed as Successor Servicer.

"SERVICER ADVANCE" shall have the meaning specified in Section 5.1(c).

"SERVICER EVENT OF DEFAULT" shall mean (a) the failure of the Servicer to make any payment, transfer or deposit as required hereunder, under the Note Purchase Agreement or the Servicing Agreement, (b) the failure of the Servicer to observe or perform in any material respect any other representation, warranty, covenant or agreements of the Servicer (including its Credit Guidelines) in the Servicing Agreement as reasonably determined by the Collateral Agent, (c) the occurrence of any Material Adverse Change, and (d) an event of the type described in Section 6.1(ii) shall occur with respect to the Servicer.

"SERVICING AGREEMENT" shall mean the Servicing Agreement, dated as of July 7, 1998, between CAC as servicer, and the Debtor, as such agreement may be amended, modified and supplemented from time to time, attached hereto as Exhibit E.

"STANDARD & POOR'S" or "S&P" shall mean Standard & Poor's, a division of The McGraw-Hill Companies, Inc.

"SUBSEQUENT FUNDING" shall have the meaning specified in the Note Purchase Agreement.

"SUBSEQUENT FUNDING DATE" shall have the meaning specified in the Note Purchase Agreement.

"SUCCESSOR SERVICER" shall have the meaning specified in Section 4.1(a).

"TERMINATION DATE" shall have the meaning specified in the Note Purchase Agreement.

"TERMINATION EVENT" shall have the meaning specified in Section 6.1 hereof.

"TRANSACTION DOCUMENTS" shall mean this Agreement, the Contribution Agreement, the Note Purchase Agreement, the Note, the Servicing Agreement, the Fee Letter and the Interest Rate Cap.

"UCC" shall mean the Uniform Commercial Code as in effect in the State of New York; PROVIDED, HOWEVER, that if by reason of mandatory provisions of law, the perfection or non-perfection of a Lien in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, "UCC" shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or non-perfection.

"WEIGHTED AVERAGE ADVANCE RATE" shall mean the Aggregate Outstanding Eligible Loan Balance divided by the aggregate Outstanding Balance of all Eligible Contracts.

ARTICLE II

GRANT OF SECURITY INTEREST

SECTION 2.1 GRANT OF SECURITY INTEREST. As security for the prompt and complete payment of the Note and the performance of all of the Debtor's obligations under the Note, the Note Purchase Agreement and this Agreement, the Debtor hereby grants to the Collateral Agent, on behalf of the Secured Parties, a security interest in and continuing Lien on all of the Debtor's property, whether now owned or hereafter acquired and wherever located, including, without limitation, all of its right, title and interest in, to and under all accounts, contract rights, general intangibles, chattel paper, instruments, documents, money, cash, deposit accounts, certificates of deposit, goods, letters of credit, securities, investment property, financial assets or security entitlements (all of the foregoing, collectively, the "COLLATERAL"). The foregoing pledge does not constitute an assumption by the Collateral Agent of any obligations of the Debtor to Obligors or any other Person in connection with the Collateral or under any agreement and instrument relating to the Collateral, including without limitation any obligation to make future advances to or on behalf of such Obligors.

In connection with such pledge, the Debtor agrees to record and file, at its own expense, financing statements with respect to the Collateral now existing and hereafter created for the pledge of chattel paper and general intangibles (each as defined in Article 9 of the UCC as in effect in the Relevant UCC State) meeting the requirements of applicable state law, and the Debtor shall take any other appropriate action in such manner and in such jurisdictions as are necessary to perfect the security interest in the Collateral to the Collateral Agent. The Debtor agrees to deliver a file-stamped copy of such financing statements or other evidence of such filing (which may, for purposes of this Section 2.1, consist of telephone confirmation of such filing) to the Collateral Agent on or prior to the Closing Date.

In connection with such pledge, the Debtor agrees to deliver to the Collateral Agent on the Closing Date, one or more computer files or microfiche lists containing true and complete lists of all Dealer Agreements and Loans securing the payment of the Note and

all of the Debtor's obligations under the Note as of the Closing Date, and all Contracts securing all such Loans, identified by account number, dealer number, and pool number and Outstanding Balance as of the Cut-Off Date. Such file or list shall be marked as Exhibit D to this Agreement, shall be delivered to the Collateral Agent as confidential and proprietary, and is hereby incorporated into and made a part of this Agreement.

The Debtor further agrees to deliver to the Collateral Agent on each Subsequent Funding Date, one or more computer files or microfiche lists containing true and complete lists of all Dealer Agreements and Loans securing the payment of the Note and all of the Debtor's obligations under the Note as of to such Subsequent Funding Date, and all Contracts securing all such Loans, identified by account number, dealer number, and pool number and Outstanding Balance as of two days prior to such Subsequent Funding Date. Such file or list shall be marked as Exhibit D to this Agreement, shall be delivered to the Collateral Agent as confidential and proprietary, and is hereby incorporated into and made a part of this Agreement.

In connection with such pledge, each of the Debtor, CAC and Servicer agrees, at the expense of the Debtor, to indicate clearly and unambiguously in its computer files, with respect to the Dealer Agreements listed on Exhibit D, that the rights to payment under such Dealer Agreements have been pledged to the Collateral Agent pursuant to this Agreement for the benefit of the Secured Parties.

In connection with such pledge, each of the Debtor, CAC and the Servicer also agrees, within twenty-one days of the Closing Date, to clearly mark each Dealer Agreement and Contract securing a Loan with the following legend: "THIS AGREEMENT HAS BEEN PLEDGED TO NATIONSBANK, N.A., AS COLLATERAL AGENT FOR THE BENEFIT OF CERTAIN SECURED PARTIES" Such legend shall be in bold, in type face at least as large as 12 point and shall be entirely in capital letters.

SECTION 2.2 ACCEPTANCE BY COLLATERAL AGENT.

(a) The Collateral Agent hereby acknowledges its acceptance, on behalf of the Secured

Parties, of the pledge by the Debtor of the Loans and all other Collateral. The Collateral Agent further acknowledges that, prior to or simultaneously with the execution and delivery of this Agreement, the Debtor delivered to the Collateral Agent the computer file or microfiche list represented by the Debtor to be the computer file or microfiche list described in the third paragraph of Section 2.1.

(b) The Collateral Agent hereby agrees not to disclose to any Person (including any Secured Party or Noteholder) any of the account numbers or other information contained in the computer files or microfiche lists delivered to the Collateral Agent by the Debtor pursuant to Section 2.1, except as is required in connection with the performance of its duties hereunder or in enforcing the rights of the Secured Parties or to a Successor Servicer appointed pursuant to Section 4.1(a); PROVIDED, HOWEVER, that notwithstanding anything to the contrary in this Agreement, the Collateral Agent may reply to a request from any Person for a list of Loans, Dealer Agreements, Contracts or other information referred to in any financing statement. The Collateral Agent agrees to take such measures as shall be necessary or reasonably requested by the Debtor to protect and maintain the security and confidentiality of such information. The Collateral Agent shall provide the Debtor with written notice five Business Days prior to any disclosure pursuant to this subsection 2.2(b).

ARTICLE III

REPRESENTATIONS, WARRANTIES AND COVENANTS

SECTION 3.1 REPRESENTATIONS AND WARRANTIES OF THE DEBTOR. The Debtor represents and warrants to and covenants with the Collateral Agent and the Secured Parties as of the Closing Date and each Subsequent Funding Date that:

(a) ORGANIZATION AND GOOD STANDING. The Debtor is a corporation duly organized and validly existing in good standing under the laws of the State of Nevada, and has full corporate power, authority and legal right to own its properties and conduct its business as such properties are presently owned and such business is presently conducted, to execute, deliver and perform its obligations under this Agreement.

(b) DUE QUALIFICATION. The Debtor is duly qualified to do business and is in good standing (or is exempt from such requirement) in any state where such qualification is required in order to conduct business, and has obtained all necessary licenses and approvals in each jurisdiction in which the failure to obtain such licenses and approvals would have a material adverse effect on the conduct of its business or its ability to perform its obligations under this Agreement.

(c) DUE AUTHORIZATION. The execution and delivery of this Agreement and the consummation of the transactions provided for in this Agreement have been duly authorized by the Debtor by all necessary corporate action on the part of the Debtor.

(d) NO VIOLATION. The execution and delivery of this Agreement, the performance of the transactions contemplated by this Agreement and the fulfillment of the terms hereof will not conflict with, violate or result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under, any Requirement of Law applicable to the Debtor or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Debtor is a party or by which it or any of its properties are bound.

(e) NO PROCEEDINGS. There are no proceedings or investigations pending or, to the best knowledge of the Debtor, threatened against the Debtor, before any court, regulatory body, administrative agency, arbitrator or other tribunal or governmental instrumentality (i) asserting the invalidity of this Agreement, (ii) seeking to prevent the issuance of the Note or the consummation of any of the transactions contemplated by this Agreement, the Note Purchase Agreement or the Note, (iii) seeking any determination or ruling that, in the reasonable judgment of the Debtor, would materially and adversely affect the performance by the Debtor of its obligations under this Agreement, the Note Purchase Agreement or the Note, (iv) seeking any determination or ruling that would materially and adversely affect the validity or enforceability of this Agreement, the Note Purchase Agreement or the Note or (v) seeking to affect adversely the Federal income tax attributes of the Debtor.

(f) ELIGIBILITY OF LOANS. (i) Each Loan classified as an Eligible Loan (or included in any aggregation of balances of Eligible Loans) by the Debtor or the Servicer in any document or report delivered hereunder was an Eligible Loan as of the date so delivered, and (ii) each related Contract classified as an Eligible Contract (or included in any aggregation of balances of Eligible Contracts) by the Debtor or the Servicer in any document or report delivered hereunder was an Eligible Contract as of the date so delivered.

(g) ALL CONSENTS REQUIRED. All approvals, authorizations, consents, orders or other actions of any Person or of any Governmental Authority required to be obtained on or prior to the date as of which this representation is being made in connection with the execution and delivery of this Agreement, the performance of the transactions contemplated hereby and thereby and the fulfillment of the terms hereof and thereof have been obtained.

(h) AMOUNT OF LOANS AND CONTRACTS; COMPUTER FILE. As of the Cut-Off Date, as reported in the loan servicing system, (A) the Aggregate Outstanding

Eligible Loan Balance was $69,712,673.71, and (B) the aggregate Outstanding Balance of the Contracts was $253,886,307.59. The computer file or microfiche list delivered pursuant to Section 2.1 hereof is complete and accurately reflects the information regarding the Loans, Dealer Agreements and Contracts in all material respects as of the applicable time referred to in Section 2.1.

(i) INVESTMENT COMPANY. The Debtor is not an "investment company" within the meaning of the Investment Company Act or is exempt from the provisions of such act.

(j) INSOLVENCY. No Dissolution Event with respect to CAC, the Servicer or the Debtor has occurred, and the pledge of the Loans and other Collateral by the Debtor to the Company has not been made in contemplation of the occurrence of any such event.

The representations and warranties set forth in this Section 3.1 shall survive the Debtor's pledge of the Collateral to the Collateral Agent and the termination of the rights and obligations of the Servicer. Upon discovery by the Debtor, CAC, the Servicer or the Collateral Agent of a breach of any of the representations and warranties set forth in this Section 3.1, the party discovering such breach shall give prompt written notice to the other parties of such breach.

SECTION 3.2 REPRESENTATIONS AND WARRANTIES OF THE DEBTOR RELATING TO THIS AGREEMENT, THE LOANS AND THE RELATED CONTRACTS.

(a) ELIGIBLE LOANS; ELIGIBLE CONTRACTS. The Debtor hereby represents and warrants to the Collateral Agent and the Secured Parties that (i) each Loan added to Exhibit D on the Closing Date was an Eligible Loan as of the Closing Date; each Loan added to Exhibit D on any Subsequent Funding Date was an Eligible Loan as of such Subsequent Funding Date, and (ii) each Contract added to Exhibit D on the Closing Date was an Eligible Contract as of the Closing Date; each Contract added to Exhibit D on any Subsequent Funding Date was an Eligible Contract as of such Subsequent Funding Date.

(b) BINDING OBLIGATION; VALID TRANSFER AND ASSIGNMENT. The Debtor hereby represents and

warrants to the Collateral Agent and the Secured Parties as of the Closing Date and each Subsequent Funding Date, that:

(i) This Agreement constitutes a legal, valid and binding obligation of the Debtor, enforceable against the Debtor, in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect affecting the enforcement of creditors' rights in general and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity).

(ii) This Agreement constitutes a grant of a security interest (as defined in the UCC) in the Collateral and the proceeds thereof (to the extent set forth in Section 9-306 of the UCC) upon execution and delivery of this Agreement, it being understood that with respect to the security interests in the Contracts, this Agreement constitutes an assignment thereof. Upon the filing of the applicable financing statements, the Collateral Agent shall have a first priority perfected security interest in such property and the proceeds thereof (to the extent set forth in Section 9-306 of the UCC). Neither the Debtor nor any Person claiming through or under the Debtor shall have any claim to or interest in the Collection Account, the Reserve Account or any other account or accounts maintained for the benefit of Secured Parties, except for the interest of the Debtor in such property as a debtor for purposes of the UCC.

(c) ELIGIBILITY OF LOANS. The Debtor hereby represents and warrants to the Collateral Agent and the Secured Parties that:

(i) each Loan classified as an "Eligible Loan" (or included in any aggregation of balances of "Eligible Loans") by the Debtor or the Servicer in any document or report delivered

hereunder satisfied the requirements contained in the definition of Eligible Loan on the date so delivered; each Contract classified as an "Eligible Contract" (or included in any aggregation of balances of "Eligible Contracts") by the Debtor or the Servicer in any document or report delivered hereunder satisfied the requirements contained in the definition of Eligible Contract on the date so delivered;

(ii) all information with respect to the Dealer Agreements and the Loans and the Contracts and the other Collateral provided to the Collateral Agent by the Debtor or the Servicer was true and correct in all material respects as of the date such information was provided to the Collateral Agent;

(iii) each Loan and all other Collateral (other than Records) has been pledged to the Collateral Agent free and clear of any Lien of any Person, other than the interests of a Dealer under the Dealer Agreements, and in compliance, in all material respects, with all Requirements of Law applicable to the Debtor;

(iv) with respect to each Dealer Agreement and each Loan and Contract and all other Collateral, all consents, licenses, approvals or authorizations of or registrations or declarations with any Governmental Authority required to be obtained, effected or given by the Debtor, in connection with the pledge of such Contract or Collateral to the Collateral Agent have been duly obtained, effected or given and are in full force and effect;

(v) Exhibit D to this Agreement is and will be an accurate and complete listing of all Dealer Agreements and Loans in all material respects and all Contracts securing such Loans on the date each such Dealer Agreement, Contract and Loan was added to Exhibit D, and the information contained therein with respect to the identity of such Dealer Agreements and Loans and all Contracts securing such Loans and the Outstanding Balances thereunder and under the related Contracts is and will be true and

correct in all material respects as of each such date; and

(vi) no selection procedure believed by the Debtor to be adverse to the interests of the Secured Parties has been or will be used in selecting the Dealer Agreements or the Loans (it being expressly understood that the Loans consist of closed pools of Loans under the related Dealer Agreements).

(d) NOTICE OF BREACH. The representations and warranties set forth in this Section 3.2 shall survive the pledge of the Collateral to the Collateral Agent and the termination of the rights and obligations of the Servicer. Upon discovery by the Debtor, CAC, the Servicer or the Collateral Agent of a breach of any of the representations and warranties set forth in this Section 3.2, the party discovering such breach shall give prompt written notice to the other parties of such breach.

(e) PAYMENT IN RESPECT OF INELIGIBLE LOANS AND INELIGIBLE CONTRACTS.

(i) In the event of a breach of any of the representations or warranties in Section 3.2(c) with respect to a Loan or Contract, as applicable, and such Loan or Contract (x) is an Ineligible Loan or Ineligible Contract, as applicable, or (y) as a result of such breach or event, such Loan or Contract becomes an Ineligible Loan or Ineligible Contract, as applicable, or the Debtor's or Collateral Agent's rights in, to or under such Loan or Contract or its proceeds are materially impaired or the proceeds of such Loan or Contract are not available for any reason to the Collateral Agent free and clear of any Lien, then the Debtor shall deposit into the Collection Account, on the next Business Day,(A) with respect to each such Loan, an amount equal to the sum of (1) the product of (x) the Outstanding Balance of such Loan and (y) the Blended Advance Rate relating to such Loan PLUS (2) the Accrued Interest Component

relating to such Loan, and (B) with respect to each such Contract, an amount equal to (1) the product of (x) the Outstanding Balance of each such Contract and (y) the Weighted Average Advance Rate relating to such Contract DIVIDED BY (2) .80. Such amounts shall be allocated between Income Collections and Principal Collections and distributed on the next succeeding Remittance Date in accordance with Sections 5.1(a) and (b). For purposes of this paragraph, Outstanding Balance shall be calculated as of the last day of the immediately preceding Collection Period.

(ii) Upon the request of the Debtor, and after or simultaneously with the deposit of the amounts specificied in Section 3.2(e)(i), the Collateral Agent shall release its security interest, on behalf of the Secured Parties, on the Loans and Contracts with respect to which the Debtor has made the specified deposits pursuant to Section 3.2(e)(i) and all other Collateral related exclusively to such Loans or Contracts; PROVIDED, HOWEVER, that any Income Collections relating to any such Loans accrued through the date of the release of the security interest in such Loans shall continue to be pledged to the Collateral Agent and the Secured Parties. The Collateral Agent shall execute such documents and instruments of termination prepared by, and at the expense of, the Debtor and take, at the Debtor's expense, such other actions as shall reasonably be requested by the Debtor to effect the release of the security interests in the Loans and Contracts pursuant to this Section 3.2(e). The obligation of the Debtor set forth in this subsection shall constitute the sole remedy respecting any breach of the representations and warranties set forth in the above-referenced subsections with regard to the Loans and Contracts with respect to which the Debtor has made the specified deposits pursuant to Section 3.2(e)(i).

(iii) NO IMPAIRMENT. For the purposes of subsections 3.2(e) above, if CAC is the Servicer and the Servicer is otherwise permitted hereunder to hold Collections beyond the applicable period under Section 9-306(3) of the UCC, the

proceeds of a Loan shall not be deemed to be impaired hereunder solely because such proceeds are held by the Servicer for more than the applicable period under Section 9-306(3) of the UCC.

SECTION 3.3 COVENANTS OF THE DEBTOR.

The Debtor hereby covenants to the Collateral Agent and the Secured Parties, until all amounts due under this Agreement, the Note Purchase Agreement and the Note have been paid in full, that:

(a) CORPORATE EXISTENCE; CONDUCT OF BUSINESS. The Debtor will preserve and maintain its existence as a corporation duly organized and existing under the laws of the State of Nevada. The Debtor will carry on and conduct its business in substantially the same fields of enterprise as it is presently conducted and do all things necessary to remain duly incorporated, validly existing and in good standing in the jurisdiction of its incorporation and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted.

(b) COMPLIANCE WITH REQUIREMENTS OF LAW. The Debtor shall duly satisfy in all material respects its obligations under or in connection with each Loan and Contract, will maintain in effect all material qualifications required under Requirements of Law, and will comply in all material respects with all other Requirements of Law in connection with each Loan and Contract the failure to comply with which would have a material adverse effect on the interests of the Secured Parties in the Collateral.

(c) FURNISHING OF INFORMATION AND INSPECTION OF RECORDS. The Debtor will furnish to the Collateral Agent, from time to time, such information with respect to the Loans and Contracts as the Collateral Agent may reasonably request, including, without limitation, a computer file, microfiche list or other list identifying each Loan and Contract by pool number, account number and dealer number and by the Outstanding Balance and identifying the Obligor on such Loan or

Contract. The Debtor will, at any time and from time to time during regular business hours, upon reasonable notice, 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 Loans or Contracts or the Debtor's performance hereunder and under the other Transaction Documents to which such Person is a party 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 3.3(c) 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 or (iv) to the extent the Collateral Agent should be (A) required in connection with any legal or regulatory proceeding or (B) requested by any bank regulatory authority to disclose such information, (v) to any Program Support Provider, (vi) to any Bank Investor or prospective Bank Investor, and (vii) to any prospective assignee of the Note; PROVIDED, that the Collateral Agent shall notify such assignee of the

confidentiality provisions of this Section 3.3(c).

(d) KEEPING OF RECORDS AND BOOKS OF ACCOUNT. The Debtor will maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing the Loans and Contracts 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 Loans and Contracts (including, without limitation, records adequate to permit adjustments to amounts due under each existing Loan and Contract). 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.

(e) NOTE PURCHASE AGREEMENT. The Debtor will comply with the covenants set forth in Section 4.2 of the Note Purchase Agreement.

(f) NOTICE OF LIENS. The Debtor will advise the Collateral Agent promptly, in reasonable detail, (i) of any Lien asserted by a Person that is not an Obligor against any of the Loans or Contracts or other Collateral, (ii) after becoming aware of any Lien on any Loan or other Collateral other than the pledge hereunder or under the Contribution Agreement, (iii) of any breach by the Debtor or the Servicer of any of its representations, warranties and covenants contained herein or in the Note Purchase Agreement and (iv) of the occurrence of any other event which would have a material adverse effect on the Collateral Agent's interest in the Loans or Contracts or the collectability of amounts due thereunder. The Debtor shall notify the Collateral Agent promptly after becoming aware of any Lien on any Loan or Contract or other Collateral other than the conveyances under the Contribution Agreement.

(g) PROTECTION OF INTEREST IN COLLATERAL. The Debtor shall execute and file such continuation statements and any other documents reasonably requested by the Collateral Agent, the Agent, the Company or any Bank Investor or which may be required by law to fully preserve and protect the interest of the Collateral Agent and the Secured Parties in and to the Loans and the

Contracts and the other Collateral. The Debtor shall further deliver to the Collateral Agent annually, on May 31st of each year, commencing May 31st, 1999, an opinion of counsel acceptable to the Collateral Agent stating whether that (i) no filings or other actions need to be taken from the date of the opinion until April 30th of the next year in order to continue the perfected status of the Collateral Agent's interest in the Collateral or (ii) setting forth the actions which need to be taken (and when) in order to continue the perfected status of the Collateral Agent's interest in the Collateral beyond April 30th of the next year.

(h) NO SALES, LIENS, ETC. Except as otherwise permitted by the Note Purchase Agreement or any other Transaction Document, the Debtor will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Lien upon (or the filing of any financing statement with respect to), any of the Collateral. In addition, the Debtor will not, and will not permit CAC, the Servicer or any Obligor to, sell, pledge, assign or transfer to any other Person, or grant, create, incur, assume or suffer to exist any Lien on (or the filing of any financing statement with respect to) any inventory or goods, the sale of which may give rise to an amount payable with respect to a Loan or Contract, other than Liens on inventory which specifically exclude from the property subject to any such Lien Contracts and other property of the type included in the Collateral generated by sales of such inventory and the proceeds thereof. The Debtor will notify the Collateral Agent of the existence of any such Lien immediately upon discovery thereof.

(i) NO EXTENSION OR AMENDMENT. Except as otherwise permitted by the Note Purchase Agreement or any other Transaction Document, the Debtor will not extend, amend or otherwise modify the terms of any Loan or Contract, except to the extent that such extension, amendment or modification is done in accordance with the Collection Guidelines, is determined by the Servicer to be appropriate to maximize Collections and would not have a Material Adverse Effect on the Collateral Agent or either of the Secured Parties.

(j) NO MERGER OR CONSOLIDATION. The Debtor shall not (i) consolidate or merge with or into any other Person, or (ii) except as otherwise permitted by the Note Purchase Agreement or any other Transaction Document, sell, lease, transfer or otherwise convey all or substantially all of its assets to any other Person.

(k) CHANGE OF NAME, ETC. The Debtor will not, without providing 30 days' notice to the Collateral Agent and without filing such amendments to any previously filed financing statements as the Collateral Agent may reasonably require, (A) change the location of its principal executive office or the location of the offices where the records relating to the Loans or the Contracts are kept, and (B) change its name, identity or corporate structure in any manner which would, could or might make any financing statement or continuation statement filed by the Debtor in accordance with this Agreement seriously misleading within the meaning of Section 9-402(8) of the UCC.

(l) AMENDMENT OF NOTE PURCHASE AGREEMENT. The Debtor will not amend, modify or supplement the Note Purchase Agreement or any other Transaction Document to which it is a party without the prior written consent of the Collateral Agent to the substance and form of any such amendment, modification or supplement and will not take any other action under this Agreement, the Note Purchase Agreement or any other Transaction Document to which it is a party that would have a material adverse effect on the Collateral Agent, the Company or any Bank Investor or which is inconsistent with the terms of this Agreement.

(m) CONTRIBUTION AGREEMENT. The Debtor, in its capacity under the Contribution Agreement, will at all times enforce the covenants and agreements of CAC in the Contribution Agreement (including the rights and remedies against the Dealers assigned to it thereunder). The Debtor will not enter into any amendment, modification or supplement to the Contribution Agreement without the prior written consent of the Collateral Agent.

(n) ERISA MATTERS. The Debtor will not (i) engage or permit any of its respective ERISA Affiliates to engage in any prohibited transaction (as defined in Section 4975 of the Internal Revenue Code and Section 406 of ERISA) for which an exemption is not available or has not previously been obtained from the U.S. Department of Labor; (ii) permit to exist any accumulated funding deficiency (as defined in Section 302(a) of ERISA and Section 412(a) of the Internal Revenue Code) or funding deficiency with respect to any Benefit Plan other than a Multiemployer Plan; (iii) fail to make any payments to any Multiemployer Plan that the Debtor or any ERISA Affiliate of the Debtor is required to make under the agreement relating to such Multiemployer Plan or any law pertaining thereto; (iv) terminate any Benefit Plan so as to result in any liability; (v) permit to exist any occurrence of any Reportable Event which represents a material risk of a liability to the Debtor under ERISA or the Internal Revenue Code, or (vi) permit to exist any occurrence of any Reportable Event which represents a material risk of liability to any ERISA Affiliate of the Debtor under ERISA or the Internal Revenue Code, if, in the case of such ERISA Affiliate, such prohibited transactions, accumulated funding deficiencies, payments, terminations and Reportable Events occurring within any fiscal year of such ERISA Affiliate, in the aggregate, involve a payment of money or an incurrence of liability by the Debtor or any ERISA Affiliate of the Debtor in an amount in excess of $500,000.

(o) NO ASSIGNMENT. The Debtor shall not assign any of its rights or delegate any of its duties hereunder or under the Note Purchase Agreement or under any of the other Transaction Documents to which it is a party without the prior written consent of the Collateral Agent.

(p) NOTICE OF DELEGATION OF SERVICER'S DUTIES. The Debtor promptly shall notify the Collateral Agent of any delegation by the Servicer of any of the Servicer's duties under this Agreement or the Note Purchase which is not in the ordinary course of business

of the Servicer.

(q) INTEREST RATE CAP. Prior to the Closing Date, the Debtor shall obtain and, unless otherwise consented to by the Agent, have at all times in effect, an interest rate cap agreement (the "INTEREST RATE CAP") with a financial institution (the "CAP COUNTERPARTY"), which shall at all times during the term of the Interest Rate Cap be acceptable to the Agent and shall have at all times a rating of at least "A3" from Moody's and "A-" from Standard & Poor's and which has irrevocably and unconditionally agreed that, prior to the date which is one year and one day after the payment in full of all Commercial Paper issued by the Company, it will not acquiesce, petition or otherwise invoke or cause the Debtor to invoke the process of any Governmental Authority for the purpose of commencing or sustaining a case against the Debtor under any Federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Debtor or any substantial part of its property or ordering the winding-up or liquidation of the affairs of the Debtor. The Interest Rate Cap shall be in form and substance acceptable to the Agent and shall provide (i) that all amounts payable thereunder shall be paid by the Cap Counterparty directly to the Collection Account, (ii) that the Debtor's rights thereunder have been irrevocably assigned to, and a security interest therein has been granted to, the Collateral Agent for the benefit of the Secured Parties, (iii) for a strike rate of not more than 6.50% per annum, and (iv) that it covers a notional amount corresponding to an amortization schedule provided by the Collateral Agent and attached hereto as Exhibit F.

SECTION 3.4. COVENANT OF CAC REGARDING THE INSURANCE POLICY. CAC and the Debtor acknowledge that the Agent, for the benefit of the Secured Parties, is relying upon CAC's ability to continue to service the Loans in accordance herewith and with the Servicing Agreement. CAC and the Debtor further acknowledge that the Agent is relying upon CAC's ability to purchase Loans and Contracts from the Debtor under certain circumstances in accordance with the Contribution Agreement. Accordingly, CAC and the Debtor have assigned the Insurance Policy to the Agent, for the benefit of the

Secured Parties, and the Agent has also been named as beneficiary and loss payee under the Insurance Policy. In connection therewith, neither CAC nor the Debtor shall revoke or attempt to revoke the assignment of the Insurance Policy to the Agent, nor shall either one of them remove or attempt to remove the Agent as beneficiary and loss payee under the Insurance Policy, unless the Agent shall consent in writing to such revocation or removal. Notwithstanding the foregoing, nothing in this Section 3.4 shall be construed as giving CAC or the Debtor the right to revoke the assignment of the Insurance Policy or to remove the Agent as beneficiary or loss payee under the Insurance Policy. CAC and the Debtor further agree that, for so long as any amounts remain unpaid under this Agreement, the Note or the Note Purchase Agreement, the Insurance Policy or an insurance policy substantially similar to the Insurance Policy will be kept in full force and effect, and the Agent shall be granted the same rights in any such agreement as it has been granted with respect to the Insurance Policy.

SECTION 3.5. COVENANT OF THE COMPANY REGARDING THE INSURANCE POLICY. Any proceeds or payments that the Agent receives under the Insurance Policy shall be allocated as Principal Collections and applied on the next succeeding Remittance Date in accordance with Section 5.1(b). The Agent shall remit any such proceeds or payments in excess of $15,000,000 to CAC.

ARTICLE IV

SERVICING AND ADMINISTRATION; ACCOUNTS

SECTION 4.1 SERVICING. Pursuant to the Servicing Agreement, the Debtor has contracted with CAC to act as servicer to manage, collect and administer each of the Loans. Until such time as CAC is terminated as servicer under the Servicing Agreement, references to the Servicer herein shall refer to CAC as servicer under the terms of the Servicing Agreement. In the event of a Servicer Event of Default, the Collateral Agent shall have the right to cause the Debtor to terminate CAC as servicer thereunder. Upon termination of CAC as servicer of the Loans pursuant to Section 2.1 of the Servicing Agreement, the Collateral Agent shall have the right to appoint a successor servicer (the "SUCCESSOR SERVICER") and enter into a servicing agreement with such Successor Servicer at such time and exercise all of its rights under Section 4.3 hereof. In the event that the Successor Servicer is not appointed within 30 days of the Servicer Event of Default which led to the termination of the preceding Servicer, NationsBank, N.A. shall thereupon be appointed to act as Successor Servicer and NationsBank, N.A. agrees to so act. Such servicing agreement shall specify the duties and obligations of such Successor Servicer, and all references herein to the Servicer shall be deemed to refer to such Successor Servicer. Notwithstanding the above, NationsBank, N.A. may appoint any established financial institution having a net worth of not less than $50,000,000 and whose regular business includes the servicing of automobile installment sales contracts as the Successor Servicer hereunder.

(a) The Debtor shall cause the Servicer under the Servicing Agreement to deposit all Collections into the Collection Account no later than two Business Days after the Date of Processing.

(b) On or before ninety (90) days after the end of each fiscal year of the Servicer, beginning with the fiscal year ending December 31, 1998, the Servicer shall cause a firm of independent public accountants (who may also render other services to the Servicer or the Debtor) to furnish a report to the Collateral Agent and the Secured Parties to the effect

that they have (i) compared the information contained in the Monthly Servicer's Certificates delivered during such fiscal year, based on a sample size provided by the Collateral Agent, with the information contained in the Loans, the Contracts and the Servicer's records and computer systems for such period, and that, on the basis of such agreed upon procedures, such firm is of the opinion that the information contained in the Monthly Servicer's Certificates reconciles with the information contained in the Loans and the Contracts and the Servicer's records and computer system and that the servicing of the Loans and the Contracts has been conducted in compliance with this Agreement, (ii) verified the Aggregate Outstanding Eligible Loan Balance as of the end of each Collection Period during such fiscal year, and (iii) verified that a sample of Loans and Contracts treated by the Servicer as Eligible Loans and as Eligible Contracts, as applicable, in fact satisfied the requirements of the definition thereof contained herein and (iv) conducted a "negative confirmation" of a sample of the Loans and Contracts and verified that the Servicer's records and computer system used in servicing the Loans and Contracts contained correct information with regard to due dates and outstanding balances, except, in each case for (a) such exceptions as such firm shall believe to be immaterial (which exceptions need not be enumerated) and (b) such other exceptions as shall be set forth in such statement.

SECTION 4.2 DUTIES OF THE SERVICER.

(a) The Servicer shall take or cause to be taken all such action as may be necessary or advisable to collect all amounts due under the Loans and Contracts from time to time, all in accordance with applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Collection Guidelines, it being understood that there shall be no recourse to the Servicer with regard to the Loans and Contracts except as otherwise provided herein and in the other Transaction Documents. Each of the Debtor and the Secured Parties hereby appoints as its agent the Servicer, from time to time designated pursuant to Section 4.1, to enforce its respective rights and

interests in and under the Collateral. So long as no Termination Event shall have occurred, the Servicer may, unless otherwise required by law, in accordance with the Collection Guidelines, extend the maturity of Loans and Contracts, as the Servicer may determine to be appropriate to maximize Collections thereof. The Servicer shall hold in trust for the Secured Parties all records which evidence or relate to all or any part of the Collateral. In the event that a Successor Servicer is appointed, the outgoing Servicer shall deliver to the Successor Servicer and the Successor Servicer shall hold in trust for the Debtor and the Secured Parties all records which evidence or relate to all or any part of the Collateral.

(b) If CAC or any affiliate thereof is not the Servicer, the Collateral Agent, with the consent of the Agent, may revise the percentage used to calculate the Monthly Servicing Fee. The Servicer, if other than CAC, shall as soon as practicable upon demand, deliver to the Debtor all records in its possession which evidence or relate to indebtedness of an Obligor which is not a Loan or a Contract.

SECTION 4.3 RIGHTS AFTER DESIGNATION OF SUCCESSOR SERVICER. At any time following the designation of a Successor Servicer pursuant to Section 4.1:

(i) The Collateral Agent may intercept payments made by or on behalf of Obligors and direct that payment of all amounts payable under any Loan or Contract be made directly to the Collateral Agent or its designee; PROVIDED, that the Collateral Agent shall pay to any Dealer, to the extent to which such Dealer is entitled, all amounts due to such Dealer under the related Dealer Agreement.

(ii) The Debtor shall, at the Collateral Agent's request and at the Debtor's expense, give notice of the Collateral Agent's interest in the Loans and Contracts to each Obligor and direct that payments be made directly to the Collateral Agent or its designee.

(iii) The Debtor shall, at the

Collateral Agent's request, (A) assemble all of the records relating to the Collateral, including all Records with respect to the Loans and Contracts, and shall make the same available to the Collateral Agent at a place selected by the Collateral Agent or its designee, and (B) segregate all cash, checks and other instruments received by it from time to time constituting collections of Collateral in a manner acceptable to the Collateral Agent and shall, promptly upon receipt, remit all such cash, checks and instruments, duly endorsed or with duly executed instruments of transfer, to the Collateral Agent or its designee.

(iv) The Debtor hereby authorizes the Collateral Agent to take any and all steps in the Debtor's name and on behalf of the Debtor necessary or desirable, in the determination of the Collateral Agent, to collect all amounts due under any and all of the Collateral with respect thereto, including, without limitation, endorsing the Debtor's name on checks and other instruments representing Collections and enforcing the Loans and Contracts.

SECTION 4.4 RESPONSIBILITIES OF THE DEBTOR. Anything herein to the contrary notwithstanding, the Debtor shall (i) perform all of its obligations under the Loans and Contracts to the same extent as if a security interest in such Loans and Contracts had not been granted hereunder and the exercise by the Collateral Agent of its rights hereunder shall not relieve the Debtor from such obligations and (ii) pay when due any taxes, including without limitation, any sales taxes payable in connection with the Loans or Contracts and their creation and satisfaction. Neither the Collateral Agent nor any Secured Party shall have any obligation or liability with respect to any Loan, nor shall any of them be obligated to perform any of the obligations of the Debtor thereunder.

SECTION 4.5 MONTHLY SERVICER'S CERTIFICATE. On each Determination Date, the Servicer shall deliver to the Agent, and the Collateral Agent a certificate in

substantially the form of Exhibit G attached hereto (the "MONTHLY SERVICER'S CERTIFICATE") for the related Collection Period. The Agent shall provide to the Debtor, by the day prior to the related Determination Date in the calendar month following the Collection Period to which such Monthly Servicer's Certificate relates, information relating to the amount of each obligation of the Company which comprises Carrying Costs for such Collection Period. The Monthly Servicer's Certificate shall specify whether a Termination Event is deemed to have occurred with respect to the Collection Period preceding such Determination Date. Upon receipt of the Monthly Servicer's Certificate, the Collateral Agent shall rely (and shall be fully protected in so relying) on the information contained therein for the purposes of making distributions and allocations as provided for herein.

SECTION 4.6 ADDITIONAL REPRESENTATIONS AND WARRANTIES OF CAC AS SERVICER. CAC, in its capacity as Servicer, represents and warrants to the Collateral Agent as of the Closing Date, and each Subsequent Funding Date, that the only material servicing computer systems and related software utilized by the Servicer to service the Loans and Contracts are provided by Ontario Systems Corporation under an agreement (and related non-exclusive license) and related letter agreements dated November 15, 1989. Should the Servicer or any of its Affiliates develop or implement computer software for servicing that is owned by or exclusively licensed to the Servicer or an Affiliate and utilize such software in the servicing of the Loans and Contracts, the Collateral Agent shall be entitled to compel a license or sublicense for the benefit of the Collateral Agent or its designee of any such rights to the extent the Collateral Agent deems reasonably necessary and appropriate to assure that it or a duly appointed Successor Servicer would be able to continue to service the Loans and Contracts should that be required in accordance with the Servicing Agreement.

SECTION 4.7 ESTABLISHMENT OF ACCOUNTS. There shall be established on the Closing Date and maintained, for the benefit of the Secured Parties in the name of the Collateral Agent, a segregated securities account (the "COLLECTION ACCOUNT"), bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Secured Parties. Subject to

the terms hereof, the Collateral Agent shall possess all right, title and interest in and to all funds deposited from time to time in the Collection Account. The Collateral Agent will maintain the Collection Account at an Eligible Institution. If the Eligible Institution holding the Collection Account shall cease to be an Eligible Institution, the Collateral Agent shall have the right to direct the transfer of the Collection Account to an Eligible Institution. On each Remittance Date, all interest and earnings (net of losses and investment expenses) on funds on deposit in the Collection Account shall be included in Available Collections and be distributed pursuant to Section 5.1.

(a) There shall be established on the Closing Date and maintained, for the benefit of the Secured Parties in the name of the Collateral Agent, a segregated securities account (the "RESERVE ACCOUNT"), bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Secured Parties. Subject to the terms hereof, the Collateral Agent shall possess all right, title and interest in and to all funds deposited from time to time in the Reserve Account. The Collateral Agent shall maintain the Reserve Account at an Eligible Institution. If the Eligible Institution holding the Reserve Account shall cease to be an Eligible Institution, the Collateral Agent shall have the right to direct the transfer of the Reserve Account to an Eligible Institution. Notwithstanding the foregoing, the Collateral Agent shall not withdraw any funds from, or otherwise exercise control over, the Reserve Account except as provided in this Agreement. All amounts on deposit in the Reserve Account shall be held by the Collateral Agent for the benefit of the Secured Parties.

(b) (1) Funds on deposit in the Collection Account and the Reserve Account shall be invested in Eligible Investments by or at the written direction of the Debtor, provided that if a Termination Event shall have occurred, such investments shall be made as directed by the Collateral Agent. Any such written directions shall specify the particular investment to be made and shall certify that such investment is an

Eligible Investment and is permitted to be made under this Agreement.

(2) The Collateral Agent agrees that it shall not accept for credit to the Collection Account or the Reserve Account any investment as to which it has knowledge of any adverse claim thereto. NationsBank, N.A. hereby agrees (and any other Securities Intermediary holding the Reserve Account shall so agree) to comply with all Entitlement Orders (as defined in Section 8-102 of the 1994 Official Text of the Uniform Commercial Code) received by it with respect to the Collection Account or the Reserve Account from the Collateral Agent.

(3) Funds on deposit in the Reserve Account shall be so invested in Eligible Investments that mature such that such funds or the proceeds thereof will be available for withdrawal pursuant to Section 5.1(a), 5.1(b) and 5.1(c) on the maturity date of Related Commercial Paper; in any event the maturity of any Eligible Investment shall not exceed 30 days. Funds on deposit in the Collection Account shall be invested in Eligible Investments that will mature so that such funds will be available prior to the next Remittance Date, except that in the case of funds representing Collections with respect to a succeeding Collection Period, such Eligible Investments may mature so that such funds will be available no later than the Business Day prior to the Remittance Date for such Collection Period. No Eligible Investment may be liquidated or disposed of prior to its maturity. All proceeds of any Eligible Investment shall be deposited in the Collection Account or the Reserve Account, as applicable. Investments may be made in either account on any date (provided such investments mature in accordance herewith), only after giving effect to deposits to and withdrawals from such account on such date. Realized losses, if any, on amounts invested in Eligible Investments shall be charged against investment earnings on amounts on deposit in the Collection Account or the Reserve Account, as applicable.

(4) The Debtor shall provide the Collateral Agent on the date hereof and from time to time an incumbency certificate or the substantial equivalent with respect to each officer of the Debtor that is authorized to provide instructions relating to investments in Eligible Investments.

(5) Eligible Investments shall be maintained by the Collateral Agent in such manner as may be necessary to maintain the first priority perfected security interest in favor of the Collateral Agent on behalf of the Secured Parties. NationsBank, N.A. agrees (and any other Securities Intermediary holding the Reserve Account shall so agree) that it shall not agree to comply with Entitlement Orders (as defined in Section 8-102 of the 1994 version of the Official Text of Article 8 of the Uniform Commercial Code) with respect to the Collection Account or the Reserve Account given to it by any Person other than the Collateral Agent.

ARTICLE V

ALLOCATION AND APPLICATION
OF COLLECTIONS

SECTION 5.1 COLLECTIONS. On each Remittance Date, the Collateral Agent shall determine by reference to the Monthly Servicer's Certificate, the portion of Available Collections which are Income Collections with respect to such Remittance Date and shall withdraw such amount of Income Collections from the Collection Account and allocate and pay such amounts in the following order of priority:

(i) an amount equal to unpaid Servicer Advances and Reserve Advances for the related Collection Period, if any, shall be paid to the Servicer or deposited into the Reserve Account, as applicable, to repay such Servicer Advances or reinstate such Reserve Advances, respectively;

(ii) to the Servicer, an amount equal to the Monthly Servicing Fee for the related Collection Period;

(iii) to the Agent, for the account of the Company or the Bank Investors an amount equal to the Carrying Costs for the related Collection Period due on such Remittance Date (less the amount of any such Carrying Costs that has been paid by a Servicer Advance or a Reserve Advance), plus the amount of any Carrying Costs previously due but not paid on a prior Remittance Date;

(iv) to the Debtor for Administrative Expenses;

(v) to the Noteholder to reduce the Net Investment, until the Net Investment has been reduced to zero;

(vi) to the Agent, for the account of the Persons entitled thereto, an amount equal to all other amounts owed under the Note Purchase Agreement; and

(vii) the remainder, if any, to the

Debtor.

(a) On each Remittance Date, the Collateral Agent shall determine by reference to the Monthly Servicer's Certificate, the portion of Available Collections which are Principal Collections with respect to such Remittance Date and shall withdraw such amount of Principal Collections from the Collection Account and allocate and pay such amounts in the following order of priority:

(i) to the Agent, for the account of the Company or the Bank Investors an amount equal to any Carrying Costs for the related Collection Period due on such Remittance Date but which were not paid pursuant to Section 5.1(a);

(ii) to the Noteholder to reduce the Net Investment to an amount equal to the product of (x) the Blended Advance Rate and (y) (a) the Aggregate Outstanding Eligible Loan Balance determined as of the last day of the related Collection Period minus (b) the Excluded Loan Balance;

(iii) to the Noteholder to reduce the Net Investment, until the Net Investment has been reduced to zero;

(iv) to the Agent, for the account of the Persons entitled thereto, an amount equal to all other amounts owed under the Note Purchase Agreement; and

(v) the remainder, if any, to the Debtor.

(b) On any date that a tranche of Related Commercial Paper matures whether or not such date is a Remittance Date (each, an "INTEREST PAYMENT DATE"), the Interest Component of matured or maturing Related Commercial Paper due and payable on such day shall be payable as interest on the Note ("NOTE INTEREST"). Accordingly, the Collateral Agent, acting upon notice from the Administrative Agent, shall, to the extent the Note Interest exceeds Available Cash, withdraw such amount from funds on deposit in the Collection Account,

to the extent of Collections on deposit therein, and remit such amount to the Agent for the account of the Company. To the extent that amounts withdrawn by the Agent, as specified above are insufficient to pay such costs, the Servicer, acting upon notice from the Administrative Agent, shall make an advance in an amount equal to such costs due and payable on such day (a "SERVICER ADVANCE") and remit to the Agent for the account of the Company, the amount of such advance; PROVIDED, HOWEVER, that the Servicer shall not be obligated to make any such advance except to the extent that the Servicer reasonably expects to be reimbursed for such advance on a succeeding Remittance Date pursuant to Section 5.1(a)(i); PROVIDED FURTHER, that the Servicer, from the period beginning on the Closing Date and ending on July 31, 1998, shall not be obligated to make Servicer Advances such that the aggregate amount of outstanding Servicer Advances would be in excess of $750,000 at any time during such time period. To the extent that amounts advanced by the Servicer are insufficient to pay such costs and the Debtor fails to make a payment to the Collateral Agent on such day in the amount of such shortfall, the Collateral Agent shall withdraw the amount of such remaining shortfall from the Reserve Account, to the extent of amounts on deposit therein, and remit such amount to the Agent (such amount, a "RESERVE ADVANCE"), for the account of the Company. Amounts required to be remitted pursuant to this Section 5.1(c) to the Agent or the Collateral Agent shall be remitted in immediately available funds to the Agent's account no later than 12:00 noon, New York City time, on the date due.

(c) If the Available Collections in respect of a Remittance Date are insufficient to pay the sum of the amounts to be distributed pursuant to clauses (i) through (iii) of Section 5.1(a) or clauses (i) and (ii) of Section 5.1(b), the Collateral Agent shall withdraw the amount of such shortfall from the Reserve Account, to the extent of amounts on deposit therein, and apply such amount to the payment of the items described in clauses (i), (ii) and (iii) of Section 5.1(a) and clauses (i) and (ii) of Section 5.1(b), in that order of priority.

(d) ALLOCATION OF COLLECTIONS BETWEEN PRINCIPAL COLLECTIONS AND INCOME COLLECTIONS. The Servicer will allocate Collections monthly in accordance

with the actual amount of Income Collections and Principal Collections processed. The Servicer shall determine each month the amount of Collections processed during such month which constitutes amounts which, pursuant to the terms of any Dealer Agreement, are required to be remitted to the applicable Dealer (such collections, "DEALER COLLECTIONS"). Notwithstanding any other provision hereof, the Servicer shall distribute to the Debtor on each Remittance Date an amount equal to the aggregate amount of Dealer Collections received during or with respect to the prior Collection Period prior to the distribution of Available Collections pursuant to this Section 5.1.

SECTION 5.2 REMITTANCES TO THE SECURED PARTIES. On each Remittance Date, the Collateral Agent shall remit all applicable amounts to each Secured Party in accordance with the provisions of Section 5.1. The foregoing notwithstanding, the final remittance in respect of the Note shall be made in the applicable manner specified above only upon presentation and surrender of the Note at the office of the Debtor specified by it in the notice of such final remittance or repurchase.

SECTION 5.3 RESERVE ACCOUNT.

(a) On or prior to any Funding, the Debtor shall deposit or cause to be deposited in the Reserve Account, the Required Reserve Account Balance (calculated as if such Funding had occurred). The Debtor shall deposit into the Reserve Account all amounts which are required to be deposited therein by this Agreement. The Collateral Agent shall promptly withdraw from the Reserve Account all amounts required to be withdrawn therefrom pursuant to Sections 5.1(c), 5.1(d) and 5.4 hereof, and shall either (i) pay such amounts to the Agent, for the account of the Company or the Bank Investors (in the case of withdrawals pursuant to Section 5.1(c) or 5.4) or (ii) deposit such amounts to the credit of the Collection Account (in the case of withdrawals therefrom pursuant to Section 5.1(d)).

(b) To the extent that amounts on deposit

in the Reserve Account on any Remittance Date, after giving effect to any required withdrawals therefrom on such day, exceed the Required Reserve Account Balance, such excess amounts shall be withdrawn from the Reserve Account by the Collateral Agent and used to reduce the Net Investment.

(c) If and to the extent that the Net Investment has been reduced to zero and all amounts owed by the Debtor to the Secured Parties hereunder, under the Note Purchase Agreement, the Note and any other Transaction Document have been paid in full, any amounts on deposit in the Reserve Account shall be released to the Debtor.

SECTION 5.4 OPTIONAL CLEAN-UP EVENT; MANDATORY CLEAN-UP EVENT. Upon the occurrence of an Optional Clean-Up Event, the Debtor may, and upon the occurrence of a Mandatory Clean-Up Event, the Debtor shall, deposit into the Collection Account on the day preceding the next Remittance Date, an amount which, when taken together with the amount then on deposit in the Collection Account and the Reserve Account (before giving effect to any deposit required by this Section 5.4), shall be sufficient to pay all amounts outstanding under the Note Purchase Agreement, the Note and any other Transaction Document; PROVIDED that such deposit by the Debtor does not constitute or result in a violation of any material agreement related to the indebtedness of the Debtor. If such deposit (or any part of such deposit) is made into the Collection Account pursuant to this Section 5.4, the Collateral Agent shall withdraw all funds on deposit in the Collection Account and the Reserve Account on the next Remittance Date and pay such amounts to the Company, the Bank Investors and any Noteholder, as applicable.

ARTICLE VI

TERMINATION EVENTS

SECTION 6.1 TERMINATION EVENTS. The occurrence and continuation of any one of the following events shall be a "TERMINATION EVENT" under this Agreement:

(i) failure (a) on the part of the Debtor or CAC, as applicable, to make any payment or deposit on the date required under this Agreement, the Note Purchase Agreement or the Note, as applicable, and the continuance thereof for one day, (b) on the part of the Debtor to duly observe or perform any term, covenant, condition or agreement set forth in this Agreement, the Note Purchase Agreement, the Note or the Contribution Agreement, and the continuance thereof for three days, (c) of any representation or warranty contained in this Agreement, the Note Purchase Agreement or the Contribution Agreement to be true and correct in all material respects on any day when made or deemed to be made hereunder;

(ii) the Debtor, CAC or the Servicer or any of their subsidiaries (unless such subsidiary is deemed to be immaterial by the Collateral Agent in its sole discretion) shall consent to the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings of or relating to the Debtor, CAC or the Servicer or any such subsidiary, as the case may be, or of or relating to all or substantially all of its property, or a decree or order of a court or agency or supervisory authority having jurisdiction in the premises for the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings, or for the winding-up or liquidation of its affairs, shall have been entered against the Debtor, CAC or the Servicer, as the case may be, and such decree or order shall have remained in force undischarged or unstayed for a period of 60 days; or the Debtor, CAC or the Servicer shall admit in writing its inability

to pay its debts generally as they become due, file a petition to take advantage of an applicable insolvency or reorganization statute, make any assignment for the benefit of its creditors or voluntarily suspend payment of its obligations;

(iii) the Debtor, the Servicer or CAC shall enter into any merger, consolidation or conveyance transaction unless, in the case of the Servicer or CAC, the Servicer or CAC, as applicable, is the surviving entity;

(iv) any Servicer Event of Default occurs;

(v) the Collateral Agent and the Secured Parties shall fail for any reason to have a valid and perfected first priority security interest in the Loans and other Collateral of the type covered by Article 9 of the UCC;

(vi) the Net Investment shall exceed (a) the Aggregate Outstanding Eligible Loan Balance MINUS (b) the Excluded Loan Balance;

(vii) the Net Investment shall exceed the product of (a) the Outstanding Balance of all Eligible Contracts MINUS the Outstanding Balance of all Eligible Contracts which have become Defaulted Contracts and (b) 75%.

(viii) a Liquidity Provider or a Program Support Provider shall have notified the Company that an event of default has occurred under the related Liquidity Provider Agreement or the related Program Support Agreement, respectively; or

(ix) the Commercial Paper of the Company shall no longer be rated at least "A-2", in the case of S&P, and at least "P-2", in the case of Moody's;

then, in the case of any event described above the Agent shall be entitled to give notice of the occurrence of the

Termination Date in accordance with clause (iv) of the definition of Termination Date set forth in the Note Purchase Agreement; PROVIDED, that upon the occurrence of an event described in clause (ii) of this Section 6.1, a Termination Date shall occur automatically without the need for any notice or action on the Agent's part.

SECTION 6.2 REMEDIES. If a Termination Event shall have occurred, the Agent has the right to declare all amounts outstanding under the Note and the Note Purchase Agreement to be then due and payable. If the Note and such other amounts are declared due and payable, the Collateral Agent may do any one or more of the following:

(a) take all necessary action to foreclose upon the Collateral;

(b) pursue any available remedy by proceeding at law or in equity including complete or partial foreclosure of the lien upon the Collateral and sale of the Collateral or any portion thereof or rights on interest therein as may appear necessary or desirable (i) to collect amounts owed pursuant to the Note and any other payments then due and thereafter to become due under the Note or (ii) to enforce the performance and observance of any obligation, covenant, agreement or provision contained in this Agreement to be observed or performed by the Debtor; and

(c) exercise any remedies of a secured party under the Uniform Commercial Code and take any other appropriate action to protect and enforce the rights and remedies of the Collateral Agent on behalf of the Secured Parties, subject to Section 8.7 hereof;

PROVIDED, that, in exercising the foregoing rights and remedies, the Collateral Agent shall take no action with regard to any Dealer which is expressly prohibited by the related Dealer Agreement.

SECTION 6.3 APPLICATION OF PROCEEDS. Any proceeds received by the Collateral Agent from the sale, disposition or liquidation of the Collateral, including as a result of any sale or foreclosure thereon as contemplated by Section 6.2 above, shall be applied as follows:

(a) to the payment of (i) all accrued and unpaid interest in accordance with Section 5.1 hereof and (ii) principal on the Note;

(b) to the payment of all other amounts due hereunder, under the Note Purchase Agreement or the Note to the Agent, the Collateral Agent, the Company or the Bank Investors (PRO RATA among them in the event sufficient funds are not available to pay such Persons in full); and

(c) any remainder after the payment in full of all of the foregoing, to the Debtor.

ARTICLE VII

THE COLLATERAL AGENT

SECTION 7.1 DUTIES OF THE COLLATERAL AGENT. The Collateral Agent, both prior to the occurrence of a Termination Event hereunder and after a Termination Event shall have been cured or waived, shall undertake to perform such duties and only such duties as are specifically set forth in this Agreement. The Collateral Agent shall at all times after the occurrence of a Termination Event which has not been cured or waived exercise such of the rights and powers vested in it pursuant to this Agreement using the same degree of care and skill as a prudent person would exercise or use in the conduct of his or her own affairs.

All Collections received by the Collateral Agent from the Servicer or otherwise will, pending remittance to the Secured Party entitled thereto, be held in trust by the Collateral Agent for the benefit of the Secured Parties and together with all other payment obligations of the Debtor hereunder owing to the Secured Parties shall be payable to the Secured Parties in accordance with the provisions of Article V hereof.

Except as otherwise provided herein, the Collateral Agent shall not resign from the obligations and duties hereby imposed on it except upon determination that (i) the performance of its duties hereunder is no longer permissible under applicable law and (ii) there is no reasonable action which the Collateral Agent could take to make the performance of its duties hereunder permissible under applicable law. Any such determination permitting the resignation of the Collateral Agent shall be evidenced as to clause (i) above by an opinion of counsel to such effect delivered to the Secured Parties. Notwithstanding the foregoing, the Collateral Agent may resign if, after demand therefor, it does not receive payment of any compensation due from the Debtor pursuant to the letter agreement described in Section 7.2. No resignation of the Collateral Agent shall become effective until a successor Collateral Agent approved by the Secured Parties shall have assumed the responsibilities and obligations of the Collateral Agent hereunder.

SECTION 7.2 COMPENSATION AND INDEMNIFICATION OF COLLATERAL AGENT. The Collateral Agent shall be compensated for its activities hereunder and reimbursed for reasonable out-of-pocket expenses (including the reasonable compensation and expenses of its counsel and agents) pursuant to the Fee Letter. Subject to the terms of such letter agreement, the Collateral Agent shall be required to pay the expenses incurred by it in connection with its activities hereunder from its own account. Notwithstanding any other provisions in this Agreement, the Collateral Agent shall not be liable for any liabilities, costs or expenses of the Debtor arising under any tax law, including without limitation any Federal, state or local income or franchise taxes or any other tax imposed on or measured by income (or any interest or penalties with respect thereto or arising from a failure to comply therewith).

The Debtor shall indemnify the Collateral Agent, its officers, directors, employees and agents for, and hold it harmless against any loss, liability or expense incurred without willful misconduct, gross negligence or bad faith on its part, arising out of or in connection with (i) the acceptance or administration of this Agreement, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement and (ii) the negligence, willful misconduct or bad faith of the Debtor in the performance of its duties hereunder. The provisions of this Section 7.2 shall survive the termination of this Agreement.

SECTION 7.3 REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE COLLATERAL AGENT. The Collateral Agent agrees to make the following representations, warranties and covenants, and further agrees that the Secured Parties shall be deemed to have relied upon such representations, warranties and covenants in entering into this Agreement and the Note Purchase Agreement.

(a) ORGANIZATION AND GOOD STANDING. The Collateral Agent is a national banking association duly organized, validly existing and in good standing under the laws of the United States of America, and has full corporate power, authority and legal right to own its properties and conduct its business as such properties

are presently owned and such business is presently conducted, and to execute, deliver and perform its obligations under this Agreement.

(b) DUE AUTHORIZATION. The execution, delivery, and performance of this Agreement have been duly authorized by the Collateral Agent by all necessary corporate action on the part of the Collateral Agent.

(c) BINDING OBLIGATION. This Agreement constitutes a legal, valid and binding obligation of the Collateral Agent, enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereinafter in effect, affecting the enforcement of creditors' rights in general and except as such enforceability may be limited by general principles of equity (whether considered in a proceeding at law or in equity).

(d) NO CONFLICT. The execution and delivery of this Agreement by the Collateral Agent, and the performance of the transactions contemplated by this Agreement and the fulfillment of the terms hereof applicable to the Collateral Agent, will not conflict with, violate, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under, any Requirement of Law applicable to the Collateral Agent or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Collateral Agent is a party or by which it is bound.

SECTION 7.4 LIABILITY OF THE COLLATERAL AGENT.

(a) The Collateral Agent shall be liable in accordance herewith only to the extent of the obligations specifically undertaken by the Collateral Agent in such capacity herein. No implied covenants or obligations shall be read into this Agreement against the Collateral Agent and, in the absence of bad faith on the part of the Collateral Agent, the Collateral Agent may conclusively rely on the truth of the statements and the correctness of the opinions expressed in any certificates

or opinions furnished to the Collateral Agent and conforming to the requirements of this Agreement.

(b) The Collateral Agent shall not be liable for an error of judgment made in good faith, unless it shall be proved that the Collateral Agent shall have been negligent in ascertaining the pertinent facts.

(c) The Collateral Agent shall not be liable with respect to any action taken, suffered or omitted to be taken in good faith in accordance with this Agreement or at the direction of a Secured Party relating to the exercise of any power conferred upon the Collateral Agent under this Agreement.

(d) The Collateral Agent shall not be charged with knowledge of any Termination Event unless an officer personally familiar with and currently responsible for administering this Agreement obtains actual knowledge of such event or the Collateral Agent receives written notice of such event from the Debtor, the Servicer, the Company or the Agent, as the case may be.

(e) Without limiting the generality of this Section 7.4, the Collateral Agent shall have no duty (i) to see to any recording, filing or depositing of this Agreement or any agreement referred to herein or any financing statement or continuation statement evidencing a security interest in the Loans or the related Contracts, or to see to the maintenance of any such recording or filing or depositing or to any recording, refiling or redepositing of any thereof, except with respect to actions necessary to maintain the Collateral Agent's priority position for Eligible Investments pursuant to Section 4.7(c)(5), (ii) to see to any insurance of the Obligors or to effect or maintain any such insurance, (iii) to see to the payment or discharge of any tax, assessment or other governmental charge or any Lien or encumbrance of any kind owing with respect to, assessed or levied against, any part of the Loans, (iv) to confirm or verify the contents of any reports or certificates of the Servicer or the Debtor delivered to the Collateral Agent pursuant to this Agreement believed by the Collateral Agent to be genuine and to have been signed or presented by the proper party or parties or (v) to inspect the Contracts at any time or ascertain or

inquire as to the performance or observance of any of the Debtor's or the Servicer's representations, warranties or covenants or the Servicer's duties and obligations as Servicer and as custodian of books, records, files and computer records relating to the Loans under the Servicing Agreement.

(f) The Collateral Agent shall not be required to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if there shall be reasonable ground for believing that the repayment of such funds or adequate indemnity against such risk or liability shall not be reasonably assured to it, and none of the provisions contained in this Agreement shall in any event require the Collateral Agent to perform, or be responsible for the manner of performance of, any of the obligations of the Servicer under this Agreement.

(g) The Collateral Agent may rely and shall be protected in acting or refraining from acting upon any resolution, officer's certificate, any Monthly Servicer's Certificate, certificate of auditors, or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, appraisal, bond or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties.

(h) The Collateral Agent may consult with counsel and any opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered or omitted by it under this Agreement in good faith and in accordance with such opinion of counsel.

(i) The Collateral Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement or to institute, conduct or defend any litigation under this Agreement or in relation to this Agreement, at the request, order or direction of a Secured Party pursuant to the provisions of this Agreement, unless such Secured Party shall have

offered to the Collateral Agent reasonable security or indemnity against the costs, expenses and liabilities that may be incurred therein or thereby; nothing contained in this Agreement, however, shall relieve the Collateral Agent of its obligations, upon the occurrence of a Termination Event (that shall not have been cured or waived), to exercise such of the rights and powers vested in it by this Agreement, and to use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(j) The Collateral Agent shall not be liable for any action taken, suffered or omitted by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Agreement.

(k) Prior to the occurrence of a Termination Event before the Collateral Agent has received notice of such Termination Event and after the curing or waiving of all Termination Events that may have occurred, the Collateral Agent shall not be bound to make any investigation into the facts of matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond or other paper or document, unless requested in writing so to do by a Secured Party; PROVIDED, HOWEVER, that if the payment within a reasonable time to the Collateral Agent of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation shall be, in the opinion of the Collateral Agent, not reasonably assured by the Debtor, the Collateral Agent may require reasonable indemnity against such cost, expense or liability as a condition to so proceeding. The reasonable expense of every such examination shall be paid by the Debtor or, if paid by the Collateral Agent, shall be reimbursed by the Debtor upon demand.

(l) The Collateral Agent may execute any of the trusts or powers hereunder or perform any duties under this Agreement either directly or by or through agents or attorneys or a custodian. The Collateral Agent shall not be responsible for any misconduct or negligence of any such agent or custodian appointed with due care by it hereunder.

SECTION 7.5 MERGER OR CONSOLIDATION OF, OR ASSUMPTION OF THE OBLIGATIONS OF, THE COLLATERAL AGENT. The Collateral Agent shall not consolidate with or merge into any other corporation or convey or transfer its properties and assets substantially as an entirety to any Person, unless:

(i) the corporation formed by such consolidation or into which the Collateral Agent is merged or the Person which acquires by conveyance or transfer the properties and assets of the Collateral Agent substantially as an entirety shall be a corporation organized and existing under the laws of the United States of America or any State or the District of Columbia and, if the Collateral Agent is not the surviving entity, shall expressly assume, by an agreement supplemental hereto, executed and delivered to the Secured Parties in form satisfactory to the Secured Parties, the performance of every covenant and obligation of the Collateral Agent hereunder; and

(ii) the Collateral Agent has delivered to the Secured Parties an officer's certificate and an opinion of counsel each stating that such consolidation, merger, conveyance or transfer and such supplemental agreement comply with this Section 7.5 and that all conditions precedent herein provided for relating to such transaction have been complied with.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.1 NOTICES, ETC. Except where telephonic instructions or notices are authorized herein to be given, all notices, demands, instructions and other communications required or permitted to be given to or made upon any party hereto shall be in writing and shall be sent by facsimile transmission with a confirmation of the receipt thereof and shall be deemed to be given for purposes of this Agreement on the day that the receipt of such facsimile transmission is confirmed in accordance with the provisions of this Section 8.1. Unless otherwise specified in a notice sent or delivered in accordance with the foregoing provisions of this Section, notices, demands, instructions (including payment instructions) and other communications in writing shall be given to or made upon the respective parties hereto at their respective addresses and accounts indicated below, and, in the case of telephonic instructions or notices, by calling the telephone number or numbers indicated for such party below:

If to the Company:

Kitty Hawk Funding Corporation
c/o Lord Securities, Inc.
2 Wall Street
New York, New York 10005
Attention: Richard Taiano
Telephone:(212) 346-9006
Telecopy: (212) 346-9012

(with a copy to the Administrative Agent)

If to the Servicer (if the Servicer is CAC):

Credit Acceptance Corporation
Silver Triangle Building
25505 West Twelve Mile Road, Suite 3000
Southfield, Michigan 48034-8339
Attention: Douglas W. Busk
Telephone: (248) 353-2700 (ext. 432)
Telecopy: (248) 827-8542

If to the Debtor:

CAC Funding Corp.
Silver Triangle Building
25505 West Twelve Mile Road, Suite 3000
Southfield, Michigan 48034-8339
Attention: Douglas W. Busk
Telephone: (248) 353-2700 (ext. 432)
Telecopy: (248) 827-8542

If to the Collateral Agent, the Administrative Agent or the Agent:

NationsBank N.A.
NationsBank Corporate Center
100 North Tryon Street
NC1-007-10-07
Charlotte, North Carolina 28255-0001
Attention: Michelle M. Heath
Investment Banking
Telephone: (704) 386-7922
Telecopy: (704) 388-9169
Payment Information:
Bankers Trust Company
ABA #: 021001033
Acct. #:00362941
Reference: KHFC-CAC Funding Corp.

SECTION 8.2 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon the Debtor, the Collateral Agent, the Secured Parties, the Servicer, CAC and their respective successors and permitted assigns and shall inure to the benefit of the Debtor, the Servicer, the Collateral Agent, the Secured Parties and CAC and their respective successors and permitted assigns including any Bank Investors and the Liquidity Provider; PROVIDED that the Debtor shall not assign any of its rights or obligations hereunder without the prior written consent of the Collateral Agent acting upon written instruction of the Secured Parties. The Debtor and the Collateral Agent hereby acknowledge that the Company has granted a security interest in all of its rights

hereunder to the KHFC Collateral Agent. In addition, the Debtor hereby acknowledges that the Company may at any time and from time to time assign all or a portion of its rights hereunder to the Liquidity Provider pursuant to the Liquidity Agreement.

SECTION 8.3 SEVERABILITY CLAUSE. Any provisions of this Agreement which are 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 hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 8.4 AMENDMENTS. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER MAY NOT BE CHANGED ORALLY BUT ONLY BY AN INSTRUMENT IN WRITING SIGNED BY THE PARTY AGAINST WHICH ENFORCEMENT IS SOUGHT.

SECTION 8.5 GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

SECTION 8.6 NO BANKRUPTCY PETITION AGAINST THE COMPANY. The Debtor and each of the other parties hereto covenant and agree that, and each such Person agrees that they shall cause any Successor Servicer appointed pursuant to Section 4.1 to covenant and agree that, prior to the date which is one year and one day after the payment in full of all Commercial Paper issued by the Company it will not institute against, or join any other Person in instituting against, the Company or the Debtor, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any federal or state bankruptcy or similar law.

SECTION 8.7 SETOFF. To the extent permitted by applicable law, the Debtor hereby irrevocably and unconditionally waives all right of setoff that it may have under contract (including this Agreement), applicable law or otherwise with respect to any funds or monies of the Debtor at any time held by or in the

possession of the Collateral Agent.

SECTION 8.8 NO RECOURSE. Except as otherwise expressly provided in this Agreement, it is understood and agreed that the Debtor shall not be liable for amounts due under the Note, this Agreement or the Note Purchase Agreement, except to the extent of the Collateral, for any losses suffered by the Company in respect of the Note. The preceding sentence shall not relieve the Debtor from any liability hereunder with respect to its representations, warranties, covenants and other payment and performance obligations herein described.

SECTION 8.9 FURTHER ASSURANCES. The Debtor agrees to do such further acts and things and to execute and deliver to the Collateral Agent such additional assignments, agreements, powers and instruments as are required by the Collateral Agent to carry into effect the purposes of this Agreement or to better assure and confirm unto the Collateral Agent its rights, powers and remedies hereunder.

SECTION 8.10 OTHER COSTS, EXPENSES AND RELATED MATTERS. The Debtor agrees, upon receipt of a written invoice, to pay or cause to be paid, and to save the Collateral Agent harmless against liability for the payment of, all reasonable out-of-pocket expenses (including, without limitation, reasonable attorneys', accountant's and other third parties' fees and expenses, any filing fees and expenses incurred by officers or employees of the Collateral Agent) incurred by or on behalf of the Collateral Agent (i) in connection with the negotiation, execution, delivery and preparation of this Agreement and any documents or instruments delivered pursuant hereto and the transactions contemplated hereby (including, without limitation, the perfection or protection of the Collateral Agent's security interest in the Collateral) and (ii) from time to time (a) relating to any amendments, waivers or consents under this Agreement, (b) arising in connection with the Collateral Agent's or its agent's enforcement or preservation of rights (including, without limitation, the perfection and protection of the Collateral Agent's security interest in the Collateral under this Agreement), or (c) arising in connection with any audit, dispute, disagreement, litigation or preparation for litigation involving this

Agreement.

SECTION 8.11 DIRECTION OF COLLATERAL AGENT. The Collateral Agent acknowledges that unless expressly indicated to the contrary herein, all of its rights under this Agreement shall be exercised at the direction of the Secured Parties.

SECTION 8.12 COUNTERPARTS. This Agreement may be executed in any number of copies, and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument.

SECTION 8.13 HEADINGS. Section headings used in this Agreement are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

IN WITNESS WHEREOF, the Debtor, CAC, the Company, the Collateral Agent and, solely, with respect to Sections 4.1 and 4.7, NationsBank, N.A. in its individual capacity have caused this Security Agreement to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

CAC FUNDING CORP.,
as Debtor

By: /S/ DOUGLAS W. BUSK

Name: DOUGLAS W. BUSK
Title: TREASURER

CREDIT ACCEPTANCE CORPORATION,
Individually and as Servicer

By: /S/ BRETT A. ROBERTS

Name: BRETT A. ROBERTS
Title: CFO

KITTY HAWK FUNDING CORPORATION,
as Company

By: /S/ RICHARD L. TAIANO

Name: RICHARD L. TAIANO
Title: VICE PRESIDENT

NATIONSBANK, N.A.,
Individually and as
Collateral Agent

By: /S/ ROBERT R. WOOD

Name: ROBERT R. WOOD
Title: VICE PRESIDENT

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SECURITY AGREEMENT

among

CAC FUNDING CORP.
as Debtor,

KITTY HAWK FUNDING CORPORATION,
as Company,

NATIONSBANK, N.A.
individually and as Collateral Agent,

and

CREDIT ACCEPTANCE CORPORATION
as Servicer

Dated as of July 7, 1998

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EXECUTION COPY

SERVICING AGREEMENT

SERVICING AGREEMENT (the "AGREEMENT"), dated as of July 7, 1998, between CAC FUNDING CORP., a Nevada corporation, (together with its successors and assigns, the "DEBTOR") and CREDIT ACCEPTANCE CORPORATION, a Michigan corporation ("CAC"), as servicer (in such capacity, together with its successors and assigns, the "SERVICER").

W I T N E S S E T H :

WHEREAS, subject to the terms and conditions of this Agreement and the Security Agreement, the Debtor desires to obtain the services of the Servicer to provide, among other things, for the servicing of the Loans. For its services hereunder and under the Security Agreement, the Servicer will receive a fee payable as described herein and therein;

NOW THEREFORE, the parties hereto agree as follows:

ARTICLE 1
DEFINITIONS

SECTION 1.1. DEFINITIONS. All capitalized terms not otherwise defined herein shall have the meanings specified in, or incorporated by reference into, the Security Agreement. The following terms shall have the meanings specified below, and shall include in the singular number the plural and in the plural number the singular:

"AGGREGATE OUTSTANDING ELIGIBLE LOAN BALANCE" shall mean, with respect to any date of determination, the aggregate Outstanding Balance under all Eligible Loans at the end of such day.

"CAC" shall mean Credit Acceptance Corporation, a Michigan corporation, and its successors and assigns.

"COLLATERAL AGENT" shall mean NationsBank, N.A., or any successor thereto, as Collateral Agent hereunder.

"COLLECTION GUIDELINES" shall mean policies and procedures of the Servicer, relating to the collection of amounts due on contracts for the sale of automobiles and/or light-duty trucks, as in effect on the Cut-Off Date and as amended from time to time in accordance herewith and with the other Transaction Documents.

"COLLECTIONS" shall mean all payments (including Recoveries, credit-related insurance proceeds, Interest Rate Cap proceeds and proceeds of Related Security) received by the Servicer,

CAC or the Debtor on or after the Cut-Off Date in respect of the Loans in the form of cash, checks, wire transfers or other form of payment in accordance with the Loans and the Dealer Agreements.

"COMPANY" shall mean Kitty Hawk Funding Corporation, a Delaware corporation, and its successors and assigns.

"CONTRACT" shall mean each retail installment sales contract, in substantially one of the forms attached to the Security Agreement as Exhibit A, relating to the sale of a new or used automobile or light-duty truck originated by a Dealer and in which the Seller shall have been granted a security interest or certain other ownership rights under the related Dealer Agreement to secure the related dealer's obligation to repay one or more Loans.

"CONTRIBUTION AGREEMENT" shall mean the Contribution Agreement dated as of July 7, 1998, among CAC and the Debtor, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"CREDIT GUIDELINES" shall mean policies and procedures of CAC relating to the extension of credit to automobile and light-duty truck dealers in respect of retail installment contracts for the sale of automobiles and/or light-duty trucks, including, without limitation, the policies and procedures for determining the creditworthiness of such dealers and relating to this extension of credit to such dealers and the maintenance of installment sale contracts, as in effect on the Cut-Off Date and as amended from time to time in accordance herewith and with the other Transaction Documents.

"DEALER AGREEMENT" shall mean each agreement between the Seller and any Dealer, in substantially the form attached to the Security Agreement as Exhibit C.

"DEBTOR" shall mean CAC Funding Corp. and its successors and assigns.

"LOAN" shall mean all amounts advanced by CAC under a Dealer Agreement and payable from Collections, including servicing charges, insurance charges and service policies and all related finance charges, late charges, and all other fees and charges charged to customers; PROVIDED, HOWEVER, that the term "Loan" shall include only those Loans identified on Exhibit A to the Contribution Agreement, as amended from time to time in accordance therewith and with the other Transaction Documents.

"MONTHLY SERVICING FEE" shall mean, with respect to any Remittance Date, an amount equal to the product of (i) 4.00% and (ii) the Available Collections (excluding from Available Collections such amounts paid by the Debtor under Section 3.2(e) of the Security Agreement with respect to such Remittance Date and any proceeds received pursuant to the Interest Rate Cap).

"NOTE PURCHASE AGREEMENT" shall mean the Note Purchase Agreement dated as of July 7, 1998 among the Debtor, the Company and NationsBank, N.A., a national banking association, as Agent and as a Bank Investor, as such agreement may be amended, modified and supplemented from time to time.

"PERSON" shall mean any legal person, including any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Authority or other entity of similar nature.

"SECURED PARTIES" shall mean the Company, the Bank Investors and their respective successors and assigns.

"SECURITY AGREEMENT" shall mean the Security Agreement dated as of July 7,1998 among CAC, as Servicer, the Debtor, the Collateral Agent and the Company.

"SERVICER" shall mean initially CAC and thereafter any Person appointed as Successor Servicer.

"SERVICER EVENT OF DEFAULT" shall mean (a) the failure of the Servicer to make any payment, transfer or deposit as required hereunder, under the Note Purchase Agreement or the Servicing Agreement, (b) the failure of the Servicer to observe or perform in any material respect any other representation, warranty, covenant or agreements of the Servicer (including its Credit Guidelines) in the Servicing Agreement as reasonably determined by the Collateral Agent, (c) the occurrence of any Material Adverse Change, and (d) an event of the type described in Section 6.1(ii) of the Security Agreement shall occur with respect to the Servicer.

ARTICLE 2
ADMINISTRATION AND COLLECTION

SECTION 2.1. SERVICING AND RETENTION OF SERVICER. (a) The servicing, administering, managing and collection of the Loans shall be conducted by the Person (the "SERVICER") so designated from time to time in accordance with this Section 2.1. Subject to early termination due to the occurrence of a Servicer Event of Default or as otherwise provided below in this Section 2.1, CAC shall serve as Servicer for an initial term commencing on the date hereof and expiring June 30, 2006.

(b) In the event of a Servicer Event of Default, the Collateral Agent shall have the right to terminate CAC as servicer hereunder. Upon the termination or resignation of CAC as servicer of the Loans, the Collateral Agent shall have the right to appoint a successor servicer (the "SUCCESSOR SERVICER") and enter into a servicing agreement with such Successor Servicer at such time and exercise all of its rights under Section 4.3 of the Security Agreement. In the event that the Successor Servicer is not appointed within 30 days of the Servicer Event of Default which led to the termination of the preceding Servicer, NationsBank, N.A., shall thereupon be

appointed to act as Successor Servicer. Such servicing agreement shall specify the duties and obligations of such Successor Servicer, and all references herein to the Servicer shall be deemed to refer to such Successor Servicer. Notwithstanding the above, NationsBank, N.A., may appoint any established financial institution having a net worth of not less than $50,000,000 and whose regular business includes the servicing of automobile installment sales contracts as the Successor Servicer hereunder.

(c) The Servicer shall not resign from the obligations and duties imposed on it by this Agreement or the Security Agreement as Servicer except upon a determination that (i) by reason of a change in legal requirements, the performance of its duties hereunder or under the Security Agreement would cause it to be in violation of such legal requirements in a manner which would have a material adverse effect on the Servicer, and the Collateral Agent does not elect to waive the obligations of the Servicer to perform the duties which render it legally unable to act or to delegate those duties to another Person. Any such determination permitting the resignation of the Servicer pursuant to this Section 2.1(c) shall be evidenced by an opinion of counsel to such effect delivered and acceptable to the Collateral Agent. No resignation of the Servicer shall become effective until the Servicer or an entity acceptable to the Collateral Agent shall have assumed the responsibilities and obligations of the Servicer.

(d) Any Person (i) into which the Servicer may be merged or consolidated, (ii) resulting from any merger or consolidation to which the Servicer shall be a party, (iii) which acquires by conveyance, transfer or lease substantially all of the assets of the Servicer, or (iv) succeeding to the business of the Servicer, in any of the foregoing cases shall execute an agreement of assumption to perform every obligation of the Servicer under this Agreement and, whether or not such assumption agreement is executed, shall be the successor to the Servicer under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties to this Agreement, anything in this Agreement to the contrary notwithstanding; PROVIDED, HOWEVER, that nothing contained herein shall be deemed to release the Servicer from any obligation.

(e) On or before ninety (90) days after the end of each fiscal year of the Servicer, beginning with the fiscal year ending December 31, 1998, the Servicer shall cause a firm of independent public accountants (who may also render other services to the Servicer or the Debtor) to furnish a report to the Collateral Agent and the Secured Parties to the effect that they have (i) compared the information contained in the Monthly Servicer's Certificates delivered during such fiscal year, based on a sample size provided by the Collateral Agent, with the information contained in the Loans, the Contracts and the Servicer's records and computer systems for such period, and that, on the basis of such agreed upon procedures, such firm is of the opinion that the information contained in the Monthly Servicer's Certificates reconciles with the information contained in the Loans and the Contracts and the Servicer's records and computer system and that the servicing of the Loans and the Contracts has been conducted in compliance with this Agreement, (ii) verified the Aggregate Outstanding Eligible Loan Balance as of the end of each Collection Period during such fiscal year, and (iii) verified that a sample of Loans and

Contracts treated by the Servicer as Eligible Loans and as Eligible Contracts, as applicable, in fact satisfied the requirements of the definition thereof contained herein and (iv) conducted a "negative confirmation"' of a sample of the Loans and Contracts and verified that the Servicer's records and computer system used in servicing the Loans and Contracts contained correct information with regard to due dates and outstanding balances, except, in each case for (a) such exceptions as such firm shall believe to be immaterial (which exceptions need not be enumerated) and (b) such other exceptions as shall be set forth in such statement.

SECTION 2.2. DUTIES OF THE SERVICER. (a) The Servicer shall take or cause to be taken all such action as may be necessary or advisable to collect all amounts due under the Loans and Contracts from time to time, all in accordance with applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Credit Guidelines and the Collection Guidelines, it being understood that there shall be no recourse to the Servicer with regard to the Loans and Contracts except as otherwise provided herein and in the other Transaction Documents. So long as no Termination Event shall have occurred, the Servicer may, unless otherwise required by law, in accordance with the Credit Guidelines, extend the maturity of Loans and Contracts, as the Servicer may determine to be appropriate to maximize Collections thereof. The Servicer shall hold in trust for the Secured Parties all records which evidence or relate to all or any part of the Collateral. In the event that a Successor Servicer is appointed, the outgoing Servicer shall deliver to the Successor Servicer and the Successor Servicer shall hold in trust for the Debtor and the Secured Parties all records which evidence or relate to all or any part of the Collateral.

(b) The Servicer, if other than CAC, shall as soon as practicable upon demand, deliver to the Debtor all records in its possession which evidence or relate to indebtedness of an Obligor which is not a Loan or Contract.

(c) The Servicer shall deposit all Collections into the Collection Account no later than two (2) Business Days after the Date of Processing.

(d) In addition to the obligations of the Servicer under this Agreement, the Servicer shall perform all of its obligations under the Security Agreement and any other Transaction Document to which it is a party.

(e) The Servicer shall indemnify the Collateral Agent and the Secured Parties, their officers, directors, employees and agents for, and hold them harmless against any loss, liability or expense incurred without willful misconduct, gross negligence or bad faith on their part, arising out of or in connection with (i) this Agreement, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement and (ii) the negligence, willful misconduct or bad faith of the Servicer in the performance of its duties hereunder. The provisions of this Section 2.2(e) shall survive the termination of this Agreement.

SECTION 2.3. SERVICING COMPENSATION. As compensation for the performance of its obligations under this Agreement, the Security Agreement, and any other Transaction document to which it is a party, the Servicer is entitled to a Monthly Servicing Fee payable in accordance with Section 5.1(a)(ii) of the Security Agreement.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

SECTION 3.1. REPRESENTATIONS AND WARRANTIES OF THE SERVICER. The Servicer represents and warrants to the Debtor that:

(a) CORPORATE EXISTENCE AND POWER. The Servicer is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all corporate power and all material governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is now conducted. The Servicer is duly qualified to do business in, and is in good standing in, every other jurisdiction in which the nature of its business requires it to be so qualified, except where the failure to be so qualified or in good standing would not have a material adverse effect.

(b) CORPORATE AND GOVERNMENTAL AUTHORIZATION; CONTRAVENTION. The execution, delivery and performance by the Servicer of this Agreement and the Security Agreement are within the Servicer's corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any Official Body or official thereof, and do not contravene, or constitute a default under, any provision of applicable law, rule or regulation or of the Certificate of Incorporation or Bylaws of the Servicer or of any agreement, judgment, injunction, order, writ, decree or other instrument binding upon the Servicer or result in the creation or imposition of any adverse claim on the assets of the Servicer or any of its Subsidiaries.

(c) BINDING EFFECT. Each of this Agreement and the Security Agreement constitutes the legal, valid and binding obligation of the Servicer, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar laws affecting the rights of creditors.

(d) ACCURACY OF INFORMATION. All information heretofore furnished by the Servicer to the Debtor, the Collateral Agent, the Company or any Bank Investor for purposes of or in connection with this Agreement or the Security Agreement or any transaction contemplated hereby or thereby is, and all such information hereafter furnished by the Servicer to the Debtor, the Collateral Agent, the Company or any Bank Investor will be, true and accurate in every material respect, on the date such information is stated or certified.

(e) ACTION, SUITS. There are no actions, suits or proceedings pending, or to the knowledge of the Servicer threatened, against or affecting the Servicer or any Affiliate of the

Servicer or their respective properties, in or before any court, arbitrator or other body, which may, individually or in the aggregate, have a material adverse effect.

(f) NATURE OF LOANS. (i) Each Loan classified as an Eligible Loan (or included in any aggregation of balances of Eligible Loans) by the Servicer in any document or report delivered under the Security Agreement was an Eligible Loan as of the date so classified, and (ii) each related Contract classified as an Eligible Contract (or included in any aggregation of balances of Eligible Contracts) by the Servicer in any document or report delivered under the Security Agreement was an Eligible Contract as of the date so classified.

(g) AMOUNT OF LOANS AND CONTRACTS; COMPUTER FILE. As of the Cut-Off Date, as reported in the loan servicing system, (i) the Aggregate Outstanding Eligible Loan Balance was $69,712,673.71, and (ii) the aggregate Outstanding Balance of the Contracts was $253,886,307.58. The computer file or microfiche list delivered pursuant to Section 2.1 of the Security Agreement is complete and accurately reflects the information regarding the Loans, Dealer Agreements and Contracts in all material respects as of the applicable time referred to in such Section 2.1.

(h) COLLECTIONS AND SERVICING. Since April 1, 1998, there has been no material adverse change in the ability of the Servicer to service and collect the Loans.

(i) NOT AN INVESTMENT COMPANY. The Servicer is not, and is not controlled by, an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or is exempt from all provisions of such Act.

ARTICLE 4
COVENANTS OF THE SERVICER

SECTION 4.1. AFFIRMATIVE COVENANTS OF THE SERVICER. The Servicer hereby covenants to the Debtor, until all amounts due under the Security Agreement, the Note Purchase Agreement and the Note have been paid in full, that:

(a) CONDUCT OF BUSINESS. The Servicer will carry on and conduct its business in substantially the same manner and in substantially the same fields of enterprise as it is presently conducted and do all things necessary to remain duly incorporated, validly existing and in good standing as a domestic corporation in its jurisdiction of incorporation and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted.

(b) COMPLIANCE WITH LAWS. The Servicer will comply with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it or its respective properties may be subject.

(c) FURNISHING OF INFORMATION AND INSPECTION OF RECORDS. The Servicer will furnish to

the Collateral Agent from time to time such information with respect to the Loans as the Collateral Agent may reasonably request, including, without limitation, listings identifying the Obligor and the Outstanding Balance for each Loan. The Servicer will, at any time and from time to time during regular business hours permit the Collateral Agent, or its agents or representatives, (i) to examine and make copies of and take abstracts from all Records and (ii) to visit the offices and properties of the Servicer for the purpose of examining such Records, and to discuss matters relating to Loans or the Debtor's or the Servicer's performance hereunder and under the other Transaction Documents to which such Person is a party with any of the officers, directors, employees or independent public accountants of the Servicer having knowledge of such matters.

(d) KEEPING OF RECORDS AND BOOKS OF ACCOUNT. The Servicer will maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Loans in the event of the destruction of the originals thereof), and keep and maintain, all documents, books, records and other information reasonably necessary or advisable for the collection of all Loans (including, without limitation, records adequate to permit the daily identification of each new Loan and all Collections of and adjustments to each existing Loan). The Servicer will give the Collateral Agent notice of any material change in the administrative and operating procedures of the Servicer referred to in the previous sentence.

(e) NOTICE OF COLLATERAL AGENT'S INTEREST. In the event that the Debtor shall sell or otherwise transfer any interest in any Loan, any computer tapes or files or other documents or instruments provided by the Servicer in connection with any such sale or transfer shall disclose the Debtor's ownership of the Loans and the Collateral Agent's interest in the Loans.

(f) CREDIT, COLLECTION, AND ACCOUNTING POLICIES. The Servicer will comply in all material respects with the Credit Guidelines and Collection Guidelines in regard to each Loan and the related Contract. The Servicer shall deliver to the Collateral Agent and the Agent, within ten (10) days after the date any material change in or amendment to the Collection Guidelines is made a notice describing such change or amendment. The Servicer shall notify the Collateral Agent of any material change in or amendment to the Servicer's accounting policies within ten (10) days after the date such change or amendment has been made.

SECTION 4.2. NEGATIVE COVENANTS OF THE SERVICER. The Servicer hereby covenants to the Debtor, until all amounts due under the Security Agreement, the Note Purchase Agreement and the Note have been paid in full, that:

(a) NO EXTENSION OR AMENDMENT OF LOANS. Except as otherwise permitted in Section 2.2 hereof or in the Security Agreement, the Servicer will not extend, amend or otherwise modify the terms of any Loan, or amend, modify or waive any term or condition of any Contract related thereto.

(b) NO CHANGE IN BUSINESS OR CREDIT GUIDELINES. The Servicer will not make any

change in the character of its business or in the Collection Guidelines, which change would, in either case, impair the collectibility of any Loan or otherwise have a material adverse effect on the ability of the Servicer to service the Loans or to perform any of its other duties hereunder or under the other Transactions Documents to which it is a party.

(c) NO MERGERS, ETC. The Servicer will not (i) consolidate or merge with or into any other Person unless the Servicer shall be the surviving corporation, or (ii) sell, lease or transfer all or substantially all of its assets to any other Person.

ARTICLE 5
MISCELLANEOUS

SECTION 5.1. NOTICES, ETC. Except where telephonic instructions or notices are authorized herein to be given, all notices, demands, instructions and other communications required or permitted to be given to or made upon any party hereto shall be in writing and shall be sent by facsimile transmission with a confirmation of the receipt thereof and shall be deemed to be given for purposes of this Agreement on the day that the receipt of such facsimile transmission is confirmed in accordance with the provisions of this Section 5.1. Unless otherwise specified in a notice sent or delivered in accordance with the foregoing provisions of this Section, notices, demands, instructions (including payment instructions) and other communications in writing shall be given to or made upon the respective parties hereto at their respective addresses and accounts indicated below, and, in the case of telephonic instructions or notices, by calling the telephone number or numbers indicated for such party below:

If to the Servicer:

Credit Acceptance Corporation
Silver Triangle Building
25505 West Twelve Mile Road, Suite 3000
Southfield, Michigan 48034-8339
Attention: Douglas W. Busk
Telephone: (248) 353-2700 (ext. 432)
Telecopy: (248) 827-8542

If to the Debtor:

CAC Funding Corp.
Silver Triangle Building
25505 West Twelve Mile Road, Suite 3000
Southfield, Michigan 48034-8339
Attention: Douglas W. Busk
Telephone: (248) 353-2700 (ext. 432)
Telecopy: (248) 827-8542

If to the Collateral Agent:

NationsBank, N.A.
NationsBank Corporate Center
100 North Tryon Street
NC1-007-10-07
Charlotte, North Carolina 28255-0001
Attention: Michelle M. Heath
Investment Banking
Telephone: (704) 386-7922
Telecopy: (704) 388-9169

SECTION 5.2. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon the Servicer, and shall inure to the benefit of the Debtor, the Collateral Agent and the Secured Parties and their respective successors and permitted assigns including any Liquidity Provider (it being expressly understood that such Persons shall be third-party beneficiaries of this Agreement); PROVIDED that the Servicer shall not assign any of its rights or obligations hereunder without the prior written consent of the Collateral Agent acting upon written instruction of the Secured Parties, and any such assignment in contradiction of the foregoing shall be null and void.

SECTION 5.3. SEVERABILITY CLAUSE. Any provisions of this Agreement which are 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 hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 5.4. AMENDMENTS. This Agreement and the rights and obligations of the parties hereunder may not be changed orally but only by an instrument in writing signed by the party against which enforcement is sought.

SECTION 5.5. GOVERNING LAW. This Agreement shall be construed in accordance with and governed by the laws of the State of Michigan.

SECTION 5.6. COUNTERPARTS. This Agreement may be executed in any number of copies, and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument.

SECTION 5.7. HEADINGS. Section headings used in this Agreement are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Debtor and the Servicer have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

CAC FUNDING CORP.
as Debtor

By: /S/ DOUGLAS W. BUSK

Name: DOUGLAS W. BUSK

Title: TREASURER

CREDIT ACCEPTANCE CORPORATION
As Servicer

By: /S/ BRETT A. ROBERTS

Name: BRETT A. ROBERTS

Title: CFO

EXHIBIT 4(f)(3)

EXECUTION COPY

- ---

CONTRIBUTION AGREEMENT

between

CREDIT ACCEPTANCE CORPORATION,
a Michigan corporation

and

CAC FUNDING CORP.,
a Nevada corporation

Dated as of July 7, 1998

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EXHIBIT 4(f)(3)

Exhibit A -- List of Dealer Agreements and Loans

CONTRIBUTION AGREEMENT

This CONTRIBUTION AGREEMENT, dated as of July 7, 1998 (the "AGREEMENT"), is made between CREDIT ACCEPTANCE CORPORATION, a Michigan corporation ("CAC") and CAC FUNDING CORP., a Nevada corporation ("Funding").

Funding desires to acquire from time to time certain Loans and related property including CAC's rights in the Dealer Agreements and Contracts securing payment of such Loans and the Collections derived therefrom during the full term of this Agreement, and CAC desires to transfer, convey and assign from time to time such Loans and related property to the Purchaser upon the terms and conditions hereinafter set forth. CAC has also agreed to service the Loans and related property to be transferred, conveyed and assigned to Funding.

In consideration of the premises and the mutual agreements set forth herein, it is hereby agreed by and between CAC and Funding as follows:

ARTICLE I
DEFINITIONS

SECTION 1.1. DEFINITIONS. All capitalized terms used herein shall have the meanings specified herein or, if not so specified, the meaning specified in, or incorporated by reference into, the Security Agreement or the Note Purchase Agreement, and shall include in the singular number the plural and in the plural number the singular:

"ADVERSE CLAIM" shall mean a lien, security interest, charge or encumbrance, or other right or claim in, of or on any Person's assets or properties in favor of any other Person (other than the interests of a Dealer under a Dealer Agreement).

"AGENT" shall mean NationsBank, N.A., as agent on behalf of Kitty Hawk and the Bank Investors appointed pursuant to the Note Purchase Agreement and its successors and assigns.

"CLOSING DATE" shall mean July 7, 1998.

"CONTRIBUTED PROPERTY" means (i) all Loans, including, without limitation, all monies due or to become due, and all monies received, with respect thereto on or after the Cut-Off Date, all Related Security therefor, (ii) all Records with respect to the Loans, (iii) all of CAC's right, title and interest in and to a business interruption insurance policy number FIP 000490002 issued by Fidelity & Deposit Company of

Maryland, (iv) all Collections and (v) and all proceeds (including "proceeds" as defined in the UCC) of any of the foregoing.

"EVENT OF BANKRUPTCY" shall mean CAC or Funding voluntarily seeking, consenting to or acquiescing in the benefit or benefits of any Debtor Relief Law or similar proceeding or becoming a party to (or be made the subject of) any proceeding provided for by any Debtor Relief Law or similar proceedings of or relating to CAC or Funding, or relating to all or substantially all of their respective properties, other than as a creditor or claimant, and in the event such proceeding is involuntary, the petition instituting the same is not dismissed within 60 days of its filing; or CAC or Funding, as its debts generally become due, making an assignment for the benefit of its creditors or voluntarily suspending payment of its obligations.

"KITTY HAWK" shall mean Kitty Hawk Funding Corporation, a Delaware corporation, and its successors and assigns.

"LOAN" shall mean all amounts advanced by CAC under a Dealer Agreement and payable from Collections, including servicing charges, insurance charges and service policies and all related finance charges, late charges, and all other fees and charges charged to customers; PROVIDED, HOWEVER, that the term "Loan" shall include only those Loans identified on Exhibit A hereto, as amended from time to time in accordance herewith.

"RELEVANT UCC" shall mean the Uniform Commercial Code as in effect in the States of New York and Michigan, as applicable.

"SECURITY AGREEMENT" means the Security Agreement, dated as of July 7, 1998, by and among CAC, Funding, Kitty Hawk and NationsBank N.A., as Agent and Bank Investor, as such agreement may be amended, modified or supplemented from time to time.

"SERVICER" means CAC, or its successors and assigns, acting pursuant to the Servicing Agreement of even date herewith between Funding and CAC.

"SUBSEQUENT CONTRIBUTION DATE" means any date on which Loans are contributed by the Seller to Funding after the date hereof.

"TERMINATION DATE" shall have the meaning specified in Section 8.1.

SECTION 1.2. OTHER TERMS. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the Relevant UCC, and not specifically defined herein, are used herein as defined in such Article 9.

SECTION 1.3. COMPUTATION OF TIME PERIODS. Unless otherwise stated in this Agreement, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding."

ARTICLE II
CONTRIBUTION AND SERVICING OF LOANS

SECTION 2.1 CONTRIBUTION AND SALE OF LOANS. (a) Upon the terms and subject to the conditions set forth herein (i) CAC hereby assigns, transfers and conveys to Funding, and Funding hereby accepts from CAC, on the terms and subject to the conditions specifically set forth herein, all of CAC's right, title and interest, in, to and under the Contributed Property conveyed on the Closing Date and, (ii) CAC hereby agrees, on each Subsequent Contribution Date, to assign, transfer and convey to Funding, and Funding hereby agrees to accept from CAC, on the terms and subject to the conditions specifically set forth herein, all of CAC's right, title and interest, in, to, and under any Contributed Property conveyed on such Subsequent Contribution Date. Any such sale, assignment, transfer and conveyance does not constitute an assumption by Funding of any obligations of CAC or any other Person to Obligors or to any other Person in connection with the Loans or under any Related Security, Dealer Agreement or other agreement and instrument relating to the Loans.

(b) In connection with any such foregoing conveyance, CAC agrees to record and file on or prior to the Closing Date, at its own expense, a financing statement or statements with respect to the Contributed Property conveyed by CAC hereunder meeting the requirements of applicable state law in such manner and in such jurisdictions as are necessary to perfect and protect the interests of Funding created hereby under the Relevant UCC (subject, in the case of Related Security constituting returned inventory, to the applicable provisions of Section 9-306 of the Relevant UCC) against all creditors of and purchasers from CAC, and to deliver either the originals of such financing statements or a file-stamped copy of such financing statements or other evidence of such filings to Funding on the Closing Date.

(c) CAC agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents and take all actions as may be necessary or as Funding may reasonably request in order to perfect or protect the interest of Funding in the Loans and other Contributed Property purchased hereunder or to enable Funding to exercise or enforce any of its rights hereunder. CAC shall, upon request of Funding, obtain such additional search reports as Funding shall request. To the

fullest extent permitted by applicable law, Funding shall be permitted to sign and file continuation statements and amendments thereto and assignments thereof without CAC's signature. Carbon, photographic or other reproduction of this Agreement or any financing statement shall be sufficient as a financing statement.

(d) It is the express intent of CAC and Funding that the conveyance of the Loans and other Contributed Property by CAC to Funding pursuant to this Agreement be construed as a complete transfer of such Loans and other Contributed Property by CAC to Funding. Further, it is not the intention of CAC and Funding that such conveyance be deemed a grant of a security interest in the Loans and other Contributed Property by CAC to Funding to secure a debt or other obligation of CAC. However, in the event that, notwithstanding the express intent of the parties, the Loans and other Contributed Property are construed to constitute property of CAC, then (i) this Agreement also shall be deemed to be, and hereby is, a security agreement within the meaning of the Relevant UCC; and (ii) the conveyance by CAC provided for in this Agreement shall be deemed to be, and CAC hereby grants to Funding, a security interest in, to and under all of CAC's right, title and interest in, to and under the Contributed Property, to secure the rights of Funding set forth in this Agreement or as may be determined in connection therewith by applicable law. CAC and Funding shall, to the extent consistent with this Agreement, take such actions as may be necessary to ensure that, if this Agreement were deemed to create a security interest in the Loans and other Contributed Property, such security interest would be deemed to be a perfected security interest in favor of Funding under applicable law and will be maintained as such throughout the term of this Agreement.

(e) In connection with such conveyance, CAC agrees to deliver to Funding on the Closing Date, one or more computer files or microfiche lists containing true and complete lists of all Dealer Agreements and Loans conveyed to Funding on the Closing Date, and all Contracts securing all such Loans, identified by account number, dealer number, and pool number and Outstanding Balance as of the Cut-Off Date. Such file or list shall be marked as Exhibit A to this Agreement, shall be delivered to Funding as confidential and proprietary, and is hereby incorporated into and made a part of this Agreement.

CAC further agrees to deliver to Funding on each Subsequent Contribution Date, one or more computer files or microfiche lists containing true and complete lists of all Dealer Agreements and Loans conveyed to Funding on such Subsequent Contribution Date, and all Contracts securing all such Loans, identified by account number, dealer number, and pool number and Outstanding Balance as of two days prior to such Subsequent Contribution Date. Such file or list shall be marked as Exhibit A to this Agreement,

shall be delivered to Funding as confidential and proprietary, and is hereby incorporated into and made a part of this Agreement.

SECTION 2.2. SERVICING OF LOANS. The servicing, administering and collection of the Loans shall be conducted by the Servicer, which hereby agrees to perform, take or cause to be taken all such action as may be necessary or advisable to collect each Loan from time to time, all in accordance with applicable laws, rules and regulations and with the care and diligence which the Servicer employs in servicing similar loans for its own account, in accordance with the Credit Guidelines and the Collection Guidelines. Funding hereby appoints the Servicer as its agent to enforce Funding's rights and interests in, to and under the Loans, the Related Security, the Collections, and the other Contributed Property. The Servicer shall hold in trust for Funding, in accordance with its interests, all Records which evidence or relate to the Loans, Related Security, Collections and other Contributed Property. Notwithstanding anything to the contrary contained herein, from and after the occurrence of a Termination Event or a Servicer Event of Default (each as defined in the Security Agreement), the Agent or Kitty Hawk shall have the absolute and unlimited right to terminate the Servicer's servicing activities described in this Section 2.2. In consideration of the foregoing, Funding agrees to pay the Servicer a Monthly Servicing Fee for its performance of the duties and obligations described in this Section 2.2; PROVIDED that any such monthly payment shall be reduced by any amounts payable in such month by Kitty Hawk or the Bank Investors to the Servicer, in its capacity as Servicer pursuant to the Security Agreement.

ARTICLE III
CONSIDERATION AND PAYMENT; LOANS

SECTION 3.1. CONSIDERATION. The consideration for the Loans and other Contributed Property conveyed on the Closing Date or on any Subsequent Contribution Date to Funding by CAC under this Agreement shall be 1,000 shares of common stock, par value $1.00 each (the "Shares"). The Contributed Property shall be deemed to have a value equal to the aggregate principal amount of the Loans contributed by CAC to Funding on the Closing Date or on any Subsequent Contribution Date, as applicable.

SECTION 3.2. DELIVERY OF THE SHARES. The Shares shall be issued and delivered to CAC on the Closing Date and shall be evidenced by an appropriate stock certificate duly executed by officers of Funding, which certificate shall bear an appropriate restrictive legend to the effect that the Shares may not be sold or otherwise transferred by CAC with the prior consent of Funding, except that CAC may transfer its ownership of the Shares

to a wholly-owned subsidiary.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

SECTION 4.1. REPRESENTATIONS AND WARRANTIES. CAC represents and warrants to Funding as of the Closing Date and each Subsequent Contribution Date that:

(a) CORPORATE EXISTENCE AND POWER. CAC is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and each has all corporate power and all material governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is now conducted. CAC is duly qualified to do business in, and is in good standing in, every other jurisdiction in which the nature of its business requires it to be so qualified, except where the failure to be so qualified or in good standing would not have a material adverse effect.

(b) CORPORATE AND GOVERNMENTAL AUTHORIZATION; CONTRAVENTION. The execution, delivery and performance by CAC of this Agreement are within its corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any Official Body or official thereof (except for the filing by Seller of UCC financing statements as required by this Agreement), and do not contravene, or constitute a default under, any provision of applicable law, rule or regulation or of the Articles of Incorporation or Bylaws or of any agreement, judgment, injunction, order, writ, decree or other instrument binding upon CAC, or result in the creation or imposition of any Adverse Claim on the assets of CAC or any of its subsidiaries (except those created by this Agreement).

(c) BINDING EFFECT. This Agreement constitutes the legal, valid and binding obligation of CAC, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar laws affecting the rights of creditors generally.

(d) PERFECTION. CAC is the owner of all of the Loans and the other Contributed Property, free and clear of all Adverse Claims. On or prior to the date of each contribution of Loans and the other Contributed Property to Funding pursuant to this Agreement, all financing statements and other documents required to be recorded or filed in order to perfect and protect the ownership interest of Funding in and to the Loans and the other Contributed Property against all creditors of and purchasers from CAC will have been duly filed in each filing office necessary for such purpose and all filing fees and taxes, if any, payable in

connection with such filings shall have been paid in full.

(e) ACCURACY OF INFORMATION. All information heretofore furnished by CAC to Funding, the Agent, Kitty Hawk and any Bank Investor for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by CAC to Funding, the Agent, Kitty Hawk and any Bank Investor will be, true and accurate in every material respect, on the date such information is stated or certified.

(f) TAX STATUS. CAC has filed all material tax returns (federal, state and local) required to be filed and has paid or made adequate provision for the payment of all taxes, assessments and other governmental charges.

(g) ACTION, SUITS. Except as set forth in this Agreement, there are no actions, suits or proceedings pending, or to the knowledge of CAC, threatened against or affecting CAC or any Affiliate of CAC or its properties, in or before any court, arbitrator or other body, which may, individually or in the aggregate, have a material adverse effect.

(h) PLACE OF BUSINESS. The principal place of business and chief executive office of CAC is in Southfield, Michigan, and the office where CAC keeps all of its Records is at the address listed in Section 9.3, or such other locations notified to Funding in accordance with this Agreement in jurisdictions where all action required by the terms of this Agreement has been taken and completed.

(i) GOOD TITLE. Upon the contribution of the Loans and related property to Funding pursuant to this Agreement, Funding shall acquire all of CAC's ownership and other interest in each Loan (and in the Related Security, Collections and proceeds with respect thereto) and in the Related Security, Collections and proceeds with respect thereto, in each case free and clear of any Adverse Claim.

(j) TRADENAMES, ETC. As of the date hereof CAC has not, within the last five (5) years, operated under any tradenames other than its corporate name, nor has it changed its name, merged with or into or consolidated with any other corporation or been the subject of any proceeding under Title 11, United States Code (Bankruptcy).

(k) NATURE OF LOANS, CONTRACTS. Each Loan represented by CAC to be an Eligible Loan, or included in the calculation of the Aggregate Outstanding Eligible Loan Balance, at the time of such representation, or at the time of such calculation, as applicable, in fact satisfies the definition of "Eligible Loan" set forth in the Security Agreement. Each Contract classified as

an "Eligible Contract" (or included in any aggregation of balances of "Eligible Contracts") by CAC satisfies at the time of such classification the definition of "Eligible Contract" set forth in the Security Agreement.

(l) AMOUNT OF LOANS. As of the Cut-Off Date, the aggregate Outstanding Balance of the Eligible Loans was at least $69,712,673.71.

(m) COLLECTION GUIDELINES. Since May 1, 1998, there have been no material changes in the Collection Guidelines other than as permitted hereunder and under the Security Agreement. Since such date, no material adverse change has occurred in the overall rate of collection of the Loans.

(n) COLLECTIONS AND SERVICING. Since April 1, 1998, there has been no material adverse change in the ability of the Servicer to service and collect the Loans.

(o) NOT AN INVESTMENT COMPANY. CAC is not, and is not controlled by, an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or each is exempt from all provisions of such Act.

(p) ERISA. Each of CAC and its ERISA Affiliates is in compliance in all material respects with ERISA and no lien exists in favor of the Pension Benefit Guaranty Corporation on any of the Loans.

(q) BULK SALES. No transaction contemplated by this Agreement requires compliance with any bulk sales act or similar law.

(r) PREFERENCE; VOIDABILITY. The transfer of the Loans, Collections, Related Security and other Contributed Property by the Servicer to Funding, has not been made for or on account of an antecedent debt owed by Funding to CAC, or by CAC to Funding, and neither of such transfers is or may be voidable under any Section of the Bankruptcy Reform Act of 1978 (11 U.S.C. Section Section 101 et seq.), as amended.

(s) CONSENTS, LICENSES, APPROVALS. With respect to each Dealer Agreement and each Loan and Contract and all other Contributed Property, all consents, licenses, approvals or authorizations of or registrations or declarations with any Governmental Authority required to be obtained, effected or given by CAC, in connection with the conveyance of such Loan, Contract or other Contributed Property to Funding have been duly obtained, effected or given and are in full force and effect.

(t) EXHIBIT A. Exhibit A to this Agreement is and will be

an accurate and complete listing of all Dealer Agreements and Loans in all material respects and all Contracts securing such Loans on the date each such Dealer Agreement, Contract and Loan was added to Exhibit A, and the information contained therein with respect to the identity of such Dealer Agreements and Loans and all Contracts securing such Loans and the Outstanding Balances thereunder and under the related Contracts is and will be true and correct in all material respects as of each such date.

(u) ADVERSE SELECTION. No selection procedure believed by CAC to be adverse to the interests of Funding has been or will be used in selecting the Dealer Agreements or the Loans (it being expressly understood that the Loans consist of closed pools of Loans under the related Dealer Agreements).

(v) USE OF PROCEEDS. No proceeds of any contribution hereunder will be used for a purpose that violates, or would be inconsistent with, regulations G, T, U or X promulgated by the Board of Governors of the Federal Reserve System.

SECTION 4.2. REAFFIRMATION OF REPRESENTATIONS AND WARRANTIES BY CAC; NOTICE OF BREACH. On each Subsequent Contribution Date, with respect to any Contributed Property that is contributed on such date, CAC shall be deemed to have certified that all representations and warranties described in Section 4.1 are true and correct on and as of such day as though made on and as of such day. The representations and warranties set forth in Section 4.1 shall survive the conveyance of the Loans to Funding, and termination of the rights and obligations of Funding and CAC under this Agreement. Upon discovery by Funding or CAC of a breach of any of the foregoing representations and warranties, the party discovering such breach shall give prompt written notice to the other within three Business Days of such discovery.

ARTICLE V
COVENANTS OF CAC AND THE SERVICER

SECTION 5.1. AFFIRMATIVE COVENANTS. So long as this Agreement is in effect, and until all Loans, an interest in which has been contributed to Funding pursuant hereto, shall have been paid in full or written-off as uncollectible, and all amounts owed by CAC pursuant to this Agreement have been paid in full, unless Funding otherwise consents in writing, CAC and the Servicer hereby covenant and agree as follows:

(a) CONDUCT OF BUSINESS. CAC and the Servicer will each, and the Servicer will cause its Subsidiaries to, carry on and conduct its business in substantially the same manner and in substantially the same fields of enterprise as it is presently conducted and do all things necessary to remain duly incorporated, validly existing and in good standing as a domestic

corporation in its jurisdiction of incorporation and each of CAC and Servicer will maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted.

(b) COMPLIANCE WITH LAWS. CAC and the Servicer will, and each will cause each of its Subsidiaries to, comply in all material respects with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it or its properties may be subject.

(c) FURNISHING OF INFORMATION AND INSPECTION OF RECORDS. CAC and the Servicer will furnish to Funding from time to time such information with respect to the Loans as Funding may reasonably request, including, without limitation, listings identifying the Obligor and the Outstanding Balance for each Loan. CAC and the Servicer will at any time and from time to time during regular business hours permit Funding, or its agents or representatives, (i) to examine and make copies of and abstracts from all Records and (ii) to visit the offices and properties of CAC for the purpose of examining such Records, and to discuss matters relating to Loans or CAC's performance hereunder with any of the officers, directors, employees or independent public accountants of CAC or the Servicer having knowledge of such matters.

(d) KEEPING OF RECORDS AND BOOKS OF ACCOUNT. CAC and the Servicer will each maintain a system of accounting established and administered in accordance with GAAP, consistently applied, and will maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Loans in the event of the destruction of the originals thereof), and keep and maintain, all documents, books, records and other information reasonably necessary or advisable for the collection of all Loans (including, without limitation, records adequate to permit adjustments to each existing Loan). CAC and the Servicer will each give Funding and the Agent notice of any material change in the administrative and operating procedures referred to in the previous sentence.

(e) PERFORMANCE AND COMPLIANCE WITH LOANS AND DEALER AGREEMENTS. CAC and the Servicer, at their expense, will timely and fully perform and comply with all material provisions, covenants and other promises required to be observed by either of them under the Dealer Agreements related to the Loans.

(f) CREDIT AND COLLECTION POLICIES. CAC and the Servicer will comply in all material respects with the Credit Guidelines (as in effect on the Closing Date) and the Collection Guidelines in regard to each Loan and the related Dealer Agreement.

(g) COLLECTIONS RECEIVED. The Servicer shall hold in

trust, and deposit to the Collection Account, not later than the close of business on the second Business Day following the Date of Processing, all Collections received from time to time by the Servicer.

(h) SALE TREATMENT. CAC agrees to treat the conveyance of the Contributed Property made pursuant to this Agreement for all purposes (including, without limitation, tax and financial accounting purposes) as a complete disposition and, to the extent any such reporting is required, shall report the transactions contemplated by this Agreement on all relevant books, records, tax returns, financial statements and other applicable documents as a complete disposition of the Loans to Funding.

(i) ERISA. CAC and the Servicer shall each promptly give Funding written notice upon becoming aware that CAC or the Servicer, or any of the Servicer's Subsidiaries, is not in compliance in all material respects with ERISA or that any ERISA lien on any of the Loans exists.

SECTION 5.2. NEGATIVE COVENANTS. During the term of this Agreement, unless the Agent and Funding shall otherwise consent in writing:

(a) NO SALES, LIENS, ETC. Except as otherwise provided herein, CAC will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Adverse Claim upon (or the filing of any financing statement) or with respect to (i) any of the Loans, the Related Security, Collections or other Contributed Property, (ii) any goods (other than inventory), the sale, which may give rise to any Loan, Related Security or Collections or other Contributed Property (subject, in each case with respect to Related Security constituting returned inventory, to the applicable provisions of Section 9-306 of the Relevant UCC) or (iii) upon or with respect to any account to which any Collections of any Loan are sent, or, in each case, assign any right to receive income in respect thereof. CAC shall, and will cause each of its Subsidiaries to, specifically exclude from the property subject to any Adverse Claim granted on inventory any and all accounts receivable generated by sales of such inventory and the proceeds thereof and shall provide, upon Funding's request, evidence satisfactory to Funding that any such Adverse Claim (and each related UCC financing statement or other related filing) expressly excludes any such accounts receivable. CAC will provide Funding and the Agent with a copy of any inventory financing agreement at least three Business Days prior to the effectiveness thereof.

(b) NO EXTENSION OR AMENDMENT OF LOANS. Neither CAC nor the Servicer will extend, amend or otherwise modify the terms of

any Loan, or amend, modify or waive any term or condition of any Dealer Agreement related thereto, except as permitted by any other Transaction Document.

(c) NO CHANGE IN BUSINESS OR CREDIT GUIDELINES. Except as provided in the Security Agreement, neither CAC nor the Servicer will make any change in the character of its business or in the Credit Guidelines or the Collection Guidelines, which change might, in either case, impair the collectability of any substantial portion of the Loans or otherwise result in a material adverse effect.

(d) CHANGE IN THE COLLECTION ACCOUNT. Neither CAC nor the Servicer will add or terminate, or make any change to, the Collection Account, except in accordance with the Security Agreement.

(e) CHANGE OF NAME, ETC. Neither CAC nor the Servicer will change its name, identity or structure or location of its chief executive office, unless at least ten (10) days prior to the effective date of any such change CAC or the Servicer, as the case may be, delivers to Funding and the Agent such documents, instruments or agreements, including, without limitation, appropriate financing statements under the Relevant UCC, executed by CAC, as are necessary to reflect such change and to continue the perfection of Funding's and any assignee's interest in the Loans.

(f) SEPARATE BUSINESS. Neither CAC nor the Servicer will: (i) fail to maintain separate books, financial statements, accounting records and other corporate documents from those of Funding; (ii) commingle any of its assets or the assets of any of its Affiliates with those of Funding; (iii) pay from its own assets any obligation or indebtedness of any kind incurred by Funding; (iv) directly, or through any of its Affiliates, borrow funds or accept credit or guaranties from Funding except pursuant to this Agreement in connection with the purchase of the Loans.

SECTION 5.3. INDEMNIFICATION. CAC and the Servicer, jointly and severally, agree to indemnify, defend and hold Funding harmless from and against any and all loss, liability, damage, judgment, claim, deficiency, or expense (including interest, penalties, reasonable attorneys' fees and amounts paid in settlement) to which Funding or any assignee thereof may become subject insofar as such loss, liability, damage, judgment, claim, deficiency, or expense arises out of or is based upon a breach by CAC or the Servicer of its representations, warranties and covenants contained herein, or any information certified in any schedule or certificate delivered by CAC or the Servicer hereunder, being untrue in any material respect at any time. The obligations of CAC and the Servicer under this Section 5.3 shall

be considered to have been relied upon by Funding, Kitty Hawk and the Agent and shall survive the execution, delivery, performance and termination of this Agreement, regardless of any investigation made by Funding, Kitty Hawk or the Agent or on behalf of any of them.

ARTICLE VI
REPURCHASE OBLIGATION

SECTION 6.1. MANDATORY REPURCHASE UPON BREACH OF WARRANTY. If any Loan, which has been contributed to Funding by CAC hereunder and which has been reported by CAC to be an Eligible Loan, shall fail to meet the conditions set forth in the definition of "Eligible Loan" on the date of such report or for which any representation or warranty made herein in respect of such Loan shall fail to be true on the date so made, CAC shall be deemed to have received on such day a Collection of such Loan in full and shall on such day pay to Funding an amount equal to the aggregate Outstanding Balance of such Loan. If on any day any Contract, which has been contributed to Funding by CAC hereunder and which has been reported by CAC to be an Eligible Contract, shall fail to meet the conditions set forth in the definition of "Eligible Contract" on the date of such report or for which any representation or warranty made herein in respect of such Contract shall fail to be true on the date so made, CAC shall be deemed to have received on such day a Collection in the amount of the Outstanding Balance of such Contract and shall on such day pay to Funding an amount equal to the outstanding Balance of such Contract. For purposes of this Section 6.1, Outstanding Balance shall be calculated as of the last day of the immediately preceding collection period. Upon the request of CAC, Funding shall release its security interest on the Loans and the Contracts for which payment has been made in accordance with this Section 6.1; PROVIDED, HOWEVER, that any Income Collections relating to any such Loans accrued through the date of the release of the security interest in such Loans shall continue to be pledged to Funding.

SECTION 6.2. NO RECOURSE. Except as otherwise provided in this Article VI, the purchase and sale of the Loans under this Agreement shall be without recourse to CAC or the Servicer.

ARTICLE VII
CONDITIONS PRECEDENT

SECTION 7.1. CONDITIONS TO FUNDING'S OBLIGATIONS REGARDING LOANS. Consummation of the transactions contemplated hereby on the Closing Date and on any Subsequent Contribution Date shall be subject to the satisfaction of the following conditions:

(a) All representations and warranties of CAC and the

Servicer contained in this Agreement shall be true and correct on the Closing Date and on each Subsequent Contribution Date thereafter with the same effect as though such representations and warranties had been made on such date;

(b) All information concerning the Loans provided to Funding shall be true and correct in all material respects as of the Closing Date, in the case of any Loans sold on the Closing Date, or the Subsequent Contribution Date, in the case of any Loans sold on any Subsequent Contribution Date;

(c) CAC and the Servicer shall have substantially performed all other obligations required to be performed by the provisions of this Agreement;

(d) CAC shall have filed or caused to be filed the financing statement(s) required to be filed pursuant to Section 2.1(b);

(e) All corporate and legal proceedings and all instruments in connection with the transactions contemplated by this Agreement shall be satisfactory in form and substance to Funding, and Funding shall have received from CAC copies of all documents (including, without limitation, records of corporate proceedings) relevant to the transactions herein contemplated as Funding may reasonably have requested; and

(f) On the Closing Date, CAC shall deliver to Funding and the Agent a Monthly Servicer's Certificate as of the Closing Date.

ARTICLE VIII
TERM AND TERMINATION

SECTION 8.1. TERM. This Agreement shall commence as of the date of execution and delivery hereof and shall continue in full force and effect until the date following the earlier of (i) the date designated by Funding or CAC as the termination date at any time following sixty (60) day's written notice to the other (with a copy thereof to the Agent), (ii) upon the occurrence of an Event of Bankruptcy with respect to either Funding, CAC or the Servicer or (iii) the date on which either Funding or the Servicer becomes unable for any reason to purchase or re-purchase any Loan in accordance with the provisions of this Agreement or defaults on its obligations hereunder, which default continues unremedied for more than thirty (30) days after written notice (any such date being a "TERMINATION DATE"); PROVIDED, HOWEVER, that the termination of this Agreement pursuant to this Section 8.1 hereof shall not discharge any Person from any obligations incurred prior to such termination, including, without limitation, any obligations to make any payments with respect to

the interest of Funding in any Loan sold prior to such termination.

SECTION 8.2. EFFECT OF TERMINATION. Following the termination of this Agreement pursuant to Section 8.1, CAC shall not contribute any Loans. No termination or rejection or failure to assume the executory obligations of this Agreement in any Event of Bankruptcy with respect to CAC or Funding shall be deemed to impair or affect the obligations pertaining to any executed sale or executed obligations, including, without limitation, pre-termination breaches of representations and warranties by CAC or Funding. Without limiting the foregoing, prior to termination, the failure of CAC to deliver computer records of Loans or any reports regarding the Loans shall not render such transfer or obligation executory, nor shall the continued duties of the parties pursuant to Article V or Section 9.1 of this Agreement render an executed sale executory.

ARTICLE IX
MISCELLANEOUS PROVISIONS

SECTION 9.1. AMENDMENT. This Agreement and the rights and obligations of the parties hereunder may not be changed orally, but only by an instrument in writing signed by Funding and CAC and consented to in writing by the Agent. Any reconveyance executed in accordance with the provisions hereof shall not be considered amendments to this Agreement.

SECTION 9.2. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MICHIGAN.

SECTION 9.3. NOTICES. Except as provided below, all communications and notices provided for hereunder shall be in writing (including telecopy or electronic facsimile transmission or similar writing) and shall be given to the other party at its address or telecopy number set forth below or at such other address or telecopy number as such party may hereafter specify for the purposes of notice to such party. Each such notice or other communication shall be effective (i) if given by telecopy, when such telecopy is transmitted to the telecopy number specified in this Section 9.3 and confirmation is received, (ii) if given by mail three Business Days following such posting, postage prepaid, U.S. certified or registered, (iii) if given by overnight courier, one Business Day after deposit thereof with a national overnight courier service, or (iv) if given by any other means, when received at the address specified in this Section 9.3.

(a) in the case of Funding:

CAC Funding Corp.

Silver Triangle Building
25505 West Twelve Mile Road
Southfield, Michigan 48034-8339
Attention: Douglas W. Busk
Telephone: (248) 353-2700 (ext. 432)
Telecopy: (248) 827-8542

with a copy to:

NationsBank, N.A.
NationsBank Corporate Center
100 North Tryon Street
NC1-007-10-07
Charlotte, NC 28255
Attention: Michelle M. Heath NC1-007-10-07
Structured Finance
Telephone: (704) 386-7922
Telecopy: (704) 388-9169

(b) in the case of CAC and in the case of the Servicer (for so long as the Server is CAC):

Credit Acceptance Corporation
Silver Triangle Building
25505 West Twelve Mile Road
Southfield, Michigan 48034-8339
Attention: Douglas W. Busk
Telephone: (248) 353-2700 (ext. 432)
Telecopy: (248) 827-8542

or, as to each party, at such other address as shall be designated by such party in a written notice to each other party.

SECTION 9.4. SEVERABILITY OF PROVISIONS. If any one or more of the covenants, agreements, provisions or terms of this Agreement shall for any reason whatsoever be held invalid, then such covenants, agreements, provisions, or terms shall be deemed severable from the remaining covenants, agreements, provisions, or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement.

SECTION 9.5. ASSIGNMENT. This Agreement may not be assigned by the parties hereto, except that Funding may assign its rights hereunder pursuant to the Security Agreement to the Agent, for the benefit of Kitty Hawk and the Bank Investors, and that Kitty Hawk may assign any or all of its rights to any Liquidity Provider. Funding hereby notifies (and CAC hereby acknowledges that) Funding, pursuant to the Security Agreement, has assigned its rights hereunder to the Agent. All rights of Funding hereunder may be exercised by the Agent or its assignees, to the extent of their respective rights pursuant to such

assignments.

SECTION 9.6. FURTHER ASSURANCES. Funding, CAC and the Servicer agree to do and perform, from time to time, any and all acts and to execute any and all further instruments required or reasonably requested by the other parties in order to more fully to effect the purposes of this Agreement, including, without limitation, the execution of any financing statements or continuation statements or equivalent documents relating to the Loans for filing under the provisions of the Relevant UCC or other laws of any applicable jurisdiction.

SECTION 9.7. NO WAIVER; CUMULATIVE REMEDIES. No failure to exercise and no delay in exercising, on the part of Funding, CAC or the Agent, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exhaustive of any rights, remedies, powers and privilege provided by law.

SECTION 9.8. COUNTERPARTS. This Agreement may be executed in two or more counterparts including telecopy transmission thereof (and by different parties on separate counterparts), each of which shall be an original, but all of which together shall constitute one and the same instrument.

SECTION 9.9. BINDING EFFECT; THIRD-PARTY BENEFICIARIES. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns. The Agent, on behalf of Kitty Hawk and the Bank Investors, and any Liquidity Provider are intended by the parties hereto to be third-party beneficiaries of this Agreement.

SECTION 9.10. MERGER AND INTEGRATION. Except as specifically stated otherwise herein, this Agreement sets forth the entire understanding of the parties relating to the subject matter hereof, and all prior understandings, written or oral, are superseded by this Agreement. This Agreement may not be modified, amended, waived or supplemented except as provided herein.

SECTION 9.11. HEADINGS. The headings herein are for purposes of reference only and shall not otherwise affect the meaning or interpretation of any provision hereof.

SECTION 9.12. EXHIBITS. The schedules and exhibits referred to herein shall constitute a part of this Agreement and are incorporated into this Agreement for all purposes.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Funding and CAC each have caused this Contribution Agreement to be duly executed by their respective officers as of the day and year first above written.

CAC FUNDING CORP.

By: /S/ DOUGLAS W. BUSK
Name: DOUGLAS W. BUSK
Title: TREASURER

CREDIT ACCEPTANCE CORPORATION,
individually and as Servicer

By: /S/ BRETT A. ROBERTS
Name: BRETT A. ROBERTS
Title: CFO

Acknowledged and agreed as
of the date first above written:

KITTY HAWK FUNDING CORPORATION

By: /S/ RICHARD L. TAIANO
Name: RICHARD L. TAIANO
Title: VICE PRESIDENT

NATIONSBANK, N.A., as Agent

By: /S/ ROBERT R. WOOD
Name: ROBERT R. WOOD
Title: VICE PRESIDENT

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