

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THIS FISCAL YEAR ENDED DECEMBER 31, 2000 COMMISSION FILE NUMBER 000-20202

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

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

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

Securities registered pursuant to Section 12(b) of the Act:

None

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

Common Stock

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

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

The aggregate market value of 9,537,623 shares of the Registrant's common stock held by non-affiliates on March 16, 2001 was approximately \$50,072,521. For purposes of this computation all officers, directors and 5% beneficial owners of the Registrant are assumed to be affiliates. Such determination should not be deemed an admission that such officers, directors and beneficial owners are, in fact, affiliates of the Registrant.

At March 16, 2001 there were 42,319,787 shares of the Registrant's Common Stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement pertaining to the 2001 Annual Meeting of Shareholders (the "Proxy Statement") filed pursuant to Regulation 14A are incorporated herein by reference into Part III.

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PART I

ITEM 1. BUSINESS

GENERAL

Credit Acceptance Corporation ("CAC" or the "Company"), incorporated in Michigan in 1972, is a specialized financial services company which provides funding, receivables management, collection, sales training and related products and services to automobile dealers located in the United States, the United Kingdom, Canada and Ireland. CAC assists such dealers with the sale or lease of used vehicles by providing an indirect financing source for consumers with limited access to traditional sources of credit ("Non-prime Consumers"). For the year ended December 31, 2000, CAC had total revenues of \$123.8 million and a net income of \$23.7 million. At December 31, 2000, aggregate gross installment contracts receivable were \$674.4 million and total shareholders' equity was \$262.2 million.

CAC also provides additional products and services to dealers which give the Non-prime Consumers the opportunity to purchase a number of ancillary products, including credit life and disability insurance, vehicle service contracts and point-of-sale dual interest collateral protection insurance provided by third party insurance carriers. Through wholly-owned subsidiaries, the Company also reinsures certain of the credit life and disability insurance and point-of-sale dual interest collateral protection insurance policies issued in conjunction with installment contracts originated by dealers.

The Company is organized into three primary business segments: CAC North America, CAC United Kingdom and CAC Automotive Leasing. See Note 13 to the

consolidated financial statements contained elsewhere in this report for information regarding the Company's reportable segments.

PRODUCTS AND SERVICES

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

PERCENT OF TOTAL REVENUE	FOR THE YEARS ENDED		
	DECEMBER 31,		
	1998	1999	2000
Finance charges.....	68.8%	65.8%	64.4%
Lease Revenue.....	--	0.9	10.5
Premiums earned.....	7.7	8.9	7.6
Gain on sale of Advance receivables, net.....	0.5	--	--
Other income.....	23.0	24.4	17.5
Total revenue.....	100.0%	100.0%	100.0%

PRINCIPAL BUSINESS

CAC's principal business involves: (i) the acceptance of installment contracts originated and assigned by participating dealers; and (ii) the subsequent management and collection of such contracts. For installment contracts meeting the Company's criteria, CAC makes a formula-based cash payment to the dealer (an "Advance"). The Company may advance up to 90% of the amount financed, but Advances typically range between 60% and 80% of the amount financed in North America and between 80% and 90% of the amount financed in the United Kingdom. To mitigate its risk, at the time of accepting the assignment of an installment contract, CAC obtains a security interest in the vehicle and establishes a dealer holdback equal to the gross

amount of the contract, less the Company's servicing fee, which is recorded as an unearned finance charge. CAC's acceptance of such contracts is generally without recourse to the general assets of the dealer, and accordingly, the dealer usually has no liability to the Company if the consumer defaults on the contract.

CAC offers its dealers in North America several Advance alternatives, which are calculated based upon the dealer's history with the Company, the credit score for a particular customer and the year, make, model, and mileage of the used vehicle to be financed. A similar method is used in the United Kingdom to calculate the Advance, with the exception of credit scoring the customer.

CAC collects the scheduled monthly payments based on contractual arrangements with the consumer. Monthly cash collections are remitted to the dealer, but only after the Company: (i) is reimbursed for certain collection costs associated with all installment contracts originated by such dealer; (ii) receives a servicing fee (typically 20%) of the aggregate monthly receipts after collection costs; and (iii) has recovered the aggregate Advances made to such dealer.

OPERATIONS

CAC North America and CAC United Kingdom

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

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

The servicing agreement may be terminated by the Company or by the dealer (as long as there is no event of default or an event which, with the lapse of time, giving of notice or both, would become an event of default) upon 30 days prior written notice. Events of default include, among other things, (i) the dealer's failure to perform or observe covenants in the servicing agreement; (ii) the dealer's breach of a representation in the servicing agreement; (iii) a misrepresentation by the dealer relating to an installment contract submitted to the Company or a related vehicle or purchaser; and (iv) the appointment of a receiver for, or the bankruptcy or insolvency of, the dealer. The Company may terminate the servicing agreement immediately in the case of an event of default by the dealer. Upon any termination by the dealer or in the event of a default, the dealer must immediately pay the Company: (i) any unreimbursed collection costs; (ii) any unpaid Advances and all amounts owed by the dealer to the Company; and (iii) a termination fee equal to 20% of the then outstanding amount of the installment contracts originated and accepted by the Company. Upon receipt in full of such amounts, the Company will reassign the installment contract receivable and its security interest in the financed vehicle to the dealer. In the event of a termination by the Company (or any other termination if the Company and the dealer agree), the Company may continue to service installment contracts accepted prior to termination in the normal course of business without charging a termination fee.

New dealers located in North America are generally charged a dealer enrollment fee, which affords the dealer access to the Company's training material and programs and helps offset the administrative expenses associated with new dealer enrollment. The fee is \$4,500 in North America and 2,500 pounds in the United Kingdom.

Assignment of Contracts. The dealer assigns title to the installment contract and the security interest in the vehicle to the Company. Thereafter, the rights and obligations of the Company and the dealer are defined by the servicing agreement, which provides that the contract assignment to the Company is for the purposes of administration, servicing and collection of the amounts due under the assigned contract, as well as for security

purposes. At the time a contract is submitted, CAC evaluates the contract to determine if it meets the Company's cash Advance criteria. Contracts which do not meet the Company's cash Advance criteria may still be accepted for servicing without an Advance being paid.

Contract Portfolio. The portfolio of installment contracts contains loans of initial duration generally ranging from 24 to 48 months, with an average initial maturity of approximately 32 months. The Company receives a servicing fee generally equal to 20% of the gross amount of the contract, with the rate of return varying, based upon the amount of the Advance and the term of the contract.

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

AS OF DECEMBER 31,

AVERAGE CONTRACT DATA	1996	1997	1998	1999	2000
Average size of installment contracts accepted during the period.....	\$7,249	\$8,340	\$8,402	\$8,931	\$8,982
Percentage growth in average size of contract.....	11.4%	15.1%	0.7%	6.3%	0.6%
Average initial maturity (in months).....	30	31	31	32	32
Average Advance per installment contract.....	\$3,837	\$4,228	\$4,260	\$4,784	\$4,714
Average Advance as a percent of average installment contract accepted.....	52.9%	50.7%	50.7%	53.6%	52.5%

Systems Overview. The Company employs three major computer systems in its North America 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 collection personnel to track and service all active customer accounts.

ACS -- The ACS, designed and built by an independent consulting firm hired by the Company, was installed in May 1997. This system replaced certain functionality of the Company's previous systems. The system enables the Company to efficiently process a large volume of application and contract data. When a dealer faxes an application to the Company's headquarters in Southfield, Michigan, Company personnel input the application data into the ACS. The system automatically pulls all credit bureau and vehicle guidebook data and includes such data in the application file, which is routed to the analyst team assigned to that dealer. An analyst reviews each application file on-line to determine if the transaction is properly structured and meets the Company's guidelines for an Advance. The ACS provides the analyst with information regarding the borrower, including information on the borrower's residence, employment, wage level and references, information regarding the vehicle, including the vehicle's age, mileage and guidebook value, and information regarding the transaction, including sale price, down payment, interest rate and term. The system computes the Advance amount according to predefined programs based on dealer and loan variables, provides the analyst with warning flags on out-of-tolerance application variables and allows the analyst to select from a predefined set of stipulations to include on the Advance approval transmittal, which is automatically faxed to the dealer. After the sale of the vehicle, the installment contract package is sent to the Company by the dealer. The contract information is input into the ACS. The system compares the contract data to the application data and reviews compliance with analyst stipulations. After any variances have been addressed, the system sends an Advance payment to the dealer by check or electronic transaction. The system generally enables the Company to approve application files in under one hour and fund contracts within 24 hours of receipt of all required documents. The system enables management personnel to report on service level by analyst and by team, application and contract volumes by dealer and by program, exceptions granted and various other reports as needed. The ACS automatically loads all new contract data into the LSS system.

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

CS -- The CS, which is used by Company collection personnel to service all

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

The Company employs one major computer system in its United Kingdom operation, which was originally developed by a major software vendor. The Company purchased the source code in 1997 and now continues to develop and enhance the system in house. The system encompasses the main features of the ACS, LSS and CS with the exception of (i) the ability to automatically pull all credit bureau and vehicle guidebook data, which have to be referenced separately, and (ii) the automatic interface with the phone system.

Servicing and Collections. CAC's staff of professional and experienced collection personnel collects amounts due on installment contracts, assisted by the CS and telephone systems. The customized CS is integrated with an automated dialing telephone system, which allows the Company's collection personnel to contact a large number of customers on a daily basis. The integration of the systems allows critical calling information to be seamlessly uploaded to the CS. This integration helps identify customers who are difficult to contact by phone and need additional collection efforts.

In North America, customer payments are received through various third party payment providers and at CAC's Southfield, Michigan location. Payment receipt data is electronically transferred from the various third party providers on a daily basis for posting to the customer's account. The payments are processed in CAC's LSS which provides customer payment information to the CS on a real time basis.

In the United Kingdom, customers can make payments at banks and post offices. Additional payments are received at the Company's United Kingdom office and the Company electronically originates a large percentage of payments directly from a customer's bank account, with the customer's prior consent. All payments processed update the customer's account on a daily basis.

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

The repossession process typically begins when a customer becomes approximately 30 days past due. At that time, the Company contracts with a third party to repossess and sell the vehicle at an auction. The costs

related to such activities, to the extent permitted by law, are added to the amount due from the customer and the dealer Advance amount. If the proceeds from the sale are not sufficient to cover the total balance due, the Company may seek to recover its "deficiency balance" from the customer through legal means, including wage garnishment to the extent permitted by applicable law. Although the Company continues to pursue collection, the deficiency balance is charged-off after nine months of not receiving any material payments.

Proprietary Credit Scoring System. In 1999, the Company implemented a proprietary credit scoring system in North America. This system, which is a module of ACS, is based upon the Company's portfolio database and was developed with the assistance of an independent statistical consulting firm. This system

was updated with enhanced predictive qualities in April 2000 and is evaluated monthly through the comparison of actual versus projected loan collection performance by credit score. Credit scoring is used to evaluate risk in terms of expected collection rates. Factors considered in the credit scoring model include data contained in the customer's credit application, the customer's credit bureau report and the structure of the proposed transaction. The credit scoring system provides the Company's participating dealers with the opportunity to restructure poor scoring transactions and provides the Company with the ability to vary the structure of the installment contract and the Advance rate on the contract based upon the statistical probability of default. The credit scoring system is not utilized in the United Kingdom.

Internet-based Proprietary Credit Approval Processing System ("CAPS"). In 2000, the Company's North America segment designed and built a system that allows dealers to enter an application on-line via the internet, receive an approval within minutes, including an Advance amount and a profit analysis for every vehicle in the dealer's inventory. The system works in connection with ACS and LSS in order to pull credit bureau information and calculate a credit score. Furthermore, CAPS has been automated to require all applications to clear critical underwriting standards and social security number authentication before an application is eligible for submission to the Company. The system has allowed CAC to significantly streamline and enhance the credit approval process.

Leasing Contracts. The Company's North America segment, on a limited basis, accepts used vehicle leases. Prior to February 2000, leases were accepted on a basis similar to the manner in which the Company accepts installment contracts. In February 2000, the North America segment began accepting leases in the same manner as the CAC Automotive Leasing segment described below.

#### CAC Automotive Leasing

In 1999, the Company began to expand its automotive leasing business. Through this business unit, the Company purchases used vehicle leases originated by dealers participating in the Company's automotive leasing program. The program is designed to provide select franchised new vehicle dealers with a leasing alternative for Non-prime Consumers with limited access to traditional sources of consumer credit.

Under the Company's leasing program, the Company purchases vehicle leases from the dealer for an amount that is generally based on the value of the vehicle as determined by industry guidebooks, assumes ownership of the related vehicle from the dealer and takes title to the vehicle. Payments to dealers average 61% of the aggregate amount of the lease payments. This program differs from the Company's principal business in that, as these leases are purchased outright, the Company has no potential liability to the dealer for future collections after the purchase of the lease. Additionally, the customer is required to remit a security deposit to the Company that averages \$1,029.

Pursuant to the dealer lease agreement, the dealer represents that it will only submit contracts that satisfy criteria established by the Company and comply with applicable state, federal and foreign laws and regulations. At lease termination, the Company is responsible for the ultimate disposal of the vehicle, which is sold back to the dealer or the customer or at an auction. These leases generally have an original term of 24, 30 or 36 months, with the average initial term being 35 months. The average contract amount including the residual value of such used vehicles approximates \$18,625. The average lease payment is \$436. The average acquisition price per lease contract is \$11,413.

The Company utilizes a third party software vendor to provide systems and assistance in servicing the lease portfolio. Additionally, the Company utilizes both ACS and CS to service the lease contracts. Primarily, the third party vendor is responsible for recording the leases in its system, sending customer invoices and processing customer payments. CAC collection personnel are responsible for interacting directly with the customer to collect amounts due and responding to customer inquiries.

The Company anticipates that it will continue to expand its leasing business. However, the Company's growth will be primarily contingent upon obtaining additional portfolio data indicating that the leases the Company is originating will likely generate an acceptable future rate of return.

## ANCILLARY PRODUCTS

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

### CAC North America

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

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

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

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### CAC United Kingdom

In the United Kingdom, the Company has relationships with third party credit life and disability and service contract providers, which pay the Company a commission on credit life and disability and service contracts included on installment contracts financed through participating dealers.

### CAC Automotive Leasing

For the leasing segment, ancillary products are offered directly by the dealers and are financed by the Company as part of the lease contract.

## OTHER SERVICES

Floor Plan Financing and Secured Working Capital Loans. In the United States, the Company offers floor plan financing to certain dealers, pursuant to which the Company makes loans to dealers to finance vehicle inventories, in each

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

Installment Contract Purchase Program. In the United States, the Company offers an installment contract purchase program to public vehicle auctions and dealers that sell vehicles to Non-prime Consumers. An affiliated consulting company administers the marketing of the program and is paid a commission on ancillary products sold and financed by the Company. The Company purchases the contracts for the amount financed under the contract less a fee. The contracts are purchased without recourse to the auctions and dealers.

Secured Line of Credit Loans. In the United States, on a limited basis, the Company offers secured line of credit agreements to certain dealers, pursuant to which the Company makes loans to dealers to finance vehicle sales, in each case secured by substantially all assets of the dealer, including the dealer's installment contract receivables and the related cash proceeds payments and a personal guarantee by the dealer's owner. This line of credit is provided to both participating and non-participating dealers in the Company's financing program. The loans to the dealers range from 50% to 70% of the principal amount of the contract to the consumer. The Company receives from the dealer 60% to 75% of the gross contract amount (both the principal and interest). If the consumer defaults on the contract, generally some predetermined formula based reduction to the loan amount is required.

#### SALES AND MARKETING

##### CAC North America and CAC United Kingdom

The Company's program is marketed directly to used vehicle dealers and to new automobile dealers with used vehicle departments. Marketing efforts are initially concentrated in a particular geographic area through the distribution of marketing brochures and via advertising in trade journals and other industry publications directly to automobile dealers. The Company's sales personnel telephone and visit potential dealers, in an effort to solicit new business and to answer any questions dealers may have regarding the Company's programs. Training seminars are available to dealers desiring to learn more about the Company's program, as well as to participating dealers. The Company also establishes relationships with dealers and auctions through referrals from third party vendors and participating dealers.

CAC employs experienced sales and marketing professionals (sales representatives) both at the Company's headquarters and in the field for purposes of enrolling new dealers and providing services to

existing dealers. The Company actively monitors the dealer relationship with the objective of maximizing the volume of applications received from the dealer that meet the Company's underwriting standards and profitability objectives. Sales personnel are compensated on a commission basis calculated on the volume of business submitted by dealers.

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

##### CAC Automotive Leasing

The leasing program is marketed to new vehicle dealers primarily through an exclusive marketing arrangement with an automotive finance company. The Company actively monitors the dealer relationship with the objective of maximizing the volume of applications received from the dealer that meet the Company's

underwriting standards and profitability objectives. Sales personnel are compensated on a commission basis calculated on the volume and quality of applications submitted by dealers.

#### CREDIT LOSS POLICY AND EXPERIENCE

##### CAC North America and CAC United Kingdom

When a participating dealer assigns an installment contract to the Company, the Company generally pays a cash Advance to the dealer. 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, the present value of estimated future collections on installment contracts is compared to the related Advance balance. The discount rate used for present value purposes is equal to the rate of return expected upon origination of the Advance. The Company's Loan Servicing System allows the Company to estimate future collections for each dealer pool using historical loss experience and a dealer-by-dealer static pool analysis. The Company recorded a non-cash charge during 1999 to reflect the impact of collections on loan pools originated primarily during 1995, 1996 and 1997 falling below previous estimates, indicating further impairment of Advance balances associated with these loan pools. While previous loss curves indicated that loans originated in 1995, 1996 and 1997 would generate lower overall collection rates than those originated in prior years, in the third quarter of 1999 the loss curves indicated collection rates on these pools would be lower than previously estimated. Management's analysis of the static pool model also indicates that the business originated subsequent to 1997 is of higher quality than business originated during the three years ended December 31, 1997. Future reserve requirements will depend in part on the magnitude of the variance between management's estimate of future collections and the actual collections that are realized. 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 maintains an allowance for credit losses that, in the opinion of management, adequately reserves against 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 revenue on installment contracts that were transferred to non-accrual status during the period. 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.

##### CAC Automotive Leasing

The Company maintains an allowance for lease vehicle losses that consists of a repossession reserve and a residual reserve. The repossession reserve is intended to cover losses resulting from: i) earned but unpaid lease payment revenue; and ii) the difference between proceeds from vehicle disposals and the net book value. The residual reserve is intended to cover losses resulting from vehicle disposals at the end of the lease term. The

residual values represent estimates of the asset values at the end of the lease contracts based on industry guidebooks and other information. Realization of the residual values is dependent on the Company's future ability to market the vehicles under then prevailing market conditions. The revenue recognition process is suspended at the point the customer becomes three payments past due.

#### COMPETITION

The Non-prime Consumer finance market is very fragmented and highly competitive. The Company believes that there are numerous competitors providing, or are capable of providing, financing programs through dealers to purchasers and lessees of used vehicles. The Company also competes, indirectly, with dealers operating dealer-financed programs. Because the Company's program is directed to provide financing to individuals who cannot ordinarily qualify for traditional financing, the Company does not believe that it directly competes

with commercial banks, thrifts, automobile finance companies and others that apply more traditional lending criteria to the credit approval process. Historically, these traditional sources of used vehicle financing (some of which are larger, have significantly greater financial resources and have relationships with captive dealer networks) have not served the Company's market segment consistently. The Company's market is primarily served by smaller finance organizations that solicit business when and as their capital resources allow. The Company intends to capitalize on this market segment's lack of a major, consistent financing source. However, if such a competitor were to enter the Company's market segment, the Company's financial position and results of operations could be materially adversely affected. The Company believes that it can compete on the basis of service provided to its participating dealers, innovative products and superior collection performance.

CUSTOMER AND GEOGRAPHIC CONCENTRATIONS

Installment contracts receivable attributable to affiliated dealers owned by: (i) the Company's majority shareholder; and (ii) another Company executive represented approximately 2% of the gross installment contracts receivable balance at the end of 1998, 1999 and 2000. Approximately 2%, 2% and 1% of the value and number of installment contracts accepted by the Company during 1998, 1999 and 2000, respectively, were originated by affiliated dealers. Affiliated dealers are not obligated to continue doing business with CAC, nor are they precluded from owning or operating businesses that may compete with the Company. As of December 31, 2000, approximately 18.8% of the participating dealers in North America were located in Michigan, Maryland, and New York and these dealers accounted for approximately 30.5% of the number of contracts accepted from North American dealers in 2000. As of December 31, 2000, approximately 14.3% of the Company's total participating dealers were located in the United Kingdom and during 2000 these dealers accounted for approximately 17.9% of the new contracts accepted by the Company. No single dealer accounted for more than 10% of the number of installment contracts accepted by the Company during 1998, 1999 or 2000. However, during 1998, 1999 and 2000, three dealer groups in the United Kingdom accounted for approximately 18.9%, 55.5% and 64.8% of new contracts accepted by that business segment.

The Company regularly purchases operating lease contracts originated by affiliated dealers owned by the Company's majority shareholder and originated by affiliated dealers owned by a Company executive. Lease contracts accepted from affiliated dealers were \$5.8 million and \$10.1 million in 1999 and 2000, respectively. Affiliated dealers originated approximately 60.4% and 22.6% of the value of leasing contracts purchased and approximately 63.6% and 24.8% of the number of leasing contracts purchased by the Company during 1999 and 2000, respectively. This leasing program was started in 1999.

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

	AS OF AND FOR YEARS ENDED DECEMBER 31,		
	1998	1999	2000
Revenues from customers			
United States.....	\$120,086	\$97,895	\$100,963
United Kingdom.....	20,828	16,660	20,729
Other foreign.....	1,435	1,500	2,086
Long-lived assets			
United States.....	\$ 18,781	\$16,699	\$ 17,248
United Kingdom.....	1,834	1,544	1,170
Other foreign.....	12	--	--

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

been reported if the domestic and foreign operations were independent of one another.

REGULATION

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

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

The Company's operations in the United Kingdom, Canada and Ireland are also subject to various laws and regulations. Generally, these requirements tend to be no more restrictive than those in effect in the United States.

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

EMPLOYEES

As of December 31, 2000, the Company employed 659 persons. The table below presents this information for each reportable segment:

DEPARTMENT	CAC NORTH AMERICA	CAC UNITED KINGDOM	CAC AUTOMOTIVE LEASING	TOTAL COMPANY
Collection and Servicing.....	290	66	16	372
Contract Origination and Processing.....	54	34	7	95
Marketing.....	54	14	4	72
Accounting.....	15	10	3	28
Information Systems.....	21	4	0	25
Management and Support.....	46	18	3	67
	---	---	--	---
Total.....	480	146	33	659
	===	===	==	===

Several employees from CAC North America perform duties on behalf of CAC

Automotive Leasing. Accordingly, the appropriate percentage of their salary is allocated on a monthly basis to the leasing segment. The Company's employees have no union affiliations and the Company believes its relationship with its employees is good.

## ITEM 2. PROPERTIES

### CAC North America and CAC Automotive Leasing

The Company's headquarters are located at 25505 West Twelve Mile Road, Southfield, Michigan 48034. The Company purchased the office building in 1993, which it financed in part by a loan secured by a mortgage on the building. The office building includes approximately 118,000 square feet of space on five floors. The Company occupies approximately 65,000 square feet of the building, with most of the remainder of the building leased to various tenants. The Company plans to continue to lease excess space in the building until such time as the Company's expansion needs require it to occupy additional space.

The Company leases space in an office building in Henderson, Nevada, which houses CAC's western North America collections and sales operations. The Company occupies approximately 9,300 square feet of the building. The lease expires in February 2004.

### CAC United Kingdom

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

## ITEM 3. LEGAL PROCEEDINGS

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

The Company believes that the structure of its dealer programs and the ancillary products, including the terms and conditions of its servicing agreement with dealers, may mitigate its risk of loss in any such litigation and that it has taken prudent steps to address the litigation risks associated with its business activities.

During the first quarter of 1998, several putative class action complaints were filed by shareholders against the Company and certain officers of the Company in the United States District Court for the Eastern District of Michigan seeking money damages for alleged violations of the federal securities laws. On August 14, 1998, a Consolidated Class Action Complaint, consolidating the claims asserted in those cases, was filed. The Complaint generally alleged that the Company's financial statements issued during the period August 14, 1995 through October 22, 1997 did not accurately reflect the Company's true financial condition and results of operations because such reported results failed to be in accordance with generally accepted accounting principles and such results contained material accounting irregularities in that they failed to reflect adequate reserves for credit losses. The Complaint further alleged that the Company issued public statements during the alleged class period which fraudulently created the impression that the Company's accounting practices were proper. On April 23, 1999, the Court granted the Company's and the defendant officers' motion to dismiss the Complaint and entered a final judgment dismissing the action with prejudice. On May 6, 1999, plaintiffs filed a motion for reconsideration of the order dismissing the Complaint or, in the alternative, for leave to file an amended complaint. On July 13, 1999, the Court granted the plaintiffs' motion for reconsideration and granted the plaintiffs leave to file an amended complaint. Plaintiffs filed their First Amended Consolidated Class Action Complaint on August 2, 1999. On September 30, 1999,

the Company and the defendant officers filed a motion to dismiss that complaint. On or about November 10, 1999, plaintiffs sought and were granted leave to file a Second Amended Consolidated Class Action Complaint. On March 24, 2000 the Court granted the Company's and the defendant officers' and directors' motion to dismiss the Second Amended Consolidated Class Action Complaint and entered a final judgment dismissing the action with prejudice. On April 7, 2000, plaintiffs filed a notice of appeal. On October 26, 2000, the parties reached an agreement in principle to settle the action. The proposed settlement is subject to entry into a formal Stipulation of Settlement, submission of the Stipulation to the District Court following remand of the action from the Court of Appeals for purposes of settlement only, and approval of the proposed settlement by the District Court following notice to class members and a hearing. This proposed settlement is not expected to have a material impact on the Company's financial position, liquidity and results of operations, but there can be no assurance to that effect.

The Company is currently a defendant in a class action proceeding commenced on October 15, 1996 in the United States District Court for the Western District of Missouri seeking money damages for alleged violations of a number of state and federal consumer protection laws (the "Missouri Litigation"). On October 9, 1997, the District Court certified two classes on the claims brought against the Company, one relating to alleged overcharges of official fees, the other relating to alleged overcharges of post-maturity interest. On August 4, 1998, the District Court granted partial summary judgment on liability in favor of the plaintiffs on the interest overcharge claims based upon the District Court's finding of certain violations but denied summary judgment on certain other claims. The District Court also entered a number of permanent injunctions, which among other things, restrained the Company from collecting on certain class accounts. The Court also ruled in favor of the Company on certain claims raised by class plaintiffs. Because the entry of an injunction is immediately appealable as of right, the Company appealed the summary judgment order to the United States Court of Appeals for the Eighth Circuit. Oral argument on the appeals was heard on April 19, 1999. On September 1, 1999, the United States Court of Appeals for the Eighth Circuit overturned the August 4, 1998 partial summary judgment order and injunctions against the Company. The Court of Appeals held that the District Court lacked jurisdiction over the interest overcharge claims and directed the District Court to sever those claims and remand them to state court. On February 18, 2000, the District Court entered an order remanding the post-maturity interest class to Missouri state court while retaining jurisdiction on the official fee class. The Company then filed a motion requesting that the District Court reconsider that portion of its order of August 4, 1998, in which the District Court had denied the Company's motion to dismiss the federal official fee overcharge claims. On May 26, 2000, the District Court entered an order dismissing the federal official fee claims against the Company and directed the Clerk of the Court to remand the remaining state law official fee claims to the appropriate state court. The parties are presently awaiting assignment to a state court. The Company will continue its vigorous defense of all remaining claims. However, an adverse ultimate disposition of this litigation could have a material negative impact on the Company's financial position, liquidity and results of operations.

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The Company is currently under examination by the Internal Revenue Service for its tax years ended December 31, 1993, 1994 and 1995. The IRS has identified and taken under advisement the tax treatment of certain items. Although the Company is unable to quantify its potential liability from the audit, the resolution of these items in a manner unfavorable to the Company may have a material adverse effect on the Company's financial position, liquidity and results of operations.

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

None

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## PART II

#### ITEM 5. MARKET PRICE AND DIVIDEND INFORMATION

The Company's Common Stock is traded on The Nasdaq Stock Market(R) under the symbol CACC. The high and low sale prices for the Common Stock for each quarter during the two year period ending December 31, 2000 as reported by The Nasdaq Stock Market(R) are set forth in the following table.

QUARTER ENDED -----	1999		2000	
	HIGH	LOW	HIGH	LOW
March 31.....	\$10.25	\$5.44	\$6.00	\$3.56
June 30.....	8.63	4.88	6.00	4.50
September 30.....	6.25	4.88	6.81	5.19
December 31.....	6.00	3.00	6.55	4.25

As of December 31, 2000, the approximate number of beneficial holders and shareholders of record of the Common Stock was 2,000 based upon securities position listings furnished to the Company.

The Company has not paid any cash dividends during the periods presented and has no present plans to pay any cash dividends on its Common Stock. The Company intends to retain its earnings to finance the growth and development of its business. The Company's credit agreements contain certain covenants which prohibit the payment of dividends under certain circumstances and other covenants pertaining to the Company's tangible net worth which may indirectly limit the payment of dividends on Common Stock.

ITEM 6. SELECTED FINANCIAL DATA

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

	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)				
	1996	1997	1998	1999	2000
INCOME STATEMENT DATA:					
Revenue:					
Finance charges.....	\$ 92,944	\$ 117,020	\$ 98,007	\$ 76,355	\$ 79,659
Lease revenue.....	--	--	--	1,034	13,019
Premiums earned.....	9,653	11,304	10,904	10,389	9,467
Gain on sale of advance receivables, net.....	--	--	685	--	--
Other income.....	21,337	35,911	32,753	28,277	21,633
Total revenue.....	123,934	164,235	142,349	116,055	123,778
Costs and expenses:					
Operating expenses.....	30,627	45,911	59,004	56,104	50,108
Provision for credit losses.....	13,071	85,472	16,405	56,172	11,251
Provision for claims.....	3,060	3,911	3,734	3,498	2,984
Depreciation of leased assets.....	--	--	--	569	7,004
Valuation adjustment on retained interest in securitization.....	--	--	--	13,517	--
Interest.....	13,568	27,597	25,565	16,576	16,431
Total costs and expenses.....	60,326	162,891	104,708	146,436	87,778
Other operating income:					
Gain on sale of subsidiary.....	--	--	--	14,720	--
Operating income (loss).....	63,608	1,344	37,641	(15,661)	36,000
Foreign exchange gain (loss).....	27	(41)	(116)	(66)	(11)

Income (loss) before income taxes....	63,635	1,303	37,525	(15,727)	35,989
Provision (credit) for income taxes.....	22,126	(234)	12,559	(5,041)	12,339
Net income (loss).....	\$ 41,509	\$ 1,537	\$ 24,966	\$ (10,686)	\$ 23,650
Net income (loss) per common share (A):					
Basic.....	\$ 0.91	\$ 0.03	\$ 0.54	\$ (0.23)	\$ 0.54
Diluted.....	\$ 0.89	\$ 0.03	\$ 0.53	\$ (0.23)	\$ 0.53
Weighted average shares outstanding:					
Basic.....	45,605,159	46,081,804	46,190,208	46,222,730	43,879,577
Diluted.....	46,623,655	46,754,713	46,960,290	46,222,730	44,219,876
BALANCE SHEET DATA:					
Installment contracts receivable, net.....	\$1,030,971	\$1,034,113	\$ 663,600	\$ 565,983	\$ 564,260
Floor plan receivables.....	15,493	19,800	14,071	15,492	8,106
Notes receivables.....	2,663	1,231	2,278	3,610	6,985
Investment in operating leases, net.....	--	--	--	9,097	42,921
All other assets.....	25,291	56,546	69,782	63,403	48,762
Total assets.....	\$1,074,418	\$1,111,690	\$ 749,731	\$ 657,585	\$ 671,034
Dealer holdbacks, net.....	\$ 496,434	\$ 439,554	\$ 222,275	\$ 202,143	\$ 214,468
Total debt.....	288,899	391,666	218,798	158,985	156,673
Other liabilities.....	42,942	31,479	32,395	33,482	37,667
Total liabilities.....	828,275	862,699	473,468	394,610	408,808
Shareholders' equity (A).....	246,143	248,991	276,263	262,975	262,226
Total liabilities and shareholders' equity.....	\$1,074,418	\$1,111,690	\$ 749,731	\$ 657,585	\$ 671,034

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

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

GENERAL

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

CAC North America and CAC United Kingdom

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

less the unearned finance charge) as a "dealer holdback." For balance sheet purposes, dealer holdbacks are shown net of any Advances made by the Company to the dealer in connection with accepting the assignment of a contract.

The Company's program allows dealers to establish the interest rate on contracts, which typically is the maximum rate allowable by the state or country in which the dealer is doing business. As the majority of the Company's revenue is derived from the servicing fee it receives on the gross amount due under the contract (typically 20% of the principal and interest), the Company's revenues from servicing fees are not materially impacted by changes in interest rates. The Company's revenue is principally dependent upon the gross value of contracts accepted, which is determined by the number of contracts accepted and the amount of the average contract. The contracts assigned to the Company are: (i) secured by the related vehicle; and (ii) short-term in duration (generally maturing in 24 to 48 months, with an initial average maturity of approximately 32 months). The interest rates charged on floor plan financing and on secured working capital loans typically range from 12% to 18% per annum.

The Company's subsidiaries provide additional services to dealers. One such subsidiary is primarily engaged in the business of reinsuring credit life and disability insurance policies and collateral protection insurance coverage issued to borrowers under contracts originated by dealers. Premiums are ceded to the subsidiary on both an earned and written basis and are earned over the life of the contracts using pro rata and sum-of-digits methods. Another subsidiary administers short-term limited extended service contracts offered by dealers. In connection therewith, the subsidiary bears the risk of loss for any repairs covered under the service contract. In 2000, the Company changed accounting methods to recognize income and related expense for the service contract program on an accelerated basis over the life of the service contract. Previously, the income and related expenses were recorded on a straight-line basis over the life of the service contracts. The change was based on an analysis of historical claims experience and made to more accurately match the timing of the income and expenses pertaining to the service contracts. The change in accounting method was immaterial to the current financial statements and is not expected to have a material impact on subsequent periods. In addition, the subsidiary has relationships with third party service contract providers that pay the subsidiary a fee on service contracts included on installment contracts financed through participating dealers.

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The subsidiary does not bear the risk of loss for covered claims on these third party service contracts. The income from the non-refundable fee is recognized upon acceptance of the installment contract.

#### CAC Automotive Leasing

The Company purchases used vehicle leases originated by dealers participating in the Company's automotive leasing programs. These leases generally have an original term of 24, 30 or 36 months, with the average being 35 months. The program is designed to provide select franchised new vehicle dealers with a leasing alternative for Non-prime Consumers with limited access to traditional sources of consumer credit. Under the Company's leasing program, the Company purchases vehicle leases from the dealer for an amount that is generally based on the value of the vehicle as determined by industry guidebooks, assumes ownership of the related vehicle from the dealer and takes title to the vehicle. Payments to dealers average 61% of the aggregate amount of the lease payments. This program differs from the Company's principal business in that, as these leases are purchased outright, the Company has no potential liability to the dealer for future collections after the purchase of the lease. Pursuant to the servicing agreement, the dealer represents that it will only submit contracts that satisfy criteria established by the Company and comply with applicable state, federal and foreign laws and regulations. Customer payments are applied toward the customer's outstanding lease receivable. At lease termination, the Company is responsible for the ultimate disposal of the vehicle, which is sold back to the dealer or the customer or at an auction.

#### RESULTS OF OPERATIONS

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

FOR THE YEARS ENDED  
DECEMBER 31,

PERCENT OF TOTAL REVENUES	-----		
-----	1998	1999	2000
-----	-----	-----	-----
Finance charges.....	68.8%	65.8%	64.4%
Lease revenue.....	--	0.9	10.5
Premiums earned.....	7.7	8.9	7.6
Gain on sale of Advance receivables, net.....	0.5	--	--
Other income.....	23.0	24.4	17.5
	-----	-----	-----
Total revenue.....	100.0	100.0	100.0
	-----	-----	-----
Operating expenses.....	41.5	48.3	40.5
Provision for credit losses.....	11.5	48.4	9.1
Provision for claims.....	2.6	3.0	2.4
Depreciation of leased assets.....	--	0.5	5.6
Valuation adjustment on retained interest in securitization.....	--	11.7	--
Interest.....	18.0	14.3	13.3
	-----	-----	-----
Total costs and expenses.....	73.6	126.2	70.9
	-----	-----	-----
Gain on sale of subsidiary.....	--	12.7	--
	-----	-----	-----
Operating income (loss).....	26.4	(13.5)	29.1
Foreign exchange loss.....	(0.1)	(0.1)	--
	-----	-----	-----
Income (loss) before income taxes.....	26.3	(13.6)	29.1
Provision (credit) for income taxes.....	8.8	(4.4)	10.0
	-----	-----	-----
Net income (loss).....	17.5%	(9.2)%	19.1%
	=====	=====	=====

Year Ended December 31, 1999 Compared To Year Ended December 31, 2000

Total Revenue. Total revenue consists of: (i) finance charges on installment contracts; (ii) lease revenue earned on operating leases; (iii) premiums earned on service contracts, credit life and collateral protection insurance programs; and (iv) other income, which consists primarily of fees earned on third party service

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contract products and interest income from loans made directly to dealers for floor plan financing and working capital purposes. For 1999, it also consisted of revenue from the Company's credit reporting and auction services subsidiaries that were sold on May 7, 1999 and December 15, 1999, respectively. As a result of the factors discussed below, total revenue increased from \$116.1 million in 1999 to \$123.8 million in 2000, an increase of \$7.7 million or 6.7%.

Finance charges increased from \$76.4 million in 1999 to \$79.7 million in 2000, representing an increase of 4.3%. This increase was primarily the result of the increase in the average annualized yield on the Company's installment contract portfolio. The average annualized yield on the Company's installment contract portfolio, calculated using finance charge revenue divided by average installment contracts receivable, was approximately 12.7% and 13.9% for 1999 and 2000, respectively. The increase in the average yield was primarily due to a decrease in the percentage of installment contracts that were in non-accrual status. The percentage of installment contracts that were in non-accrual status was 23.0% and 21.6% as of December 31, 1999 and 2000, respectively. The decrease in the non-accrual loans was primarily due to improvements in the credit quality of the Company's portfolio of installment contracts due to the business originated in 1998, 1999 and 2000 being of higher quality than that written in the years 1995, 1996 and 1997.

The volume of contract originations for the Company's North American operations decreased from \$408.5 million in 1999 to \$403.1 million in 2000. During 2000, the Company increased the minimum acceptable return on its dealer relationships in North America. As a result, the Company discontinued accepting contracts or decreased the Advance rate on business accepted from certain dealers therefore causing a decline in the number of contracts accepted for the

North American operations. The volume of contract originations for the Company's United Kingdom operations increased from \$124.6 million in 1999 to \$145.0 million in 2000. This increase is primarily due to the introduction of new Advance programs in the second quarter of 1999 that provided the dealer with a larger Advance as a percent of the amount financed.

Lease revenue represents income primarily from the Company's automotive leasing business unit, which began operations in 1999. Income from operating lease assets is recognized on a straight-line basis over the scheduled lease term. Lease revenue increased, as a percentage of total revenue, from 0.9% in 1999 to 10.5% in 2000. This increase was the result of an increase in the dollar value of the Company's lease portfolio due to an increase in lease originations for the period. Lease originations were \$8.5 million in 1999 compared to \$39.3 million in 2000. The rate of lease origination growth will be primarily contingent upon obtaining additional portfolio data indicating that the leases the Company is originating will likely generate an acceptable future rate of return.

Premiums earned decreased, as a percentage of total revenue, from 8.9% in 1999 to 7.6% in 2000. The decrease in premiums earned was primarily due to a decrease in the penetration rate on the Company's service contract and credit life insurance programs, a trend that the Company anticipates will reverse in future periods with additional dealer training and an enhanced products and marketing approach for these products. Premiums earned represent income from the Company's own products in the North American segment, while service contract and credit life revenue relating to programs offered in the United Kingdom and automotive leasing segments are commission-based and included in other income. Thus, the decrease in revenue from the North American segment as a percentage of total revenue also contributed to the decrease in premiums earned as a percentage of total revenue.

In 2000, the Company changed accounting methods to recognize income and related expense for the service contract program on an accelerated basis over the life of the service contract. Previously, the income and related expenses were recorded on a straight-line basis over the life of the service contracts. The change was based on an analysis of historical claims experience and made to more accurately match the timing of the income and expenses pertaining to the service contracts. The change in accounting method was immaterial to the current financial statements and is not expected to have a material impact on subsequent periods.

Other income decreased, as a percent of total revenue, from 24.4% in 1999 to 17.5% in 2000. The decrease was primarily due to: (i) the absence of revenues from the Company's auction services and credit reporting subsidiaries, which were sold on December 15, 1999 and May 7, 1999, respectively; (ii) the decrease in servicing fees and interest earned on the retained interest in the Company's July 1998 securitization of

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Advance receivables as that securitization has substantially amortized; and (iii) the decrease in floor plan financing interest and other fees due to the decline in the outstanding loan balances. The decrease was partially offset by an increase in fees earned on third party service contract products offered by dealers on installment contracts, primarily due to the increase in the penetration rate on these products for the North American segment.

Operating Expenses. Operating expenses, as a percent of total revenue, decreased from 48.3% in 1999 to 40.5% in 2000. Operating expenses consist of salaries and wages, general and administrative, and sales and marketing expenses.

The decrease in operating expenses, as a percent of revenue, was primarily due to a decrease in general and administrative expenses and salaries and wages. General and administrative expenses and salaries and wages decreased primarily due to the sale of the Company's auction service and credit reporting subsidiaries in 1999, which had proportionately higher operating expenses than the Company's other businesses, a decrease in legal fees resulting from a reduction in litigation activity against the Company and due to an increase in the percent of revenue from the Company's automotive leasing business segment, which had proportionately lower operating expenses, as a percentage of revenue, than the Company's other businesses. The decrease was partially offset by an increase in sales and marketing expenses. These expenses increased primarily due to increases in the Company's total sales force and an increase in sales related

travel expenses.

A portion of management personnel compensation paid by the Company was charged to a company controlled by the Company's Chairman (the "Affiliated Company"), based upon the percentage of time spent working for the Affiliated Company. The Company charged the Affiliated Company approximately \$203,000 and \$3,000 in 1999 and 2000, respectively. In 2000, all such employees were either transferred to the Affiliated Company or the sharing of such employees was discontinued. In 1999, shared employees devoted between 30% and 90% of their time to the Company, depending on their responsibilities. The Company believes that the amounts charged by the Company are representative of the respective employees' activities.

Provision for Credit Losses. The provision for credit losses consists of three components: (i) a provision for losses on Advances to dealers that are not expected to be recovered through collections on the related installment contract receivable portfolio; (ii) a provision for earned but unpaid revenue on installment contracts which were transferred to non-accrual status during the period; and (iii) a provision for estimated losses on the investment in operating leases. The provision for credit losses decreased from \$56.2 million in 1999 to \$11.3 million in 2000, representing a decrease of 80.0%. The decrease was primarily due to higher provisions required in the third quarter of 1999 for losses on Advances to dealers with respect to loan pools originated in 1995, 1996 and 1997. As such, the Company recorded a pre-tax charge of \$47.3 million during the third quarter of 1999. The charge was necessary due to collections in affected loan pools falling below estimates indicating further impairment of Advance balances associated with these pools. To a much lesser extent, the decrease was due to lower provisions needed for earned but unpaid revenue primarily resulting from the decrease in the percent of non-accrual installment contracts receivable. The decrease in the non-accrual loans was primarily due to improvements in the credit quality of the Company's portfolio of installment contracts. This improvement is primarily due to higher quality business originated in 1998, 1999 and 2000 than that written in the prior three years.

The decrease in the provision for credit losses was partially offset by an increase in the provision for estimated losses associated with the Company's investments in operating leases, which resulted primarily from the significant increase in the dollar value of the Company's lease portfolio due to the increase in operating lease originations for the period. To a lesser extent, an increase in the provision was required to reflect increased lease repossession rates and lower residual values than originally estimated. While actual data on the realization of the Company's residual values will not begin to be available until June 2002, the Company analyzes its residual value levels based on results from the liquidation of repossessed vehicles and current residual guidebook values.

The provision for losses on Advances is based on management's analysis of loan performance utilizing the Company's Loan Servicing System, which allows management to estimate future collections for each dealer using historical loss experience and a dealer-by-dealer static pool analysis. The amount provided, as a percent

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of new contract originations, was 10.3% in 1999 and 1.2% in 2000. For the Company's North American operations, the amount provided, as a percent of new contract originations, declined from 12.3% in 1999 to 0.4% in 2000 because of the additional charge necessary in 1999 and, to a lesser extent, due to the continued improvements in the quality of business originated, based on management's analysis.

For the Company's United Kingdom operations, the amount provided, as a percent of new contract originations, declined from 3.7% in 1999 to 3.4% in 2000. This decrease was due to continued improvements in the quality of the portfolio of installment contracts and dealer Advance receivables, based on management's analysis.

Provision for Claims. The amount provided for insurance and service contract claims, as a percent of total revenue, decreased from 3.0% in 1999 to 2.4% in 2000. The decrease corresponds with the decrease, as a percent of total revenue, in premiums earned from 9.0% in 1999 to 7.6% in 2000. The Company has established claims reserves on accumulated estimates of claims reported but unpaid plus estimates of incurred but unreported claims. The Company believes the reserves are adequate to cover future claims associated with its insurance

and service contract programs.

**Depreciation of Leased Assets.** Depreciation of leased assets is recorded on a straight-line basis to the residual value of leased vehicles over their scheduled lease terms. The depreciation expense recorded on leased assets increased from \$0.6 million in 1999 to \$7.0 million in 2000. This increase was due to the increase in the dollar value of the Company's lease portfolio resulting from an increase in lease originations during the period. Depreciation of leased assets also includes the straight-line amortization of indirect lease costs.

**Valuation Adjustment on Retained Interest in Securitization.** The Company recorded a total of \$13.5 million in valuation adjustments in 1999 on the retained interest in securitization related to the Company's July 1998 securitization. The retained interest in securitization represents an accounting estimate based on several variables including the amount and timing of collections on the underlying installment contracts receivable, the amount and timing of projected dealer holdback payments and interest costs. The Company regularly reviews the actual performance of these variables against the assumptions used to record the retained interest. This evaluation led to a reassessment of the timing and amount of collections on the installment contracts underlying the securitized Advances and resulted in a \$13.5 million write down. The Company continues to assess the performance of the 1998 securitization and makes adjustments when necessary.

**Interest.** Interest expense, as a percent of total revenue, decreased from 14.3% in 1999 to 13.3% in 2000. The decrease in interest expense, as a percent of total revenue, was primarily the result of a decrease in the amount of average outstanding borrowings, which resulted from the positive cash flow generated from: (i) proceeds from the sale of the Company's credit reporting services subsidiary in May 1999; and (ii) a federal tax refund received in 2000 as a result of the taxable loss in 1999. The decreases were partially offset by higher average interest rates, which increased, on a weighted average basis, from 9.36% in 1999 to 10.13% in 2000. The increase in the average interest rate was the result of: (i) the impact of fixed borrowing fees and costs on average interest rates when average outstanding borrowings were decreasing; (ii) an increase on December 1, 1999 and January 15, 2000 of 50 and 75 basis points, respectively, in the interest rate on outstanding borrowings under the Company's senior notes resulting from amendments to the note purchase agreements due to the \$60.3 million (\$47.3 million in provision for credit losses and \$13.0 million in write down of the retained interest in securitization) pre-tax charge in the third quarter of 1999; and (iii) an increase in the average interest rate on the Company's line of credit due to higher average Eurocurrency rates during the periods.

**Gain on Sale of Subsidiary.** The Company recorded a pre-tax gain of \$14.7 million in 1999 from the sale of the Company's credit reporting services subsidiary. The net proceeds from the sale were used to reduce outstanding indebtedness under the Company's credit facility.

**Operating Income (Loss).** As a result of the aforementioned factors, operating income (loss) increased from (\$15.7) million in 1999 to \$36.0 million in 2000, an increase of \$51.7 million.

**Foreign Exchange Loss.** The Company incurred a foreign exchange loss of \$66,000 and \$11,000 in 1999 and 2000, respectively. The losses resulted from the effect of exchange rate fluctuations between the U.S. dollar and foreign currencies on unhedged intercompany balances between the Company and its foreign subsidiaries.

**Provision (Credit) for Income Taxes.** The provision (credit) for income taxes increased from (\$5.0) million in 1999 to \$12.3 million in 2000. The increase was due to a higher level of pre-tax income in 2000, primarily resulting from the \$47.3 million pre-tax charge in the third quarter of 1999. The effective tax rate (credit) was (32.1%) in 1999 and 34.3 % in 2000. The following is a reconciliation of U.S. Federal statutory rate (credit) to the Company's effective tax rate (credit):

YEARS ENDED  
DECEMBER 31,

-----  
1999            2000  
-----

U.S. federal statutory rate (credit).....	(35.0)%	35.0%
State income taxes.....	3.8	--
Foreign income taxes.....	(1.0)	(0.8)
Other.....	0.1	0.1
	-----	-----
Provision (credit) for income taxes.....	(32.1)%	34.3%
	=====	=====

Year Ended December 31, 1998 Compared To Year Ended December 31, 1999

Total Revenue. Total revenue decreased from \$142.3 million in 1998 to \$116.1 million in 1999, a decrease of \$26.2 million or 18.4%. This decrease was primarily due to the decrease in finance charge revenue resulting from a decrease in the average installment contracts receivable balance. The decrease in gross installment contracts receivable was primarily the result of collections on and charge offs of installment contracts exceeding contract originations for the period. The volume of contract originations for CAC's North America operations decreased from \$521.5 million in 1998 to \$408.5 million in 1999. The volume of contract originations for CAC's United Kingdom operations increased from \$59.1 million in 1998 to \$124.6 million in 1999. Based upon reviews of dealer profitability and improvements in credit quality on installment contracts originated since the fourth quarter of 1997, in an effort to increase origination volumes, the Company has introduced new Advance programs, both in the United States and United Kingdom, which have increased the Company's overall Advance rates. The Company's Advances to dealers and payment of dealer holdback, as a percent of gross installment contracts accepted, increased from 50.1% for the year ended December 31, 1998 to 55.9% for 1999. There can be no assurance that higher Advance rates will lead to increased origination volumes in future periods or that Advance rates will not need to be reduced in future periods based on continued review of dealer profitability and credit quality. While management expects the increased Advance rates to have a positive effect on the Company's results, higher Advance rates increase the Company's risk of loss on dealer Advances in future periods.

The average yield on the Company's installment contract portfolio, calculated using finance charge revenue divided by average installment contracts receivable, was approximately 11.4% and 12.7% in 1998 and 1999, respectively. The increase in the average yield was due to a decrease in the percentage of installment contracts that were in non-accrual status. The percentage of installment contracts that were in non-accrual status was 32.4% and 23.0% as of December 31, 1998 and 1999, respectively.

Lease revenue represents income primarily from the Company's automotive leasing business unit, which began operations in 1999. Income from operating lease assets was recognized on a straight-line basis over the scheduled lease term. Lease originations were \$8.5 million in 1999.

Premiums earned increased, as a percentage of total revenue, from 7.7% in 1998 to 9.0% in 1999. Premiums on the Company's service contract program are earned on a straight-line basis over the life of the service contracts. Premiums reinsured under the Company's credit life and collateral protection insurance programs are earned over the life of the contracts using the pro rata and sum-of-digits methods. As a result of

these revenue recognition methods, premiums earned decreased at a slower rate than the decrease in finance charge revenue.

In July 1998, the Company recognized a net gain on sale of Advance receivables of approximately \$685,000. The gain resulted from the securitization of dealer Advances having a carrying value of approximately \$56 million. The gain represents the difference between the sale proceeds to the Company from the sale of dealer Advance receivables to an institutional investor, net of transaction costs, and the Company's carrying amount of the Advances, plus the present value of the estimated cash flows to be received by the Company. In

determining the gain on sale of receivables, the Company assumed an excess cash flow discount rate of 15%, cumulative credit losses of 14% and an interest rate on the underlying debt of 7.5%. The present value of such estimated excess cash flows has been recorded by the Company as a retained interest in securitization of \$4.1 million as of December 31, 1999. The Company recorded a valuation adjustment to the retained interest in securitization in the third quarter of 1999. The installment contracts supporting the dealer Advances include contracts with origination dates ranging from July 1990 to June 1998, with a weighted average age of 15 months as of the date of the transaction. The amount of such contracts included on the Company's balance sheet as of June 30, 1998 was \$98.6 million, of which \$43.8 million was in non-accrual status. In addition, the Advances are supported by installment contracts which had been previously written off for financial statement purposes. The excess cash flows result from the amount by which projected collections on the installment contracts exceeds (i) the principal and interest to be paid to the institutional investor and (ii) the amount of dealer holdback due to dealers.

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

Other income increased, as a percent of total revenue, from 23.0% in 1998 to 24.4% in 1999. The increase was primarily due to: (i) revenue from the Company's auction services business that the Company began operating in June 1998 until it was sold in December 1999; and (ii) servicing fees from the securitization of Advance receivables completed in July 1998. The increase was partially offset by: (i) a decrease in revenues from the Company's credit reporting subsidiary which was sold on May 7, 1999; (ii) a decrease in earned dealer enrollment fees due to a decline in the number of dealers enrolling in the Company's financing program; and (iii) a decrease in fees earned on third party service contract products offered by dealers on installment contracts, as the volume of this business has declined proportionately with the decrease in installment contract originations.

Operating Expenses. Operating expenses, as a percent of total revenue, increased from 41.5% in 1998 to 48.3% in 1999. Operating expenses consist primarily of salaries and wages, general and administrative, and sales and marketing expenses.

The increase, as a percent of revenue, was primarily due to an increase in salaries and wages. Salaries and wages increased, as a percent of revenue, due to the Company's employee headcount not being reduced proportionately with the decrease in revenues. The Company has retained collection personnel in an effort to improve collection levels.

The increase was also due to an increase, as a percent of revenue, in general and administrative expenses which, due to the fixed nature of certain of these expenses, did not decline proportionately with the decline in revenue. This increase was partially offset by a decrease in legal fees and settlement provisions resulting from a decline in material new litigation against the Company.

To a lesser extent, the increase in operating expenses, as a percent of revenue, resulted from the Company's auction services business, which required proportionately higher operating expenses than the

Company's other businesses. The Company operated the auction service business from June 1998 when it was purchased until it was sold in December 1999.

The increases, as a percent of revenue, in salaries and wages and general and administrative expenses are partially offset by a decrease in sales and marketing expenses. This expense decreased primarily due to reductions in sales commissions as a result of lower contract origination volumes and lower average sales force headcount. The decrease in sales and marketing expenses was also the

result of a decrease in advertising due to the termination of the Company's customer lead generating program.

A portion of management personnel compensation paid by the Company is charged to a company controlled by the Company's Chairman (the "Affiliated Company"), based upon the percentage of time spent working for the Affiliated Company. The Company charged the Affiliated Company approximately \$226,000 and \$203,000 in 1998 and 1999, respectively. Shared employees devote between 30% and 90% of their time to the Company, depending on their responsibilities. The Company believes that the amounts charged by the Company are representative of the respective employees' activities.

Provision for Credit Losses. The amount provided for credit losses, as a percent of total revenue, increased from 11.5% in 1998 to 48.4% in 1999. The provision for credit losses consists of two components: (i) a provision for losses on Advances to dealers that are not expected to be recovered through collections on the related installment contract receivable portfolio and (ii) a provision for earned but unpaid revenue on installment contracts which were transferred to non-accrual status during the period. The increase was primarily due to higher provisions needed for losses on Advances to dealers with respect to loan pools originated in 1995, 1996 and 1997. As such, the Company recorded a pre-tax charge of \$47.3 million during the third quarter of 1999. The charge was necessary due to collections in affected loan pools falling below estimates indicating further impairment of Advance balances associated with these pools.

Management's analysis of collection results led to a conclusion that the actual collection results will be below previous forecasts produced by its static pool model. While previous loss curves indicated that loans originated in 1995, 1996 and 1997 would generate lower overall collection rates than loans originated in prior years, trends in these loss curves indicate that collection rates on these pools will be lower than previously estimated. Management's analysis of the static pool data, after considering the effect of this less favorable trend, continues to indicate that the business originated since 1998 is of higher quality than that written in the prior three years.

The increase was partially offset by the lower provisions needed for earned but unpaid revenue primarily resulting from the decrease in the percent of non-accrual installment contracts receivable which were 32.4% and 23.0% of gross receivables as of December 31, 1998 and 1999, respectively.

Provision for Claims. The amount provided for insurance and service contract claims, as a percent of total revenue, increased from 2.6% in 1998 to 3.0% in 1999. The increase corresponds with the increase, as a percent of total revenue, in premiums earned from 7.7% in 1998 to 9.0% in 1999. The Company has established claims reserves on accumulated estimates of claims reported but unpaid plus estimates of incurred but unreported claims. The Company believes the reserves are adequate to cover future claims associated with the programs.

Depreciation of Leased Assets. Depreciation of leased assets is primarily from the Company's automotive leasing business unit, which began operations in 1999. Depreciation of leased assets is recorded on a straight-line basis to the residual value of the vehicle over the scheduled lease term. The depreciation expense recorded on leased assets was \$569,000 in 1999. Depreciation of leased assets also includes the straight-line amortization of indirect lease costs.

Valuation Adjustment on Retained Interest in Securitization. The Company recorded a total of \$13.5 million in valuation adjustments in 1999 on the retained interest in securitization related to the Company's July 1998 securitization. The retained interest in securitization represents an accounting estimate based on several variables including the amount and timing of collections on the underlying installment contracts receivable, the amount and timing of projected dealer holdback payments and interest costs. The Company regularly reviews the actual performance of these variables against the assumptions used to record

the retained interest. This evaluation led to a reassessment of the timing and amount of collections on the installment contracts underlying the securitized Advances and the resulting \$13.5 million write down in the third quarter of 1999. The Company continues to assess the performance of the 1998 securitization and makes adjustments when necessary.

Interest. Interest expense, as a percent of total revenue, decreased from

18.0% in 1998 to 14.3% in 1999. Total interest expense decreased from \$25.6 million in 1998 to \$16.6 million in 1999. The \$9.0 million decrease in interest expense for 1999 was primarily the result of a decrease in the amount of average outstanding borrowings which resulted from (i) the positive cash flow generated from collections on installment contracts receivable exceeding cash Advances to dealers and payments of dealer holdbacks and (ii) amounts raised in July 1998 from the securitization of Advance receivables. The decrease was partially offset by higher average interest rates in 1999. The weighted average interest rate was 9.27% in 1998 and 9.36% in 1999. The increase in the average interest rates for 1999 was the result of (i) the impact of fixed borrowing fees and other costs on average interest rates when average outstanding borrowings are decreasing, (ii) an increase in the interest rate on outstanding borrowings under the Company's senior notes resulting from amendments to the note purchase agreements entered into in contemplation of the Company's securitization of Advance receivables in 1998 and the \$47.3 million pre-tax charge on Advances to dealers in the third quarter of 1999, (iii) a decrease in line of credit balances, which carry lower interest rates, as a percentage of total average balance sheet debt and (iv) the acceleration of amortization of certain deferred debt issuance cost in connection with the repurchase of senior notes. The interest rate increase was partially offset by the effects of the secured financings completed in 1999, which are at lower rates of interest than the debt they replaced.

**Gain on Sale of Subsidiary.** The Company recorded a pre-tax gain of \$14.7 million in 1999 from the sale of the Company's credit reporting services subsidiary. The net proceeds from the sale were used to reduce outstanding indebtedness under the Company's \$125 million credit facility.

**Operating Income (Loss).** As a result of the aforementioned factors, operating income (loss) decreased from \$37.6 million in 1998 to (\$15.7) million in 1999, a decrease of \$53.3 million.

**Foreign Exchange Loss.** The Company incurred a foreign exchange loss of \$116,000 and \$66,000 in 1998 and 1999, respectively. The losses were the result of exchange rate fluctuations between the U.S. dollar and foreign currency on unhedged intercompany balances between the Company and subsidiaries which operate outside the United States.

**Provision (Credit) for Income Taxes.** The provision (credit) for income taxes decreased from \$12.6 million in 1998 to (\$5.0) million in 1999. The decrease was primarily due to a pre-tax loss in 1999. In 1998 and 1999, the effective tax rate was 33.5% and 32.1%, respectively. The 1999 income tax benefit was partially offset by state income taxes incurred on the sale of the Company's credit reporting subsidiary in 1999.

#### CREDIT LOSS POLICY AND EXPERIENCE

##### CAC North America and CAC United Kingdom

When a participating dealer assigns an installment contract to the Company, the Company generally pays a cash Advance to the dealer. These Advances represent the Company's primary risk of loss related to the funding activity with the dealers. The Company maintains a reserve against Advances that are not expected to be recovered through collections on the related installment contract portfolio. For purposes of establishing the reserve, the present value of estimated future collections on installment contracts is compared to the related Advance balance. The discount rate used for present value purposes is equal to the rate of return expected upon origination of the Advance. The Company's Loan Servicing System allows the Company to estimate future collections for each dealer pool using historical loss experience and a dealer-by-dealer static pool analysis. The Company recorded a non-cash charge during 1999 to reflect the impact of collections on loan pools originated primarily during 1995, 1996 and 1997 falling below previous estimates, indicating further impairment of Advance balances associated with these loan pools. While previous loss curves indicated that loans originated in 1995, 1996 and 1997 would generate lower overall collection rates than those originated in

prior years, in the third quarter of 1999 the loss curves indicated collection rates on these pools would be lower than previously estimated. Management's analysis of the static pool model also indicates that the business originated subsequent to 1997 is of higher quality than business originated during the

three years ended December 31, 1997. Future reserve requirements will depend in part on the magnitude of the variance between management's estimate of future collections and the actual collections that are realized. 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. Ultimate losses may vary from current estimates and the amount of the provision, which is the current expense, may be either greater or less than actual charge offs.

The Company maintains an allowance for credit losses that, in the opinion of management, adequately reserves against 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 revenue on installment contracts that were transferred to non-accrual status during the period. 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.

CAC Automotive Leasing

The Company also maintains an allowance for lease vehicle losses that consists of a repossession reserve and a residual reserve. The repossession reserve is intended to cover losses resulting from: i) earned but unpaid lease payment revenue; and ii) the difference between proceeds from vehicle disposals and the net book value. The residual reserve is intended to cover losses resulting from vehicle disposals at the end of the lease term. The residual values represent estimates of the asset values at the end of the lease contracts based on industry guidebooks and other information. Realization of the residual values is dependent on the Company's future ability to market the vehicles under then prevailing market conditions. The revenue recognition is suspended at the point the customer becomes three payments past due.

The following tables sets forth information relating to the credit provisions, charge offs, and other key credit loss ratios:

PROVISIONS	(DOLLARS IN THOUSANDS)		
	FOR THE YEARS ENDED DECEMBER 31,		
	1998	1999	2000
-----	-----	-----	-----
Provision for credit losses -- installment contracts.....	\$ 3,432	\$ 1,205	\$ 1,647
Provision for credit losses -- Advances.....	\$ 12,973	\$ 54,868	\$ 6,591
Provision for credit losses -- leased vehicles.....	\$ --	\$ 99	\$ 3,013
CHARGE OFFS	=====	=====	=====
Charged against dealer holdbacks.....	\$359,846	\$187,584	\$115,968
Charged against unearned finance charges.....	81,632	43,094	27,172
Charged against allowance for credit losses.....	8,392	3,489	1,688
Total contracts charged off.....	\$449,870	\$234,167	\$144,828
Net charge off against the reserve on Advances.....	\$ 9,744	\$ 70,353	\$ 4,104
Charge against the allowance for lease vehicle losses.....	\$ --	\$ 8	\$ 1,081
	=====	=====	=====

CREDIT RATIOS	AS OF DECEMBER 31,		
	1998	1999	2000
Allowance for credit losses as a percent of gross installment contracts receivable.....	0.9%	0.7%	0.7%
Reserve on Advances as a percent of Advances.....	4.6%	1.3%	2.1%
Allowance for lease vehicle losses as a percent of investment in operating leases.....	--	1.0%	4.7%
Gross dealer holdbacks as a percent of gross installment contracts receivable.....	79.8%	79.6%	79.7%

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's principal need for capital is to: (i) fund cash Advances made to dealers in connection with the acceptance of installment contracts; (ii) for the payment of dealer holdbacks to dealers who have repaid their Advance balances; and (iii) to fund the origination of used vehicle leases. These cash outflows to dealers increased from \$304.1 million in 1999 to \$337.7 million in 2000. These amounts have historically been funded from cash collections on installment contracts, cash provided by operating activities and borrowings under the Company's credit agreements. The Company maintains a significant dealer holdback on installment contracts accepted which assists the Company in funding its long-term cash flow requirements. The Company's total balance sheet indebtedness decreased from \$159.0 million to \$156.7 million as of December 31, 1999 and 2000, respectively.

The Company has a \$115 million credit agreement with a commercial bank syndicate. The facility has a commitment period through June 12, 2001 and is subject to annual extensions for additional one year periods at the request of the Company with the consent of each of the banks in the facility. The agreement provides that, at the Company's discretion, interest is payable at either 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 installment contracts receivable, Advances to installment contracts receivable, earnings before interest taxes and non-cash expenses to fixed charges, limits on the Company's investment in its subsidiaries and requirements that the Company maintain a specified minimum level of net worth. Borrowings under the credit agreement are secured through a lien on most of the Company's assets on an equal and ratable basis with the Company's senior notes. As of December 31, 2000, there was approximately \$87.2 million outstanding under this facility. The Company also maintains immaterial line of credit agreements in both the United Kingdom and Canada to fund these operations.

On August 8, 2000 and March 13, 2001, the Company completed two secured financings of Advance receivables from an institutional investor. Pursuant to these transactions, the Company contributed dealer Advances having a carrying amount of approximately \$82.4 million and \$128.1 million and received approximately \$63.9 million and \$95.3 million in financing, which is net of both the underwriter's fees and the required escrow account, for the August 8, 2000 and March 13, 2001 secured financings, respectively. The proceeds received were used to reduce outstanding borrowings under the Company's credit facility. The financings, which are non-recourse to the Company, bear interest at a floating rate equal to the commercial paper rate plus 57.5 basis points with a maximum rate of 8.5% for the August 8, 2000 secured financing and the commercial paper rate plus 50.0 basis points with a maximum rate of 7.0% for the March 13, 2001 secured financing. As of March 16, 2001, the secured financings are anticipated to fully amortize within five months and fifteen months for the August 8, 2000 and March 13, 2001 secured financings, respectively. The financings are secured by the contributed dealer Advances, the rights to collections on the related installment contracts receivable and certain related assets up to the sum of the contributed dealer Advances and the Company's servicing fee. The Company will receive a monthly servicing fee equal to 6% of the collections of the contributed installment contracts receivable. Except for the 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. Proceeds from these financings were used to reduce outstanding borrowings under the Company's credit facility.

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.

As the Company's \$115 million credit facility expires on June 12, 2001, the Company will be required to renew the facility or refinance any amounts outstanding under this facility on or before such date. As of March 16, 2001, there was approximately \$24.3 million outstanding under this facility. In addition, in 2001, the Company will have \$15.9 million of principal maturing on its senior notes and \$673,000 maturing on a mortgage loan. The Company believes that the \$115 million credit facility will be renewed with similar terms and a similar commitment amount, and that the other repayments can be made from cash resources available to the Company at the time such repayments are due.

The Company's short and long-term cash flow requirements are materially dependent on future levels of originations. In 2000, the Company experienced an increase in originations over 1999. The Company expects this trend to continue in future periods and, to the extent this trend does continue, the Company will experience an increase in its need for capital.

In 1999, the Company began acquiring shares of its common stock in connection with a stock repurchase program announced in August 1999. That program authorized the Company to purchase up to 1,000,000 common shares on the open market or pursuant to negotiated transactions at price levels the Company deems attractive. On each of February 7, 2000, June 7, 2000, July 13, 2000 and November 10, 2000, the Company's Board of Directors authorized increases in the Company's stock repurchase program of an additional 1,000,000 shares. As of December 31, 2000, the Company has repurchased approximately 3.9 million shares of the 5.0 million shares authorized to be repurchased under this program at a cost of \$20,361,000. The five million shares, which can be repurchased through the open market or in privately negotiated transactions, represent approximately 10.8% of the shares outstanding at the beginning of the program.

The Company is currently under examination by the Internal Revenue Service for its tax years ended December 31, 1993, 1994 and 1995. The IRS has identified and taken under advisement the tax treatment of certain items. Although the Company is unable to quantify its potential liability from the audit, the resolution of these items in a manner unfavorable to the Company may have a material adverse effect on the Company's financial position, liquidity and results of operations.

In connection with the audit, the IRS has issued a Technical Advice Memorandum that would directly impact the timing of tax recognition of income accrual with respect to certain items. The views expressed in the Memorandum are contrary to the Company's tax accounting method for such items. The total amount of exposure from this tax issue cannot be reasonably estimated due to the lack of available information required for such estimation and due to the uncertainties of computation, the methodology for which must be agreed upon by the IRS. In the worst case, the application of the ruling to the Company's financing activities could result in the recognition of taxable income, interest and penalties with respect to certain items exceeding the current net income reported for book purposes. The Company has the right to appeal the ruling once issued, or may challenge the positions of the IRS in court.

Based upon anticipated cash flows, management believes that amounts available under its credit agreement, cash flow from operations and various financing alternatives available will provide sufficient financing for current debt maturities and for future operations. If the various financing alternatives were to become limited or unavailable to the Company, the Company's operations could be materially adversely affected.

#### MARKET RISK

The market risk discussion and the estimated amounts generated from the analysis that follows are forward-looking statements of market risk assuming certain adverse market conditions occur. Actual results in

the future may differ materially due to changes in the Company's product and debt mix and developments in the financial markets.

The Company is exposed primarily to market risks associated with movements in interest rates and foreign currency exchange rates. The Company believes that it takes the necessary steps to appropriately reduce the potential impact of interest rate and foreign exchange exposures on the Company's financial position and operating performance. The Company's policies and procedures prohibit the use of financial instruments for trading purposes. Sensitivity analysis is used to manage and monitor interest rate and foreign exchange risk.

A discussion of the Company's accounting policies for derivative instruments is included in the Summary of Significant Accounting Policies in the notes to the consolidated financial statements.

**Interest Rate Risk.** The Company requires substantial amounts of cash to fund cash Advances to dealers in connection with the acceptance of installment contracts. The Company relies on various sources of financing to assist in funding its operations, some of which is at floating rates of interest and exposes the Company to risks associated with increases in interest rates. The Company manages such risk primarily by entering into interest rate cap agreements on certain portions of its floating rate debt.

As of December 31, 2000, the Company had \$88.1 million of floating rate debt outstanding on its bank credit facilities, with no interest rate cap protection, and \$45.0 million in floating rate commercial paper outstanding under its secured financings, with interest rate caps at 7.5% and 8.5%. Based on the difference between the Company's commercial paper rates at December 31, 2000 and the interest rate caps, the Company's maximum interest rate risk on the secured financing is a 1.6% increase in commercial paper rates, which would reduce annual after-tax earnings by approximately \$450,000. For every 1% increase in rates on the Company's bank credit facilities, annual after-tax earnings would decrease by approximately an additional \$575,000. This analysis assumes the Company maintains a level amount of floating rate debt and assumes an immediate increase in rates.

**Foreign Currency Risk.** The Company is exposed to foreign currency risk from the possibility of changes in foreign exchange rates that could have a negative impact on earnings or asset and liability values from operations in foreign countries. The Company's most significant foreign currency exposure relates to the United Kingdom. It is the Company's policy to borrow and lend in local currencies to mitigate such risks. For an immediate, hypothetical 10% decrease in quoted foreign currency exchange rates, annual after tax earnings would have declined by approximately \$510,000 at December 31, 2000. The potential loss in net asset values from such a decrease would be approximately \$7.0 million as of December 31, 2000.

On March 13, 2001 the Company entered into a foreign currency exchange swap agreement with a counterparty to reduce its exposure to currency fluctuations between the US dollar and the British Pound. Under the terms of the swap, the Company agreed to exchange \$21.6 million US Dollars for the receipt of 14.9 million British pounds on March 15, 2001 and exchange 7.5 million and 7.4 million British pounds for the receipt of \$10.9 million and \$10.7 million US Dollars on April 17 and May 15, 2001, respectively. While the foreign currency swap agreement is subject to the risk of loss from changes in exchange rates, these losses will be offset by gains on the foreign currency exposures being hedged.

Immediate changes in interest rates and foreign currency exchange rates discussed in the proceeding paragraphs are hypothetical rate scenarios, used to calibrate risk, and do not currently represent management's view of future market developments.

#### FORWARD-LOOKING STATEMENTS

The Company makes forward-looking statements in this report and may make such statements in future filings with the Securities and Exchange Commission. It may also make forward-looking statements in its press releases or other public or shareholder communications. The Company's forward-looking statements are subject to risks and uncertainties and include information about its expectations and possible or assumed future results of operations. When the Company uses any of the words "believes," "expects," "anticipates," "estimates" or similar expressions, it is making forward-looking statements.

The Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all of its forward-looking statements. While the Company believes that its forward-looking statements are reasonable, you should not place undue reliance on any such forward-looking statements, which speak only as of the date made. Because these forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond the Company's control or are subject to change, actual results could be materially different. Factors that might cause such a difference include the following: competition from traditional financing sources and from non-traditional lenders, unavailability 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 or leases accepted, the Company's potential inability to accurately forecast and estimate future collections and historical collection rates, the Company's potential inability to accurately estimate the residual values of the lease vehicles, an adverse outcome in the ongoing Internal Revenue Service examination of the Company, an increase in the amount or severity of litigation against the Company, the loss of key management personnel, and the Company's ability to complete various financing alternatives.

Other factors not currently anticipated by management may also materially and adversely affect the Company's results of operations. Except as required by applicable law, the Company does not undertake any obligation to publicly release any revisions which may be made to any forward-looking statements to reflect events or circumstances occurring after the date of this report.

#### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

#### INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders  
Credit Acceptance Corporation:

We have audited the accompanying consolidated balance sheets of Credit Acceptance Corporation and subsidiaries (the "Company") as of December 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Detroit, Michigan  
January 24, 2001

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

## CONSOLIDATED BALANCE SHEETS

(DOLLARS IN THOUSANDS)  
DECEMBER 31,

1999 2000

## ASSETS:

Cash and cash equivalents.....	\$ 21,565	\$ 20,726
Investments -- held to maturity.....	1,126	751
Installment contracts receivable.....	570,725	568,900
Allowance for credit losses.....	(4,742)	(4,640)

Installment contracts receivable, net.....	565,983	564,260
--	---------	---------

## Floor plan receivables:

Non-affiliates.....	12,874	8,106
Affiliates.....	2,618	--
	15,492	8,106

## Notes receivable:

Non-affiliates.....	2,547	6,039
Affiliates.....	1,063	946
	3,610	6,985

Retained interest in securitization.....	4,105	5,001
Property and equipment, net.....	18,243	18,418
Investment in operating leases, net.....	9,097	42,921
Income taxes receivable.....	12,686	351
Other assets.....	5,678	3,515

Total Assets.....	\$657,585	\$671,034
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## LIABILITIES AND SHAREHOLDERS' EQUITY:

## LIABILITIES:

Senior notes.....	\$ 30,579	\$ 15,948
Lines of credit.....	36,994	88,096
Mortgage loan payable to bank.....	8,215	7,590
Secured financing.....	83,197	45,039
Accounts payable and accrued liabilities.....	23,087	25,464
Deferred dealer enrollment fees, net.....	595	1,469
Dealer holdbacks, net.....	202,143	214,468
Deferred income taxes, net.....	9,800	10,734
Total Liabilities.....	394,610	408,808

## CONTINGENCIES (NOTE 14)

## SHAREHOLDERS' EQUITY:

Preferred stock, \$.01 par value, 1,000,000 shares authorized, none issued.....		
Common stock, \$.01 par value, 80,000,000 shares authorized, 46,071,454 and 42,478,687 shares issued and outstanding in 1999 and 2000, respectively.....	461	425
Paid-in capital.....	128,917	110,226
Retained earnings.....	132,303	155,953
Accumulated other comprehensive income-cumulative translation adjustment.....	1,294	(4,378)

Total Shareholders' Equity.....	262,975	262,226
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Total Liabilities and Shareholders' Equity.....	\$657,585	\$671,034
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See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF INCOME

(DOLLARS IN THOUSANDS, EXCEPT FOR PER SHARE DATA)  
FOR THE YEARS ENDED DECEMBER 31,

	1998	1999	2000
<b>REVENUE:</b>			
Finance charges.....	\$ 98,007	\$ 76,355	\$ 79,659
Lease revenue.....	--	1,034	13,019
Premiums earned.....	10,904	10,389	9,467
Gain on sale of advance receivables, net.....	685	--	--
Other income.....	32,753	28,277	21,633
<b>Total revenue.....</b>	<b>142,349</b>	<b>116,055</b>	<b>123,778</b>
<b>COSTS AND EXPENSES:</b>			
Operating expenses.....	59,004	56,104	50,108
Provision for credit losses.....	16,405	56,172	11,251
Provision for claims.....	3,734	3,498	2,984
Depreciation of leased assets.....	--	569	7,004
Valuation adjustment on retained interest in securitization.....	--	13,517	--
Interest.....	25,565	16,576	16,431
<b>Total costs and expenses.....</b>	<b>104,708</b>	<b>146,436</b>	<b>87,778</b>
Other operating income:			
Gain on sale of subsidiary.....	--	14,720	--
Operating income (loss).....	37,641	(15,661)	36,000
Foreign exchange loss.....	(116)	(66)	(11)
Income (loss) before provision for income taxes.....	37,525	(15,727)	35,989
Provision (credit) for income taxes.....	12,559	(5,041)	12,339
<b>Net income (loss).....</b>	<b>\$ 24,966</b>	<b>\$ (10,686)</b>	<b>\$ 23,650</b>
Net income (loss) per common share:			
Basic.....	\$ 0.54	\$ (0.23)	\$ 0.54
Diluted.....	\$ 0.53	\$ (0.23)	\$ 0.53
Weighted average shares outstanding:			
Basic.....	46,190,208	46,222,730	43,879,577
Diluted.....	46,960,290	46,222,730	44,219,876

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 1998, 1999 AND 2000

	(DOLLARS IN THOUSANDS)					ACCUMULATED OTHER COMPREHENSIVE INCOME
TOTAL SHAREHOLDERS' EQUITY	COMPREHENSIVE INCOME (LOSS)	COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS		
Balance -- December 31, 1997.....	\$248,991	\$461	\$128,336	\$118,023	\$ 2,171	
Comprehensive income:						
Net income.....	24,966	\$ 24,966		24,966		
Other comprehensive income:						
Foreign currency translation						

adjustment.....	726	726			726
Tax on other comprehensive income.....		(254)			
Other comprehensive income.....		472			
Total comprehensive income.....		25,438			
Stock options exercised.....	1,430		2	1,428	
Dealer stock option plan.....	150			150	
Balance -- December 31, 1998.....	276,263		463	129,914	142,989
Comprehensive income:					2,897
Net income (loss).....	(10,686)	(10,686)		(10,686)	
Other comprehensive income:					
Foreign currency translation adjustment.....	(1,603)	(1,603)			(1,603)
Tax on other comprehensive loss.....		561			
Other comprehensive loss....		(1,042)			
Total comprehensive loss.....		(11,728)			
Repurchase and retirement of common stock.....	(1,510)		(3)	(1,507)	
Stock options exercised.....	380		1	379	
Dealer stock option plan.....	131			131	
Balance -- December 31, 1999.....	262,975		461	128,917	132,303
Comprehensive income:					1,294
Net income.....	23,650	23,650		23,650	
Other comprehensive income:					
Foreign currency translation adjustment.....	(5,672)	(5,672)			(5,672)
Tax on other comprehensive income.....		1,985			
Other comprehensive loss....		(3,687)			
Total comprehensive income.....		\$ 19,963			
Repurchase and retirement of common stock.....	(18,851)		(36)	(18,815)	
Stock options exercised.....	79			79	
Dealer stock option plan.....	45			45	
Balance -- December 31, 2000.....	\$262,226		\$425	\$110,226	\$155,953
					\$(4,378)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)  
FOR THE YEARS ENDED DECEMBER 31,

	1998	1999	2000
Cash Flows From Operating Activities:			
Net Income (loss).....	\$ 24,966	\$ (10,686)	\$ 23,650
Adjustments to reconcile cash provided by operating activities --			
Gain on sale of subsidiary.....	--	(14,720)	--
Provision (credit) for deferred income taxes.....	(3,518)	(1,298)	934
Depreciation.....	3,793	4,128	3,727
Depreciation on operating lease vehicles.....	--	461	5,508
Amortization on deferred leasing costs.....	--	108	1,512
Gain on sale of advance receivables, gross.....	(1,261)	--	--
Valuation adjustments on retained interest in securitization.....	--	13,517	--
Amortization of retained interest in securitization....	(951)	(1,586)	(209)
Gain on retirement of property and equipment.....	--	(543)	--
Provision for credit losses.....	16,405	56,172	11,251
Dealer stock option plan expense.....	150	131	45
Change in operating assets and liabilities --			
Accounts payable and accrued liabilities.....	(137)	1,028	2,377
Income taxes payable.....	776	(776)	--
Income taxes receivable.....	--	(12,686)	12,335

Lease payment receivable.....	--	(245)	(2,723)
Unearned insurance premiums, insurance reserves and fees.....	1,736	1,783	(2,060)
Deferred dealer enrollment fees, net.....	(125)	299	874
Other assets.....	13,878	1,703	2,163
	-----	-----	-----
Net cash provided by operating activities.....	55,712	36,790	59,384
	-----	-----	-----
Cash Flows From Investing Activities:			
Principal collected on installment contracts receivable...	368,873	315,823	305,630
Advances to dealers and payments of dealer holdbacks.....	(290,605)	(295,587)	(298,447)
Net proceeds from sale of advance receivables.....	49,275	--	--
Operating lease acquisitions.....	--	(8,538)	(39,254)
Deferred costs from lease acquisitions.....	--	(1,069)	(5,954)
Operating lease liquidations.....	--	87	4,074
Net Purchases (sales) of investments held to maturity....	8,314	(47)	375
Decrease in floor plan receivables -- affiliates.....	7,047	1,998	2,618
(Increases) decrease in floor plan receivables -- non-affiliates.....	(1,318)	(3,419)	4,768
(Increases) decrease in notes receivable -- affiliates....	(120)	(412)	116
Increases in notes receivable -- non-affiliates.....	(927)	(920)	(3,491)
Proceeds from sale of subsidiary.....	--	16,147	--
Purchases of property and equipment.....	(3,581)	(4,821)	(3,902)
Proceeds from sale of property and equipment.....	--	5,192	--
	-----	-----	-----
Net cash provided by (used in) investing activities...	136,958	24,434	(33,467)
	-----	-----	-----
Cash Flows From Financing Activities:			
Repayment of mortgage payable.....	(233)	(397)	(625)
Repayment of senior notes.....	(38,985)	(105,586)	(14,631)
Net borrowings (repayments) under line of credit agreements.....	(133,650)	(42,073)	51,102
Proceeds from secured financings.....	--	97,720	63,850
Repayments of secured financings.....	--	(14,523)	(102,008)
Proceeds from mortgage loan refinancing.....	--	5,046	--
Proceeds from stock options exercised.....	1,430	380	79
Repurchase of common stock.....	--	(1,510)	(18,851)
	-----	-----	-----
Net cash used in financing activities.....	(171,438)	(60,943)	(21,084)
	-----	-----	-----
Effect of exchange rate changes on cash.....	726	(1,603)	(5,672)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents.....	21,958	(1,322)	(839)
Cash and cash equivalents beginning of period.....	929	22,887	21,565
	-----	-----	-----
Cash and Cash Equivalents End of Period.....	\$ 22,887	\$ 21,565	\$ 20,726
	=====	=====	=====
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the period for interest.....	\$ 23,142	\$ 18,593	\$ 15,092
	=====	=====	=====
Cash paid during the period for income taxes.....	\$ 17,812	\$ 8,451	\$ 12,958
	=====	=====	=====

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

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

related cash collections owed to the dealer by CAC, while the in-house dealer financing programs are secured by the related installment contracts receivable.

Credit Acceptance Corporation UK Limited, CAC of Canada Limited and Credit Acceptance Corporation of Ireland Limited are all wholly-owned subsidiaries of the Company that operate in their respective countries. These subsidiary companies offer essentially the same dealer programs as are offered in the United States with the exception of the leasing program, which is currently not offered in the United Kingdom and Ireland.

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

CAC collects the scheduled monthly payments based on contractual arrangements with the consumer. Monthly cash collections are remitted to the dealer subject to the Company first: (i) being reimbursed for certain collection costs associated with all installment contracts originated by such dealer; (ii) reducing the collections by the Company's servicing fee (typically 20% of the aggregate monthly receipts after collection costs); and (iii) recovering the aggregate advances made to such dealer.

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

Automotive Leasing. Through its automotive leasing business, the Company purchases used vehicle leases originated by dealers participating in the Company's automotive leasing programs. The program is designed to provide select franchised new vehicle dealers with a leasing alternative for Non-prime Consumers with limited access to traditional sources of consumer credit. Under the Company's leasing program, the Company purchases vehicle leases from the dealer for an amount that is generally based on the value of the vehicle as determined by industry guidebooks, assumes ownership of the related vehicle from the dealer and

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

takes title to the vehicle. This program differs from the Company's principal business in that, as these leases are purchased outright, the Company does not have any potential liability to the dealer for future collections after the purchase of the lease. Additionally, the customer is required to remit a security deposit to the Company at lease origination. Pursuant to the dealer lease agreement, the dealer represents that it will only submit contracts that satisfy criteria established by the Company and comply with applicable state, federal and foreign laws and regulations. Customer payments are applied toward the customer's outstanding lease receivable. At lease termination, the Company is responsible for the ultimate disposal of the vehicle, which is sold back to the dealer or the customer or at an auction.

Ancillary Products and Services. Buyers Vehicle Protection Plan, Inc. ("BVPP") and CAC Reinsurance, Ltd. ("CAC Reinsurance"), both wholly-owned subsidiaries of the Company, provide additional services to participating dealers.

BVPP administers short-term limited extended service contracts offered by participating dealers. In connection therewith, BVPP bears the risk of loss for any repairs covered under the service contract. In 2000, the Company changed accounting methods to recognize income and related expense for the service contract program on an accelerated basis over the life of the service contract. Previously, the income and related expenses were recorded on a straight-line basis over the life of the service contracts. The change was based on an analysis of historical claims experience and made to more accurately match the timing of the income and expenses pertaining to the service contracts. The change in accounting method was immaterial to the current financial statements and is not expected to have a material impact on subsequent periods. In addition, BVPP has relationships with third party service contract providers that pay BVPP a fee on service contracts included on installment contracts financed through participating dealers. BVPP does not bear any risk of loss for covered claims on these third party service contracts. The income from the non-refundable fee is recognized upon acceptance of the installment contract. The Company advances to dealers an amount equal to the purchase price of the vehicle service contract on contracts accepted by the Company that includes vehicle service contracts.

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

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

Other Services -- Installment Contract Purchase Program. In the United States, the Company offers an installment contract purchase program to public vehicle auctions and dealers, which sell vehicles to Non-prime Consumers. An affiliated consulting company administers the marketing of the program and is paid a commission on ancillary products sold and financed by the Company. The Company purchases the contracts

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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

for the amount financed under the contract less a fee. The contracts are purchased without recourse to the auctions and dealers.

Significant accounting policies are described in the following paragraphs.

PRINCIPLES OF CONSOLIDATION

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

REPORTABLE BUSINESS SEGMENTS

The Company is organized into three primary business segments: CAC North America, CAC United Kingdom and CAC Automotive Leasing. See Note 13 for information regarding the Company's reportable segments.

USE OF ESTIMATES

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

DERIVATIVE INSTRUMENTS

The Company purchases interest rate cap and floor agreements to manage its interest rate risk on its secured financings. The Company does not hold or issue derivative financial instruments for trading purposes. Premiums paid for interest rate caps are amortized to interest expense over the terms of the related debt obligations.

The derivative agreements generally match the notional amounts of the hedged debt to assure the effectiveness of the derivatives in reducing interest rate risk. As of December 31, 2000, the following interest rate cap agreements were outstanding:

NOTIONAL AMOUNT -----	COMMERCIAL PAPER CAP RATE -----	TERM -----
\$ 2,653,755 .....	7.5%	July 1998 through October 2001
22,627,295 .....	7.5%	July 1999 through August 2003
16,723,509 .....	7.5%	December 1999 through June 2003
14,381,345 .....	8.5%	August 2000 through August 2004

As of December 31, 2000, the following interest rate floor agreement was outstanding:

NOTIONAL AMOUNT -----	COMMERCIAL PAPER FLOOR RATE -----	TERM -----
\$22,627,295 .....	4.79%	July 1999 through August 2003

The Company is exposed to credit risk in the event of nonperformance by the counterparty to its interest rate cap agreements. The Company anticipates that its counterparty will fully perform their obligations under the agreements. The Company manages credit risk by utilizing a financially sound counterparty.

FOREIGN CURRENCY TRANSLATION

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

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

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

#### CASH AND CASH EQUIVALENTS

Cash equivalents consist of readily marketable securities with original maturities at the date of acquisition of three months or less.

#### INVESTMENTS

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

#### INSTALLMENT CONTRACTS RECEIVABLE

Installment contracts receivable are collateralized by vehicle titles, and the Company has the right to repossess the vehicle in the event that the consumer defaults on the payment terms of the contract. Repossessed collateral is valued at the lower of the carrying amount of the receivable or estimated fair value, less estimated costs of disposition, and is classified in installment contracts receivable on the balance sheets. At December 31, 1999 and 2000, repossessed assets totaled approximately \$5.5 million and \$5.6 million, respectively. The Company's policy for non-accrual loans is 90 days measured on a recency basis (no material payments received). The Company writes-off delinquent installment contracts at nine months on a recency basis.

#### ALLOWANCE FOR CREDIT LOSSES

The Company maintains an allowance for credit losses which, in the opinion of management, adequately reserves against 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 revenue on installment contracts which were transferred to non-accrual status during the period. 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

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

allowance for credit losses. Ultimate losses may vary from current estimates and the amount of the provision, which is current expense, may be either greater or less than actual charge-offs.

#### RESERVE ON ADVANCES

When a participating dealer assigns an installment contract to the Company, the Company generally pays a cash advance to the dealer. These advance balances represent the Company's primary risk of loss related to the finding 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, the present value of estimated future collections on installment contracts are compared to the advance balance. The discount rate used for present value purposes is equal to the rate of return expected upon origination of the advance. The Company's Loan Servicing System allows the Company to 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 estimate of future collections and the actual collections that are realized. Estimating cash collections from the installment contracts receivable is complicated by the unusual payment patterns of the borrowers who generally cannot obtain traditional financing. The evaluation of the reserve against advances considers such factors as current delinquencies, the characteristics of the accounts, the value of the underlying collateral, the location of the borrower, general economic conditions and trends among other information. Although the Company uses many resources to assess the adequacy of the reserve against advances, actual losses may vary significantly from current estimates and the amount of provision, which is a current expense, may be either greater or less than actual charge offs. 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.

#### FLOOR PLAN RECEIVABLES

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

#### NOTES RECEIVABLE

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

#### ADVANCE RECEIVABLE SALES

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

#### PROPERTY AND EQUIPMENT

Additions to property and equipment are recorded at cost. Depreciation is generally provided on a straight-line basis over the estimated useful lives (primarily five to forty years) of the assets. The cost of assets

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#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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

sold or retired and the related accumulated depreciation are removed from the accounts at the time of disposition and any resulting gain or loss is included in operations. Maintenance, repairs and minor replacements are charged to operations as incurred; major replacements and betterments are capitalized.

#### INVESTMENTS IN OPERATING LEASES, NET

Leased assets are generally depreciated to their residual values on a straight-line basis over the scheduled lease term. The Company maintains an allowance for lease vehicle losses that consists of a repossession reserve and a residual reserve. The repossession reserve is intended to cover losses resulting from: i) earned but unpaid lease payment revenue; and ii) the difference between

proceeds from vehicle disposals and the net book value. The residual reserve is intended to cover losses resulting from vehicle disposals at the end of the lease term. The residual values represent estimates of the asset values of the vehicles at the end of the lease contracts based on industry guidebooks and other information. . Realization of the residual values is dependent on the Company's future ability to market the vehicles under then prevailing market conditions.

#### DEALER HOLDBACKS

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

#### INCOME TAXES

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

#### REVENUE RECOGNITION

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

Lease Revenue. Income from operating lease assets is recognized on a straight-line basis over the scheduled lease term. Revenue recognition is suspended at the point the customer becomes three payments past due.

Premiums Earned. Credit life and disability premiums and collision premiums are ceded to the Company on both an earned and written basis and are earned over the life of the contracts using the pro rata and sum-of-digits methods. In 2000, the Company changed accounting methods to recognize income and related expense for the service contract program on an accelerated basis over the life of the service contract. Previously, the income and related expenses were recorded on a straight-line basis over the life of the service contracts. The change was based on an analysis of historical claims experience and made to more accurately match the timing of the income and expenses pertaining to the service contracts. The change in accounting method was immaterial to the current financial statements and is not expected to have a material impact on subsequent periods.

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

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

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

Interest on notes receivable is recognized in income based on the outstanding monthly balance and is generally 5% to 18% per annum.

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

#### CURRENT ACCOUNTING PRONOUNCEMENTS

In June 2000, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities -- an amendment of FASB Statement No. 133" (SFAS No. 138). This Statement addresses a limited number of

issues causing implementation difficulties for numerous entities required to apply Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). SFAS No. 133 and SFAS No. 138 establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The statements require that all derivatives be recognized as either assets or liabilities in the consolidated balance sheet and that those instruments be measured at fair value. If certain conditions are met, a derivative may be specifically designated as a hedging instrument. The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and resulting designation. On January 1, 2001, the Company adopted SFAS No. 133 and SFAS No. 138 and at that time an after-tax amount associated with establishing the fair values of the derivative instruments on the balance sheet of approximately \$9,500 was recorded as a increase in net income and other comprehensive income.

In July 2000, the Emerging Issues Task Force ("EITF") finalized the provisions of EITF Issue No. 99-20, "Recognition of Interest Income and Impairment of Purchased and Retained Beneficial Interests in Securitized Financial Assets" ("EITF 99-20"). EITF 99-20 sets forth rules for recognizing interest income and determining when securities must be written down to fair value in instances other than temporary impairments. EITF 99-20 will require the "prospective method" of adjusting the recognition of interest income when the anticipated cash flows have either increased or decreased. Anticipated cash flows can change as the result of factors such as prepayment rates and credit losses. Under the provisions of EITF 99-20, an impairment, other than a temporary impairment, must be recorded when the anticipated cash flows have decreased since the last estimate and the fair value of the retained interest is less than the carrying value. Any write-down associated with the implementation of EITF 99-20 would be reported as a "cumulative effect of a change in accounting principle" and would be reported on a prospective basis. On January 1, 2001, the Company adopted EITF 99-20. The adoption of this statement did not have a material effect on the Company's financial position or results of operations.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("SFAS No. 140"). SFAS No. 140 replaces Statement of Accounting Standard No. 125 ("SFAS No. 125"), which bears the same title. SFAS No. 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. Other provisions of the statement became effective for the Company's 2000 year-end reporting and include additional disclosure requirements and changes related to the recognition and reclassification of collateral. Based on current circumstances management believes the application of the new rules will not have a material impact on the Company's financial position, results of operations or liquidity.

#### RECLASSIFICATION

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

#### (2) FINANCIAL INSTRUMENTS

##### FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Investments. The carrying amount of the investments approximates their fair value due to the short maturity of these instruments.

Installment Contracts Receivable and Net Dealer Holdbacks. As the majority of the Company's revenue is derived from the servicing fee it receives on the gross amount due under the installment contract (typically 20% of the principal

and interest), the Company's revenues from servicing fees are not materially impacted by changes in interest rates. As such, the carrying amounts recorded on a historical cost basis for installment contracts receivable and net dealer holdbacks in the financial statements related to the financing and service program which the Company provides to dealers approximates fair value.

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

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

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

The fair value of interest rate caps represents the amount that the Company would receive to terminate the agreement, taking into account current interest rates, which was immaterial as of December 31, 1999 and 2000.

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

	YEARS ENDED DECEMBER 31,			
	1999		2000	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Cash and cash equivalents.....	\$ 21,565	\$ 21,565	\$ 20,726	\$ 20,726
Investments -- held to maturity.....	1,126	1,126	751	751
Installment contracts receivable, net.....	565,983	565,983	564,260	564,260
Floor plan receivable.....	15,492	15,492	8,106	8,106
Notes receivable.....	3,610	3,610	6,985	6,985
Retained interest in securitization...	4,105	4,105	5,001	5,001
Senior notes.....	30,579	30,491	15,948	15,908
Lines of credit.....	36,994	36,994	88,096	88,096
Mortgage loan payable to bank.....	8,215	8,215	7,590	7,590
Secured financing.....	83,197	83,197	45,039	45,039
Dealer holdbacks, net.....	202,143	202,143	214,468	214,468

A portion of the Company's cash and cash equivalents are restricted pursuant to: (i) the secured financings of advance receivables totaling \$10.4 million and \$6.9 million at December 31, 1999 and 2000, respectively; and (ii) the reinsurance agreements, totaling \$5.5 million and \$3.7 million at December 31, 1999 and 2000, respectively.

(2) FINANCIAL INSTRUMENTS -- (CONCLUDED)

All investments are categorized as held-to-maturity. Pursuant to reinsurance agreements, the Company is required to hold short-term investments in a trust account. The restricted investments totaled approximately \$1.0 million and \$0.6 million at December 31, 1999 and 2000, respectively.

(3) INSTALLMENT CONTRACTS RECEIVABLE

Installment contracts generally have initial terms ranging from 24 to 48 months and are collateralized by the related vehicles. The initial average term of an installment contract was approximately 31 months in 1998 and 32 months in each of 1999 and 2000. As of December 31, 1999 and 2000, the accrual of finance charge revenue has been suspended, and fully reserved for, on approximately \$156.5 million and \$145.5 million of delinquent installment contracts, respectively. Installment contracts receivable consisted of the following (in

thousands):

	AS OF DECEMBER 31,	
	1999	2000
Gross installment contracts receivable.....	\$679,247	\$674,402
Unearned finance charges.....	(99,174)	(98,214)
Unearned insurance premiums, insurance reserves and fees.....	(9,348)	(7,288)
Installment contracts receivable.....	\$570,725	\$568,900
Non-accrual installment contracts as a percent of total gross installment contracts.....	23.0%	21.6%

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

	YEARS ENDED DECEMBER 31,		
	1998	1999	2000
Balance -- beginning of period.....	\$1,254,858	\$ 794,831	\$ 679,247
Gross amount of installment contracts accepted.....	580,578	533,111	548,024
Gross installment contracts underlying advance receivables securitized.....	(98,591)	--	--
Cash collections on installment contracts accepted.....	(493,900)	(409,742)	(395,061)
Charge offs.....	(449,870)	(234,167)	(144,828)
Currency translation.....	1,756	(4,786)	(12,980)
Balance -- end of period.....	\$ 794,831	\$ 679,247	\$ 674,402

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

	YEARS ENDED DECEMBER 31,		
	1998	1999	2000
Balance -- beginning of period.....	\$13,119	\$ 7,075	\$ 4,742
Provision for loan losses.....	3,432	1,205	1,647
Allowance on installment contracts underlying advance receivables securitized.....	(1,107)	--	--
Charge offs, net.....	(8,392)	(3,489)	(1,688)
Currency translation.....	23	(49)	(61)
Balance -- end of period.....	\$ 7,075	\$ 4,742	\$ 4,640

(3) INSTALLMENT CONTRACTS RECEIVABLE -- (CONCLUDED)

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

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

#### (4) ADVANCE RECEIVABLE SALES

On July 8, 1998, the Company completed a \$50 million securitization of advance receivables. The installment contracts supporting the dealer advances that were sold included contracts with origination dates ranging from July 1990 to June 1998, with a weighted average age of 15 months as of the date of the transaction. The amount of such contracts included on the Company's balance sheet as of June 30, 1998 was \$98.6 million, of which \$43.8 million was in non-accrual status. Pursuant to this transaction, the Company contributed dealer advances having a carrying value of approximately \$56 million and received approximately \$49.3 million in financing from an institutional investor. The debt is non-recourse to the Company and bears interest at the applicable commercial paper rate plus 1% with a maximum of 7.5%. The commercial paper may be issued for terms of between 1 and 270 days. As of December 31, 2000, the debt is anticipated to fully amortize within 6 months. The Company initially recognized a gain on the transaction of approximately \$685,000 which represents the difference between the sale proceeds to the Company, net of transaction costs, and the Company's carrying amount of the dealer advances, plus the present value of the estimated cash flows to be received by the Company. In determining the gain on the sale of receivables and the estimated fair value of the Company's retained interest in securitization, the Company assumed an excess cash flow discount rate of 15%, cumulative credit losses of 14% on the related installment contracts receivable (which is less than the Company would have incurred had these assets been securitized when originated) and an interest rate of 7.5% on the underlying debt. The excess cash flows result from the amount by which projected collections on the installment contracts exceeds (i) the principal and interest to be paid to the institutional investor and (ii) the amount of dealer holdback due to dealers.

In the securitization, the Company retained servicing responsibilities and subordinated interests. The Company receives monthly servicing fees of 4% of the collections on the installment contracts receivable, and rights to future cash flows arising after the investor has received the return for which they are contracted. The present value of estimated cash flows has been recorded by the Company as a retained interest in securitization of \$4.1 and \$5.0 million as of December 31, 1999 and 2000, respectively. The investors have no recourse to the Company's other assets for failure of debtors to pay when due. The Company's retained interests are generally restricted until investors have been fully paid and are subordinate to investors' interests.

The Company received servicing fees of approximately \$815,000, \$1,040,000 and \$467,000 in 1998, 1999 and 2000, respectively. The Company also received approximately \$3.2 million and \$1.4 million in 1999 and 2000, respectively to be distributed to dealers for the payment of dealer holdbacks.

The Company recorded a \$13.5 million valuation adjustment in 1999 on the retained interest in securitization. The retained interest in securitization represents an accounting estimate based on several variables including the amount and timing of collections on the underlying installment contracts receivable, the amount and timing of projected dealer holdback payments and interest costs. The Company regularly reviews the actual performance of these variables against the assumptions used to record the retained interest. This evaluation led to a reassessment of the timing and amount of collections on the installment contracts underlying the securitized advances and the resulting \$13.5 million write down in 1999. For purposes of valuing the retained interest as of December 31, 2000, the Company assumed an excess cash flow discount rate of 15% and an interest rate of 7.5% on the underlying debt.

The Company estimates that it will exercise its clean up call option for the securitization in the second quarter of 2001 and that the recorded value of the Company's retained interest will be realized in full.

#### (5) PROPERTY AND EQUIPMENT

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

thousands):

	1999	2000
	-----	-----
Land.....	\$ 2,587	\$ 2,587
Building and improvements.....	6,804	7,069
Data processing equipment.....	17,828	21,295
Office furniture & equipment.....	2,292	2,468
Leasehold improvements.....	706	700
	-----	-----
	30,217	34,119
Less accumulated depreciation.....	11,974	15,701
	-----	-----
	\$18,243	\$18,418
	=====	=====

Depreciation expense on property and equipment was \$3,793,000, \$4,128,000 and \$3,727,000 in 1998, 1999 and 2000, respectively.

(6) LEASED PROPERTIES

PROPERTY LEASED TO OTHERS

The Company leases part of its headquarters to outside parties under non-cancelable operating leases. This activity is not a significant part of its business activities. Rental income, which is included in other income, is recognized on a straight-line basis over the related lease term. Rental income on leased property was \$997,000, \$1,105,000 and \$1,075,000 for 1998, 1999 and 2000, respectively.

PROPERTY LEASED FROM OTHERS

The Company utilizes leases in its day-to-day operations for administrative offices and office equipment. Management expects that in the normal course of business, leases will be renewed or replaced by other leases.

Total rental expense on all operating leases was \$388,000, \$499,000 and \$335,000 for 1998, 1999 and 2000, respectively. Contingent rentals under the operating leases were insignificant. Minimum future lease commitments under operating leases are as follows:

2001.....	\$ 358,000
2002.....	359,000
2003.....	359,000
2004.....	225,000
2005.....	198,000
Thereafter.....	313,000
	-----
Total minimum lease commitments.....	\$1,812,000
	=====

(7) INVESTMENTS IN OPERATING LEASES

The composition of net investment in operating leases consisted of the following at December 31 (in thousands):

	1999	2000
	-----	-----

Gross leased assets.....	\$8,443	\$42,449
Accumulated depreciation.....	(453)	(5,283)
Gross deferred costs.....	1,061	6,245
Accumulated amortization of deferred costs.....	(108)	(1,435)
Lease payments receivable.....	245	2,968
	-----	-----
Investment in operating leases.....	9,188	44,944
Less: Allowance for lease vehicle losses.....	(91)	(2,023)
	-----	-----
Investment in operating leases, net.....	\$9,097	\$42,921
	=====	=====

A summary of changes in gross leased assets is as follows (in thousands):

	YEARS ENDED DECEMBER 31,	
	1999	2000
	-----	-----
Balance -- beginning of period.....	\$ --	\$ 8,443
Gross operating leases originated.....	8,538	39,254
Operating lease liquidations.....	(95)	(5,258)
Currency translation.....	--	10
	-----	-----
Balance -- end of period.....	\$8,443	\$42,449
	=====	=====

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

	YEARS ENDED DECEMBER 31,	
	1999	2000
	-----	-----
Balance -- beginning of period.....	\$ --	\$ 91
Provision for lease vehicle losses.....	99	3,013
Charge offs.....	(8)	(1,081)
	-----	-----
Balance -- end of period.....	\$ 91	\$ 2,023
	=====	=====

Future minimum rentals on vehicles leased at December 31, 2000 are \$21.2 million, \$19.4 million, \$6.9 million and \$186,000 in 2001, 2002, 2003 and 2004, respectively.

#### (8) DEBT

##### SENIOR NOTES

As of December 31, 2000, the Company had \$7,995,000, \$5,290,000 and \$2,663,000 in outstanding borrowings under the three series of Senior Notes issued to various insurance companies in 1994, 1996 and 1997, respectively. The Notes are secured through a lien on most of the Company's assets on an equal and ratable basis with the Company's credit agreement and require semi-annual interest payments and annual payments of principal. The final payments are due November 1, 2001, July 1, 2001 and October 1, 2001 for the 1994, 1996 and 1997 series of Senior Notes, respectively. The interest rates at December 31, 1999 were 9.87%, 8.99% and 8.77% and increased on January 15, 2000 to 10.37%, 9.49% and 9.27% for the 1994, 1996 and 1997 series of Senior Notes, respectively.

MORTGAGE LOAN PAYABLE

The Company has a mortgage loan from a commercial bank that is secured by a first mortgage lien on the Company's headquarters building and an assignment of all leases, rents, revenues and profits under all present and future leases of the building. During 1999, the Company refinanced this loan, borrowing an additional \$5.0 million of principal. There was \$8,215,000 and \$7,590,000 outstanding on this loan as of December 31, 1999 and 2000, respectively. The refinanced loan matures on May 1, 2004, requires monthly payments of principal and interest and bears interest at a fixed rate of 7.07%.

SECURED FINANCING

On July 21, 1999 and August 8, 2000, the Company completed two secured financings of advance receivables for \$50 million and \$65 million, respectively, receiving a total of approximately \$113.4 million in financing from an institutional investor. The secured financings are secured by dealer advances having a carrying value as of the date of the transactions of approximately \$62.4 million and \$82.4 for the July 1999 and August 8, 2000 secured financings, respectively. The secured financings are non-recourse to the Company and bear interest at the applicable commercial paper rate plus 70 basis points with a maximum of 7.5% for the July 21, 1999 financing and the applicable commercial paper rate plus 57.5 basis points with a maximum of 8.5% for the August 8, 2000 secured financing. The interest rates at December 31, 2000 on the July 1999 and August 2000 secured financings were 6.55% and 6.66%, respectively. The commercial paper may be issued for terms between 1 and 270 days. As of December 31, 2000, the July 1999 secured financing had an outstanding balance of approximately \$7.4 million and was anticipated to fully amortize within nine months while the August 2000 secured financing has an outstanding balance of \$37.6 million and is anticipated to fully amortize within eleven months.

LINES OF CREDIT

The Company has a \$115 million credit agreement with a commercial bank syndicate with a commitment period through June 12, 2001 subject to annual extensions for additional one year periods at the request of the Company and with the consent of each of the banks in the facility. The borrowings are secured by a lien on most of the Company's assets, including a pledge of the stock in its United Kingdom subsidiary, with interest payable at the Eurocurrency rate plus 1.4% or at the prime rate (9.5% as of December 31, 2000). The Eurocurrency borrowings may be fixed for periods of up to six months. The Company must pay an agent's fee of \$36,000 annually and a commitment fee of .60% quarterly on the amount of the commitment. In addition, when outstanding borrowings under the commitment exceed 50% of the amount of the commitment, the Company must pay, quarterly, a fee equal to .25% on the amount outstanding under the commitment. As of December 31, 2000, there was approximately \$87.2 million outstanding under this facility. The maximum amount outstanding was approximately \$81.4 million and \$107.6 million in 1999 and 2000, respectively. The weighted average balance outstanding was \$49.5 million and \$73.6 million in 1999 and 2000, respectively.

The Company also has a 2.0 million British pound sterling 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 greater of the United Kingdom bank's base rate (6.0% as of December 31, 2000) plus 65 basis points or at the LIBOR rate plus 56.25 basis points. The rates may be fixed for periods of up to six months. As of December 31, 2000, there was approximately 0.8 million British pounds (\$553,000) outstanding under this facility, which matures on October 31, 2001. The maximum amount outstanding was 2.3 million British pounds (\$3.7 million) and 2.1 million British pounds (\$3.0 million) in 1999 and 2000, respectively. The weighted average balance outstanding was 1.4 million British pounds (\$2.3 million) and 1.2 million British pounds (\$1.9 million) in 1999 and 2000, respectively.

The Company also has a 1,000,000 Canadian dollar line of credit with a commercial bank in Canada, which is used to fund the day to day cash flow requirements of the Company's Canadian subsidiary. The borrowings are secured by a letter of credit issued by the Company's principal commercial bank, with interest payable at the LIBOR rate plus 1.4% or at the Canadian bank's prime rate (7.5% at December 31, 2000). Additionally, the Company must pay a commitment fee of .60% quarterly on the amount of the commitment. As of December 31, 2000, there was approximately 477,000 Canadian dollars (\$318,000) outstanding under the facility, which matures on June 9, 2001.

The weighted average interest rate on line of credit borrowings outstanding was 7.5% and 7.8% as of December 31, 1999 and 2000, respectively.

PRINCIPAL DEBT MATURITIES

The scheduled principal maturities of the Company's long-term debt at December 31, 2000 are as follows (in thousands):

2001.....	\$61,659
2002.....	723
2003.....	776
2004.....	5,419
	-----
	\$68,577
	=====

Included in scheduled principal maturities are anticipated maturities of secured financing debt. The maturities of this debt are dependent on the timing of cash collections on the contributed installment contracts receivable, the amounts due to dealers for payments of dealer holdback and changes in interest rates on the commercial paper. Such amounts included in the table above for 2001 are \$45.0 million .

DEBT COVENANTS

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

(9) DEALER HOLDBACKS AND RESERVE ON ADVANCES

Dealer holdbacks consisted of the following (in thousands):

	1999	2000
	-----	-----
Dealer holdbacks.....	\$ 540,799	\$ 537,679
Less: advances (net of reserve of \$4,239 and \$6,788 in 1999 and 2000, respectively).....	(338,656)	(323,211)
	-----	-----
Dealer holdbacks, net.....	\$ 202,143	\$ 214,468
	=====	=====

(9) DEALER HOLDBACKS AND RESERVE ON ADVANCES -- (CONCLUDED)

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

thousands):

	YEARS ENDED DECEMBER 31,		
	1998	1999	2000
Balance -- beginning of period.....	\$16,369	\$ 19,954	\$ 4,329
Provision for advance losses.....	12,973	54,868	6,591
Advance reserve fees.....	181	8	--
Charge offs, net.....	(9,744)	(70,353)	(4,104)
Currency translation.....	175	(148)	(28)
Balance -- end of period.....	\$19,954	\$ 4,329	\$ 6,788

During the third quarter of 1999, the Company recorded a non-cash charge of \$47.3 million to reflect the impact of collections on loan pools originated primarily in 1995, 1996 and 1997 falling below previous estimates, indicating impairment of advance balances associated with these pools. While previous loss curves indicated that loans originated in 1995, 1996 and 1997 would generate lower overall collection rates than loans originated in prior years, in the third quarter of 1999 the loss curves indicated that collection rates on these pools will be lower than previously estimated. Future reserve requirements will depend in part on the magnitude of the variance between management's estimate of future collections and the actual collections that are realized. 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.

#### (10) RELATED PARTY TRANSACTIONS

In the normal course of its business, the Company regularly accepts assignments of installment contracts originated by affiliated dealers owned by: (i) the Company's majority shareholder; and (ii) from another Company executive. Installment contracts accepted from affiliated dealers were approximately \$10.0 million, \$9.3 million and \$6.9 million in 1998, 1999 and 2000, respectively. Remaining installment contracts receivable from affiliated dealers represented approximately 2.1% and 1.7% of the gross installment contracts receivable balance as of December 31, 1999 and 2000, respectively. The Company accepted installment contracts from affiliated dealers and nonaffiliated dealers on the same terms. Dealer holdbacks from contracts accepted from affiliated dealers were approximately \$8.0 million, \$7.4 million and \$5.5 million in 1998, 1999 and 2000 respectively.

The Company regularly purchases operating lease contracts originated by affiliated dealers owned by the Company's majority shareholder and originated by affiliated dealers owned by a Company executive. Lease contracts accepted from affiliated dealers were \$5.8 million and \$10.1 million in 1999 and 2000, respectively. Affiliated dealers originated approximately 60.4% and 22.6% of the value of leasing contracts purchased and approximately 63.6% and 24.8% of the number of leasing contracts purchased by the Company during 1999 and 2000, respectively.

The Company receives interest income and fees from affiliated dealers on floor plan receivables and notes receivable. Total income earned was \$1,187,000, \$679,000 and \$62,000 for the years ended December 31, 1998, 1999 and 2000, respectively.

The Company shares certain expenses including payroll and related benefits, occupancy costs and insurance with its affiliated company owned by the Company's majority shareholder. For the years ended December 31, 1998, 1999 and 2000, the Company charged its affiliated company and majority shareholder approximately \$248,000, \$367,000 and \$152,000 for such shared expenses incurred in its operations. This arrangement is covered under a services agreement. The agreement has an indefinite term, but may be terminated upon 30 days written notice by either party.

(11) INCOME TAXES

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

	{ YEARS ENDED DECEMBER 31,		
	1998	1999	2000
Income (loss) before provision (benefit) for income taxes:			
Domestic.....	\$26,635	\$ (21,090)	\$28,602
Foreign.....	10,890	5,363	7,387
	\$37,525	\$ (15,727)	\$35,989
Domestic provision (benefit) for income taxes:			
Current.....	\$12,507	\$ (5,470)	\$ 9,125
Deferred.....	(3,179)	(1,285)	900
Foreign provision (benefit) for income taxes:			
Current.....	3,570	1,727	2,280
Deferred.....	(339)	(13)	34
Provision (credit) for income taxes.....	\$12,559	\$ (5,041)	\$12,339

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

	AS OF DECEMBER 31,	
	1999	2000
Deferred tax assets:		
Allowance for credit losses.....	\$12,431	\$13,095
Reserve on advances.....	1,177	2,283
Allowance for leased vehicle losses.....	32	716
Sale of advance receivables.....	3,140	2,723
Deferred dealer enrollment fees.....	189	301
Accrued warranty claims.....	631	208
Other, net.....	1,398	1,350
Total deferred tax assets.....	18,998	20,676
Deferred tax liabilities:		
Unearned finance charges.....	27,203	28,449
Accumulated depreciation.....	1,135	2,705
Deferred credit life and warranty costs.....	460	256
Total deferred tax liabilities.....	28,798	31,410
Net deferred tax liability.....	\$ 9,800	\$10,734

No valuation allowances were considered necessary in the calculation of deferred tax assets as of December 31, 1999 and 2000.

(11) INCOME TAXES -- (CONCLUDED)

A reconciliation of U.S. Federal statutory rate (credit) to the Company's effective tax rate (credit) were as follows:

	YEARS ENDED DECEMBER 31,	
	1999	2000
U.S. federal statutory rate (credit).....	(35.0)%	35.0%
State income taxes.....	3.8	--
Foreign income taxes.....	(1.0)	(0.8)
Other.....	0.1	0.1
Provision (credit) for income taxes.....	(32.1)%	34.3%

Deferred U.S. federal income taxes and withholding taxes have not been provided on the undistributed earnings of the Company's foreign subsidiaries as such amounts are considered to be permanently reinvested. The cumulative undistributed earnings at December 31, 2000 on which the Company had not provided additional national income taxes and withholding taxes were approximately \$29.8 million.

#### (12) CAPITAL TRANSACTIONS

##### NET INCOME PER SHARE

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

	YEARS ENDED DECEMBER 31,		
	1998	1999	2000
Weighted average common shares outstanding.....	46,190,208	46,222,730	43,879,577
Common stock equivalents.....	770,082	--	340,299
Weighted average common shares and common stock equivalents.....	46,960,290	46,222,730	44,219,876

##### STOCK REPURCHASE PROGRAM

In 1999, the Company began acquiring shares of its common stock in connection with a stock repurchase program announced in August 1999. That program authorized the Company to purchase up to 1,000,000 common shares on the open market or pursuant to negotiated transactions at price levels the Company deems attractive. On each of February 7, 2000, June 7, 2000, July 13, 2000 and November 10, 2000, the Company's Board of Directors authorized increases in the Company's stock repurchase program of an additional 1,000,000 shares. As of December 31, 2000, the Company has repurchased approximately 3.9 million shares of the 5.0 million shares authorized to be repurchased under this program at a cost of \$20,361,000.

##### STOCK OPTION PLANS

Pursuant to the Company's 1992 Stock Option Plan (the "1992 Plan"), the Company has reserved 8,000,000 shares of its common stock for the future granting of options to officers and other employees. The exercise price of the options is equal to the fair market value on the date of the grant. Options under the 1992 Plan generally become exercisable over a three to five year period, or immediately upon a change of control. In 1999 and 2000, the Company issued 1,369,500 and 28,500 options, respectively, that will vest only if

certain performance targets are met. As it was not foreseeable that the performance targets would be met, no

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(12) CAPITAL TRANSACTIONS -- (CONTINUED)

compensation expense was recorded for these performance-based options in 1999 or 2000. Nonvested performance options are forfeited upon termination of employment and otherwise expire ten years from the date of grant. Shares available for future grants totaled 115,559, 1,911,519 and 2,551,970 as of December 31, 1998, 1999 and 2000, respectively.

Pursuant to the Company's Stock Option Plan for Dealers (the "Dealer Plan"), the Company has reserved 1,000,000 shares of its common stock for the future granting of options to participating dealers. The exercise price of the options is equal to the fair market value on the date of grant. The options become exercisable over a three year period. Nonvested options are forfeited upon the termination of the dealer's servicing agreement by the Company or the dealer and otherwise expire five years from the date of grant. Shares available for future grants totaled 478,385, 605,899 and 684,367 as of December 31, 1998, 1999 and 2000, respectively. Effective January 1, 1999, the Company suspended the granting of future options under the Dealer Plan.

The Company accounts for the 1992 Plan under APB Opinion No. 25, under which no compensation cost has been recognized. Had compensation cost for the 1992 Plan been recognized, the Company's net income (loss) and net income (loss) per share would have been negatively impacted as follows:

	YEARS ENDED DECEMBER 31,		
	1998	1999	2000
Net income (loss):			
As reported.....	\$24,966	\$(10,686)	\$23,650
Pro forma.....	22,346	(12,800)	22,379
Net income (loss) per common share:			
As reported -- basic.....	\$ 0.54	\$ (0.23)	\$ 0.54
As reported -- diluted.....	0.53	(0.23)	0.53
Pro forma -- basic.....	0.48	(0.28)	0.51
Pro forma -- diluted.....	0.48	(0.28)	0.51

The Company accounts for the compensation costs related to its grants under the Dealer Plan in accordance with Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123). The sales and marketing cost that has been charged against income for the non-employee Dealer Plan was \$150,000, \$131,000 and \$45,000 in 1998, 1999 and 2000, respectively.

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

1992 PLAN	FOR THE YEARS ENDED DECEMBER 31,		
	1998	1999	2000
Risk-free interest rate.....	5.25%	5.75%	6.0%
Expected life.....	6.0 years	6.0 years	6.0 years
Expected volatility.....	56.47%	56.47%	56.22%
Dividend yield.....	0%	0%	0%

DEALER PLAN  
-----

Risk-free interest rate.....	4.59%
Expected life.....	5.0 years
Expected volatility.....	56.25%
Dividend yield.....	0%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(12) CAPITAL TRANSACTIONS -- (CONCLUDED)

Additional information relating to the stock option plans are as follows:

	1992 PLAN		DEALER PLAN	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
Outstanding at December 31, 1997.....	3,244,236	\$6.63	764,967	\$17.76
Options granted.....	1,420,965	8.71	75,800	7.54
Options exercised.....	(178,372)	2.56	--	--
Options forfeited.....	(569,458)	6.28	(368,585)	18.45
-----	-----	-----	-----	-----
Outstanding at December 31, 1998.....	3,917,371	7.62	472,182	15.60
Options granted.....	1,761,200	5.48	--	--
Options exercised.....	(25,567)	4.10	--	--
Options forfeited.....	(557,160)	9.08	(127,514)	14.15
-----	-----	-----	-----	-----
Outstanding at December 31, 1999.....	5,095,844	6.74	344,668	16.14
Options granted.....	156,300	5.72	--	--
Options exercised.....	(24,233)	3.26	--	--
Options forfeited.....	(796,751)	9.32	(78,468)	22.45
-----	-----	-----	-----	-----
Outstanding at December 31, 2000.....	4,431,160	\$6.36	266,200	\$14.28
-----	-----	-----	-----	-----
Exercisable at December 31:				
1998.....	1,251,152	\$7.91	296,407	\$17.85
1999.....	1,766,521	7.18	258,719	18.41
2000.....	2,085,569	6.78	241,961	14.95

The weighted average fair value of options granted during 1998, 1999 and 2000 was \$5.09, \$3.13 and \$3.07 respectively, for the 1992 Plan. The weighted average fair value of options granted for the Dealer Plan during 1998 was \$3.98.

The following tables summarize information about options outstanding at December 31, 2000:

RANGE OF EXERCISABLE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	OUTSTANDING AS OF 12/31/00	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	EXERCISABLE AS OF 12/31/00	WEIGHTED-AVERAGE EXERCISE PRICE
1992 PLAN					
\$ 2.16 - 5.63.....	795,350	5.7 Years	\$ 3.13	363,682	\$ 2.38
5.64 - 7.75.....	3,072,392	7.6	6.19	1,386,704	6.15
7.76 - 11.07.....	300,417	7.2	8.42	72,182	8.68
\$11.08 - 22.25.....	263,001	3.6	15.68	263,001	15.68
-----	-----	-----	-----	-----	-----
Totals.....	4,431,160	7.0	6.36	2,085,569	6.78
-----	-----	-----	-----	-----	-----
DEALER PLAN					
\$ 6.34 - 9.35.....	117,000	2.5 Years	\$ 7.51	92,761	\$ 7.51
9.36 - 17.63.....	61,000	1.6	13.78	61,000	13.78
\$17.64 - 27.63.....	88,200	0.8	23.59	88,200	23.59
-----	-----	-----	-----	-----	-----
Totals.....	266,200	1.7	14.28	241,961	14.95
-----	-----	-----	-----	-----	-----

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(13) BUSINESS SEGMENT INFORMATION

Prior year segment information has been restated on a basis consistent with the 2000 presentation. The Company has three reportable business segments: CAC North America, CAC United Kingdom and CAC Automotive Leasing.

REPORTABLE SEGMENT OVERVIEW

CAC North America operations consist of the Company's U.S. and Canadian automotive finance and services businesses, including the Company's reinsurance activities and automotive service contract programs. These businesses have been aggregated into one reportable segment because they have similar operating and economic characteristics. The CAC North America segment provides funding, receivables management, collection, sales training and related products and services to automobile dealers located in the United States and Canada. The CAC United Kingdom operations provide substantially the same products and services as the CAC North America operations to dealers located in the United Kingdom and Ireland. The CAC Automotive Leasing segment provides a leasing program to automobile dealers located in the United States. The credit reporting and auction services businesses, which were sold in 1999, do not constitute reportable operating segments as they do not meet the quantitative thresholds prescribed by SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" and have therefore been disclosed in the "all other" category in the following table.

MEASUREMENT

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

	CAC NORTH AMERICA	CAC UNITED KINGDOM	CAC AUTOMOTIVE LEASING	ALL OTHER	TOTAL COMPANY
Year Ended December 31, 2000					
Finance charges.....	\$ 61,913	\$ 17,746	\$ --	\$ --	\$ 79,659
Lease revenue.....	1,545	--	11,474	--	13,019
Other revenue.....	27,326	3,201	558	15	31,100
EBIT.....	42,823	8,710	920	(33)	52,420
Segment assets.....	474,943	158,833	37,258	--	671,034
Year Ended December 31, 1999					
Finance charges.....	\$ 62,568	\$ 13,787	\$ --	\$ --	\$ 76,355
Lease revenue.....	377	--	657	--	1,034
Other revenue.....	28,596	3,149	27	6,894	38,666
EBIT.....	(3,922)	5,200	(362)	(67)	849
Segment assets.....	519,278	129,813	7,574	920	657,585
Year Ended December 31, 1998					
Finance charges.....	\$ 80,330	\$ 17,677	\$ --	\$ --	\$ 98,007
Other revenue.....	33,092	3,528	--	7,722	44,342
EBIT.....	50,236	11,501	--	1,353	63,090
Segment assets.....	621,418	120,621	--	7,692	749,731

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(13) BUSINESS SEGMENT INFORMATION -- (CONCLUDED)

The Company operates primarily in the United States and the United Kingdom. The table below presents the key financial information by geographic location (in thousands):

	UNITED STATES	UNITED KINGDOM	ALL OTHER	TOTAL COMPANY
Year Ended December 31, 2000				
Finance charges.....	\$ 60,412	\$ 17,572	\$ 1,675	\$ 79,659
Lease revenue.....	12,951	--	68	13,019
Other revenue.....	27,600	3,157	343	31,100
EBIT.....	43,114	8,696	610	52,420

Total assets.....	497,946	155,881	17,207	671,034
Year Ended December 31, 1999				
Finance charges.....	\$ 61,496	\$ 13,554	\$ 1,305	\$ 76,355
Lease revenue.....	1,034	--	--	1,034
Other revenue.....	35,365	3,106	195	38,666
EBIT.....	(4,670)	4,999	520	849
Total assets.....	518,220	128,535	10,830	657,585
Year Ended December 31, 1998				
Finance charges.....	\$ 79,568	\$ 17,353	\$ 1,086	\$ 98,007
Other revenue.....	40,518	3,475	349	44,342
EBIT.....	51,642	11,325	123	63,090
Total assets.....	623,206	117,672	8,853	749,731

#### INFORMATION ABOUT PRODUCTS AND SERVICES

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

#### MAJOR CUSTOMERS

The Company did not have any customer which provided 10% or more of the Company's revenue during 1998, 1999 or 2000. However, during 2000, three dealer groups in the United Kingdom accounted for approximately 64.8% of new contracts accepted by the CAC United Kingdom segment and an affiliated dealer group accounted for approximately 21.3% of the number of leasing contracts purchased by the CAC Automotive Leasing segment.

#### (14) LITIGATION AND CONTINGENT LIABILITIES

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

The Company believes that the structure of its dealer programs and the ancillary products, including the terms and conditions of its servicing agreement with dealers, may mitigate its risk of loss in any such litigation and that it has taken prudent steps to address the litigation risks associated with its business activities.

#### (14) LITIGATION AND CONTINGENT LIABILITIES -- (CONTINUED)

During the first quarter of 1998, several putative class action complaints were filed by shareholders against the Company and certain officers of the Company in the United States District Court for the Eastern District of Michigan seeking money damages for alleged violations of the federal securities laws. On August 14, 1998, a Consolidated Class Action Complaint, consolidating the claims asserted in those cases, was filed. The Complaint generally alleged that the Company's financial statements issued during the period August 14, 1995 through October 22, 1997 did not accurately reflect the Company's true financial condition and results of operations because such reported results failed to be in accordance with generally accepted accounting principles and such results contained material accounting irregularities in that they failed to reflect adequate reserves for credit losses. The Complaint further alleged that the Company issued public statements during the alleged class period which fraudulently created the impression that the Company's accounting practices were proper. On April 23, 1999, the Court granted the Company's and the defendant officers' motion to dismiss the Complaint and entered a final judgment dismissing the action with prejudice. On May 6, 1999, plaintiffs filed a motion for reconsideration of the order dismissing the Complaint or, in the alternative, for leave to file an amended complaint. On July 13, 1999, the Court granted the plaintiffs' motion for reconsideration and granted the plaintiffs

leave to file an amended complaint. Plaintiffs filed their First Amended Consolidated Class Action Complaint on August 2, 1999. On September 30, 1999, the Company and the defendant officers filed a motion to dismiss that complaint. On or about November 10, 1999, plaintiffs sought and were granted leave to file a Second Amended Consolidated Class Action Complaint. On March 24, 2000 the Court granted the Company's and the defendant officers' and directors' motion to dismiss the Second Amended Consolidated Class Action Complaint and entered a final judgment dismissing the action with prejudice. On April 7, 2000, plaintiffs filed a notice of appeal. On October 26, 2000, the parties reached an agreement in principle to settle the action. The proposed settlement is subject to entry into a formal Stipulation of Settlement, submission of the Stipulation to the District Court following remand of the action from the Court of Appeals for purposes of settlement only, and approval of the proposed settlement by the District Court following notice to class members and a hearing. This proposed settlement is not expected to have a material impact on the Company's financial position, liquidity and results of operations, but there can be no assurance to that effect.

The Company is currently a defendant in a class action proceeding commenced on October 15, 1996 in the United States District Court for the Western District of Missouri seeking money damages for alleged violations of a number of state and federal consumer protection laws (the "Missouri Litigation"). On October 9, 1997, the District Court certified two classes on the claims brought against the Company, one relating to alleged overcharges of official fees, the other relating to alleged overcharges of post-maturity interest. On August 4, 1998, the District Court granted partial summary judgment on liability in favor of the plaintiffs on the interest overcharge claims based upon the District Court's finding of certain violations but denied summary judgment on certain other claims. The District Court also entered a number of permanent injunctions, which among other things, restrained the Company from collecting on certain class accounts. The Court also ruled in favor of the Company on certain claims raised by class plaintiffs. Because the entry of an injunction is immediately appealable as of right, the Company appealed the summary judgment order to the United States Court of Appeals for the Eighth Circuit. Oral argument on the appeals was heard on April 19, 1999. On September 1, 1999, the United States Court of Appeals for the Eighth Circuit overturned the August 4, 1998 partial summary judgment order and injunctions against the Company. The Court of Appeals held that the District Court lacked jurisdiction over the interest overcharge claims and directed the District Court to sever those claims and remand them to state court. On February 18, 2000, the District Court entered an order remanding the post-maturity interest class to Missouri state court while retaining jurisdiction on the official fee class. The Company then filed a motion requesting that the District Court reconsider that portion of its order of August 4, 1998, in which the District Court had denied the Company's motion to dismiss the federal official fee overcharge claims. On May 26, 2000, the District Court entered an order dismissing the federal official fee claims against the Company and directed the Clerk of the Court to remand the remaining state law official fee claims to the appropriate state court. The parties are presently awaiting assignment to a

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(14) LITIGATION AND CONTINGENT LIABILITIES -- (CONCLUDED)

state court. The Company will continue its vigorous defense of all remaining claims. However, an adverse ultimate disposition of this litigation could have a material negative impact on the Company's financial position, liquidity and results of operations.

The Company is currently under examination by the Internal Revenue Service for its tax years ended December 31, 1993, 1994 and 1995. The IRS has identified and taken under advisement the tax treatment of certain items. Although the Company is unable to quantify its potential liability from the audit, the resolution of these items in a manner unfavorable to the Company may have a material adverse effect on the Company's financial position, liquidity and results of operations.

In connection with the audit, the IRS has issued a Technical Advice Memorandum that would directly impact the timing of tax recognition of income accrual with respect to certain items. The views expressed in the Memorandum are contrary to the Company's tax accounting method for such items. The total amount of exposure from this tax issue cannot be reasonably estimated due to the lack of available information required for such estimation and due to the

uncertainties of computation, the methodology for which must be agreed upon by the IRS. In the worst case, the application of the ruling to the Company's financing activities could result in the recognition of taxable income, interest and penalties with respect to certain items exceeding the current net income reported for book purposes. The Company has the right to appeal the ruling once issued, or may challenge the positions of the IRS in court.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(15) QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of quarterly financial position and results of operations for the years ended December 31, 1999 and 2000. Certain amounts have been reclassified to conform to the 2000 presentation.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)  
1999

	1ST Q	2ND Q	3RD Q	4TH Q
<b>BALANCE SHEETS</b>				
Installment contracts receivable, net.....	\$605,949	\$579,300	\$569,309	\$565,983
Floor plan receivables.....	15,928	18,666	17,491	15,492
Notes receivables.....	2,239	2,637	3,027	3,610
Investment in operating leases, net.....	80	1,478	3,899	9,097
All other assets.....	75,720	71,295	65,270	63,403
<b>Total assets.....</b>	<b>\$699,916</b>	<b>\$673,376</b>	<b>\$658,996</b>	<b>\$657,585</b>
Dealer holdbacks, net.....	\$194,254	\$171,765	\$205,932	\$202,143
Total debt.....	186,638	168,527	158,361	158,985
Other liabilities.....	39,334	40,931	34,513	33,482
<b>Total liabilities.....</b>	<b>420,226</b>	<b>381,223</b>	<b>398,806</b>	<b>394,610</b>
Shareholders' equity.....	279,690	292,153	260,190	262,975
<b>Total liabilities and shareholders' equity.....</b>	<b>\$699,916</b>	<b>\$673,376</b>	<b>\$658,996</b>	<b>\$657,585</b>
<b>INCOME STATEMENTS</b>				
Revenue:				
Finance charges.....	\$ 19,383	\$ 19,765	\$ 18,753	\$ 18,454
Lease revenue.....	--	79	304	651
Premiums earned.....	2,445	2,331	3,034	2,579
Other income.....	8,533	7,333	5,832	6,579
<b>Total revenue.....</b>	<b>30,361</b>	<b>29,508</b>	<b>27,923</b>	<b>28,263</b>
Costs and expenses:				
Operating expenses.....	14,549	14,398	12,421	14,736
Provision for credit losses.....	2,136	2,094	49,590	2,352
Provision for claims.....	831	894	884	889
Depreciation of leased assets.....	--	53	166	350
Valuation adjustment on retained interest in securitization.....	--	517	13,000	--
Interest.....	4,527	4,272	3,673	4,104
<b>Total costs and expenses.....</b>	<b>22,043</b>	<b>22,228</b>	<b>79,734</b>	<b>22,431</b>
Other operating income:				
Gain on sale of subsidiary.....	--	14,720	--	--
<b>Operating income (loss).....</b>	<b>8,318</b>	<b>22,000</b>	<b>(51,811)</b>	<b>5,832</b>
Foreign exchange gain (loss).....	(45)	(9)	62	(74)
<b>Income (loss) before income taxes.....</b>	<b>8,273</b>	<b>21,991</b>	<b>(51,749)</b>	<b>5,758</b>
Provision (credit) for income taxes.....	2,894	8,220	(18,108)	1,953
<b>Net income (loss).....</b>	<b>\$ 5,379</b>	<b>\$ 13,771</b>	<b>\$ (33,641)</b>	<b>\$ 3,805</b>
Net income (loss) per common share:				
Basic.....	\$ 0.12	\$ 0.30	\$ (0.73)	\$ 0.08

Diluted.....	\$ 0.12	\$ 0.30	\$ (0.73)	\$ 0.08
	=====	=====	=====	=====
Weighted average shares outstanding:				
Basic.....	46,299	46,304	46,214	46,074
Diluted.....	46,706	46,545	46,214	46,253

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONCLUDED)

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

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)  
2000

	1ST Q	2ND Q	3RD Q	4TH Q
	-----	-----	-----	-----
BALANCE SHEETS				
Installment contracts receivable, net.....	\$575,920	\$570,971	\$567,089	\$564,260
Floor plan receivables.....	12,121	9,825	10,995	8,106
Notes receivables.....	4,697	5,193	5,333	6,985
Investment in operating leases, net.....	21,835	32,845	38,760	42,921
All other assets.....	53,097	54,382	53,127	48,762
	-----	-----	-----	-----
Total assets.....	\$667,670	\$673,216	\$675,304	\$671,034
	=====	=====	=====	=====
Dealer holdbacks, net.....	\$209,067	\$209,238	\$211,579	\$214,468
Total debt.....	161,510	169,966	166,836	156,673
Other liabilities.....	34,783	35,621	38,701	37,667
	-----	-----	-----	-----
Total liabilities.....	405,360	414,825	417,116	408,808
Shareholders' equity.....	262,310	258,391	258,188	262,226
	-----	-----	-----	-----
Total liabilities and shareholders' equity....	\$667,670	\$673,216	\$675,304	\$671,034
	=====	=====	=====	=====
INCOME STATEMENTS				
Revenue:				
Finance charges.....	\$ 20,017	\$ 20,282	\$ 20,206	\$ 19,154
Lease revenue.....	1,455	3,361	3,812	4,391
Premiums earned.....	2,601	2,434	1,951	2,481
Gain on sale of advance receivables, net.....	--	--	--	--
Other income.....	5,394	5,131	5,205	5,903
	-----	-----	-----	-----
Total revenue.....	29,467	31,208	31,174	31,929
	-----	-----	-----	-----
Costs and expenses:				
Operating expenses.....	12,513	12,685	12,009	12,901
Provision for credit losses.....	2,447	2,576	3,074	3,154
Provision for claims.....	776	716	604	888
Depreciation on leased assets.....	818	1,555	2,141	2,490
Interest.....	4,193	4,167	4,119	3,952
	-----	-----	-----	-----
Total costs and expenses.....	20,747	21,699	21,947	23,385
	-----	-----	-----	-----
Operating income.....	8,720	9,509	9,227	8,544
Foreign exchange gain (loss).....	(14)	(66)	(5)	74
	-----	-----	-----	-----
Income before income taxes.....	8,706	9,443	9,222	8,618
Provision for income taxes.....	2,980	3,290	3,118	2,951
	-----	-----	-----	-----
Net income.....	\$ 5,726	\$ 6,153	\$ 6,104	\$ 5,667
	=====	=====	=====	=====
Net income per common share				
Basic.....	\$ 0.13	\$ 0.14	\$ 0.14	\$ 0.13
	=====	=====	=====	=====
Diluted.....	\$ 0.13	\$ 0.14	\$ 0.14	\$ 0.13
	=====	=====	=====	=====
Weighted average shares outstanding				
Basic.....	45,363	44,532	43,014	42,588
Diluted.....	45,630	44,864	43,425	42,950

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

Not Applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

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

ITEM 11. EXECUTIVE COMPENSATION

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

PART IV

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

- (a) (1) The following consolidated financial statements of the Company and Report of Independent Public Accountants are contained "Item 8 -- Financial Statements and Supplementary Data."

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Consolidated Financial Statements:

- Consolidated Balance Sheets as of December 31, 1999 and 2000
- Consolidated Income Statements for the years ended December 31, 1998, 1999 and 2000
- Consolidated Statements of Cash Flows for the years ended December 31, 1998, 1999 and 2000

-- Consolidated Statements of Shareholders' Equity for the years ended December 31, 1998, 1999 and 2000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (2) Financial Statement Schedules have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes thereto.
  - (3) The Exhibits filed in response to Item 601 of Regulation S-K are listed in the Exhibit Index, which is incorporated herein by reference.
- (b) The Company was not required to file a current report on Form 8-K during the quarter ended December 31, 2000 and none were filed during that period.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 30, 2001.

## CREDIT ACCEPTANCE CORPORATION

By: /s/ DONALD A. FOSS

-----  
 Donald A. Foss  
 Chairman of the Board and  
 Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on March 30, 2001 on behalf of the registrant and in the capacities indicated.

SIGNATURE -----	TITLE -----
/s/ DONALD A. FOSS ----- Donald A. Foss	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
/s/ DOUGLAS W. BUSK ----- Douglas W. Busk	Treasurer and Chief Financial Officer (Principal Financial Officer)
/s/ LINDA M. CARDINALE ----- Linda M. Cardinale	Vice President -- Accounting (Principal Accounting Officer)
/s/ HARRY E. CRAIG ----- Harry E. Craig	Director
/s/ THOMAS A. FITZSIMMONS ----- Thomas A. FitzSimmons	Director
/s/ SAM M. LAFATA ----- Sam M. LaFata	Director
/s/ THOMAS N. TRYFOROS ----- Thomas N. Tryforos	Director

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## EXHIBIT INDEX

The following documents are filed as part of this report. Those exhibits previously filed and incorporated herein by reference are identified below. Exhibits not required for this report have been omitted. The Company's commission file number is 000-20202.

EXHIBIT NO. -----	DESCRIPTION -----
3(a)(1)	7 Articles of Incorporation, as amended July 1, 1997
3(b)	2 Bylaws of the Company, as amended
4(a)	1 Note Purchase Agreement dated October 1, 1994 between various insurance companies and

the Company and related form of note.

- 4 (a) (1) 1 First Amendment dated November 15, 1995 to Note Purchase Agreement dated October 1, 1994 between various insurance companies and the Company.
- 4 (a) (2) 5 Second Amendment dated August 29, 1996 to Note Purchase Agreement dated October 1, 1994 between various insurance companies and the Company.
- 4 (a) (3) 8 Third Amendment dated December 12, 1997 to Note Purchase Agreement dated October 1, 1994 between various insurance companies and the Company.
- 4 (a) (4) 9 Fourth Amendment dated July 1, 1998 to Note Purchase Agreement dated October 1, 1994 between various insurance companies and the Company
- 4 (a) (5) 9 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 (a) (6) 12 Fifth Amendment dated April 13, 1999 to Note Purchase Agreement dated October 1, 1994 between various insurance companies and the Company
- 4 (a) (7) 14 Sixth Amendment dated December 1, 1999 to Note Purchase Agreement dated October 1, 1994 between various insurance companies and the Company
- 4 (a) (8) 15 Seventh Amendment dated April 27, 2000 to Note Purchase Agreement dated October 1, 1994 between various insurance companies and the Company
- 4 (a) (9) 18 Eighth Amendment dated as of March 8, 2001 to Note Purchase Agreement dated October 1, 1994 between various insurance companies and the Company
- 4 (b) 5 Note Purchase Agreement dated August 1, 1996 between various insurance companies and the Company and the related form of note.
- 4 (b) (1) 8 First Amendment dated December 12, 1997 to Note Purchase Agreement dated August 1, 1996 between various insurance companies and the Company.
- 4 (b) (2) 9 Second Amendment dated July 1, 1998 to Note Purchase Agreement dated August 1, 1996 between various insurance companies and the Company
- 4 (b) (3) 9 Limited Waiver dated July 12, 1998 to First Amended and Restated 8.24% Senior Notes due July 1, 2001 Issued Under Note Purchase Agreement dated as of August 1, 1996
- 4 (b) (4) 12 Third Amendment dated April 13, 1999 to Note Purchase Agreement dated August 1, 1996 between various insurance companies and the Company
- 4 (b) (5) 14 Fourth Amendment dated December 1, 1999 to Note Purchase Agreement dated August 1, 1996 between various insurance companies and the Company

- 4 (b) (6) 15 Fifth Amendment dated April 27, 2000 to Note Purchase Agreement dated August 1, 1996 between various insurance companies and the Company
- 4 (b) (7) 18 Sixth Amendment dated as of March 8, 2001 to Note Purchase Agreement 18 dated August 1, 1996 between various insurance companies and the Company
- 4 (c) (5) 12 Third Amended and Restated Credit Agreement dated as of June 15, 1999 between the Company, Comerica Bank as Administrative Agent and Collateral Agent, NationsBank, N.A., as Syndications Agent and Banc of America Securities, LLC as Sole Lead Arranger and Sole Bank Manager
- 4 (c) (6) 14 First Amendment dated December 10, 1999 to the Third Amended and Restated Credit Agreement dated as of June 15, 1999 between the Company, Comerica Bank as Administrative Agent and Collateral Agent, NationsBank, N.A., as Syndications Agent and Banc of America Securities, LLC as Sole Lead Arranger and Sole Bank Manager
- 4 (c) (7) 15 Second Amendment dated April 28, 2000 to the Third Amended and Restated Credit Agreement dated as of June 15, 1999 between the Company, Comerica Bank as Administrative Agent and Collateral Agent, NationsBank, N.A., as Syndications Agent and Banc of America Securities, LLC as Sole Lead Arranger and Sole Bank Manager
- 4 (c) (8) 16 Third Amendment dated June 13, 2000 to the Third Amended and Restated Credit Agreement dated as of June 15, 1999 between the Company, Comerica Bank as Administrative Agent and Collateral Agent, NationsBank, N.A., as Syndications Agent and Banc of America Securities, LLC as Sole Lead Arranger and Sole Bank Manager

- 4 (c) (9) 18 Fourth Amendment dated November 30, 2000 to the Third Amended and Restated Credit Agreement dated as of June 15, 1999 between the Company, Comerica Bank as Administrative Agent and Collateral Agent, NationsBank, N.A., as Syndications Agent and Banc of America Securities, LLC as Sole Lead Arranger and Sole Bank Manager
- 4 (c) (10) 18 Fifth Amendment dated March 8, 2001 to the Third Amended and Restated Credit Agreement dated as of June 15, 1999 between the Company, Comerica Bank as Administrative Agent and Collateral Agent, NationsBank, N.A., as Syndications Agent and Banc of America Securities, LLC as Sole Lead Arranger and Sole Bank Manager
- 4 (e) 6 Note Purchase Agreement dated March 25, 1997 between various insurance companies and the

Company and related form of note.

- 4 (e) (1) 8 First Amendment dated December 12, 1997 to Note Purchase Agreement dated March 25, 1997 between various insurance companies and the Company
- 4 (e) (2) 9 Second Amendment dated July 1, 1998 to Note Purchase Agreement dated March 25, 1997 between various insurance companies and the Company
- 4 (e) (3) 9 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 (e) (4) 12 Third Amendment dated April 13, 1999 to Note Purchase Agreement dated March 25, 1997 between various insurance companies and the Company
- 4 (e) (5) 14 Fourth Amendment dated December 1, 1999 to Note Purchase Agreement dated March 25, 1997 between various insurance companies and the Company
- 4 (e) (6) 15 Fifth Amendment dated April 27, 2000 to Note Purchase Agreement dated March 25, 1997 between various insurance companies and the Company
- 4 (e) (7) 18 Sixth Amendment dated as of March 8, 2001 to Note Purchase Agreement dated March 25, 1997 between various insurance companies and the Company
- 4 (f) 9 Note Purchase Agreement dated July 7, 1998 among Kitty Hawk Funding Corporation, CAC Funding Corp. and NationsBank, N.A.
- 4 (f) (1) 9 Security Agreement dated July 7, 1998 among Kitty Hawk Funding Corporation, CAC Funding Corp., the Company and NationsBank, N.A.
- 4 (f) (2) 9 Servicing Agreement dated July 7, 1998 between CAC Funding Corp. and the Company
- 4 (f) (3) 9 Contribution Agreement dated July 7, 1998 between the Company and CAC Funding Corp.
- 4 (f) (4) 12 Amendment No. 1 dated June 30, 1999 to Note Purchase Agreement dated July 7, 1998 among Kitty Hawk Funding Corporation, CAC Funding Corp., and NationsBank, N.A.
- 4 (f) (5) 12 Amendment No. 1 dated June 30, 1999 to Security Agreement dated July 7, 1998 among Kitty Hawk Funding Corporation, CAC Funding Corp., the Company and NationsBank, N.A.
- 4 (f) (6) 12 Amendment No. 1 dated June 30, 1999 to Contribution Agreement dated July 7, 1998 between the Company and CAC Funding Corp.
- 4 (f) (7) 13 Amendment No. 2 dated September 29, 1999 to Security Agreement dated July 7, 1998 among Kitty Hawk Funding Corporation, CAC Funding Corp., the Company and NationsBank, N.A.
- 4 (f) (8) 14 Amendment No. 2 dated December 15, 1999 to Note Purchase Agreement dated July 7, 1998 among Kitty Hawk Funding Corporation, CAC Funding Corp., and NationsBank, N.A.

- 4 (f) (9)                                 14   Amendment No. 3 dated December 15, 1999 to Security Agreement dated July 7, 1998 among Kitty Hawk Funding Corporation, CAC Funding Corp., the Company and NationsBank, N.A.
- 4 (f) (10)                                14   Amendment No. 2 dated December 15, 1999 to Contribution Agreement dated July 7, 1998 between the Company and CAC Funding Corp.
- 4 (f) (11)                                17   Amendment No. 3 dated August 8, 2000 to Note Purchase Agreement dated July 7, 1998 among Kitty Hawk Funding Corporation, CAC Funding Corp., and NationsBank, N.A.
- 4 (f) (12)                                17   Amendment No. 3 dated August 8, 2000 to Contribution Agreement dated July 7, 1998 between the Company and CAC Funding Corp.
- 4 (f) (13)                                18   Amendment No. 4 dated March 12, 2001 to Security Agreement dated July 7, 1998 among Kitty Hawk Funding Corporation, CAC Funding Corp., the Company and NationsBank, N.A.
- 4 (f) (14)                                18   Amendment No. 4 dated March 12, 2001 to Note Purchase Agreement dated July 7, 1998 among Kitty Hawk Funding Corporation, CAC Funding Corp., and NationsBank, N.A.
- 4 (f) (15)                                18   Amendment No. 4 dated March 12, 2001 to Contribution Agreement dated July 7, 1998 between the Company and CAC Funding Corp.
- 4 (g) (1)                                 11   Security Agreement dated December 15, 1998 between Comerica Bank, as Collateral Agent, and the Company
- 4 (g) (2)                                 11   Intercreditor Agreement dated as of December 15, 1998 among Comerica Bank, as Collateral Agent, and various lenders and note holders
- 4 (g) (3)                                 11   Deed of Charge, dated December 17, 1998 between Comerica Bank, as Collateral Agent, and the Company

NOTE:   Other instruments, notes or extracts from agreements defining the rights of holders of long-term debt of the Company or its subsidiaries have not been filed because (i) in each case the total amount of long-term debt permitted there under does not exceed 10% of the

Company's consolidated assets, and (ii) the Company hereby agrees that it will furnish such instruments, notes and extracts to the Securities and Exchange Commission upon its request.

- 10 (b) (1)                                4    Amended and Restated Services Agreement dated April 17, 1996 between the Company and Larry Lee's Auto Finance Center, Inc. d/b/a Dealer Enterprise Group
- 10 (d) (4)                                14   Form of Addendum 3 to Servicing Agreement

(Multiple Lots)

10(d)(7)	14	Servicing Agreement, including Addendum 1 and Addendum 2 dated June 1999
10(d)(8)	18	Servicing Agreement dated February 2001
10(f)(4)*	12	Credit Acceptance Corporation 1992 Stock Option Plan, as amended and restated May 1999
10(o)(2)	10	Credit Acceptance Corporation Stock Option Plan for Dealers, as amended and restated September 21, 1998
21(1)	18	Schedule of Credit Acceptance Corporation Subsidiaries
23(1)	18	Consent of Deloitte and Touche LLP

\* Management compensatory contracts and arrangements.

- 1 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended September 30, 1994, and incorporated herein by reference.
- 2 Previously filed as an exhibit to the Company's Form 10-K Annual Report for the year ended December 31, 1994, and incorporated herein by reference.
- 3 Previously filed as an exhibit to the Company's Form 10-K Annual Report for the year ended December 31, 1995, and incorporated herein by reference.
- 4 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended March 31, 1996, and incorporated herein by reference.
- 5 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended September 30, 1996 and incorporated herein by reference.
- 6 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended March 31, 1997 and incorporated herein by reference.
- 7 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended June 30, 1997, and incorporated herein by reference.
- 8 Previously filed as an exhibit to the Company's Form 10-K Annual Report for the year ended December 31, 1997, and incorporated herein by reference.
- 9 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended June 30, 1998, and incorporated herein by reference.
- 10 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended September 30, 1998, and incorporated herein by reference.
- 11 Previously filed as an exhibit to the Company's Form 10-K Annual Report for the year ended December 31, 1998, and incorporated herein by reference.
- 12 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended June 30, 1999, and incorporated herein by reference.
- 13 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended September 30, 1999, and incorporated herein by reference.
- 14 Previously filed as an exhibit to the Company's Form 10-K Annual Report for the year ended December 31, 1999, and incorporated herein by reference.

- 15 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended March 31, 2000, and incorporated herein by reference.
- 16 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly

period ended June 30, 2000, and incorporated herein by reference.

17 Previously filed as an exhibit to the Company's Form 10-Q for the quarterly period ended September 30, 2000, and incorporated herein by reference.

18 Filed herewith.

EIGHTH AMENDMENT TO NOTE PURCHASE AGREEMENT  
 RE:  
 CREDIT ACCEPTANCE CORPORATION  
 SECOND AMENDED AND RESTATED  
 10.37% SENIOR NOTES DUE NOVEMBER 1, 2001

Dated as of March 8, 2001

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 its Second Amended and Restated 10.37% Senior Notes due November 1, 2001 (collectively, the "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, the Third Amendment to Note Purchase Agreement, dated as of December 12, 1997, the Fourth Amendment to Note Purchase Agreement, dated as of July 1, 1998, the Fifth Amendment to Note Purchase Agreement, dated as of April 13, 1999, the Sixth Amendment, dated as of December 1, 1999, and the Seventh Amendment, dated as of April 27, 2000, 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 as set forth in Section 2 hereof.

SECTION 2. AMENDMENT TO THE AGREEMENT.

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

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2.1 SECTION 6.1. (a) Sections 6.1(a)(i), 6.1(b)(i) and 6.1(c) are each amended by adding the following at the end thereof, immediately following the word "GAAP" (prior to the ending punctuation):

, other than Debt represented by Intercompany Loans incurred by the English Special Purpose Subsidiary pursuant to the UK Restructuring

(b) Section 6.1(d) is hereby amended by adding the following at the end thereof (before the "."):

or (C) on or after June 13, 2000, thirty-five percent (35%) of Consolidated Tangible Net Worth

2.2 SECTION 6.6. Section 6.6(a)(i) is amended and restated in its entirety as follows:

(i) (A) Liens securing Property taxes, assessments or governmental charges or levies or the claims or demands of materialmen, mechanics, carriers, warehousemen, vendors, landlords and other like Persons, provided that the payment thereof is not at the time required by Section 6.12, (B) any Lien encumbering Securitization Property which is the

subject of a Transfer pursuant to a Permitted Securitization, (C) any Lien granted in favor of the "Collateral Agent" (as defined in the Intercreditor Agreement) for the benefit of the Banks, the holders of Notes and "Future Debt Holders" (as defined in the Intercreditor Agreement) and subject to the Intercreditor Agreement, and (D) Liens encumbering assets owned by CAC UK securing Debt incurred by Subsidiaries organized outside the United States if, in the case of this clause (D), immediately before and after the incurrence of any such Lien, and after giving effect thereto and to any concurrent transactions, no Default or Event of Default would exist;

2.3 SECTION 6.7. Section 6.7(a) is amended by replacing the "." at the end thereof with "; and" and by adding the following at the end thereof:

(v) Transfers made in accordance with the terms of the UK Restructuring if, immediately before and after the consummation of such Transfer, and after giving effect thereto and to any concurrent transactions, no Default or Event of Default would exist.

2.4 SECTION 6.8(a). (a) Clause (i) of Section 6.8(a) is hereby amended in its entirety as follows:

(i) (A) Transfers from a Restricted Subsidiary to the Company or to a Wholly-Owned Restricted Subsidiary; and

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(B) Transfers from an Unrestricted Subsidiary to the Company or to a Wholly-Owned Restricted Subsidiary if, immediately before and after the consummation of such Transfer, and after giving effect thereto and to any concurrent transactions, no Default or Event of Default would exist.

(b) Clause (v) of Section 6.8(a) is hereby amended and restated in its entirety as follows:

(v) any Transfer made pursuant to the Montana Disposition (including without limitation the transfer by the Company of its intellectual property rights to the name Tele-Track, Inc.), the Arlington Disposition or the UK Restructuring if, immediately before and after the consummation of such Transfer, and after giving effect thereto and to any concurrent transactions, no Default or Event of Default would exist; and

2.5 SECTION 6.8(c). Section 6.8(c) is hereby amended and restated in its entirety as follows:

(c) ACCOUNTS RECEIVABLE AND LEASES. Notwithstanding the provisions of Section 6.8(a), except to the Company or a Wholly-Owned Restricted Subsidiary pursuant to Section 6.8(a)(i) or to Comerica Bank in its capacity as "Collateral Agent" under the Intercreditor Agreement, or pursuant to or in connection with a Permitted Securitization, the Montana Disposition, the Arlington Disposition or the UK Restructuring, neither the Company nor any Restricted Subsidiary will Transfer, or reallocate from the Non-Specified Interest to a Specified Interest, any accounts receivable, leases or other financial assets if the sum of

(i) the face value of the accounts receivable, leases or other financial assets proposed to be Transferred, plus

(ii) the face value of the accounts receivable, leases or other financial assets Transferred by the Company and all Restricted Subsidiaries during the then current fiscal year of the Company (other than pursuant to the UK Restructuring),

would exceed five percent (5%) of the face value of the accounts receivable, leases and other financial assets of the Company and the Restricted Subsidiaries determined on a consolidated basis as at the

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at the end of the most recently ended fiscal year of Company prior to giving effect to any such Transfer.

2.6 SECTION 6.10. Section 6.10 is amended and restated in its entirety as follows:

6.10 TRANSACTIONS WITH AFFILIATES. The Company will not, and will not permit any Restricted Subsidiary to, enter into any transaction, including, without limitation, the purchase, sale or exchange of Property or the rendering of any service, with any Affiliate, except (a) a Permitted Securitization, (b) transactions in accordance with the terms of the UK Restructuring, or (c) in the ordinary course of and pursuant to the reasonable requirements of the Company's or such Restricted Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Restricted Subsidiary than would obtain in a comparable arm's-length transaction with a Person not an Affiliate.

2.7 SECTION 6.22. Section 6.22 is added to read as follows:

6.22 AMENDMENTS TO TITLING SUBSIDIARY AGREEMENTS. The Company will not, and will not permit the Titling Subsidiary to, amend, modify or otherwise alter (or permit to be amended, modified or altered) in any material respect adverse to the Holders, any of the Titling Subsidiary Agreements or any other documents or instruments relating to the establishment or operation of the Titling Subsidiary. For purposes of such documents or instruments, any amendments to or changes in the provisions relating to the creation or transfer of Specified Interests and the allocation or reallocation of financial assets or other property thereto, and any amendment, modification, resignation or removal whereby the Company shall cease to be the founding member of or otherwise cease to control the Titling Subsidiary or cease to be the administrative agent under the Titling Subsidiary Agreements shall (without reducing the scope of this Section 6.22) be deemed to be materially adverse to the Holders.

2.8 SECTION 6.23. Section 6.23 is added to read as follows:

6.23 CHANGES TO COLLATERAL ARRANGEMENTS.

(a) Prior to the transfer to or creation in the name of the Titling Subsidiary of any Leased Vehicles or Leases, the Company shall execute and deliver additional agreements (or an

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amendment to the Security Agreement, dated as of December 15, 1998, executed and delivered by the Company in favor of Comerica Bank, as agent under the Intercreditor Agreement) consisting of a security agreement and pledge encumbering the Company's entire Non-Specified Interest and any related documents or instruments necessary to encumber and/or perfect

a security interest in such collateral, all as determined by and in form and substance satisfactory to the "Collateral Agent" and the "Majority Benefited Parties" under the Intercreditor Agreement, in their reasonable discretion.

(b) Before conducting the UK Restructuring, the Company shall grant a perfected first priority security interest, lien and charge to the "Collateral Agent" under the Intercreditor Agreement in not less than 65% of the aggregate partnership interests of the Scottish Partnership, as security for the indebtedness owed to the parties to the Intercreditor Agreement, on substantially the terms of that certain Deed of Charge dated as of December 17, 1998 and executed by Company in favor of the Collateral Agent (subject to local law variations) and otherwise satisfactory in form and substance to the "Collateral Agent" and the "Majority Benefited Parties" under the Intercreditor Agreement, in their reasonable discretion, provided that, concurrently therewith, Collateral Agent shall have released and discharged (or caused to be released and discharged) such Deed of Charge.

2.9 SECTION 6.24. Section 6.24 is added to read as follows:

6.24 SPECIAL LEASING COVENANTS. Except for Leases with respect to motor vehicles located outside the United States of America and its territories and possessions (which shall be originated by the Company or a Subsidiary, in its own name or using an assumed name), (a) originate and hold Leases other than (x) in the Company's own name or by the Company, but under the assumed name "CAC Auto Leasing" or "AutoNet Finance.com", (y) in the name of AutoNet Finance Company.com, Inc. or CAC Leasing, Inc. to the extent applicable state law prohibits the Company from originating Leases in such state using an assumed name, or (z) in the name of the Titling Subsidiary; and (b) except in connection with a Permitted Securitization, allocate or reallocate Leases, Leased Vehicles or other financial assets to a Specified Interest.

2.10 SECTION 7.1(j). Clause (2) of Section 7.1(j) is hereby amended and restated in its entirety as follows:

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(2) promptly upon the request of the Required Holders from time to time (but no more often than semi-annually), a "static pool analysis" which analyzes the performance of any Installment Contracts or Leases transferred, encumbered, reallocated from the Non-Specified Interest to a Specified Interest or otherwise disposed of pursuant to a Permitted Securitization comparable to the static pool analysis required to be delivered pursuant to clause (1) of this Section 7.1(j); and

2.11 SECTION 8.1(k). Paragraph (k) of Section 8.1 is hereby amended and restated in its entirety as follows:

(k) SECURITIZATIONS - 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 or, with respect to the Titling Subsidiary Agreements, the occurrence (beyond any applicable period of grace or cure) of any "administrative agent event of default" thereunder relating to or otherwise enforceable by the holder of a Specified Interest.

2.12 SECTION 9.1.

(a) The definition of "Cleanup Call" in Section 9.1 is hereby amended and restated in its entirety as follows:

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, the Titling Subsidiary or a Special Purpose Subsidiary under the terms of the applicable Permitted Securitization (provided that, both before and after giving effect thereto, no Default or Event of Default has occurred and is continuing when such option is exercised), in an amount not in excess of (i) Fifteen Percent (15%) of the initial amount received by the Company, the Titling Subsidiary or the Special Purpose Subsidiary pursuant to such Permitted Securitization (before fees and other

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deductions), it being understood that, for purposes of the calculation under this clause (a)(i) of this definition, each tranche of a multi-tranche Permitted Securitization shall be considered a separate Permitted Securitization or (ii) in the case of any Securitization Transaction structured on a revolving basis, Fifteen Percent (15%) of the maximum aggregate availability at any time to the Company, the Titling Subsidiary or a Special Purpose Subsidiary, each such optional cleanup call to be accompanied (x) by the repurchase of or release of encumbrances on Advances, Leased Vehicles, Installment Contracts (whether assigned outright or related to Advances) or Leases (whether assigned outright or related to Leased Vehicles), as the case may be, previously transferred or encumbered pursuant to such Permitted Securitization in an amount equal to at least the amount of such cleanup call, or (y) if such Leased Vehicles or Leases are held by the Titling Subsidiary, by the reallocation of such Leases and Leased Vehicles from the applicable Specified Interest to the Non-Specified Interest in an amount equal to at least the amount of such cleanup call, 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(s), in an amount not in excess of (i) Two and One-Half Percent (2 1/2%) of the aggregate amount received by the Company, the Titling Subsidiary or a Special Purpose Subsidiary pursuant to the Permitted Securitization to which such mandatory cleanup call relates (before fees and other deductions), it being understood that, for purposes of the calculation under this clause (b)(i) of this definition, all tranches of a multi-tranche Permitted Securitization shall be together be considered one Permitted Securitization, or (ii) in the case of any Securitization Transaction structured on a revolving basis, Two and One-Half Percent (2 1/2%) of the maximum aggregate availability at any time to the Company, the Titling Subsidiary or a Special Purpose Subsidiary, each such mandatory cleanup call to be accompanied (x) by the repurchase of or release of encumbrances on Advances, Leased Vehicles, Installment Contracts (whether assigned outright or related to Advances) or Leases (whether assigned outright or related to Leased Vehicles), as the case may be, previously transferred or encumbered pursuant to such Permitted Securitization in an amount equal to at least the lesser of (A) the amount of such cleanup call or (B) the book value at the time of such cleanup call of the Advances, Leased Vehicles, Installment Contracts or Leases previously transferred or encumbered pursuant to such Permitted Securitization,

or (y) if such Leased Vehicles or Leases are held by the Titling Subsidiary, by the reallocation of such Leases and Leased Vehicles from the applicable Specified Interest to the Non-Specified Interest in an amount equal to at least the lesser of (A) the amount of such cleanup call or (B) the book value at the time of such cleanup call of the Leased Vehicles and Leases currently held in such Specified Interest.

(b) The last sentence of the definition of "Debt" is hereby amended and restated in its entirety as follows:

Except as provided in Sections 6.1(a)(i), 6.1(b)(i) and 6.1(c), neither Debt of any Special Purpose Subsidiary which is an Unrestricted Subsidiary incurred pursuant to a Permitted Securitization (whether or not such Debt is reflected on the consolidated balance sheet of the Company and its Restricted Subsidiaries prepared in accordance with GAAP) nor dealer holdbacks shall be considered Debt of the Company or any Restricted Subsidiary.

(c) The definition of "English Special Purpose Subsidiary" is hereby added to Section 9.1 to read as follows:

ENGLISH SPECIAL PURPOSE SUBSIDIARY - means a Special Purpose Subsidiary organized by the Company, as part of the UK Restructuring, under the laws of England.

(d) The definition of "Equity Offering" in Section 9.1 is hereby amended by adding the following at the end thereof (before the "."):

, and other than the creation or disposition of any interest in the Titling Subsidiary

(e) The definition of "Intercompany Loans" is hereby added to Section 9.1 to read as follows:

INTERCOMPANY LOANS - means any loan or advance in the nature of a loan by the Company to any Subsidiary or by any Subsidiary to any other Subsidiary or to the Company.

(f) The definition of "Intercompany Loans, Advances and Investments" is hereby added to Section 9.1 to read as follows:

INTERCOMPANY LOANS, ADVANCES AND INVESTMENTS - means any Intercompany Loan and any other advance or Investment by the Company to a Subsidiary or by any Subsidiary to the Company or any other Subsidiary.

(g) The definition of "Leased Vehicles" in Section 9.1 is hereby amended and restated in its entirety as follows:

LEASED VEHICLES - means, as of any applicable date of determination, the dollar amount of advances in respect of Leases, as such amount would appear in the footnotes to the financial statements of the Company and its Restricted Subsidiaries prepared in accordance with GAAP or, if specifically identified, elsewhere in such financial statements, net of depreciation on the motor vehicles which are covered by Leases with respect to which such Leased Vehicles are attributable (and if such amount is not shown net of such reserves, then net of any reserves established by the Company as an allowance for credit losses related to such

advances not expected to be recovered), provided that Leased Vehicles shall not include (a) the amount of any such advances attributable to any Leases transferred or encumbered or reallocated from the Non-Specified Interest to a Specified Interest pursuant to a Permitted Securitization (whether or not attributable to the Company under GAAP) unless and until such advances (and the related Leases) are either reassigned to the Company or a Restricted Subsidiary (other than the Titling Subsidiary) or such encumbrances are discharged, or such advances (and the related Leases and vehicles) are reallocated from the applicable Specified Interest to the Non-Specified Interest or (b) Charged-Off Lease Advances, to the extent that such Charged-Off Lease Advances (i) exceed the portion of the allowance for credit losses related to reserves against such advances not expected to be recovered, as such allowance would appear in the footnotes to the financial statements of the Company and its Restricted Subsidiaries prepared in accordance with GAAP at such time or if specifically identified, elsewhere in such financial statements and (ii) have not already been eliminated in the determination of Leased Vehicles.

(h) The definition of "Lease(s)" in Section 9.1 is hereby amended and restated in its entirety as follows:

LEASE(S) - means the retail agreements for the lease of motor vehicles assigned outright by Dealers to the Company or a Restricted Subsidiary or written by a Dealer in the name of the Company or a

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Restricted Subsidiary (and funded by the Company or such Restricted Subsidiary) or assigned by Dealers to the Company or a Restricted Subsidiary, as nominee for the Dealer, for administration, servicing and collection, in each case pursuant to an applicable Dealer Agreement; provided, however, that to the extent the Company or any Restricted Subsidiary transfers or encumbers its interest in any Leases or reallocates such Leases from the Non-Specified Interest to a Specified Interest pursuant to a Permitted Securitization, such Leases shall, from and after the date of such transfer or encumbrance or such reallocation, cease to be considered Leases under this Agreement (reducing the amount of Leased Vehicles by the outstanding amount of Leased Vehicles attributable to such Leases) unless and until such Leases are reassigned to the Company or a Restricted Subsidiary (other than the Titling Subsidiary) or such encumbrances have been discharged or such Leases are reallocated from the applicable Specified Interest to the Non-Specified Interest.

(i) The definition of "Luxembourg Subsidiary" is hereby added to Section 9.1 to read as follows:

LUXEMBOURG SUBSIDIARY - means a wholly-owned direct or indirect Subsidiary organized under the laws of Luxembourg.

(j) The definition of "Net Leased Vehicle Dealer Holdbacks" in Section 9.1 is hereby amended and restated in its entirety as follows:

NET LEASED VEHICLE DEALER HOLDBACKS - means, at any time, with respect to Dealer Agreements relating to Leases, amounts due to Dealers at such time from collections of Leased Vehicles by the Company or any Restricted Subsidiary (other than with respect to Leases which have been transferred or encumbered, or reallocated from the Non-Specified Interest to a Specified Interest, pursuant to a Permitted Securitization and (x) have not been reassigned to the Company or a Restricted Subsidiary or the encumbrances on which have not been discharged or (y) have not been reallocated from the applicable Specified Interest to the Non-Specified Interest)

pursuant to the applicable Dealer Agreements.

(k) The definition of "Non-Specified Assets" is hereby added to Section 9.1 to read as follows:

NON-SPECIFIED ASSETS - has the meaning ascribed thereto in the Titling Subsidiary Agreements.

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(l) The definition of "Non-Specified Interest" is hereby added to Section 9.1 to read as follows:

NON-SPECIFIED INTEREST - has the meaning ascribed thereto in the Titling Subsidiary Agreements.

(m) The lead-in paragraph and paragraph (b) of the definition of "Permitted Securitization(s)" are hereby amended and restated in their entirety as follows:

PERMITTED SECURITIZATION(S) - means each transfer or encumbrance (each a "disposition") of specific Advances or Leased Vehicles funded under Back-End Dealer Agreements (and any interest in or lien on the Installment Contracts, Leases, motor vehicles or other rights relating thereto) or of specific Installment Contracts or Leases (and any interest in or lien on motor vehicles or other rights relating thereto) arising under Outright Dealer Agreements and each transfer or encumbrance (also, a "disposition") of a Specified Interest (and the reallocation of Leased Vehicles, Leases and related financial assets from the Non-Specified Interest to such Specified Interest in connection therewith), in each case by the Company or one or more Restricted Subsidiaries to a Special Purpose Subsidiary conducted in accordance with the following requirements:

\* \* \*

(b) (i) The disposition of Advances, Leased Vehicles, Installment Contracts or Leases will not result in the aggregate principal amount of Debt at any time outstanding, and (without duplication) of similar securities at any time issued and outstanding (other than subordinated securities issued to and held by the Company or a Subsidiary), of any Special Purpose Subsidiaries pursuant to Permitted Securitizations exceeding \$125,000,000, which amount may be readvanced and reborrowed and (ii) the Company or the Restricted Subsidiary disposing of Advances, Leased Vehicles, Installment Contracts or Leases (directly, or by the transfer or encumbrance or other disposition of a Specified Interest) to a Special Purpose Subsidiary pursuant to such Permitted Securitization shall itself actually receive (substantially contemporaneously with such disposition) cash from each disposition of such financial assets in connection with any such Securitization Transaction in an amount not less than

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Seventy-Five Percent (75%) of the sum of (A) the amount of such Advances, (B) the amount of Net Installment Contract Receivables in respect of Installment Contracts arising under Outright Dealer Agreements, and (C) the amount of Leased Vehicles, in each case determined on the date of such

Securitization Transaction;

(n) The definition of "Restricted Investment" in Section 9.1 is hereby amended by replacing existing clauses (l) and (m) with the following:

(l) Intercompany Loans, Advances and Investments by the Company to or in the Titling Subsidiary, each such loan, advance or Investment being (x) allocated to the Non-Specified Interest and made by Company in the ordinary course of conducting its leasing business through the Titling Subsidiary, including without limitation any advances or investments made by the Company (acting as administrative agent under the Titling Subsidiary Agreements) to or in the Titling Subsidiary to reacquire Leases and the related leased vehicles as may be required from time to time under the Titling Subsidiary Agreements but only to the extent such Leases (and leased vehicles) are allocated to the Non-Specified Interest immediately prior to the making of the related loan, advance or investment, or (y) allocated to a Specified Interest and made to reacquire Leases and the related leased vehicles as may be required from time to time under the Titling Subsidiary Agreements but only to the extent such Leases (and leased vehicles) are allocated to the Specified Interest immediately prior to the making of the related loan, advance or investment;

(m) 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, Leased Vehicles, Installment Contracts (whether assigned outright or related to Advances) or Leases (whether assigned outright or related to Leased Vehicles) made pursuant to a Permitted Securitization and the 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 or administrative agent of the Installment Contracts or Leases covered by a Permitted Securitization or as administrative agent for the Titling Subsidiary under the Titling Subsidiary Agreements, in an aggregate amount not to exceed \$1,500,000 outstanding at any time, for the purpose of fulfilling its obligation under applicable

Securitization Documents to (A) advance funds equal to the interest component of obligations issued as part of a Permitted Securitization and payable from collections on such Installment Contracts or Leases, (B) advance funds, upon the expiration or termination of a Lease held by the Titling Subsidiary or a Lease included in a Permitted Securitization, in the amount the Company and its Subsidiaries expect to receive upon the sale or other disposition of the vehicle subject to such Lease or (C) advance funds equal to any portion of the "constant yield payment" (as defined in the Titling Subsidiary Agreements or applicable Securitization Documents) due in any particular period which was not received with respect to a Lease held by the Titling Subsidiary or a securitized Lease (such payments in the case of (A), (B) and (C) of this clause (ii) to be repayable to the Company on a priority basis from such collections, sales or other dispositions), (iii) the repurchase or replacement from and after the date of the effectiveness of the Fourth Amendment of an aggregate amount not to exceed \$5,000,000 in Advances, Leased Vehicles, Installment Contracts (whether assigned outright or related to Advances) or Leases (whether assigned outright or related to Leased Vehicles) subsequently determined not to satisfy the eligibility standards contained in the applicable Securitization Documents relating to a

Permitted Securitization or otherwise required to be repurchased by the applicable Securitization Documents entered into in compliance with the terms of this Agreement, so long as (x) such replacement is accompanied by the repurchase of or release of encumbrances on such financial assets previously transferred or encumbered pursuant to such securitization and in the amount thereof, (y) any replacement Advances, Leased Vehicles, Installment Contracts (whether assigned outright or related to Advances) or Leases (whether assigned outright or related to Leased Vehicles) 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, and (v) the disposition of the capital stock of a Special Purpose Subsidiary;

(n) Intercompany Loans, Advances and Investments made pursuant to the UK Restructuring; and

(o) Investments not otherwise included in clause (a) through clause (n) of this definition, provided that the aggregate

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amount of all such Investments does not at any time exceed Two Million Five Hundred Thousand Dollars (\$2,500,000).

(o) The definition of "Restricted Subsidiary" in Section 9.1 is hereby amended and restated in its entirety as follows:

RESTRICTED SUBSIDIARY -- means any Subsidiary (a) in respect of which the Company owns, directly or indirectly, (i) at least eighty percent (80%) (by number of votes) of each class of such Subsidiary's Voting Stock, or (ii) in the case of CAC Insurance Agency of Ohio, Inc., at least 99% of the shares of capital stock issued and outstanding of all classes in the aggregate, (b) that is organized under the laws of the United States of America or any jurisdiction thereof, the United Kingdom or any jurisdiction thereof (including, without limitation, England, Scotland and Wales), Canada or any jurisdiction thereof, Luxembourg or any jurisdiction thereof or the Republic of Ireland or any jurisdiction thereof, and that conducts all of its business in, and has all of its Property located in, the United States of America, the United Kingdom, Canada, Luxembourg and/or the Republic of Ireland and (c) that is not an Unrestricted Subsidiary. Any Restricted Subsidiary in compliance with the requirements set forth in the first sentence of this definition and designated as a Restricted Subsidiary on the Closing Date shall be deemed to have been a Restricted Subsidiary for all periods prior to the Closing Date. Notwithstanding any provision in Section 6.17 to the contrary, CAC International and CAC UK shall be deemed Restricted Subsidiaries as of October 1, 1995 and CAC of Canada Limited and any Subsidiary formed by the Company to provide property and casualty insurance shall each be deemed a Restricted Subsidiary as of the date of its formation.

(p) The definition of "Scottish Partnership" is hereby added to Section 9.1 to read as follows:

SCOTTISH PARTNERSHIP - means a partnership established by the Company under the laws of Scotland pursuant to the UK Restructuring whose partners consist of the Company and a Restricted Subsidiary organized in the United States.

(q) The definition of "Securitization Property" in Section 9.1 is hereby amended and restated in its entirety as

follows:

SECURITIZATION PROPERTY -- means (i) amounts advanced by the Company or a Restricted Subsidiary under a Dealer Agreement and

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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, (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 and (vii) a Specified Interest in the Titling Subsidiary.

(r) The definition of "Securitization Transaction" in Section 9.1 is hereby amended and restated in its entirety as follows:

SECURITIZATION TRANSACTION - means a Transfer of, or grant of a Lien on, Advances, Installment Contracts, Leased Vehicles, Leases, 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 or the reallocation of Leases and Leased Vehicles (and related financial assets) by the Company or any Restricted Subsidiary from the Non-Specified Interest to a Specified Interest and the transfer of a Specified Interest 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, Specified Interests or other securities directly or indirectly evidencing interests in, such Advances, Installment Contracts, Leased Vehicles, Leases, accounts receivable and/or other financial assets.

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(s) The definition of "Specified Assets" is hereby added to Section 9.1 to read as follows:

SPECIFIED ASSETS - has the meaning ascribed thereto in the Titling Subsidiary Agreements.

(t) The definition of "Specified Interest" is hereby added to Section 9.1 to read as follows:

SPECIFIED INTEREST - has the meaning ascribed thereto in the Titling Subsidiary Agreements.

(u) The definition of "Subsidiary" is hereby amended and restated in its entirety as follows:

SUBSIDIARY - means a corporation, partnership, association, joint stock company, business trust, limited liability company or any other business entity of which the Company owns, directly or indirectly, more than fifty percent (50%) (by number of votes) of each class of the Voting Stock or sufficient equity or voting interests to enable it ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such entity. Unless otherwise specified to the contrary herein or the context otherwise requires, Subsidiary shall include the Titling Subsidiary.

(v) The definition of "Titling Subsidiary" is hereby added to Section 9.1 to read as follows:

TITLING SUBSIDIARY - means Auto Lease Services LLC, a Delaware limited liability company controlled by the Company and a direct Subsidiary of the Company.

(w) The definition of "Titling Subsidiary Agreements" is hereby added to Section 9.1 to read as follows:

TITLING SUBSIDIARY AGREEMENTS - means that certain Limited Liability Company Agreement of the Titling Subsidiary, dated and effective as of March 1, 2001 (and the related Certificate of Formation, as therein defined), and that certain Administrative Agency Agreement, dated as of March 1, 2001, among the Company and the Titling Subsidiary, each as amended (subject to the terms hereof) from time to time.

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(x) The definition of "UK Restructuring" is hereby added to Section 9.1 to read as follows:

UK RESTRUCTURING - means (i) the creation by the Company of the Scottish Partnership, the Luxembourg Subsidiary and the English Special Purpose Subsidiary, (ii) the capitalization of the Scottish Partnership with CAC UK stock by the Company, (iii) Intercompany Loans from time to time from the Company to the Scottish Partnership in an amount substantially equivalent to the fair market value of assets being transferred to the English Special Purpose Subsidiary at such time by CAC UK, provided that such Intercompany Loans are substantially contemporaneously repaid pursuant to clauses (ix) and (x) of this definition, (iv) the contribution of a nominal amount of capital to the Luxembourg Subsidiary, (v) the contributions to capital from time to time by the Scottish Partnership to the English Special Purpose Subsidiary out of the proceeds of the Company's substantially contemporaneous loan to the Scottish Partnership under clause (iii) of this definition, (vi) Intercompany Loans from time to time by the Scottish Partnership to the Luxembourg Subsidiary out of the proceeds of the Company's substantially contemporaneous loan to the Scottish Partnership under clause (iii) of this definition, (vii) Intercompany Loans from time to time by the Luxembourg Subsidiary to the English Special Purpose Subsidiary substantially equivalent in amount to the substantially contemporaneous loan made to the Luxembourg Subsidiary by the Scottish Partnership, (viii) transfers from time to time of Advances (and its rights in the related Installment Contracts or Leases) by CAC UK to the English Special Purpose Subsidiary for cash consideration in an amount substantially equivalent to the fair market value of the assets being transferred to the English Special Purpose

Subsidiary at such time by CAC UK, (ix) dividends from CAC UK to Scottish Partnership in an amount substantially equal to the cash received by CAC UK in exchange for the assets transferred at such time to the English Special Purpose Subsidiary, and (x) repayments from time to time of Intercompany Loans by the Scottish Partnership to the Company.

(y) The definition of "Voting Stock" is hereby added to Section 9.1 to read as follows:

VOTING STOCK - means, with respect to any Person, capital stock (or other equity interests) of any class or classes of a corporation, an association or another business entity the holders of

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which are ordinarily, in the absence of contingencies, entitled to vote in the election of corporate directors (or individuals performing similar functions) of such Person or which permit the holders thereof to control the management of such Person, including general partnership interests in a partnership and membership interests in a limited liability company.

### SECTION 3. MISCELLANEOUS

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

3.2 HEADINGS. The headings of the sections of this Eighth 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 Eighth 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 shall be modified or changed by this Eighth Amendment and (b) the terms and provisions of the Agreement, as amended by this Eighth Amendment, shall continue in full force and effect. The Company hereby acknowledges and reaffirms all of its obligations and duties under the Agreement, as modified by this Eighth Amendment, and the Notes.

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 Eighth Amendment may refer to the Agreement without making specific reference to this Eighth Amendment but nevertheless all such references shall be deemed to include, to the extent applicable, this Eighth Amendment unless the context shall otherwise require.

3.6 COMPLIANCE. The Company certifies that all necessary actions have been taken by the Company to authorize the execution and delivery of this Eighth Amendment, and immediately before and after giving effect to this Eighth Amendment, no Default or Event of Default exists or would exist after giving effect hereto.

3.7 EFFECTIVENESS OF AMENDMENTS. The amendments to the Agreement 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 the Company and the Required Holders of the Notes shall have indicated their written consent to such amendments by executing and delivering the applicable counterparts of this Eighth Amendment. It is understood that any holder of Notes may withhold its consent for

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any reason, including, without limitation, any failure of the Company to satisfy all of the following conditions:

(a) This Eighth Amendment shall have been executed and delivered by the Company and each of the Required Holders of the Notes.

(b) The execution, delivery and effectiveness of an agreement, signed by the Company and the requisite holders of the Company's Second Amended and Restated 9.49% Senior Notes due July 1, 2001 issued under Note Purchase Agreements dated as of August 1, 1996, containing an amendment to such Note Purchase Agreements identical in substance to the amendment 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 Second Amended and Restated 9.27% Senior Notes due October 1, 2001 issued under Note Purchase Agreements dated as of March 25, 1997, containing an amendment to such Note Purchase Agreements identical in substance to the amendment set forth in Section 2 hereof.

(d) The receipt by all holders of Notes of a fee, in consideration of the time and expense required to review this Amendment, in an amount equal to .04% of the outstanding principal amount of the Notes held by such holder as of the date hereof.

(e) The Company shall have paid the statement for reasonable fees and disbursements of Bingham Dana LLP, your special counsel, presented to the Company on or prior to the effective date of this Eighth Amendment.

3.8 AMENDMENT TO CREDIT AGREEMENT. The Company represents that the Fifth Amendment to the Credit Agreement, as executed by the "Majority Banks" (as defined in the Credit Agreement), is in the form attached as Attachment 1 hereto and in effect on the date of effectiveness of this Eighth Amendment.

3.9 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 Eighth 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 reasonably 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 Eighth Amendment) and the Notes.

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3.10 RELEASE OF ENGLISH SHARE CHARGE. The Holders hereby authorize, pursuant to Section 3(g) of the Intercreditor Agreement, the "Collateral Agent" under the Intercreditor Agreement to release that certain Deed of Charge dated as of December 17, 1998 and executed by Company in favor of the Collateral Agent, provided that, concurrently therewith, the Company shall have granted a perfected first priority security interest, lien and charge to the "Collateral Agent" under the Intercreditor Agreement in not less than 65% of the aggregate partnership interests of the Scottish Partnership as required under Section 6.23(b) of the Agreement, as amended hereby.

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If this Eighth 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 Eighth Amendment shall become binding between us in accordance with its terms.

Very truly yours,

CREDIT ACCEPTANCE CORPORATION

By /S/ Douglas W. Busk

-----  
Name: Douglas W. Busk  
Title: Chief Financial Officer

[Signature Page to Eighth Amendment to Note Purchase Agreement in respect of 10.37% Senior Notes Due November 1, 2001 of Credit Acceptance Corporation]

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ACCEPTED:

ALLSTATE LIFE INSURANCE CO.

By /S/ Patricia W. Wilson

-----  
Name: Patricia W. Wilson  
Title: Authorized Signatory

By /S/ Jerry D. Zinkula

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Name: Jerry D. Zinkula  
Title: Authorized Signatory

[Signature Page to Eighth Amendment to Note Purchase Agreement in respect of  
10.37% Senior Notes Due November 1, 2001 of Credit Acceptance Corporation]

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ACCEPTED:

WILLIAM BLAIR & COMPANY, LLC

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

By /S/ James D. McKinney

-----  
Name: James D. McKinney  
Title: Principal and Manager  
Debt Capital Markets

[Signature Page to Eighth Amendment to Note Purchase Agreement in respect of

ACCEPTED:

CONNECTICUT GENERAL LIFE  
INSURANCE COMPANY  
BY CIGNA INVESTMENTS, INC. (authorized agent)

By /S/ Debra J. Height

-----  
Name: Debra J. Height  
Title: Managing Director

CONNECTICUT GENERAL LIFE  
INSURANCE COMPANY,  
ON BEHALF OF ONE OR MORE SEPARATE ACCOUNTS  
BY CIGNA INVESTMENTS, INC. (authorized agent)

By /S/ Debra J. Height

-----  
Name: Debra J. Height  
Title: Managing Director

ACE PROPERTY AND CASUALTY  
INSURANCE COMPANY (F.K.A. CIGNA  
PROPERTY AND CASUALTY  
INSURANCE COMPANY)  
BY CIGNA INVESTMENTS, INC. (authorized agent)

By /S/ Debra J. Height

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Name: Debra J. Height  
Title: Managing Director

[Signature Page to Eighth Amendment to Note Purchase Agreement in respect of  
10.37% Senior Notes Due November 1, 2001 of Credit Acceptance Corporation]

ACCEPTED:

PHOENIX HOME LIFE MUTUAL  
INSURANCE COMPANY  
BY: PHOENIX INVESTMENT COUNSEL, INC.

By /S/ Rosemary T. Strekel

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Name: Rosemary T. Strekel  
Title: Senior Managing Director

[Signature Page to Eighth Amendment to Note Purchase Agreement in respect of  
10.37% Senior Notes Due November 1, 2001 of Credit Acceptance Corporation]

ANNEX I  
SECOND AMENDED AND RESTATED 10.37% SENIOR NOTES  
DUE NOVEMBER 1, 2001

Allstate Life Insurance Company  
Connecticut General Life Insurance Company  
Ace Property and Casualty Insurance Company (f.k.a CIGNA Property and Casualty  
Insurance Company)  
Phoenix Home Life Mutual Insurance Company  
William Blair & Company, LLC

SIXTH AMENDMENT TO NOTE PURCHASE AGREEMENT  
 RE:  
 CREDIT ACCEPTANCE CORPORATION  
 SECOND AMENDED AND RESTATED  
 9.49% SENIOR NOTES DUE JULY 1, 2001

Dated as of March 8, 2001

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 its Second Amended and Restated 9.49% Senior Notes due July 1, 2001 (collectively, the "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 Second Amendment to Note Purchase Agreement, dated as of July 1, 1998, the Third Amendment to Note Purchase Agreement, dated as of April 13, 1999, the Fourth Amendment, dated as of December 1, 1999, and the Fifth Amendment, dated as of April 27, 2000, 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 as set forth in Section 2 hereof.

SECTION 2. AMENDMENT TO THE AGREEMENT.

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

2.1 SECTION 6.1. (a) Sections 6.1(a)(i), 6.1(b)(i) and 6.1(c) are each amended by adding the following at the end thereof, immediately following the word "GAAP" (prior to the ending punctuation):

, other than Debt represented by Intercompany Loans incurred by the English Special Purpose Subsidiary pursuant to the UK Restructuring

(b) Section 6.1(d) is hereby amended by adding the following at the end thereof (before the "."):

or (C) on or after June 13, 2000, thirty-five percent (35%) of Consolidated Tangible Net Worth

2.2 SECTION 6.6. Section 6.6(a)(i) is amended and restated in its entirety as follows:

(i) (A) Liens securing Property taxes, assessments or governmental charges or levies or the claims or demands of materialmen, mechanics, carriers, warehousemen, vendors, landlords and other like Persons, provided that the payment thereof is not at the time required by Section 6.12,

(B) any Lien encumbering Securitization Property which is the subject of a Transfer pursuant to a Permitted Securitization, (C) any Lien granted in favor of the "Collateral Agent" (as defined in the Intercreditor Agreement) for the benefit of the Banks, the holders of Notes and "Future Debt Holders" (as defined in the Intercreditor Agreement) and subject to the Intercreditor Agreement, and (D) Liens encumbering assets owned by CAC UK securing Debt incurred by Subsidiaries organized outside the United States if, in the case of this clause (D), immediately before and after the incurrence of any such Lien, and after giving effect thereto and to any concurrent transactions, no Default or Event of Default would exist;

2.3 SECTION 6.7. Section 6.7(a) is amended by replacing the "." at the end thereof with "; and" and by adding the following at the end thereof:

(v) Transfers made in accordance with the terms of the UK Restructuring if, immediately before and after the consummation of such Transfer, and after giving effect thereto and to any concurrent transactions, no Default or Event of Default would exist.

2.4 SECTION 6.8(a). (a) Clause (i) of Section 6.8(a) is hereby amended in its entirety as follows:

(i) (A) Transfers from a Restricted Subsidiary to the Company or to a Wholly-Owned Restricted Subsidiary; and

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(B) Transfers from an Unrestricted Subsidiary to the Company or to a Wholly-Owned Restricted Subsidiary if, immediately before and after the consummation of such Transfer, and after giving effect thereto and to any concurrent transactions, no Default or Event of Default would exist.

(b) Clause (v) of Section 6.8(a) is hereby amended and restated in its entirety as follows:

(v) any Transfer made pursuant to the Montana Disposition (including without limitation the transfer by the Company of its intellectual property rights to the name Tele-Track, Inc.), the Arlington Disposition or the UK Restructuring if, immediately before and after the consummation of such Transfer, and after giving effect thereto and to any concurrent transactions, no Default or Event of Default would exist; and

2.5 SECTION 6.8(c). Section 6.8(c) is hereby amended and restated in its entirety as follows:

(c) ACCOUNTS RECEIVABLE AND LEASES. Notwithstanding the provisions of Section 6.8(a), except to the Company or a Wholly-Owned Restricted Subsidiary pursuant to Section 6.8(a)(i) or to Comerica Bank in its capacity as "Collateral Agent" under the Intercreditor Agreement, or pursuant to or in connection with a Permitted Securitization, the Montana Disposition, the Arlington Disposition or the UK Restructuring, neither the Company nor any Restricted Subsidiary will Transfer, or reallocate from the Non-Specified Interest to a Specified Interest, any accounts receivable, leases or other financial assets if the sum of

(i) the face value of the accounts receivable, leases or other financial assets proposed to be Transferred, plus

(ii) the face value of the accounts receivable, leases or other financial assets Transferred by the Company

and all Restricted Subsidiaries during the then current fiscal year of the Company (other than pursuant to the UK Restructuring),

would exceed five percent (5%) of the face value of the accounts receivable, leases and other financial assets of the Company and the Restricted Subsidiaries determined on a consolidated basis as at the

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end of the most recently ended fiscal year of Company prior to giving effect to any such Transfer.

2.6 SECTION 6.10. Section 6.10 is amended and restated in its entirety as follows:

6.10 TRANSACTIONS WITH AFFILIATES. The Company will not, and will not permit any Restricted Subsidiary to, enter into any transaction, including, without limitation, the purchase, sale or exchange of Property or the rendering of any service, with any Affiliate, except (a) a Permitted Securitization, (b) transactions in accordance with the terms of the UK Restructuring, or (c) in the ordinary course of and pursuant to the reasonable requirements of the Company's or such Restricted Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Restricted Subsidiary than would obtain in a comparable arm's-length transaction with a Person not an Affiliate.

2.7 SECTION 6.22. Section 6.22 is added to read as follows:

6.22 AMENDMENTS TO TITLING SUBSIDIARY AGREEMENTS. The Company will not, and will not permit the Titling Subsidiary to, amend, modify or otherwise alter (or permit to be amended, modified or altered) in any material respect adverse to the Holders, any of the Titling Subsidiary Agreements or any other documents or instruments relating to the establishment or operation of the Titling Subsidiary. For purposes of such documents or instruments, any amendments to or changes in the provisions relating to the creation or transfer of Specified Interests and the allocation or reallocation of financial assets or other property thereto, and any amendment, modification, resignation or removal whereby the Company shall cease to be the founding member of or otherwise cease to control the Titling Subsidiary or cease to be the administrative agent under the Titling Subsidiary Agreements shall (without reducing the scope of this Section 6.22) be deemed to be materially adverse to the Holders.

2.8 SECTION 6.23. Section 6.23 is added to read as follows:

6.23 CHANGES TO COLLATERAL ARRANGEMENTS.

(a) Prior to the transfer to or creation in the name of the Titling Subsidiary of any Leased Vehicles or Leases, the Company shall execute and deliver additional agreements (or an

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amendment to the Security Agreement, dated as of December 15, 1998, executed and delivered by the Company in favor of Comerica Bank, as agent under the Intercreditor Agreement) consisting of a security agreement and pledge encumbering the Company's entire Non-Specified Interest and any related documents or instruments necessary to encumber and/or perfect

a security interest in such collateral, all as determined by and in form and substance satisfactory to the "Collateral Agent" and the "Majority Benefited Parties" under the Intercreditor Agreement, in their reasonable discretion.

(b) Before conducting the UK Restructuring, the Company shall grant a perfected first priority security interest, lien and charge to the "Collateral Agent" under the Intercreditor Agreement in not less than 65% of the aggregate partnership interests of the Scottish Partnership, as security for the indebtedness owed to the parties to the Intercreditor Agreement, on substantially the terms of that certain Deed of Charge dated as of December 17, 1998 and executed by Company in favor of the Collateral Agent (subject to local law variations) and otherwise satisfactory in form and substance to the "Collateral Agent" and the "Majority Benefited Parties" under the Intercreditor Agreement, in their reasonable discretion, provided that, concurrently therewith, Collateral Agent shall have released and discharged (or caused to be released and discharged) such Deed of Charge.

2.9 SECTION 6.24. Section 6.24 is added to read as follows:

6.24 SPECIAL LEASING COVENANTS. Except for Leases with respect to motor vehicles located outside the United States of America and its territories and possessions (which shall be originated by the Company or a Subsidiary, in its own name or using an assumed name), (a) originate and hold Leases other than (x) in the Company's own name or by the Company, but under the assumed name "CAC Auto Leasing" or "AutoNet Finance.com", (y) in the name of AutoNet Finance Company.com, Inc. or CAC Leasing, Inc. to the extent applicable state law prohibits the Company from originating Leases in such state using an assumed name, or (z) in the name of the Titling Subsidiary; and (b) except in connection with a Permitted Securitization, allocate or reallocate Leases, Leased Vehicles or other financial assets to a Specified Interest.

2.10 SECTION 7.1(j). Clause (2) of Section 7.1(j) is hereby amended and restated in its entirety as follows:

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(2) promptly upon the request of the Required Holders from time to time (but no more often than semi-annually), a "static pool analysis" which analyzes the performance of any Installment Contracts or Leases transferred, encumbered, reallocated from the Non-Specified Interest to a Specified Interest or otherwise disposed of pursuant to a Permitted Securitization comparable to the static pool analysis required to be delivered pursuant to clause (1) of this Section 7.1(j); and

2.11 SECTION 8.1(k). Paragraph (k) of Section 8.1 is hereby amended and restated in its entirety as follows:

(k) SECURITIZATIONS - 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 or, with respect to the Titling Subsidiary Agreements, the occurrence (beyond any applicable period of grace or cure) of any "administrative agent event of default" thereunder relating to or otherwise enforceable by the holder of a Specified Interest.

(a) The definition of "Cleanup Call" in Section 9.1 is hereby amended and restated in its entirety as follows:

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, the Titling Subsidiary or a Special Purpose Subsidiary under the terms of the applicable Permitted Securitization (provided that, both before and after giving effect thereto, no Default or Event of Default has occurred and is continuing when such option is exercised), in an amount not in excess of (i) Fifteen Percent (15%) of the initial amount received by the Company, the Titling Subsidiary or the Special Purpose Subsidiary pursuant to such Permitted Securitization (before fees and other

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deductions), it being understood that, for purposes of the calculation under this clause (a)(i) of this definition, each tranche of a multi-tranche Permitted Securitization shall be considered a separate Permitted Securitization or (ii) in the case of any Securitization Transaction structured on a revolving basis, Fifteen Percent (15%) of the maximum aggregate availability at any time to the Company, the Titling Subsidiary or a Special Purpose Subsidiary, each such optional cleanup call to be accompanied (x) by the repurchase of or release of encumbrances on Advances, Leased Vehicles, Installment Contracts (whether assigned outright or related to Advances) or Leases (whether assigned outright or related to Leased Vehicles), as the case may be, previously transferred or encumbered pursuant to such Permitted Securitization in an amount equal to at least the amount of such cleanup call, or (y) if such Leased Vehicles or Leases are held by the Titling Subsidiary, by the reallocation of such Leases and Leased Vehicles from the applicable Specified Interest to the Non-Specified Interest in an amount equal to at least the amount of such cleanup call, 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(s), in an amount not in excess of (i) Two and One-Half Percent (2 1/2%) of the aggregate amount received by the Company, the Titling Subsidiary or a Special Purpose Subsidiary pursuant to the Permitted Securitization to which such mandatory cleanup call relates (before fees and other deductions), it being understood that, for purposes of the calculation under this clause (b)(i) of this definition, all tranches of a multi-tranche Permitted Securitization shall be together be considered one Permitted Securitization, or (ii) in the case of any Securitization Transaction structured on a revolving basis, Two and One-Half Percent (2 1/2%) of the maximum aggregate availability at any time to the Company, the Titling Subsidiary or a Special Purpose Subsidiary, each such mandatory cleanup call to be accompanied (x) by the repurchase of or release of encumbrances on Advances, Leased Vehicles, Installment Contracts (whether assigned outright or related to Advances) or Leases (whether assigned outright or related to Leased Vehicles), as the case may be, previously transferred or encumbered pursuant to such Permitted Securitization in an amount equal to at least the lesser of (A) the amount of such cleanup call or (B) the book value at the time of such cleanup call of the Advances, Leased Vehicles, Installment Contracts or Leases previously transferred or encumbered pursuant to such Permitted Securitization,

or (y) if such Leased Vehicles or Leases are held by the Titling Subsidiary, by the reallocation of such Leases and Leased Vehicles from the applicable Specified Interest to the Non-Specified Interest in an amount equal to at least the lesser of (A) the amount of such cleanup call or (B) the book value at the time of such cleanup call of the Leased Vehicles and Leases currently held in such Specified Interest.

(b) The last sentence of the definition of "Debt" is hereby amended and restated in its entirety as follows:

Except as provided in Sections 6.1(a)(i), 6.1(b)(i) and 6.1(c), neither Debt of any Special Purpose Subsidiary which is an Unrestricted Subsidiary incurred pursuant to a Permitted Securitization (whether or not such Debt is reflected on the consolidated balance sheet of the Company and its Restricted Subsidiaries prepared in accordance with GAAP) nor dealer holdbacks shall be considered Debt of the Company or any Restricted Subsidiary.

(c) The definition of "English Special Purpose Subsidiary" is hereby added to Section 9.1 to read as follows:

ENGLISH SPECIAL PURPOSE SUBSIDIARY - means a Special Purpose Subsidiary organized by the Company, as part of the UK Restructuring, under the laws of England.

(d) The definition of "Equity Offering" in Section 9.1 is hereby amended by adding the following at the end thereof (before the "."):

, and other than the creation or disposition of any interest in the Titling Subsidiary

(e) The definition of "Intercompany Loans" is hereby added to Section 9.1 to read as follows:

INTERCOMPANY LOANS - means any loan or advance in the nature of a loan by the Company to any Subsidiary or by any Subsidiary to any other Subsidiary or to the Company.

(f) The definition of "Intercompany Loans, Advances and Investments" is hereby added to Section 9.1 to read as follows:

INTERCOMPANY LOANS, ADVANCES AND INVESTMENTS - means any Intercompany Loan and any other advance or Investment by the Company to a Subsidiary or by any Subsidiary to the Company or any other Subsidiary.

(g) The definition of "Leased Vehicles" in Section 9.1 is hereby amended and restated in its entirety as follows:

LEASED VEHICLES - means, as of any applicable date of determination, the dollar amount of advances in respect of Leases, as such amount would appear in the footnotes to the financial statements of the Company and its Restricted Subsidiaries prepared in accordance with GAAP or, if specifically identified, elsewhere in such financial statements, net of depreciation on the motor vehicles which are covered by Leases with respect to which such Leased Vehicles are attributable (and if such amount is not shown net of such reserves, then net of any reserves established by the Company as an allowance for credit losses related to such advances not expected to be recovered), provided that Leased Vehicles shall not include (a) the amount of any such advances attributable to any Leases transferred or encumbered or reallocated from the Non-Specified Interest to a Specified

Interest pursuant to a Permitted Securitization (whether or not attributable to the Company under GAAP) unless and until such advances (and the related Leases) are either reassigned to the Company or a Restricted Subsidiary (other than the Titling Subsidiary) or such encumbrances are discharged, or such advances (and the related Leases and vehicles) are reallocated from the applicable Specified Interest to the Non-Specified Interest or (b) Charged-Off Lease Advances, to the extent that such Charged-Off Lease Advances (i) exceed the portion of the allowance for credit losses related to reserves against such advances not expected to be recovered, as such allowance would appear in the footnotes to the financial statements of the Company and its Restricted Subsidiaries prepared in accordance with GAAP at such time or if specifically identified, elsewhere in such financial statements and (ii) have not already been eliminated in the determination of Leased Vehicles.

(h) The definition of "Lease(s)" in Section 9.1 is hereby amended and restated in its entirety as follows:

LEASE(s) - means the retail agreements for the lease of motor vehicles assigned outright by Dealers to the Company or a Restricted Subsidiary or written by a Dealer in the name of the Company or a

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Restricted Subsidiary (and funded by the Company or such Restricted Subsidiary) or assigned by Dealers to the Company or a Restricted Subsidiary, as nominee for the Dealer, for administration, servicing and collection, in each case pursuant to an applicable Dealer Agreement; provided, however, that to the extent the Company or any Restricted Subsidiary transfers or encumbers its interest in any Leases or reallocates such Leases from the Non-Specified Interest to a Specified Interest pursuant to a Permitted Securitization, such Leases shall, from and after the date of such transfer or encumbrance or such reallocation, cease to be considered Leases under this Agreement (reducing the amount of Leased Vehicles by the outstanding amount of Leased Vehicles attributable to such Leases) unless and until such Leases are reassigned to the Company or a Restricted Subsidiary (other than the Titling Subsidiary) or such encumbrances have been discharged or such Leases are reallocated from the applicable Specified Interest to the Non-Specified Interest.

(i) The definition of "Luxembourg Subsidiary" is hereby added to Section 9.1 to read as follows:

LUXEMBOURG SUBSIDIARY - means a wholly-owned direct or indirect Subsidiary organized under the laws of Luxembourg.

(j) The definition of "Net Leased Vehicle Dealer Holdbacks" in Section 9.1 is hereby amended and restated in its entirety as follows:

NET LEASED VEHICLE DEALER HOLDBACKS - means, at any time, with respect to Dealer Agreements relating to Leases, amounts due to Dealers at such time from collections of Leased Vehicles by the Company or any Restricted Subsidiary (other than with respect to Leases which have been transferred or encumbered, or reallocated from the Non-Specified Interest to a Specified Interest, pursuant to a Permitted Securitization and (x) have not been reassigned to the Company or a Restricted Subsidiary or the encumbrances on which have not been discharged or (y) have not been reallocated from the applicable Specified Interest to the Non-Specified Interest) pursuant to the applicable Dealer Agreements.

(k) The definition of "Non-Specified Assets" is hereby

added to Section 9.1 to read as follows:

NON-SPECIFIED ASSETS - has the meaning ascribed thereto in the Titling Subsidiary Agreements.

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(l) The definition of "Non-Specified Interest" is hereby added to Section 9.1 to read as follows:

NON-SPECIFIED INTEREST - has the meaning ascribed thereto in the Titling Subsidiary Agreements.

(m) The lead-in paragraph and paragraph (b) of the definition of "Permitted Securitization(s)" are hereby amended and restated in their entirety as follows:

PERMITTED SECURITIZATION(S) - means each transfer or encumbrance (each a "disposition") of specific Advances or Leased Vehicles funded under Back-End Dealer Agreements (and any interest in or lien on the Installment Contracts, Leases, motor vehicles or other rights relating thereto) or of specific Installment Contracts or Leases (and any interest in or lien on motor vehicles or other rights relating thereto) arising under Outright Dealer Agreements and each transfer or encumbrance (also, a "disposition") of a Specified Interest (and the reallocation of Leased Vehicles, Leases and related financial assets from the Non-Specified Interest to such Specified Interest in connection therewith), in each case by the Company or one or more Restricted Subsidiaries to a Special Purpose Subsidiary conducted in accordance with the following requirements:

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(b) (i) The disposition of Advances, Leased Vehicles, Installment Contracts or Leases will not result in the aggregate principal amount of Debt at any time outstanding, and (without duplication) of similar securities at any time issued and outstanding (other than subordinated securities issued to and held by the Company or a Subsidiary), of any Special Purpose Subsidiaries pursuant to Permitted Securitizations exceeding \$125,000,000, which amount may be readvanced and reborrowed and (ii) the Company or the Restricted Subsidiary disposing of Advances, Leased Vehicles, Installment Contracts or Leases (directly, or by the transfer or encumbrance or other disposition of a Specified Interest) to a Special Purpose Subsidiary pursuant to such Permitted Securitization shall itself actually receive (substantially contemporaneously with such disposition) cash from each disposition of such financial assets in connection with any such Securitization Transaction in an amount not less than

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Seventy-Five Percent (75%) of the sum of (A) the amount of such Advances, (B) the amount of Net Installment Contract Receivables in respect of Installment Contracts arising under Outright Dealer Agreements, and (C) the amount of Leased Vehicles, in each case determined on the date of such Securitization Transaction;

(n) The definition of "Restricted Investment" in Section 9.1 is hereby amended by replacing existing clauses (l) and (m) with the

following:

(l) Intercompany Loans, Advances and Investments by the Company to or in the Titling Subsidiary, each such loan, advance or Investment being (x) allocated to the Non-Specified Interest and made by Company in the ordinary course of conducting its leasing business through the Titling Subsidiary, including without limitation any advances or investments made by the Company (acting as administrative agent under the Titling Subsidiary Agreements) to or in the Titling Subsidiary to reacquire Leases and the related leased vehicles as may be required from time to time under the Titling Subsidiary Agreements but only to the extent such Leases (and leased vehicles) are allocated to the Non-Specified Interest immediately prior to the making of the related loan, advance or investment, or (y) allocated to a Specified Interest and made to reacquire Leases and the related leased vehicles as may be required from time to time under the Titling Subsidiary Agreements but only to the extent such Leases (and leased vehicles) are allocated to the Specified Interest immediately prior to the making of the related loan, advance or investment;

(m) 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, Leased Vehicles, Installment Contracts (whether assigned outright or related to Advances) or Leases (whether assigned outright or related to Leased Vehicles) made pursuant to a Permitted Securitization and the 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 or administrative agent of the Installment Contracts or Leases covered by a Permitted Securitization or as administrative agent for the Titling Subsidiary under the Titling Subsidiary Agreements, in an aggregate amount not to exceed \$1,500,000 outstanding at any time, for the purpose of fulfilling its obligation under applicable

Securitization Documents to (A) advance funds equal to the interest component of obligations issued as part of a Permitted Securitization and payable from collections on such Installment Contracts or Leases, (B) advance funds, upon the expiration or termination of a Lease held by the Titling Subsidiary or a Lease included in a Permitted Securitization, in the amount the Company and its Subsidiaries expect to receive upon the sale or other disposition of the vehicle subject to such Lease or (C) advance funds equal to any portion of the "constant yield payment" (as defined in the Titling Subsidiary Agreements or applicable Securitization Documents) due in any particular period which was not received with respect to a Lease held by the Titling Subsidiary or a securitized Lease (such payments in the case of (A), (B) and (C) of this clause (ii) to be repayable to the Company on a priority basis from such collections, sales or other dispositions), (iii) the repurchase or replacement from and after the date of the effectiveness of the Fourth Amendment of an aggregate amount not to exceed \$5,000,000 in Advances, Leased Vehicles, Installment Contracts (whether assigned outright or related to Advances) or Leases (whether assigned outright or related to Leased Vehicles) subsequently determined not to satisfy the eligibility standards contained in the applicable Securitization Documents relating to a Permitted Securitization or otherwise required to be repurchased by the applicable Securitization Documents entered into in compliance with the terms of this Agreement, so long as (x) such replacement is accompanied by the repurchase of or

release of encumbrances on such financial assets previously transferred or encumbered pursuant to such securitization and in the amount thereof, (y) any replacement Advances, Leased Vehicles, Installment Contracts (whether assigned outright or related to Advances) or Leases (whether assigned outright or related to Leased Vehicles) 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, and (v) the disposition of the capital stock of a Special Purpose Subsidiary;

(n) Intercompany Loans, Advances and Investments made pursuant to the UK Restructuring; and

(o) Investments not otherwise included in clause (a) through clause (n) of this definition, provided that the aggregate

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amount of all such Investments does not at any time exceed Two Million Five Hundred Thousand Dollars (\$2,500,000).

(o) The definition of "Restricted Subsidiary" in Section 9.1 is hereby amended and restated in its entirety as follows:

RESTRICTED SUBSIDIARY -- means any Subsidiary (a) in respect of which the Company owns, directly or indirectly, (i) at least eighty percent (80%) (by number of votes) of each class of such Subsidiary's Voting Stock, or (ii) in the case of CAC Insurance Agency of Ohio, Inc., at least 99% of the shares of capital stock issued and outstanding of all classes in the aggregate, (b) that is organized under the laws of the United States of America or any jurisdiction thereof, the United Kingdom or any jurisdiction thereof (including, without limitation, England, Scotland and Wales), Canada or any jurisdiction thereof, Luxembourg or any jurisdiction thereof or the Republic of Ireland or any jurisdiction thereof, and that conducts all of its business in, and has all of its Property located in, the United States of America, the United Kingdom, Canada, Luxembourg and/or the Republic of Ireland and (c) that is not an Unrestricted Subsidiary. Any Restricted Subsidiary in compliance with the requirements set forth in the first sentence of this definition and designated as a Restricted Subsidiary on the Closing Date shall be deemed to have been a Restricted Subsidiary for all periods prior to the Closing Date. Notwithstanding any provision in Section 6.17 to the contrary, CAC International and CAC UK shall be deemed Restricted Subsidiaries as of October 1, 1995 and CAC of Canada Limited and any Subsidiary formed by the Company to provide property and casualty insurance shall each be deemed a Restricted Subsidiary as of the date of its formation.

(p) The definition of "Scottish Partnership" is hereby added to Section 9.1 to read as follows:

SCOTTISH PARTNERSHIP - means a partnership established by the Company under the laws of Scotland pursuant to the UK Restructuring whose partners consist of the Company and a Restricted Subsidiary organized in the United States.

(q) The definition of "Securitization Property" in Section 9.1 is hereby amended and restated in its entirety as follows:

SECURITIZATION PROPERTY -- means (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, (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 and (vii) a Specified Interest in the Titling Subsidiary.

(r) The definition of "Securitization Transaction" in Section 9.1 is hereby amended and restated in its entirety as follows:

SECURITIZATION TRANSACTION - means a Transfer of, or grant of a Lien on, Advances, Installment Contracts, Leased Vehicles, Leases, 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 or the reallocation of Leases and Leased Vehicles (and related financial assets) by the Company or any Restricted Subsidiary from the Non-Specified Interest to a Specified Interest and the transfer of a Specified Interest 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, Specified Interests or other securities directly or indirectly evidencing interests in, such Advances, Installment Contracts, Leased Vehicles, Leases, accounts receivable and/or other financial assets.

(s) The definition of "Specified Assets" is hereby added to Section 9.1 to read as follows:

SPECIFIED ASSETS - has the meaning ascribed thereto in the Titling Subsidiary Agreements.

(t) The definition of "Specified Interest" is hereby added to Section 9.1 to read as follows:

SPECIFIED INTEREST - has the meaning ascribed thereto in the Titling Subsidiary Agreements.

(u) The definition of "Subsidiary" is hereby amended and restated in its entirety as follows:

SUBSIDIARY - means a corporation, partnership, association, joint stock company, business trust, limited liability company or any other business entity of which the Company owns, directly or indirectly, more than fifty percent (50%) (by number of votes) of each class of the Voting Stock or sufficient equity or voting interests to enable it ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such entity. Unless otherwise specified to the contrary herein or the context otherwise requires, Subsidiary shall include the Titling Subsidiary.

(v) The definition of "Titling Subsidiary" is hereby added to Section 9.1 to read as follows:

TITLING SUBSIDIARY - means Auto Lease Services LLC, a Delaware limited liability company controlled by the Company and a direct Subsidiary of the Company.

(w) The definition of "Titling Subsidiary Agreements" is hereby added to Section 9.1 to read as follows:

TITLING SUBSIDIARY AGREEMENTS - means that certain Limited Liability Company Agreement of the Titling Subsidiary, dated and effective as of March 1, 2001 (and the related Certificate of Formation, as therein defined), and that certain Administrative Agency Agreement, dated as of March 1, 2001, among the Company and the Titling Subsidiary, each as amended (subject to the terms hereof) from time to time.

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(x) The definition of "UK Restructuring" is hereby added to Section 9.1 to read as follows:

UK RESTRUCTURING - means (i) the creation by the Company of the Scottish Partnership, the Luxembourg Subsidiary and the English Special Purpose Subsidiary, (ii) the capitalization of the Scottish Partnership with CAC UK stock by the Company, (iii) Intercompany Loans from time to time from the Company to the Scottish Partnership in an amount substantially equivalent to the fair market value of assets being transferred to the English Special Purpose Subsidiary at such time by CAC UK, provided that such Intercompany Loans are substantially contemporaneously repaid pursuant to clauses (ix) and (x) of this definition, (iv) the contribution of a nominal amount of capital to the Luxembourg Subsidiary, (v) the contributions to capital from time to time by the Scottish Partnership to the English Special Purpose Subsidiary out of the proceeds of the Company's substantially contemporaneous loan to the Scottish Partnership under clause (iii) of this definition, (vi) Intercompany Loans from time to time by the Scottish Partnership to the Luxembourg Subsidiary out of the proceeds of the Company's substantially contemporaneous loan to the Scottish Partnership under clause (iii) of this definition, (vii) Intercompany Loans from time to time by the Luxembourg Subsidiary to the English Special Purpose Subsidiary substantially equivalent in amount to the substantially contemporaneous loan made to the Luxembourg Subsidiary by the Scottish Partnership, (viii) transfers from time to time of Advances (and its rights in the related Installment Contracts or Leases) by CAC UK to the English Special Purpose Subsidiary for cash consideration in an amount substantially equivalent to the fair market value of the assets being transferred to the English Special Purpose Subsidiary at such time by CAC UK, (ix) dividends from CAC UK to Scottish Partnership in an amount substantially equal to the cash received by CAC UK in exchange for the assets transferred at such time to the English Special Purpose

Subsidiary, and (x) repayments from time to time of Intercompany Loans by the Scottish Partnership to the Company.

(y) The definition of "Voting Stock" is hereby added to Section 9.1 to read as follows:

VOTING STOCK - means, with respect to any Person, capital stock (or other equity interests) of any class or classes of a corporation, an association or another business entity the holders of

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which are ordinarily, in the absence of contingencies, entitled to vote in the election of corporate directors (or individuals performing similar functions) of such Person or which permit the holders thereof to control the management of such Person, including general partnership interests in a partnership and membership interests in a limited liability company.

### SECTION 3. MISCELLANEOUS

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

3.2 HEADINGS. The headings of the sections of this Sixth 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 Sixth 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 shall be modified or changed by this Sixth Amendment and (b) the terms and provisions of the Agreement, as amended by this Sixth Amendment, shall continue in full force and effect. The Company hereby acknowledges and reaffirms all of its obligations and duties under the Agreement, as modified by this Sixth Amendment, and the Notes.

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 Sixth Amendment may refer to the Agreement without making specific reference to this Sixth Amendment but nevertheless all such references shall be deemed to include, to the extent applicable, this Sixth Amendment unless the context shall otherwise require.

3.6 COMPLIANCE. The Company certifies that all necessary actions have been taken by the Company to authorize the execution and delivery of this Sixth Amendment, and immediately before and after giving effect to this Sixth Amendment, no Default or Event of Default exists or would exist after giving effect hereto.

3.7 EFFECTIVENESS OF AMENDMENTS. The amendments to the Agreement 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 the Company and the Required Holders of the Notes shall have indicated their written consent to such amendments by executing and delivering the applicable counterparts of this Sixth Amendment. It is understood that any holder of Notes may withhold its consent for any

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reason, including, without limitation, any failure of the Company to satisfy all of the following conditions:

(a) This Sixth Amendment shall have been executed and delivered by the Company and each of the Required Holders of the Notes.

(b) The execution, delivery and effectiveness of an agreement, signed by the Company and the requisite holders of the Company's Second Amended and Restated 9.27% Senior Notes due October 1, 2001 issued under Note Purchase Agreements dated as of March 25, 1997, containing an amendment to such Note Purchase Agreements identical in substance to the amendment 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 Second Amended and Restated 10.37% Senior Notes due November 1, 2001 issued under Note Purchase Agreements dated as of October 1, 1994, containing an amendment to such Note Purchase Agreements identical in substance to the amendment set forth in Section 2 hereof.

(d) The receipt by all holders of Notes of a fee, in consideration of the time and expense required to review this Amendment, in an amount equal to .04% of the outstanding principal amount of the Notes held by such holder as of the date hereof.

(e) The Company shall have paid the statement for reasonable fees and disbursements of Bingham Dana LLP, your special counsel, presented to the Company on or prior to the effective date of this Sixth Amendment.

3.8 AMENDMENT TO CREDIT AGREEMENT. The Company represents that the Fifth Amendment to the Credit Agreement, as executed by the "Majority Banks" (as defined in the Credit Agreement), is in the form attached as Attachment 1 hereto and in effect on the date of effectiveness of this Sixth Amendment.

3.9 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 Sixth 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 reasonably 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 Sixth Amendment) and the Notes.

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3.10 RELEASE OF ENGLISH SHARE CHARGE. The Holders hereby authorize, pursuant to Section 3(g) of the Intercreditor Agreement, the "Collateral Agent" under the Intercreditor Agreement to release that certain Deed of Charge dated as of December 17, 1998 and executed by Company in favor of the Collateral Agent, provided that, concurrently therewith, the Company shall have granted a perfected first priority security interest, lien and charge to the "Collateral Agent" under the Intercreditor Agreement in not less than 65% of the aggregate partnership interests of the Scottish Partnership as required under Section 6.23(b) of the Agreement, as amended hereby.

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

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If this Sixth 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 Sixth Amendment shall become binding between us in accordance with its terms.

Very truly yours,

CREDIT ACCEPTANCE CORPORATION

By /S/ Douglas W. Busk

-----  
Name: Douglas W. Busk  
Title: Chief Financial Officer

[Signature Page to Sixth Amendment to Note Purchase Agreement in respect of  
9.49% Senior Notes Due July 1, 2001 of Credit Acceptance Corporation]

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ACCEPTED:

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

By /S/ Kathy Lange

-----  
Name: Kathy Lange  
Title:

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

By /S/ Kathy Lange

-----  
Name: Kathy Lange  
Title:

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

By /S/ Kathy Lange

-----  
Name: Kathy Lange  
Title:

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

By /S/ Kathy Lange

-----  
Name: Kathy Lange  
Title:

[Signature Page to Sixth Amendment to Note Purchase Agreement in respect of  
9.49% Senior Notes Due July 1, 2001 of Credit Acceptance Corporation]

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

By /S/ Kathy Lange

-----  
Name: Kathy Lange  
Title:

OZARK NATIONAL LIFE INSURANCE COMPANY

By /S/ S. Alan Weber

-----  
Name: S. Alan Weber  
Title: Exec. V.P. & Treasurer

ASSET ALLOCATION & MANAGEMENT  
COMPANY AS AGENT FOR CSA  
FRATERNAL LIFE

By /S/ Kathy Lange

-----  
Name: Kathy Lange  
Title:

ASSET ALLOCATION & MANAGEMENT  
COMPANY AS AGENT FOR KANAWHA  
INSURANCE COMPANY

By /S/ Kathy Lange

-----  
Name: Kathy Lange  
Title:

[Signature Page to Sixth Amendment to Note Purchase Agreement in respect of  
9.49% Senior Notes Due July 1, 2001 of Credit Acceptance Corporation]

ACCEPTED:

CONNECTICUT GENERAL LIFE INSURANCE COMPANY  
BY CIGNA INVESTMENTS, INC. (authorized agent)

By /S/ Debra J. Height

-----  
Name: Debra J. Height  
Title: Managing Director

[Signature Page to Sixth Amendment to Note Purchase Agreement in respect of  
9.49% Senior Notes Due July 1, 2001 of Credit Acceptance Corporation]

ACCEPTED:

PAN AMERICAN LIFE INSURANCE COMPANY

By /S/ Luis Ingles

-----  
Name: Luis Ingles Jr. C.F.A.  
Title: Senior Vice President-Investments

[Signature Page to Sixth Amendment to Note Purchase Agreement in respect of  
9.49% Senior Notes Due July 1, 2001 of Credit Acceptance Corporation]

ACCEPTED:

PHOENIX HOME LIFE MUTUAL INSURANCE COMPANY  
BY: PHOENIX INVESTMENT COUNSEL, INC.

By /S/ Rosemary T. Strekel  
Name: Rosemary T. Strekel  
Title: Senior Managing Director

[Signature Page to Sixth Amendment to Note Purchase Agreement in respect of

ANNEX I  
SECOND AMENDED AND RESTATED 9.49% 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 CSA Fraternal  
Life Kanawha Insurance Company  
Old Guard Mutual Insurance Company  
Ozark National Life Insurance Company  
Connecticut General Life Insurance Company  
Pan American Life Insurance Company  
Phoenix Home Life Mutual Insurance Company

FOURTH AMENDMENT  
TO  
THIRD AMENDED AND RESTATED CREDIT AGREEMENT

This FOURTH AMENDMENT TO THIRD AMENDED AND RESTATED CREDIT AGREEMENT ("Fourth Amendment") is made as of this 30th day of November, 2000 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 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 Third Amended and Restated Credit Agreement dated as of June 15, 1999, a First Amendment dated as of December 10, 1999, a Second Amendment dated as of April 28, 2000 and a Third Amendment dated as of June 13, 2000 (collectively, 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 a further amendment to the Credit Agreement 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:

1. Section 1 of the Credit Agreement is hereby amended to increase the "Swing Line Maximum Amount" from Seven Million Five Hundred Thousand Dollars (\$7,500,000) to Twelve Million Dollars (\$12,000,000).
2. This Fourth Amendment shall become effective, according to the terms and as of the date hereof, upon satisfaction by the Company and the Permitted Borrowers, on or before November 30, 2000, of the following conditions:
  - (a) Agent shall have received counterpart originals of this Fourth Amendment, in each case duly executed and delivered by Company, the Permitted Borrowers and the requisite Banks, in form satisfactory to Agent and the Banks; and
  - (b) Agent shall have received from the Company and each of the Permitted Borrowers duly executed replacement Swing Line Notes and a certification (i) that all necessary actions have been taken by such parties to authorize execution and delivery of this Fourth Amendment and the related Loan Documents, supported by such resolutions or other evidence of corporate authority or action as reasonably required by Agent and the Majority Banks and that no consents or other authorizations of any third parties are required in connection therewith; and (ii) that, after giving effect to this Fourth Amendment, no Default or Event of Default has occurred and is continuing on the proposed effective date of the Fourth Amendment.

If the foregoing conditions have not been satisfied or waived on or before December 1, 2000, this Fourth Amendment shall lapse and be of no further force and effect.

- 5. 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.
- 6. 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.
- 7. 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.
- 8. This Fourth Amendment may be executed in counterpart in accordance with Section 13.10 of the Credit Agreement.
- 9. Comerica Bank - Canada having been designated by Comerica Bank, in its capacity as swing line bank (and as a Bank) under the Credit Agreement to fund Comerica Bank's advances in \$C pursuant to Section 11.12 of the Credit Agreement, has executed this Fourth Amendment to evidence its approval of the terms and conditions thereof.
- 10. This Fourth Amendment shall be construed in accordance with and governed by the laws of the State of Michigan.

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[SIGNATURES FOLLOW ON SUCCEEDING PAGES]

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

COMERICA BANK,  
as Agent

CREDIT ACCEPTANCE CORPORATION

By: /s/ Scottie S. Knight

By:

Its: Vice President

Its:

-----  
One Detroit Center  
500 Woodward Avenue  
Detroit, Michigan 48226  
Attention: Scottie Knight

COMERICA BANK - CANADA

CREDIT ACCEPTANCE CORPORATION  
UK LIMITED

By:/S/ Robert C. Rosen  
-----

By:/S/ Douglas W. Busk  
-----

Its: Vice President  
-----

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  
-----

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BANKS:

COMERICA BANK

NATIONAL CITY BANK OF MINNEAPOLIS

By: /S/ Scottie S. Knight  
-----

By:/S/ Steve Berglund  
-----

Its: Vice President  
-----

Its: Vice President  
-----

LASALLE BANK NATIONAL ASSOCIATION

BANK OF AMERICA, N.A.

By:/S/ Daniel Garces  
-----

By:/S/ Elizabeth Kurilecz  
-----

Its: AVP  
-----

Its: Managing Director  
-----

HARRIS TRUST AND SAVINGS BANK

UNION BANK OF CALIFORNIA, N.A.

By:/S/ Michael S. Cameli  
-----  
Its: Vice President  
-----

By:/S/ Robert C. Nagel  
-----  
Its: Vice President  
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FIFTH AMENDMENT  
TO  
THIRD AMENDED AND RESTATED CREDIT AGREEMENT

This FIFTH AMENDMENT TO THIRD AMENDED AND RESTATED CREDIT AGREEMENT ("Fifth Amendment") is made as of this 8th day of March, 2001 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 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 Third Amended and Restated Credit Agreement dated as of June 15, 1999, a First Amendment dated as of December 10, 1999, a Second Amendment dated as of April 28, 2000, a Third Amendment dated as of June 13, 2000 and a Fourth Amendment dated as of November 30, 2000 (collectively, 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 a further amendment to the Credit Agreement and Agent and the Banks are willing to do so, but only on the terms and conditions set forth in this Fifth Amendment.

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

1. Section 1 of the Credit Agreement is amended as follows:
  - (a) Those new defined terms set forth on Attachment "A" to this Fourth Amendment are added to the Credit Agreement, and inserted in their appropriate places in alphabetical order.
  - (b) Those existing defined terms identified in Attachment "B" to this Fourth Amendment are amended and restated, in their entirety, as set forth on Attachment B.
2. Section 7 of the Credit Agreement shall be amended as follows:
  - (a) Section 7.3(i) is amended and restated in its entirety as follows:

"(i) promptly upon the request of Agent or the Majority Banks (acting through Agent) from time to time, a "static pool analysis" which analyzes the performance of any Installment Contracts or Leases transferred, encumbered, reallocated from the Non-Specified Interest to a Specified Interest or otherwise disposed of pursuant to a Permitted Securitization comparable to the static pool analysis required to be delivered pursuant to subparagraph (c) of this Section 7.3; and".

- (b) Clause (a) of Section 7.4 is amended to add, at the end of such clause (following the word "GAAP"), and Sections 7.5 and 7.6 are amended to add, at the end of the parenthetical phrase contained therein (following the word "GAAP"), the words "other than Debt represented by Intercompany Loans incurred by the English Special Purpose Subsidiary pursuant to

the UK Restructuring."

- (c) Section 7.23 is amended and restated in its entirety as follows:

"(a) prior to the transfer to or creation in the name of the Titling Subsidiary of any Leased Vehicles or Leases, execute and deliver additional Collateral Documents (or amendments to the existing Collateral Documents) consisting of a security agreement and pledge encumbering the Company's entire Non-Specified Interest and any related documents or instruments necessary to encumber and/or perfect a security interest in such Collateral, all as determined by and in form and substance satisfactory to the Agent, acting in its capacity as Collateral Agent under the Intercreditor Agreement, and to the Majority Benefited Parties (as defined in the Intercreditor Agreement), in their reasonable discretion;

"(b) promptly upon the Company's creation or acquisition of any Significant Domestic Subsidiary, (i) grant a security interest and lien to the Agent, acting in its capacity as Collateral Agent under the Intercreditor Agreement, in the Collateral owned by such Significant Domestic Subsidiary substantially on the terms set forth in the Security Agreement and (ii) pledge to the Agent, acting in its capacity as Collateral Agent under the Intercreditor Agreement, all of the outstanding capital Stock of such Significant Domestic Subsidiary which is owned by the Company or its Subsidiaries in a form satisfactory to the Agent, acting in its capacity as Collateral Agent under the Intercreditor Agreement, in its reasonable discretion, in each case, as security for the Indebtedness; and

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"(c) before conducting the UK Restructuring, (i) cause each of CAC UK and the English Special Purpose Subsidiary to grant a security interest, lien and charge to the Agent, for and on behalf of the Banks (and not in its capacity as Collateral Agent under the Intercreditor Agreement), in the Collateral described in clause (b) of the definition thereof, as security for all Indebtedness of CAC UK and the other Permitted Borrowers hereunder and (ii) grant a perfected first priority security interest, lien and charge to the Agent, acting in its capacity as Collateral Agent under the Intercreditor Agreement, in the Collateral described in clause (f) of the definition of Collateral, as security for the Indebtedness and the Senior Debt, on substantially the terms of the English Share Charge (subject to local law variations) and otherwise satisfactory in form and substance to the Agent, acting in its capacity as Collateral Agent under the Intercreditor Agreement, and to the Majority Benefited Parties, in their reasonable discretion, provided that, concurrently therewith, Collateral Agent shall have released and discharged (or caused to be released and discharged) the English Share Charge.

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

- (a) Section 8.1 is amended to add, at the end of the second line thereof (following the words "capital structure"), the phrase ", other than pursuant to the UK Restructuring, and to redesignate clause "(iii)" as clause "(iv)" and to add a new clause (iii), immediately following the word "Subsidiaries" (in the fifth line thereof):

"(iii) the creation, in connection with Permitted Securitizations, of Specified Interests, and the transfer of such Specified Interests to a Special Purpose Subsidiary or other special purpose or limited purpose entity, and the elimination of Specified Interests upon the repayment and discharge of the Advances to Dealers and Leased Vehicles allocated to such Specified Interest in connection with a prior Permitted Securitization or the Debt or similar securities issued with respect thereto".

- (b) Section 8.3 is amended to add, at the end of such section (following the words "Permitted Securitization(s)"), the words "and other transfers made pursuant to the UK Restructuring, provided that, both before and after giving effect thereto, no Default or Event of Default has occurred and is continuing."
- (c) Clause (d) of Section 8.5 is amended to change the phrase "unsecured overdraft lines of credit" in the second line thereof to read "overdraft lines

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of credit which are unsecured or are secured solely by a guaranty and/or letter of credit provided by Company or another Subsidiary."

- (d) Clauses "(e)" and "(f)" of Section 8.5 are redesignated as clauses "(f)" and "(g)", respectively, and new clause (e) is added to Section 8.5, following clause (d), as follows:  
"(e) (i) Intercompany Loans made pursuant to the UK Restructuring and (ii) other Intercompany Loans, provided, however, that the amount of Intercompany Loans under this clause (ii), when included with Intercompany Loans, Advances and Investments permitted under Section 8.8(d) hereof, complies with such section;"
- (e) Section 8.7 is amended and restated in its entirety, as follows:  
  
"8.7 Acquisitions. Other than (i) any Permitted Acquisition, (ii) any transfer to the Company by any Subsidiary of any assets or business or ownership interests (provided that no cash or other consideration may be paid by Company for such property, except to the extent otherwise permitted by this Agreement) or (iii) any acquisition of any rights or property (including without limitation Specified Interests and Non-Specified Interests) pursuant to a Permitted Securitization or pursuant to the UK Restructuring, purchase or otherwise acquire or become obligated for the purchase of all or substantially all of the assets or business interests of any Person, firm or corporation, or any shares of stock (or other ownership interests) of any corporation, trusteeship or association, or any business or going concern, or in any other manner effectuate or attempt to effectuate an expansion of present business by acquisition."
- (f) Clause (d) of Section 8.8 is amended to add, at the beginning of clause (d), the words "Intercompany Loans, Advances and Investments made pursuant to the UK Restructuring and", to replace the reference to the word "Investments" (in the first line of such clause) with the words "other Intercompany Loans,

Advances and Investments", to replace the reference to the word "Investments" in the third line of such clause with the words "other Intercompany Loans, Advances and Investments (excluding those made pursuant to the UK Restructuring)" and to add, after the first two references in such clause to the word "Subsidiary" (in the first and second lines thereof), the parenthetical phrase, "(excluding the Titling Company or any Special Purpose Subsidiary)".

- (g) Clauses (i) and (j) of Section 8.8 are redesignated as clauses (j) and (k), respectively, and a new clause (i) is added to Section 8.8, as follows:

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"(i) Intercompany Loans, Advances and Investments by the Company to or in the Titling Subsidiary, each such loan, advance or investment being (x) allocated to the Non-Specified Interest and made by Company in the ordinary course of conducting its leasing business through the Titling Subsidiary, including without limitation any advances or investments made by the Company (acting as administrative agent under the Titling Subsidiary Agreements) to or in the Titling Subsidiary to reacquire Leases and the related leased vehicles as may be required from time to time under the Administrative Agency Agreement, but only to the extent such Leases (and leased vehicles) are allocated to the Non-Specified Interest immediately prior to the making of the related loan, advance or investment or (y) allocated to a Specified Interest and made pursuant to a Permitted Guaranty under clauses (iii)(B), (C) or (D) of the definition thereof."

- (h) Clause (j) of Section 8.8 (as redesignated) is amended (i) to change the parenthetical in subclause (x) to read "(as servicer or administrative agent)" and (ii) to add, immediately after the words "Permitted Securitization" in subclause (y), the words, "or otherwise required to be repurchased by the applicable Securitization Documents entered into in compliance with the terms of this Agreement".
- (i) Section 8.9 is amended and restated in its entirety as follows:

"8.9 Accounts Receivable and Other Financial Assets. Except to Agent, in its capacity as Agent for and on behalf of the Banks or in its capacity as Collateral Agent under the Intercreditor Agreement or pursuant to a Permitted Transfer or pursuant to or in connection with a Permitted Securitization or pursuant to the UK Restructuring, sell or assign or reallocate from the Non-Specified Interest to a Specified Interest any account, note, trade acceptance receivable, lease or other financial asset, if the sum of (i) the face value of the accounts, notes or trade acceptance receivables, leases or other financial assets proposed to be transferred, plus (ii) the face value of the accounts, notes or trade acceptance receivables, leases or other financial assets transferred by the Company and its Subsidiaries during the current fiscal year of the Company (other than pursuant to the UK Restructuring) would exceed five percent (5%) of the aggregate face value of the accounts, notes, trade acceptance receivables, leases and other financial assets of the Company and its Subsidiaries determined on a Consolidated Basis as of the end of

the most recently concluded fiscal year of Company, prior to giving effect to any such transfer."

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- (j) Section 8.11 is amended to add (in the twelfth line thereof), following the word "Leases", the words "or Specified Interests," and, following the word "encumbered", the words "or otherwise disposed of".
- (k) Section 8.12 is amended to add, in the second line thereof (following the words "Permitted Senior Note Prepayment"), the words "and for prepayments of Intercompany Loans made pursuant to the UK Restructuring".
- (l) New Section 8.17 is added to the Credit Agreement, as follows: "8.17 Amendments to Titling Subsidiary Agreements. Amend, modify or otherwise alter (or suffer to be amended, modified or altered) in any material respect adverse to the Banks, any of the Titling Subsidiary Agreements or any other documents or instruments relating to the establishment or operation of the Titling Subsidiary. For purposes of such documents or instruments, any amendments to or changes in the provisions relating to the creation or transfer of Specified Interests and the allocation or reallocation of financial assets or other property thereto, and any amendment, modification, resignation or removal whereby the Company shall cease to be the founding member of or otherwise cease to control the Titling Subsidiary or cease to be the administrative agent under the Administrative Agency Agreement shall (without reducing the scope of this Section 8.17) be deemed to be materially adverse to the Banks."
- (m) New Section 8.18 is added to the Credit Agreement, as follows:

"8.18 Special Leasing Covenants. Except for Leases with respect to motor vehicles located outside the United States of America and its territories and possessions (which shall be originated by the Company or a Subsidiary, in its own name or using an assumed name), (a) originate and hold Leases other than (x) in the Company's own name or by the Company, but under the assumed name "CAC Auto Leasing" or "AutoNet Finance.com", (y) in the name of AutoNet Finance Company.com, Inc. or CAC Leasing, Inc. to the extent applicable state law prohibits the Company from originating Leases in such state using an assumed name, or (z) in the name of the Titling Subsidiary; and (b) except in connection with a Permitted Securitization, allocate or reallocate Leases, Leased Vehicles or other financial assets to a Specified Interest."

4. Section 9.1(f) of the Credit Agreement is amended and restated in its entirety, as follows:

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"(f) default in the payment of any other obligation of Company, its Subsidiaries or any of the Permitted Borrowers for borrowed money in an aggregate amount in excess of Two Million Dollars (\$2,000,000), or the equivalent thereof in an Alternative Currency; or default in the observance or performance of any conditions, covenants or agreements related or given

with respect to any other obligations for borrowed money in an aggregate amount in excess of Two Million Dollars (\$2,000,000), or the equivalent thereof in an Alternative Currency, sufficient to permit the holder thereof to accelerate the maturity of such obligation or, with respect to the Securitization Documents, (i) the occurrence (beyond any applicable period of grace or cure) of any "servicer event of default" thereunder or (ii) the occurrence of any other default (beyond any applicable period of grace or cure) by 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 Subsidiaries (other than a Special Purpose Subsidiary) in an aggregate amount exceeding \$2,000,000 or, with respect to the Administrative Agency Agreement, the occurrence (beyond any applicable period of grace or cure) of any "administrative agent event of default" thereunder relating to or otherwise enforceable by the holder of a Specified Interest."

5. Replacement Schedule 6.15 (Litigation) to the Credit Agreement set forth on Attachment C hereto shall replace, in its entirety, existing Schedule 6.15 to the Credit Agreement.
6. This Fifth Amendment shall become effective, according to the terms and as of the date hereof, upon satisfaction by the Company and the Permitted Borrowers, on or before March 16, 2001, of the following conditions:
  - (a) Agent shall have received counterpart originals of this Fifth Amendment, in each case duly executed and delivered by Company, the Permitted Borrowers and the requisite Banks, in form satisfactory to Agent and the Banks;
  - (b) Agent shall have received from the Company and each of the Permitted Borrowers a certification (i) that all necessary actions have been taken by such parties to authorize execution and delivery of this Fifth Amendment, supported by such resolutions or other evidence of corporate authority or action as reasonably required by Agent and the Majority Banks and that no consents or other authorizations of any third parties are required in connection therewith; and (ii) that, after giving effect to this Fifth Amendment, no Default or Event of Default has occurred and is continuing on the proposed effective date of the Fifth Amendment;

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- (c) Agent shall have received, with a copy for each of the Banks, (i) amendments to the Senior Debt Documents (making changes comparable to those set forth herein) executed and delivered by the Company and the requisite holders of the Senior Debt, such amendments to be in form and substance satisfactory to the Agent and the Majority Banks and (ii) related amendments to the Collateral Documents, in form and substance acceptable to the Agent acting in its capacity as Collateral Agent under the Intercreditor Agreement, in its reasonable discretion; and
  - (d) the Company shall have paid to each of the Banks a work fee in the amount of \$7,500.

If the foregoing conditions have not been satisfied or waived on or before March 16, 2001, this Fifth Amendment shall lapse and be of no further force and effect.

7. 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.
8. Except as specifically set forth above, this Fifth 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.
9. Unless otherwise defined to the contrary herein, all capitalized terms used in this Fifth Amendment shall have the meaning set forth in the Credit Agreement.
10. This Fifth Amendment may be executed in counterpart in accordance with Section 13.10 of the Credit Agreement.
11. Comerica Bank - Canada having been designated by Comerica Bank, in its capacity as swing line bank (and as a Bank) under the Credit Agreement to fund Comerica Bank's advances in \$C pursuant to Section 11.12 of the Credit Agreement, has executed this Fifth Amendment to evidence its approval of the terms and conditions thereof.
12. Pursuant to Section 3(g) of the Intercreditor Agreement, the Banks hereby authorize Comerica Bank, acting in its capacity as Collateral Agent under the Intercreditor Agreement, to release the English Share Charge, provided that

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concurrently therewith, the Company shall have granted to the Collateral Agent a first priority security interest, lien and charge in not less than 65% of the aggregate partnership interests of the Scottish Partnership as required under Section 7.23(c) of the Credit Agreement.

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

[SIGNATURES FOLLOW ON SUCCEEDING PAGES]

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

COMERICA BANK,  
as Agent

CREDIT ACCEPTANCE CORPORATION

By: /S/ Scottie S. Knight

By: /S/ Douglas W. Busk

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Its: Vice President

Its: Chief Financial Officer

One Detroit Center  
500 Woodward Avenue  
Detroit, Michigan 48226  
Attention: Scottie Knight

COMERICA BANK - CANADA

CREDIT ACCEPTANCE CORPORATION  
UK LIMITED

By:/S/ Robert C. Rosen

By:/S/ Douglas W. Busk

Its: Vice President

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

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BANKS:

COMERICA BANK

NATIONAL CITY BANK OF MINNEAPOLIS

By:/S/ Scottie S. Knight

By: /S/ Steve Berglund

Its: Vice President

Its: Vice President

LASALLE BANK NATIONAL  
ASSOCIATION

BANK OF AMERICA, N.A.

By: /S/ Daniel Garces  
-----

By: /S/ Elizabeth Kurilecz  
-----

Its: AVP  
-----

Its: Managing Director  
-----

HARRIS TRUST AND SAVINGS BANK

UNION BANK OF CALIFORNIA, N.A.

By: /S/ Michael S. Cameli  
-----

By: /S/ Robert C. Nagel  
-----

Its: Vice President  
-----

Its: Vice President  
-----

SIGNATURE PAGE FOR  
CAC FIFTH AMENDMENT

ATTACHMENT A

[NEW DEFINITIONS]

"Administrative Agency Agreement" is referred to in the definition of  
Titling Subsidiary Agreements.

"English Share Charge" is referred to in the definition of Collateral  
Documents.

"English Special Purpose Subsidiary" shall mean a Special Purpose  
Subsidiary established by the Company, as part of the UK Restructuring, under  
the laws of England.

"Intercompany Loans" shall mean any loan or advance in the nature of a  
loan by the Company to any Subsidiary or by any Subsidiary to any other  
Subsidiary or to the Company."

"Intercompany Loans, Advances and Investments" shall mean any  
Intercompany Loan and any other advance or Investment by the Company to a  
Subsidiary or by any Subsidiary to the Company or any other Subsidiary.

"Luxembourg Subsidiary" shall mean a wholly-owned direct or indirect  
Subsidiary of the Company organized under the laws of Luxembourg.

"Non-Specified Assets" is defined in the Titling Subsidiary Agreements.

"Non-Specified Interest" is defined in the Titling Subsidiary  
Agreements.

"Scottish Partnership" shall mean a partnership established by the  
Company under the laws of Scotland pursuant to the UK Restructuring whose  
partners consist of the Company and CAC Nevada or another Domestic Subsidiary.

"Security Agreement" shall mean that certain Security Agreement dated  
as of December 15, 1998 executed and delivered by Company in favor of the Agent,  
in its capacity as Collateral Agent under the Intercreditor Agreement,

encumbering the Collateral specified in clauses (a), (b) and (c) of the definition of Collateral, as amended from time to time.

"Specified Assets" is defined in the Titling Subsidiary Agreements.

"Specified Interest" is defined in the Titling Subsidiary Agreements.

"Titling Subsidiary" shall mean Auto Lease Services LLC, a Delaware limited liability company controlled by the Company and a direct Subsidiary of the Company.

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"Titling Subsidiary Agreements" shall mean that certain Limited Liability Company Agreement of the Titling Subsidiary, dated and effective as of March 1, 2001 (and the related Certificate of Formation, as therein defined), and that certain Administrative Agency Agreement, dated and effective as of March 1, 2001 among the Company and the Titling Subsidiary, each as amended (subject to the terms hereof) from time to time.

"UK Restructuring" shall mean (i) the creation by the Company of the Scottish Partnership, the Luxembourg Subsidiary and the English Special Purpose Subsidiary, (ii) the Company's capitalization of the Scottish Partnership with CAC UK stock, (iii) Intercompany Loans from time to time from the Company to the Scottish Partnership in an amount substantially equivalent to the fair market value of assets being transferred to the English Special Purpose Subsidiary at such time by CAC UK, provided that such Intercompany Loans are substantially contemporaneously repaid pursuant to clauses (ix) and (x) of this definition, (iv) the contribution of a nominal amount of capital to the Luxembourg Subsidiary, (v) the contributions to capital by the Scottish Partnership to the English Special Purpose Subsidiary out of the proceeds of the Company's contemporaneous loan to the Scottish Partnership under clause (iii) of this definition, (vi) Intercompany Loans from time to time by the Scottish Partnership to the Luxembourg Subsidiary out of the proceeds of the Company's contemporaneous loan to the Scottish Partnership under clause (iii) of this definition, (vii) Intercompany Loans from time to time by the Luxembourg Subsidiary to the English Special Purpose Subsidiary substantially equal to the contemporaneous loans made to the Luxembourg Subsidiary by the Scottish Partnership, (viii) transfers from time to time of Advances to Dealers (and its rights in the related Installment Contracts or Leases) by CAC UK to the English Special Purpose Subsidiary for cash consideration in an amount substantially equivalent to the fair market value of the assets being transferred to the English Special Purpose Subsidiary at such time by CAC UK, (ix) dividends from CAC UK to Scottish partnership in an amount substantially equal to the cash received by CAC UK in exchange for the assets transferred at such time to the English Special Purpose Subsidiary, and (x) repayments from time to time of the Intercompany Loans (referred to in clause (iii) of this definition) by the Scottish Partnership to the Company.

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ATTACHMENT B

[AMENDED AND RESTATED DEFINITIONS]

"Cleanup Call(s)" shall mean:

(a) in the case of an optional cleanup call, a cleanup call to be exercised at the option of the Company, the Titling Subsidiary or a Special Purpose Subsidiary under the terms of the applicable Permitted Securitization (provided that, both before and after giving effect thereto, no Default or Event of Default has occurred and is continuing when such option is exercised), in an amount not in excess of (i) Fifteen Percent (15%) of the initial amount received by the Company, the Titling Subsidiary or a Special Purpose Subsidiary pursuant to such Permitted Securitization (before fees and other deductions), it being understood that, for purposes of the calculation under clause (a)(i) of this definition, each tranche of a multi-tranche Permitted

Securitization shall be considered a separate Permitted Securitization or (ii) in the case of any Securitization Transaction structured on a revolving basis, fifteen percent (15%) of the maximum aggregate availability at any time to Company, the Titling Subsidiary or a Special Purpose Subsidiary, each such optional cleanup call to be accompanied (x) by the repurchase of or release of encumbrances on Advances to Dealers, Leased Vehicles, Installment Contracts (whether assigned outright or related to Advances to Dealers) or Leases (whether assigned outright or related to Leased Vehicles), as the case may be, previously transferred or encumbered pursuant to such Permitted Securitization in an amount equal to at least the amount of such cleanup call, or (y) if such Leased Vehicles or Leases are held by the Titling Subsidiary, by the reallocation of such Leases and Leased Vehicles from the applicable Specified Interest to the Non-Specified Interest in an amount equal to at least the amount of such clean-up call; 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 (i) Two and One-Half Percent (2 1/2%) of the aggregate amount received by the Company, the Titling Subsidiary or a Special Purpose Subsidiary pursuant to the Permitted Securitization to which such mandatory cleanup call relates (before fees and other deductions), it being understood that, for purposes of the calculation under clause (b)(i) of this definition, all tranches of a multi-tranche Permitted Securitization shall be considered one Permitted Securitization or (ii) in the case of any Securitization Transaction structured on a revolving basis, Two and One-Half Percent (2 1/2%) of the maximum aggregate availability at any time to Company, the Titling Subsidiary or a Special Purpose Subsidiary, each such mandatory Cleanup Call to be accompanied (x) by the repurchase of or release of encumbrances on Advances to Dealers, Leased Vehicles, Installment Contracts (whether assigned outright or related to Advances to Dealers) or Leases (whether assigned outright or related to Leased Vehicles), as the case may be, previously transferred or encumbered pursuant to such

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Permitted Securitization in an amount equal to at least the lesser of (A) the amount of such cleanup call or (B) the book value at the time of such cleanup call of the Advances to Dealers, Leased Vehicles, Installment Contracts or Leases previously transferred or encumbered pursuant to such Permitted Securitization, or (y) if such Leased Vehicles or Leases are held by the Titling Subsidiary, by the reallocation of such Leases and Leased Vehicles from the applicable Specified Interest to the Non-Specified Interest in an amount equal to at least the lesser of (A) the amount of such clean-up call or (B) the book value at the time of such cleanup call of the Leased Vehicles and Leases currently held in such Specified Interest.

"Collateral" shall mean (a) all right, title and interest of each 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, Leased Vehicles, Dealer Agreements (and any amounts advanced to or liens granted by Dealers thereunder), Installment Contracts, Leases and related financial property (such Dealer Agreements, Advances to Dealers and the Installment Contracts, Leases, accounts, contract rights, chattel paper and general intangibles relating to such Dealer Agreements, Advances to Dealers and Leased Vehicles, being subject to the rights, if any, of Dealers under Dealer Agreements), and computer records and software relating thereto, whether now owned or hereafter acquired by such Person, (b) all right, title and interest of CAC UK and of the English Special Purpose Subsidiary, as the case may be in, to and under its accounts, inventory, contract rights, chattel paper, general intangibles, including without limitation Advances to Dealers, Leased Vehicles, Dealer Agreements (and any amounts advanced to or liens granted by Dealers thereunder), Installment Contracts, Leases and related financial assets (such Dealer Agreements, Advances to Dealers, and the Installment Contracts, Leases, accounts, contract rights, chattel paper and general intangibles relating thereto) being subject to the rights, if any, of Dealers under Dealer Agreements

(and, computer records and software relating thereto, whether now owned or hereafter acquired), (c) the entire Non-Specified Interest at any time held by the Company, (d) one hundred percent (100%) of the share capital of each Significant Domestic Subsidiary of the Company (whether direct or indirect), (e) not less than sixty-five percent (65%) of the share capital of CAC UK pursuant to the English Share Charge (referred to in the definition of Collateral Documents) unless and until released according to the terms of the Fifth Amendment, and (f) not less than sixty-five percent (65%) of the aggregate partnership interests of the Scottish Partnership, and all proceeds and products of the foregoing.

"Collateral Documents" shall mean (i) that certain Security Agreement dated as of December 15, 1998 and executed and delivered by Company in favor of the Agent, as Collateral Agent pursuant to the Intercreditor Agreement, and encumbering the property described therein (as amended and/or amended and restated pursuant to the Fifth Amendment), (ii) that certain Deed of Charge ("the English Share Charge") dated as of December 17, 1998 and executed and delivered by Company in favor of the Agent, as Collateral Agent pursuant to the Intercreditor Agreement, and encumbering the property described therein (unless and until such share charge has been released according to the terms of Section 7.23(c) hereof), (iii) those certain fixed or

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floating charges or other security documents to be executed and delivered under the Fifth Amendment by CAC UK and the English Special Purpose Subsidiary in favor of the Agent, for and on behalf of the Banks (and not as Collateral Agent pursuant to the Intercreditor Agreement) and encumbering the property described in clause (b) of the definition of Collateral and (iv) those certain lien, charge or other security documents to be executed and delivered under the Fifth Amendment by the Company in favor of the Agent, as Collateral Agent pursuant to the Intercreditor Agreement and encumbering the Collateral described in clause (f) of the definition of Collateral, and all other security documents (including, without limitation, financing statements, stock powers, acknowledgments, registrations, joinders and the like) executed by the Company or any of its Subsidiaries and delivered to the Agent, as Collateral Agent (as aforesaid), as of the date thereof or, from time to time, subsequent thereto in connection with such security documents, this Agreement or the other Loan Documents, as such security documents may be in each case amended or further amended (subject to the Intercreditor Agreement) from time to time.

"Equity Offering" shall mean the issuance and sale for cash, on or after the 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, and other than the creation or disposition of any interest in the Titling Subsidiary.

"Leased Vehicles" shall mean, as of any applicable date of determination, the Dollar Amount of advances in respect of Leases, as such amount would appear in the footnotes to the financial statements of the Company and its Subsidiaries prepared in accordance with GAAP or, if specifically identified, elsewhere in such financial statements, net of depreciation on the motor vehicles which are covered by Leases with respect to which such Leased Vehicles are attributable (and if such amount is not shown net of such reserves, then net of any reserves established by the Company as an Allowance for Credit Losses related to such advances not expected to be recovered), provided that Leased Vehicles shall not include (a) the amount of any such advances attributable to any Leases transferred or encumbered or reallocated from the Non-Specified Interest to a Specified Interest pursuant to a Permitted Securitization (whether or not attributable to the Company under GAAP) unless and until such advances (and the related Leases) are either reassigned to the Company or a Subsidiary of the Company (other than the Titling Subsidiary) or such encumbrances are discharged, or such advances (and the related Leases and vehicles) are reallocated from the applicable Specified Interest to the Non-Specified Interest or (b) Charged-Off Advances, to the extent that such Charged-Off Advances (i) exceed the portion of the Company's Allowance for Credit Losses related to reserves against such advances not expected to be recovered, as such allowance would appear in the footnotes to the financial

statements of the Company and its Subsidiaries prepared in accordance with GAAP at such time or if specifically identified, elsewhere in such financial statements and (ii) have not already been eliminated in the determination of Leased Vehicles. For purposes of this definition, "Charged-off Advances" shall mean those Leased Vehicles which the Company or any of its

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Subsidiaries has determined, based on the application of a static pool or comparable analysis or otherwise, are completely or partially impaired, to the extent of such impairment.

"Lease(s)" shall mean the retail agreements for the lease of motor vehicles assigned outright by Dealers to Company or a Subsidiary of Company or written by a Dealer in the name of the Company or a Subsidiary of Company (and funded by Company or such Subsidiary) or assigned by Dealers to Company or a Subsidiary of Company, as nominee for the Dealer, for administration, servicing and collection, in each case pursuant to an applicable Dealer Agreement; provided, however, that to the extent the Company or any Subsidiary transfers or encumbers its interest in any Leases or reallocates such Leases from the Non-Specified Interest to a Specified Interest pursuant to a Permitted Securitization, such Leases shall, from and after the date of such transfer or encumbrance or such reallocation, cease to be considered Leases under this Agreement (reducing the amount of Leased Vehicles by the outstanding amount of Leased Vehicles attributable to such Leases) unless and until such Leases are reassigned to Company or a Subsidiary of the Company (other than the Titling Subsidiary) or such encumbrances have been discharged or such Leases are reallocated from the applicable Specified Interest to the Non-Specified Interest.

"Net Leased Vehicle Dealer Holdbacks" shall mean, as of any date of determination thereof, with respect to Dealer Agreements relating to Leases, amounts due to Dealers at such time from collections of Leased Vehicles by the Company or any Subsidiary (other than with respect to Leases which have been transferred or encumbered or reallocated from the Non-Specified Interest to a Specified Interest pursuant to a Permitted Securitization and (x) have not been reassigned to the Company or a Subsidiary of the Company or the encumbrances on which have not been discharged or (y) have not been reallocated from the applicable Specified Interest to the Non-Specified Interest) pursuant to the applicable Dealer Agreements.

"Permitted Acquisition" shall mean any acquisition by the Company or any of its Subsidiaries (other than the Titling Subsidiary or any Special Purpose Subsidiary) of assets, businesses or business interests or shares of stock or other ownership interests of or in any Person conducted in accordance with the following requirements:

- (a) not less than twenty (20) nor more than ninety (90) days prior to the commencement of each such proposed acquisition, the Company provides written notice thereof to Agent (with drafts of all material documents pertaining to such proposed acquisition to be furnished to Agent within not less than twenty (20) days prior to such proposed acquisition);
- (b) on the date of any such acquisition, all necessary or appropriate governmental, quasi-governmental, agency, regulatory or similar approvals of applicable jurisdictions (or the respective agencies, instrumentalities or political subdivisions, as applicable, of such jurisdictions) and all necessary or appropriate non-governmental and other third-party approvals which, in each case, are

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material to such acquisition have been obtained and are in effect, and the Company and its Subsidiaries are in full

compliance therewith, and all necessary or appropriate declarations, registrations or other filings with any court, governmental or regulatory authority, securities exchange or any other person have been made;

- (c) the aggregate value of all of such acquisitions, including the value of any proposed new acquisition, conducted while this Agreement remains in effect as Permitted Acquisitions (but excluding any acquisition conducted with the specific written approval of the Majority Banks, and not as a Permitted Acquisition hereunder) computed on the basis of total acquisition consideration paid or incurred, or to be paid or incurred, by the Company or its Subsidiaries with respect thereto, including all indebtedness which is assumed or to which such assets, businesses or business or ownership interests or shares, or any Person so acquired, is subject, shall not exceed Ten Million Dollars (\$10,000,000) (or the Alternative Currency equivalent thereof, if applicable), determined as of the date of such acquisition;
- (d) within thirty (30) days after any such acquisition has been completed the Company shall deliver to the Agent executed copies of all material documents pertaining to such acquisition, and the Company, its Subsidiaries and any of the corporate entities involved in such acquisition shall execute or cause to be executed, and provide or cause to be provided to Agent, for the Banks, such documents and instruments (including without limitation, the Guaranties as required by Section 7.22 hereof, and opinions of counsel, amendments, acknowledgments, consents and evidence of approvals or filings) as reasonably requested by Agent, if any; and
- (e) both immediately before and after such acquisition, no Default or Event of Default (whether or not related to such acquisition), has occurred and is continuing.

"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, (ii) any guaranties provided by a Significant Subsidiary of the Company of the Debt outstanding to the Noteholders or the Future Debt Holders, provided that concurrently with the giving of any such guaranty, such Subsidiary shall enter into a Guaranty on substantially similar terms and providing an equal and ratable benefit to the Banks or (iii) any agreement or other undertaking by the Company, as servicer or administrative agent of the Installment Contracts or Leases covered by a Permitted Securitization or as administrative agent for the Titling Subsidiary under the Titling Subsidiary Agreements, (A) to advance funds equal to the interest component of obligations issued as part of a Permitted Securitization and

payable from collections on such Installment Contracts or Leases or (B) to advance funds, upon the expiration or termination of a Lease held by the Titling Subsidiary or a Lease included in a Permitted Securitization, in the amount the Company and its Subsidiaries expect to receive upon the sale or other disposition of the vehicle subject to such Lease or (C) to advance funds equal to any portion of the "constant yield payment" (as defined in the Administrative Agency Agreement or the applicable Securitization Documents) due in any particular period which was not received with respect to a Lease held by the Titling Subsidiary or a securitized Lease, such payments in the case of each of subclauses (A), (B) and (C) of this clause (iii), to be repayable to Company on a priority basis from such collections, sales or other dispositions, provided that the aggregate amount of such advances under subclause (A), (B), and (C) of this clause (iii) at any time outstanding shall not exceed \$1,500,000 or (D) to transfer funds to the Titling Subsidiary to reacquire Leases (and the related leased vehicles) as may be required from time to time under the Administrative Agency Agreement, but only to the extent such Leases (and leased vehicles) are allocated to a Specified Interest immediately prior to the making of the related transfer.

"Permitted Securitization(s)" shall mean each transfer or encumbrance (each a "disposition") of specific Advances to Dealers or Leased Vehicles funded under Back-End Dealer Agreements (and any interest in or lien on the Installment Contracts, Leases, motor vehicles or other rights relating thereto) or of specific Installment Contracts or Leases (and any interest in or lien on motor vehicles or other rights relating thereto) arising under Outright Dealer Agreements and each transfer or encumbrance (also, a "disposition") of a Specified Interest (and the reallocation of Leased Vehicles, Leases and related financial assets from the Non-Specified Interest to such Specified Interest in connection therewith), in each case by the Company or one or more of its Subsidiaries to a Special Purpose Subsidiary conducted in accordance with the following requirements:

- (a) Each disposition shall identify with reasonable certainty the specific Advances to Dealers, Leased Vehicles, Installment Contracts or Leases covered by such disposition; and such Advances to Dealers or Leased Vehicles (and the Installment Contracts, Leases, motor vehicles or other rights relating thereto) and the Installment Contracts and Leases shall have performance and other characteristics so that the quality of such Advances to Dealers, Leases Vehicles, Installment Contracts or Leases, as the case may be, is comparable to, but not materially better than, the overall quality of the Company's Advances to Dealers, Leased Vehicles, Installment Contracts or Leases, as applicable, as determined in good faith by the Company in its reasonable discretion;
- (b) (i) The disposition of Advances to Dealers, Leased Vehicles, Installment Contracts or Leases will not result in the aggregate principal amount of Debt at any time outstanding, and (without duplication) of similar securities at any time issued and outstanding (other than subordinated securities issued to and held by the Company or a Subsidiary), of any Special Purpose Subsidiaries pursuant to Permitted Securitizations exceeding \$125,000,000, which amount may be

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readvanced and reborrowed and (ii) the Company or the Subsidiary disposing of Advances to Dealers, Leased Vehicles, Installment Contracts or Leases (directly, or by the transfer or encumbrance or other disposition of a Specified Interest) to a Special Purpose Subsidiary pursuant to such Permitted Securitization shall itself actually receive (substantially contemporaneously with such disposition) cash from each disposition of such financial assets in connection with any such Securitization Transaction in an amount not less than Seventy-Five Percent (75%) of the sum of (A) the amount of such Advances to Dealers, (B) the amount of Net Installment Contract Receivables in respect of Installment Contracts arising under Outright Dealer Agreements, and (C) the amount of Leased Vehicles, in each case determined on the date of such Securitization Transaction;

(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 Cleanup Call provisions;

(d) Concurrently with each such disposition, 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 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; provided, however, that to the extent

that, on the date any reduction of the principal balance outstanding under the Revolving Credit shall be required under this clause (d), the Indebtedness under the Revolving Credit is being carried, in whole or in part, at the Euro Currency-based Rate and no Default or Event of Default has occurred and is continuing, the Company may, after prepaying that portion of the Indebtedness then carried at the Prime-based Rate, deposit the amount of such required principal reductions in a cash collateral account to be held by the Agent, for and on behalf of the Banks (which shall be an interest-bearing account), on such terms and conditions as are reasonably acceptable to Agent and the Majority Banks and, subject to the terms and conditions of such cash collateral account, sums on deposit therein shall be applied (until exhausted) to reduce the principal balance of the revolving credit on the last day of each Interest Period attributable to the applicable Eurocurrency-based Advances of the Revolving Credit;

- (e) Each such Securitization Transaction shall be structured on the basis of the issuance of non-recourse Debt or other similar securities by the Special Purpose Subsidiary;

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- (f) Before conducting a Permitted Securitization, Agent shall have received, to the extent the applicable Senior Debt Documents require amendment or consent in order to effect such Permitted Securitization, copies of amendments to or consents under the Senior Debt Documents executed and delivered by the Company and the requisite holders of the Senior Debt reflecting such amendments or consents; and

- (g) Both immediately before and after such disposition, no Default or Event of Default (whether or not related to such disposition) has occurred and is continuing.

In connection with each Permitted Securitization conducted hereunder, not less than ten (10) Business Days prior to the date of consummation thereof, the Company shall provide to the Agent and each of the Banks (i) a schedule in the form attached hereto as Exhibit K identifying the specific Installment Contracts or Leases or the Advances to Dealers or Leased Vehicles (and providing collection information regarding the related Installment Contracts or Leases) proposed to be covered by such transaction (with evidence supporting its determination under subparagraph (a) of this definition, including without limitation a "static pool analysis" comparable to the static pool analysis required to be delivered under Section 7.3(c) hereof with respect to such Installment Contracts or Leases) and (ii) proposed drafts of the material Securitization Documents covering the applicable securitization (and the term sheet or commitment relating thereto) and within five (5) Business Days following the consummation thereof, the Company shall have provided to Agent and each Bank 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 financial assets actually covered by such transaction (and, if such financial assets are materially different, as reasonably determined by the Company, from those shown in the schedule delivered under clause (i), above, collection information and evidence supporting its determination under subparagraph (a) of this definition, including a comparable "static pool analysis," as aforesaid, with respect to such financial assets).

"Permitted Transfer(s)" shall mean (i) any sale, assignment, transfer or other disposition of inventory or worn-out or obsolete machinery, equipment or other such personal property in the ordinary course of business, (ii) any transfer of property by a Subsidiary to the Company, (iii) the transfer of the Teletrack name (owned by the Company) in connection with the sale of Teletrack, Inc., approved by the Banks under the Prior Credit Agreement, (iv) the sale of the business of Arlington Investment Company and/or any of its subsidiaries for net proceeds totaling at least \$4,000,000 in cash (all of which net proceeds are

used to reduce Debt outstanding under this Agreement), pursuant to (x) the sale of all or substantially all of the assets of Arlington Investment Company and/or any of its subsidiaries or divisions, (y) the sale of all of the capital stock of Arlington Investment Company and/or any of its subsidiaries or (z) the merger of Arlington Investment Company and/or any of its subsidiaries with and into any Person

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other than the Company or any Subsidiary; in each case, immediately prior to and immediately after the consummation of which, and after giving effect thereto, no Default or Event of Default would exist; and (v) any transfer of the capital stock of a Special Purpose Subsidiary to the Company or to any other Subsidiary which is not a Special Purpose Subsidiary.

"Securitization Transaction" shall mean a transfer of, or grant of a Lien on, Advances to Dealers, Leased Vehicles, Installment Contracts, Leases, 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 or the reallocation of Leases and Leased Vehicles (and related financial assets) by the Company or any Subsidiary from the Non-Specified Interest to a Specified Interest and the transfer of a Specified Interest 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, Specified Interests or other securities directly or indirectly evidencing interests in, such Advances to Dealers, Leased Vehicles, Installment Contracts, Leases, accounts receivable and/or other financial assets.

"Significant Subsidiary(ies)" shall mean, as of any date of determination, any Subsidiary other than any Special Purpose Subsidiary which is a Permitted Borrower or which has total assets (but excluding in the calculation of total assets, for any Domestic Subsidiary, any assets which constitute Intercompany Loans, advances, or extensions of credit by such Subsidiary to Company outstanding from time to time and any assets which are acquired or arise pursuant to a Permitted Securitization, including any equity interest in a Special Purpose Subsidiary) [this change retroactive to March 31, 1997] in excess of five percent (5%) of Company's Consolidated Tangible Net Worth, determined as of the end of each fiscal quarter based upon the financial statements required to be delivered under Section 7.3(b) or 7.3(c) hereof, as the case may be (and giving effect to any changes in net worth shown in such financial statements on the required date of delivery thereof); provided, however, that none of the Titling Subsidiary, the English Special Purpose Subsidiary, the Scottish Partnership or the Luxembourg Subsidiary shall be a Significant Subsidiary, whether or not it satisfies the aforesaid net worth test.

"Subsidiary(ies)" shall mean any other corporation, association, joint stock company, business trust, limited liability company, partnership (whether general or limited) or any other business entity of which more than fifty percent (50%) of the outstanding voting stock, share capital, membership or other interests, as the case may be, is owned either directly or indirectly by any Person or one or more of its Subsidiaries, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by any Person and/or its Subsidiaries. Unless otherwise specified to the contrary herein or the context otherwise requires, Subsidiary(ies) shall include the Titling Subsidiary and shall refer to each Person which is a Subsidiary of the Company and "100% Subsidiary(ies) shall mean any Subsidiary whose stock or partnership, membership or other equity interests (other than directors' or qualifying

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shares or other interests to the extent required under applicable law) are owned directly or indirectly entirely by the Company and/or any of the Permitted Borrowers.



SIXTH AMENDMENT TO NOTE PURCHASE AGREEMENT  
 RE:  
 CREDIT ACCEPTANCE CORPORATION  
 SECOND AMENDED AND RESTATED  
 9.27% SENIOR NOTES DUE OCTOBER 1, 2001

Dated as of March 8, 2001

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 its Second Amended and Restated 9.27% Senior Notes due October 1, 2001 (collectively, the "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 Second Amendment to Note Purchase Agreement, dated as of July 1, 1998, the Third Amendment to Note Purchase Agreement, dated as of April 13, 1999, the Fourth Amendment, dated as of December 1, 1999, and the Fifth Amendment, dated as of April 27, 2000, 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 as set forth in Section 2 hereof.

SECTION 2. AMENDMENT TO THE AGREEMENT.

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

2.1 SECTION 6.1. (a) Sections 6.1(a)(i), 6.1(b)(i) and 6.1(c) are each amended by adding the following at the end thereof, immediately following the word "GAAP" (prior to the ending punctuation):

, other than Debt represented by Intercompany Loans incurred by the English Special Purpose Subsidiary pursuant to the UK Restructuring

(b) Section 6.1(d) is hereby amended by adding the following at the end thereof (before the "."):

or (C) on or after June 13, 2000, thirty-five percent (35%) of Consolidated Tangible Net Worth

2.2 SECTION 6.6. Section 6.6(a)(i) is amended and restated in its entirety as follows:

(i) (A) Liens securing Property taxes, assessments or governmental charges or levies or the claims or demands of materialmen, mechanics, carriers, warehousemen, vendors, landlords and other like Persons, provided that the payment thereof is not at the time required by Section 6.12, (B) any Lien encumbering Securitization Property which is the subject of a Transfer pursuant to a Permitted Securitization, (C) any Lien granted in favor of the "Collateral Agent" (as defined in the Intercreditor Agreement) for the benefit of the

Banks, the holders of Notes and "Future Debt Holders" (as defined in the Intercreditor Agreement) and subject to the Intercreditor Agreement, and (D) Liens encumbering assets owned by CAC UK securing Debt incurred by Subsidiaries organized outside the United States if, in the case of this clause (D), immediately before and after the incurrence of any such Lien, and after giving effect thereto and to any concurrent transactions, no Default or Event of Default would exist;

2.3 SECTION 6.7. Section 6.7(a) is amended by replacing the "." at the end thereof with "; and" and by adding the following at the end thereof:

(v) Transfers made in accordance with the terms of the UK Restructuring if, immediately before and after the consummation of such Transfer, and after giving effect thereto and to any concurrent transactions, no Default or Event of Default would exist.

2.4 SECTION 6.8(a). (a) Clause (i) of Section 6.8(a) is hereby amended in its entirety as follows:

(i) (A) Transfers from a Restricted Subsidiary to the Company or to a Wholly-Owned Restricted Subsidiary; and

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(B) Transfers from an Unrestricted Subsidiary to the Company or to a Wholly-Owned Restricted Subsidiary if, immediately before and after the consummation of such Transfer, and after giving effect thereto and to any concurrent transactions, no Default or Event of Default would exist.

(b) Clause (v) of Section 6.8(a) is hereby amended and restated in its entirety as follows:

(v) any Transfer made pursuant to the Montana Disposition (including without limitation the transfer by the Company of its intellectual property rights to the name Tele-Track, Inc.), the Arlington Disposition or the UK Restructuring if, immediately before and after the consummation of such Transfer, and after giving effect thereto and to any concurrent transactions, no Default or Event of Default would exist; and

2.5 SECTION 6.8(c). Section 6.8(c) is hereby amended and restated in its entirety as follows:

(c) ACCOUNTS RECEIVABLE AND LEASES.  
Notwithstanding the provisions of Section 6.8(a), except to the Company or a Wholly-Owned Restricted Subsidiary pursuant to Section 6.8(a)(i) or to Comerica Bank in its capacity as "Collateral Agent" under the Intercreditor Agreement, or pursuant to or in connection with a Permitted Securitization, the Montana Disposition, the Arlington Disposition or the UK Restructuring, neither the Company nor any Restricted Subsidiary will Transfer, or reallocate from the Non-Specified Interest to a Specified Interest, any accounts receivable, leases or other financial assets if the sum of

(i) the face value of the accounts receivable, leases or other financial assets proposed to be Transferred, plus

(ii) the face value of the accounts receivable, leases or other financial assets Transferred by the Company and all Restricted Subsidiaries during the then current fiscal year of the Company (other than pursuant to the UK Restructuring),

would exceed five percent (5%) of the face value of the accounts receivable, leases and other financial assets of the Company and the Restricted Subsidiaries determined on a consolidated basis as at the

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end of the most recently ended fiscal year of Company prior to giving effect to any such Transfer.

2.6 SECTION 6.10. Section 6.10 is amended and restated in its entirety as follows:

6.10 TRANSACTIONS WITH AFFILIATES. The Company will not, and will not permit any Restricted Subsidiary to, enter into any transaction, including, without limitation, the purchase, sale or exchange of Property or the rendering of any service, with any Affiliate, except (a) a Permitted Securitization, (b) transactions in accordance with the terms of the UK Restructuring, or (c) in the ordinary course of and pursuant to the reasonable requirements of the Company's or such Restricted Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Restricted Subsidiary than would obtain in a comparable arm's-length transaction with a Person not an Affiliate.

2.7 SECTION 6.22. Section 6.22 is added to read as follows:

6.22 AMENDMENTS TO TITLING SUBSIDIARY AGREEMENTS. The Company will not, and will not permit the Titling Subsidiary to, amend, modify or otherwise alter (or permit to be amended, modified or altered) in any material respect adverse to the Holders, any of the Titling Subsidiary Agreements or any other documents or instruments relating to the establishment or operation of the Titling Subsidiary. For purposes of such documents or instruments, any amendments to or changes in the provisions relating to the creation or transfer of Specified Interests and the allocation or reallocation of financial assets or other property thereto, and any amendment, modification, resignation or removal whereby the Company shall cease to be the founding member of or otherwise cease to control the Titling Subsidiary or cease to be the administrative agent under the Titling Subsidiary Agreements shall (without reducing the scope of this Section 6.22) be deemed to be materially adverse to the Holders.

2.8 SECTION 6.23. Section 6.23 is added to read as follows:

6.23 CHANGES TO COLLATERAL ARRANGEMENTS.

(a) Prior to the transfer to or creation in the name of the Titling Subsidiary of any Leased Vehicles or Leases, the Company shall execute and deliver additional agreements (or an

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amendment to the Security Agreement, dated as of December 15, 1998, executed and delivered by the Company in favor of Comerica Bank, as agent under the Intercreditor Agreement) consisting of a security agreement and pledge encumbering the Company's entire Non-Specified Interest and any related documents or instruments necessary to encumber and/or perfect a security interest in such collateral, all as determined by and in form and substance satisfactory to the "Collateral Agent" and the "Majority Benefited Parties" under the Intercreditor Agreement, in their reasonable discretion.

(b) Before conducting the UK Restructuring, the Company shall grant a perfected first priority security interest, lien and charge to the "Collateral Agent" under the Intercreditor Agreement in not less than 65% of the aggregate partnership interests of the Scottish Partnership, as security for the indebtedness owed to the parties to the Intercreditor Agreement, on substantially the terms of that certain Deed of Charge dated as of December 17, 1998 and executed by Company in favor of the Collateral Agent (subject to local law variations) and otherwise satisfactory in form and substance to the "Collateral Agent" and the "Majority Benefited Parties" under the Intercreditor Agreement, in their reasonable discretion, provided that, concurrently therewith, Collateral Agent shall have released and discharged (or caused to be released and discharged) such Deed of Charge.

2.9 SECTION 6.24. Section 6.24 is added to read as follows:

6.24 SPECIAL LEASING COVENANTS. Except for Leases with respect to motor vehicles located outside the United States of America and its territories and possessions (which shall be originated by the Company or a Subsidiary, in its own name or using an assumed name), (a) originate and hold Leases other than (x) in the Company's own name or by the Company, but under the assumed name "CAC Auto Leasing" or "AutoNet Finance.com", (y) in the name of AutoNet Finance Company.com, Inc. or CAC Leasing, Inc. to the extent applicable state law prohibits the Company from originating Leases in such state using an assumed name, or (z) in the name of the Titling Subsidiary; and (b) except in connection with a Permitted Securitization, allocate or reallocate Leases, Leased Vehicles or other financial assets to a Specified Interest.

2.10 SECTION 7.1(j). Clause (2) of Section 7.1(j) is hereby amended and restated in its entirety as follows:

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(2) promptly upon the request of the Required Holders from time to time (but no more often than semi-annually), a "static pool analysis" which analyzes the performance of any Installment Contracts or Leases transferred, encumbered, reallocated from the Non-Specified Interest to a Specified Interest or otherwise disposed of pursuant to a Permitted Securitization comparable to the static pool analysis required to be delivered pursuant to clause (1) of this Section 7.1(j); and

2.11 SECTION 8.1(k). Paragraph (k) of Section 8.1 is hereby amended and restated in its entirety as follows:

(k) SECURITIZATIONS - 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 or, with respect to the Titling Subsidiary Agreements, the occurrence (beyond any applicable period of grace or cure) of any "administrative agent event of default" thereunder relating to or otherwise enforceable by the holder of a Specified Interest.

2.12 SECTION 9.1.

(a) The definition of "Cleanup Call" in Section 9.1 is

hereby amended and restated in its entirety as follows:

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, the Titling Subsidiary or a Special Purpose Subsidiary under the terms of the applicable Permitted Securitization (provided that, both before and after giving effect thereto, no Default or Event of Default has occurred and is continuing when such option is exercised), in an amount not in excess of (i) Fifteen Percent (15%) of the initial amount received by the Company, the Titling Subsidiary or the Special Purpose Subsidiary pursuant to such Permitted Securitization (before fees and other

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deductions), it being understood that, for purposes of the calculation under this clause (a)(i) of this definition, each tranche of a multi-tranche Permitted Securitization shall be considered a separate Permitted Securitization or (ii) in the case of any Securitization Transaction structured on a revolving basis, Fifteen Percent (15%) of the maximum aggregate availability at any time to the Company, the Titling Subsidiary or a Special Purpose Subsidiary, each such optional cleanup call to be accompanied (x) by the repurchase of or release of encumbrances on Advances, Leased Vehicles, Installment Contracts (whether assigned outright or related to Advances) or Leases (whether assigned outright or related to Leased Vehicles), as the case may be, previously transferred or encumbered pursuant to such Permitted Securitization in an amount equal to at least the amount of such cleanup call, or (y) if such Leased Vehicles or Leases are held by the Titling Subsidiary, by the reallocation of such Leases and Leased Vehicles from the applicable Specified Interest to the Non-Specified Interest in an amount equal to at least the amount of such cleanup call, 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(s), in an amount not in excess of (i) Two and One-Half Percent (2 1/2%) of the aggregate amount received by the Company, the Titling Subsidiary or a Special Purpose Subsidiary pursuant to the Permitted Securitization to which such mandatory cleanup call relates (before fees and other deductions), it being understood that, for purposes of the calculation under this clause (b)(i) of this definition, all tranches of a multi-tranche Permitted Securitization shall be together be considered one Permitted Securitization, or (ii) in the case of any Securitization Transaction structured on a revolving basis, Two and One-Half Percent (2 1/2%) of the maximum aggregate availability at any time to the Company, the Titling Subsidiary or a Special Purpose Subsidiary, each such mandatory cleanup call to be accompanied (x) by the repurchase of or release of encumbrances on Advances, Leased Vehicles, Installment Contracts (whether assigned outright or related to Advances) or Leases (whether assigned outright or related to Leased Vehicles), as the case may be, previously transferred or encumbered pursuant to such Permitted Securitization in an amount equal to at least the lesser of (A) the amount of such cleanup call or (B) the book value at the time of such cleanup call of the Advances, Leased Vehicles, Installment Contracts or Leases previously transferred or encumbered pursuant to such Permitted Securitization,

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or (y) if such Leased Vehicles or Leases are held by the Titling Subsidiary, by the reallocation of such Leases and Leased Vehicles from the applicable Specified Interest to the Non-Specified Interest in an amount equal to at least the lesser of (A) the amount of such cleanup call or (B) the book value at the time of such cleanup call of the Leased Vehicles and Leases currently held in such Specified Interest.

(b) The last sentence of the definition of "Debt" is hereby amended and restated in its entirety as follows:

Except as provided in Sections 6.1(a)(i), 6.1(b)(i) and 6.1(c), neither Debt of any Special Purpose Subsidiary which is an Unrestricted Subsidiary incurred pursuant to a Permitted Securitization (whether or not such Debt is reflected on the consolidated balance sheet of the Company and its Restricted Subsidiaries prepared in accordance with GAAP) nor dealer holdbacks shall be considered Debt of the Company or any Restricted Subsidiary.

(c) The definition of "English Special Purpose Subsidiary" is hereby added to Section 9.1 to read as follows:

ENGLISH SPECIAL PURPOSE SUBSIDIARY - means a Special Purpose Subsidiary organized by the Company, as part of the UK Restructuring, under the laws of England.

(d) The definition of "Equity Offering" in Section 9.1 is hereby amended by adding the following at the end thereof (before the "."):

, and other than the creation or disposition of any interest in the Titling Subsidiary

(e) The definition of "Intercompany Loans" is hereby added to Section 9.1 to read as follows:

INTERCOMPANY LOANS - means any loan or advance in the nature of a loan by the Company to any Subsidiary or by any Subsidiary to any other Subsidiary or to the Company.

(f) The definition of "Intercompany Loans, Advances and Investments" is hereby added to Section 9.1 to read as follows:

INTERCOMPANY LOANS, ADVANCES AND INVESTMENTS - means any Intercompany Loan and any other advance or Investment by the Company to a Subsidiary or by any Subsidiary to the Company or any other Subsidiary.

(g) The definition of "Leased Vehicles" in Section 9.1 is hereby amended and restated in its entirety as follows:

LEASED VEHICLES - means, as of any applicable date of determination, the dollar amount of advances in respect of Leases, as such amount would appear in the footnotes to the financial statements of the Company and its Restricted Subsidiaries prepared in accordance with GAAP or, if specifically identified, elsewhere in such financial statements, net of depreciation on the motor vehicles which are covered by Leases with respect to which such Leased Vehicles are attributable (and if such amount is not shown net of such reserves, then net of any reserves established by the Company as an allowance for credit losses related to such advances not expected to be recovered), provided that Leased Vehicles shall not include (a) the amount of any such advances

attributable to any Leases transferred or encumbered or reallocated from the Non-Specified Interest to a Specified Interest pursuant to a Permitted Securitization (whether or not attributable to the Company under GAAP) unless and until such advances (and the related Leases) are either reassigned to the Company or a Restricted Subsidiary (other than the Titling Subsidiary) or such encumbrances are discharged, or such advances (and the related Leases and vehicles) are reallocated from the applicable Specified Interest to the Non-Specified Interest or (b) Charged-Off Lease Advances, to the extent that such Charged-Off Lease Advances (i) exceed the portion of the allowance for credit losses related to reserves against such advances not expected to be recovered, as such allowance would appear in the footnotes to the financial statements of the Company and its Restricted Subsidiaries prepared in accordance with GAAP at such time or if specifically identified, elsewhere in such financial statements and (ii) have not already been eliminated in the determination of Leased Vehicles.

(h) The definition of "Lease(s)" in Section 9.1 is hereby amended and restated in its entirety as follows:

LEASE(S) - means the retail agreements for the lease of motor vehicles assigned outright by Dealers to the Company or a Restricted Subsidiary or written by a Dealer in the name of the Company or a Restricted Subsidiary (and funded by the Company or such Restricted Subsidiary) or assigned by Dealers to the Company or a

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Restricted Subsidiary, as nominee for the Dealer, for administration, servicing and collection, in each case pursuant to an applicable Dealer Agreement; provided, however, that to the extent the Company or any Restricted Subsidiary transfers or encumbers its interest in any Leases or reallocates such Leases from the Non-Specified Interest to a Specified Interest pursuant to a Permitted Securitization, such Leases shall, from and after the date of such transfer or encumbrance or such reallocation, cease to be considered Leases under this Agreement (reducing the amount of Leased Vehicles by the outstanding amount of Leased Vehicles attributable to such Leases) unless and until such Leases are reassigned to the Company or a Restricted Subsidiary (other than the Titling Subsidiary) or such encumbrances have been discharged or such Leases are reallocated from the applicable Specified Interest to the Non-Specified Interest.

(i) The definition of "Luxembourg Subsidiary" is hereby added to Section 9.1 to read as follows:

LUXEMBOURG SUBSIDIARY - means a wholly-owned direct or indirect Subsidiary organized under the laws of Luxembourg.

(j) The definition of "Net Leased Vehicle Dealer Holdbacks" in Section 9.1 is hereby amended and restated in its entirety as follows:

NET LEASED VEHICLE DEALER HOLDBACKS - means, at any time, with respect to Dealer Agreements relating to Leases, amounts due to Dealers at such time from collections of Leased Vehicles by the Company or any Restricted Subsidiary (other than with respect to Leases which have been transferred or encumbered, or reallocated from the Non-Specified Interest to a Specified Interest, pursuant to a Permitted Securitization and (x) have not been reassigned to the Company or a Restricted Subsidiary or the encumbrances on which have not been discharged or (y) have not been reallocated from the applicable Specified Interest to the Non-Specified Interest) pursuant to the applicable Dealer Agreements.

(k) The definition of "Non-Specified Assets" is hereby added to Section 9.1 to read as follows:

NON-SPECIFIED ASSETS - has the meaning ascribed thereto in the Titling Subsidiary Agreements.

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(l) The definition of "Non-Specified Interest" is hereby added to Section 9.1 to read as follows:

NON-SPECIFIED INTEREST - has the meaning ascribed thereto in the Titling Subsidiary Agreements.

(m) The lead-in paragraph and paragraph (b) of the definition of "Permitted Securitization(s)" are hereby amended and restated in their entirety as follows:

PERMITTED SECURITIZATION(S) - means each transfer or encumbrance (each a "disposition") of specific Advances or Leased Vehicles funded under Back-End Dealer Agreements (and any interest in or lien on the Installment Contracts, Leases, motor vehicles or other rights relating thereto) or of specific Installment Contracts or Leases (and any interest in or lien on motor vehicles or other rights relating thereto) arising under Outright Dealer Agreements and each transfer or encumbrance (also, a "disposition") of a Specified Interest (and the reallocation of Leased Vehicles, Leases and related financial assets from the Non-Specified Interest to such Specified Interest in connection therewith), in each case by the Company or one or more Restricted Subsidiaries to a Special Purpose Subsidiary conducted in accordance with the following requirements:

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(b) (i) The disposition of Advances, Leased Vehicles, Installment Contracts or Leases will not result in the aggregate principal amount of Debt at any time outstanding, and (without duplication) of similar securities at any time issued and outstanding (other than subordinated securities issued to and held by the Company or a Subsidiary), of any Special Purpose Subsidiaries pursuant to Permitted Securitizations exceeding \$125,000,000, which amount may be readvanced and reborrowed and (ii) the Company or the Restricted Subsidiary disposing of Advances, Leased Vehicles, Installment Contracts or Leases (directly, or by the transfer or encumbrance or other disposition of a Specified Interest) to a Special Purpose Subsidiary pursuant to such Permitted Securitization shall itself actually receive (substantially contemporaneously with such disposition) cash from each disposition of such financial assets in connection with any such Securitization Transaction in an amount not less than

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Seventy-Five Percent (75%) of the sum of (A) the amount of such Advances, (B) the amount of Net Installment Contract Receivables in respect of Installment Contracts arising under Outright Dealer Agreements, and (C) the amount of Leased Vehicles, in each case determined on the date of such Securitization Transaction;

(n) The definition of "Restricted Investment" in Section 9.1 is hereby amended by replacing existing clauses (l) and (m) with the

following:

(l) Intercompany Loans, Advances and Investments by the Company to or in the Titling Subsidiary, each such loan, advance or Investment being (x) allocated to the Non-Specified Interest and made by Company in the ordinary course of conducting its leasing business through the Titling Subsidiary, including without limitation any advances or investments made by the Company (acting as administrative agent under the Titling Subsidiary Agreements) to or in the Titling Subsidiary to reacquire Leases and the related leased vehicles as may be required from time to time under the Titling Subsidiary Agreements but only to the extent such Leases (and leased vehicles) are allocated to the Non-Specified Interest immediately prior to the making of the related loan, advance or investment, or (y) allocated to a Specified Interest and made to reacquire Leases and the related leased vehicles as may be required from time to time under the Titling Subsidiary Agreements but only to the extent such Leases (and leased vehicles) are allocated to the Specified Interest immediately prior to the making of the related loan, advance or investment;

(m) 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, Leased Vehicles, Installment Contracts (whether assigned outright or related to Advances) or Leases (whether assigned outright or related to Leased Vehicles) made pursuant to a Permitted Securitization and the 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 or administrative agent of the Installment Contracts or Leases covered by a Permitted Securitization or as administrative agent for the Titling Subsidiary under the Titling Subsidiary Agreements, in an aggregate amount not to exceed \$1,500,000 outstanding at any time, for the purpose of fulfilling its obligation under applicable

Securitization Documents to (A) advance funds equal to the interest component of obligations issued as part of a Permitted Securitization and payable from collections on such Installment Contracts or Leases, (B) advance funds, upon the expiration or termination of a Lease held by the Titling Subsidiary or a Lease included in a Permitted Securitization, in the amount the Company and its Subsidiaries expect to receive upon the sale or other disposition of the vehicle subject to such Lease or (C) advance funds equal to any portion of the "constant yield payment" (as defined in the Titling Subsidiary Agreements or applicable Securitization Documents) due in any particular period which was not received with respect to a Lease held by the Titling Subsidiary or a securitized Lease (such payments in the case of (A), (B) and (C) of this clause (ii) to be repayable to the Company on a priority basis from such collections, sales or other dispositions), (iii) the repurchase or replacement from and after the date of the effectiveness of the Fourth Amendment of an aggregate amount not to exceed \$5,000,000 in Advances, Leased Vehicles, Installment Contracts (whether assigned outright or related to Advances) or Leases (whether assigned outright or related to Leased Vehicles) subsequently determined not to satisfy the eligibility standards contained in the applicable Securitization Documents relating to a Permitted Securitization or otherwise required to be repurchased by the applicable Securitization Documents entered into in compliance with the terms of this Agreement, so long as (x) such replacement is accompanied by the repurchase of or

release of encumbrances on such financial assets previously transferred or encumbered pursuant to such securitization and in the amount thereof, (y) any replacement Advances, Leased Vehicles, Installment Contracts (whether assigned outright or related to Advances) or Leases (whether assigned outright or related to Leased Vehicles) 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, and (v) the disposition of the capital stock of a Special Purpose Subsidiary;

(n) Intercompany Loans, Advances and Investments made pursuant to the UK Restructuring; and

(o) Investments not otherwise included in clause (a) through clause (n) of this definition, provided that the aggregate

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amount of all such Investments does not at any time exceed Two Million Five Hundred Thousand Dollars (\$2,500,000).

(o) The definition of "Restricted Subsidiary" in Section 9.1 is hereby amended and restated in its entirety as follows:

RESTRICTED SUBSIDIARY -- means any Subsidiary (a) in respect of which the Company owns, directly or indirectly, (i) at least eighty percent (80%) (by number of votes) of each class of such Subsidiary's Voting Stock, or (ii) in the case of CAC Insurance Agency of Ohio, Inc., at least 99% of the shares of capital stock issued and outstanding of all classes in the aggregate, (b) that is organized under the laws of the United States of America or any jurisdiction thereof, the United Kingdom or any jurisdiction thereof (including, without limitation, England, Scotland and Wales), Canada or any jurisdiction thereof, Luxembourg or any jurisdiction thereof or the Republic of Ireland or any jurisdiction thereof, and that conducts all of its business in, and has all of its Property located in, the United States of America, the United Kingdom, Canada, Luxembourg and/or the Republic of Ireland and (c) that is not an Unrestricted Subsidiary. Any Restricted Subsidiary in compliance with the requirements set forth in the first sentence of this definition and designated as a Restricted Subsidiary on the Closing Date shall be deemed to have been a Restricted Subsidiary for all periods prior to the Closing Date. Notwithstanding any provision in Section 6.17 to the contrary, CAC International and CAC UK shall be deemed Restricted Subsidiaries as of October 1, 1995 and CAC of Canada Limited and any Subsidiary formed by the Company to provide property and casualty insurance shall each be deemed a Restricted Subsidiary as of the date of its formation.

(p) The definition of "Scottish Partnership" is hereby added to Section 9.1 to read as follows:

SCOTTISH PARTNERSHIP - means a partnership established by the Company under the laws of Scotland pursuant to the UK Restructuring whose partners consist of the Company and a Restricted Subsidiary organized in the United States.

(q) The definition of "Securitization Property" in Section 9.1 is hereby amended and restated in its entirety as follows:

SECURITIZATION PROPERTY -- means (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, (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 and (vii) a Specified Interest in the Titling Subsidiary.

(r) The definition of "Securitization Transaction" in Section 9.1 is hereby amended and restated in its entirety as follows:

SECURITIZATION TRANSACTION - means a Transfer of, or grant of a Lien on, Advances, Installment Contracts, Leased Vehicles, Leases, 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 or the reallocation of Leases and Leased Vehicles (and related financial assets) by the Company or any Restricted Subsidiary from the Non-Specified Interest to a Specified Interest and the transfer of a Specified Interest 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, Specified Interests or other securities directly or indirectly evidencing interests in, such Advances, Installment Contracts, Leased Vehicles, Leases, accounts receivable and/or other financial assets.

(s) The definition of "Specified Assets" is hereby added to Section 9.1 to read as follows:

SPECIFIED ASSETS - has the meaning ascribed thereto in the Titling Subsidiary Agreements.

(t) The definition of "Specified Interest" is hereby added to Section 9.1 to read as follows:

SPECIFIED INTEREST - has the meaning ascribed thereto in the Titling Subsidiary Agreements.

(u) The definition of "Subsidiary" is hereby amended and restated in its entirety as follows:

SUBSIDIARY - means a corporation, partnership, association, joint stock company, business trust, limited liability company or any other business entity of which the Company owns, directly or indirectly, more than fifty percent (50%) (by number of votes) of each class of the Voting Stock or sufficient equity or voting interests to enable it ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such entity. Unless otherwise specified to the contrary herein or the context otherwise requires, Subsidiary shall include the Titling Subsidiary.

(v) The definition of "Titling Subsidiary" is hereby added to Section 9.1 to read as follows:

TITLING SUBSIDIARY - means Auto Lease Services LLC, a Delaware limited liability company controlled by the Company and a direct Subsidiary of the Company.

(w) The definition of "Titling Subsidiary Agreements" is hereby added to Section 9.1 to read as follows:

TITLING SUBSIDIARY AGREEMENTS - means that certain Limited Liability Company Agreement of the Titling Subsidiary, dated and effective as of March 1, 2001 (and the related Certificate of Formation, as therein defined), and that certain Administrative Agency Agreement, dated as of March 1, 2001, among the Company and the Titling Subsidiary, each as amended (subject to the terms hereof) from time to time.

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(x) The definition of "UK Restructuring" is hereby added to Section 9.1 to read as follows:

UK RESTRUCTURING - means (i) the creation by the Company of the Scottish Partnership, the Luxembourg Subsidiary and the English Special Purpose Subsidiary, (ii) the capitalization of the Scottish Partnership with CAC UK stock by the Company, (iii) Intercompany Loans from time to time from the Company to the Scottish Partnership in an amount substantially equivalent to the fair market value of assets being transferred to the English Special Purpose Subsidiary at such time by CAC UK, provided that such Intercompany Loans are substantially contemporaneously repaid pursuant to clauses (ix) and (x) of this definition, (iv) the contribution of a nominal amount of capital to the Luxembourg Subsidiary, (v) the contributions to capital from time to time by the Scottish Partnership to the English Special Purpose Subsidiary out of the proceeds of the Company's substantially contemporaneous loan to the Scottish Partnership under clause (iii) of this definition, (vi) Intercompany Loans from time to time by the Scottish Partnership to the Luxembourg Subsidiary out of the proceeds of the Company's substantially contemporaneous loan to the Scottish Partnership under clause (iii) of this definition, (vii) Intercompany Loans from time to time by the Luxembourg Subsidiary to the English Special Purpose Subsidiary substantially equivalent in amount to the substantially contemporaneous loan made to the Luxembourg Subsidiary by the Scottish Partnership, (viii) transfers from time to time of Advances (and its rights in the related Installment Contracts or Leases) by CAC UK to the English Special Purpose Subsidiary for cash consideration in an amount substantially equivalent to the fair market value of the assets being transferred to the English Special Purpose Subsidiary at such time by CAC UK, (ix) dividends from CAC UK to Scottish Partnership in an amount substantially equal to the cash received by CAC UK in exchange for the assets transferred at such time to the English Special Purpose

Subsidiary, and (x) repayments from time to time of Intercompany Loans by the Scottish Partnership to the Company.

(y) The definition of "Voting Stock" is hereby added to Section 9.1 to read as follows:

VOTING STOCK - means, with respect to any Person, capital stock (or other equity interests) of any class or classes of a corporation, an association or another business entity the holders of

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which are ordinarily, in the absence of contingencies, entitled to vote in the election of corporate directors (or individuals performing similar functions) of such Person or which permit the holders thereof to control the management of such Person, including general partnership interests in a partnership and membership interests in a limited liability company.

### SECTION 3. MISCELLANEOUS

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

3.2 HEADINGS. The headings of the sections of this Sixth 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 Sixth 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 shall be modified or changed by this Sixth Amendment and (b) the terms and provisions of the Agreement, as amended by this Sixth Amendment, shall continue in full force and effect. The Company hereby acknowledges and reaffirms all of its obligations and duties under the Agreement, as modified by this Sixth Amendment, and the Notes.

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 Sixth Amendment may refer to the Agreement without making specific reference to this Sixth Amendment but nevertheless all such references shall be deemed to include, to the extent applicable, this Sixth Amendment unless the context shall otherwise require.

3.6 COMPLIANCE. The Company certifies that all necessary actions have been taken by the Company to authorize the execution and delivery of this Sixth Amendment, and immediately before and after giving effect to this Sixth Amendment, no Default or Event of Default exists or would exist after giving effect hereto.

3.7 EFFECTIVENESS OF AMENDMENTS. The amendments to the Agreement 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 the Company and the Required Holders of the Notes shall have indicated their written consent to such amendments by executing and delivering the applicable counterparts of this Sixth Amendment. It is understood that any holder of Notes may withhold its consent for any

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reason, including, without limitation, any failure of the Company to satisfy all of the following conditions:

(a) This Sixth Amendment shall have been executed and delivered by the Company and each of the Required Holders of the Notes.

(b) The execution, delivery and effectiveness of an agreement, signed by the Company and the requisite holders of the Company's Second Amended and Restated 9.49% Senior Notes due July 1, 2001 issued under Note Purchase Agreements dated as of August 1, 1996, containing an amendment to such Note Purchase Agreements identical in substance to the amendment 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 Second Amended and Restated 10.37% Senior Notes due November 1, 2001 issued under Note Purchase Agreements dated as of October 1, 1994, containing an amendment to such Note Purchase Agreements identical in substance to the amendment set forth in Section 2 hereof.

(d) The receipt by all holders of Notes of a fee, in consideration of the time and expense required to review this Amendment, in an amount equal to .04% of the outstanding principal amount of the Notes held by such holder as of the date hereof.

(e) The Company shall have paid the statement for reasonable fees and disbursements of Bingham Dana LLP, your special counsel, presented to the Company on or prior to the effective date of this Sixth Amendment.

3.8 AMENDMENT TO CREDIT AGREEMENT. The Company represents that the Fifth Amendment to the Credit Agreement, as executed by the "Majority Banks" (as defined in the Credit Agreement), is in the form attached as Attachment 1 hereto and in effect on the date of effectiveness of this Sixth Amendment.

3.9 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 Sixth 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 reasonably 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 Sixth Amendment) and the Notes.

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3.10 RELEASE OF ENGLISH SHARE CHARGE. The Holders hereby authorize, pursuant to Section 3(g) of the Intercreditor Agreement, the "Collateral Agent" under the Intercreditor Agreement to release that certain Deed of Charge dated as of December 17, 1998 and executed by Company in favor of the Collateral Agent, provided that, concurrently therewith, the Company shall have granted a perfected first priority security interest, lien and charge to the "Collateral Agent" under the Intercreditor Agreement in not less than 65% of the aggregate partnership interests of the Scottish Partnership as required under Section 6.23(b) of the Agreement, as amended hereby.

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If this Sixth 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 Sixth Amendment shall become binding between us in accordance with its terms.

Very truly yours,

CREDIT ACCEPTANCE CORPORATION

By:/S/ Douglas W. Busk

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Name: Douglas W. Busk  
Title: Chief Financial Officer

[Signature Page to Sixth Amendment to Note Purchase Agreement in respect of 9.27% Senior Notes Due October 1, 2001 of Credit Acceptance Corporation]

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ACCEPTED:

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

By/S/ Kathy Lange

-----  
Name: Kathy Lange  
Title:

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

By/S/ Kathy Lange

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Name: Kathy Lange  
Title:

ASSET ALLOCATION & MANAGEMENT

COMPANY AS AGENT FOR FEDERATED  
RURAL ELECTRIC INSURANCE CORP.

By/S/ Kathy Lange

-----  
Name: Kathy Lange  
Title:

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

By/S/ Kathy Lange

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Name: Kathy Lange  
Title:

ASSET ALLOCATION & MANAGEMENT  
COMPANY AS AGENT FOR MUTUAL  
PROTECTIVE INSURANCE COMPANY

By/S/ Kathy Lange

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Name: Kathy Lange  
Title:

[Signature Page to Sixth Amendment to Note Purchase Agreement in respect of

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9.27% Senior Notes Due October 1, 2001 of Credit Acceptance Corporation]

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

By/S/ Peter Maurogenes

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Name: Peter Maurogenes  
Title: Partner

ASSET ALLOCATION & MANAGEMENT  
COMPANY AS AGENT FOR WORLD  
INSURANCE COMPANY

By/S/ Peter Maurogenes

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Name: Peter Maurogenes  
Title: Partner

ASSET ALLOCATION & MANAGEMENT  
COMPANY AS AGENT FOR VESTA  
FIRE INSURANCE CORPORATION

By/S/ Peter Maurogenes

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Name: Peter Maurogenes  
Title: Partner

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

By/S/ Peter Maurogenes

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Name: Peter Maurogenes  
Title: Partner

[Signature Page to Sixth Amendment to Note Purchase Agreement in respect of  
9.27% Senior Notes Due October 1, 2001 of Credit Acceptance Corporation]

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ANNEX I  
SECOND AMENDED AND RESTATED 9.27% SENIOR NOTES  
DUE OCTOBER 1, 2001

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  
Vesta Fire Insurance Corporation  
Mutual Protective Insurance Company  
Medico Life Insurance Company

AMENDMENT NO. 4 TO  
SECURITY AGREEMENT

AMENDMENT NO. 4 TO SECURITY AGREEMENT (this "Amendment"), dated as of March 12, 2001, 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 BANK OF AMERICA, N.A., a national banking association ("Bank of America"), individually and as collateral agent (together with its successors and assigns in such capacity, the "Collateral Agent"), amending that certain Security Agreement (as amended to the date hereof, the "Security Agreement"), dated as of July 7, 1998, between the Company, the Debtor, the Servicer and Bank of America (known under the Security Agreement as "NationsBank, N.A."), individually and as Collateral Agent.

WHEREAS, on the terms and conditions set forth herein, the parties to the Security Agreement wish to amend the Security Agreement as provided herein.

NOW, THEREFORE, the parties HEREBY AGREE AS FOLLOWS:

SECTION 1. DEFINED TERMS. AS USED IN THIS AMENDMENT CAPITALIZED TERMS HAVE THE SAME MEANINGS ASSIGNED THERETO IN THE SECURITY AGREEMENT.

SECTION 2. AMENDMENTS.

(1) SECTION 1.1 OF THE SECURITY AGREEMENT IS HEREBY AMENDED BY DELETING THE DEFINITION OF "INSURANCE POLICY".

(2) SECTION 3.4 OF THE SECURITY AGREEMENT IS HEREBY AMENDED BY DELETING ALL OF THE LANGUAGE IN SUCH SECTION AND REPLACING IT WITH "RESERVED".

(3) SECTION 3.5 OF THE SECURITY AGREEMENT IS HEREBY AMENDED BY DELETING ALL OF THE LANGUAGE IN SUCH SECTION AND REPLACING IT WITH "RESERVED".

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SECTION 3. REPRESENTATIONS AND WARRANTIES.

(a) THE DEBTOR HEREBY MAKES TO THE COLLATERAL AGENT, THE COMPANY AND THE BANK INVESTORS, ON AND AS OF THE DATE HEREOF, ALL OF THE REPRESENTATIONS AND WARRANTIES SET FORTH IN SECTIONS 3.1 AND 3.2 OF THE SECURITY AGREEMENT, EXCEPT THAT TO THE EXTENT THAT ANY OF SUCH REPRESENTATIONS AND WARRANTIES EXPRESSLY RELATE TO AN EARLIER DATE, SUCH REPRESENTATIONS AND WARRANTIES SHALL BE TRUE AND CORRECT AS OF SUCH EARLIER DATE.

SECTION 4. EFFECTIVENESS. THIS AMENDMENT SHALL BECOME EFFECTIVE ON THE DATE HEREOF.

SECTION 5. COSTS AND EXPENSES. THE DEBTOR SHALL PAY ALL OF THE COMPANY'S, THE BANK INVESTORS' AND THE COLLATERAL AGENT'S COST AND EXPENSES (INCLUDING OUT OF POCKET EXPENSES AND REASONABLE ATTORNEYS FEES AND DISBURSEMENTS) INCURRED BY THEM IN CONNECTION WITH THE PREPARATION, EXECUTION AND DELIVERY OF THIS AMENDMENT.

SECTION 6. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 7. SEVERABILITY; COUNTERPARTS. THIS AMENDMENT MAY BE EXECUTED IN ANY NUMBER OF COUNTERPARTS AND BY DIFFERENT PARTIES HERETO IN SEPARATE COUNTERPARTS, EACH OF WHICH WHEN SO EXECUTED SHALL BE DEEMED TO BE AN ORIGINAL AND ALL OF WHICH WHEN TAKEN TOGETHER SHALL CONSTITUTE ONE AND THE SAME

INSTRUMENT. ANY PROVISIONS OF THIS AMENDMENT 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. CAPTIONS. THE CAPTIONS IN THIS AMENDMENT ARE FOR CONVENIENCE OF REFERENCE ONLY AND SHALL NOT DEFINE OR LIMIT ANY OF THE TERMS OR PROVISIONS HEREOF.

SECTION 9. RATIFICATION. EXCEPT AS EXPRESSLY AFFECTED BY THE

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PROVISIONS HEREOF, THE SECURITY AGREEMENT AS AMENDED SHALL REMAIN IN FULL FORCE AND EFFECT IN ACCORDANCE WITH ITS TERMS AND RATIFIED AND CONFIRMED BY THE PARTIES HERETO. ON AND AFTER THE DATE HEREOF, EACH REFERENCE IN THE SECURITY AGREEMENT TO "THIS AGREEMENT", "HEREUNDER", "HEREIN" OR WORDS OF LIKE IMPORT SHALL MEAN AND BE A REFERENCE TO THE SECURITY AGREEMENT AS AMENDED BY THIS AMENDMENT.

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IN WITNESS WHEREOF, THE PARTIES HERETO HAVE EXECUTED AND DELIVERED THIS AMENDMENT NO. 4 TO THE SECURITY AGREEMENT AS OF THE DATE FIRST WRITTEN ABOVE.

CAC FUNDING CORP., AS DEBTOR

BY: /S/ DOUGLAS W. BUSK  
NAME: DOUGLAS W. BUSK  
TITLE: CHIEF FINANCIAL OFFICER

CREDIT ACCEPTANCE CORPORATION,  
INDIVIDUALLY AND AS SERVICER

BY: /S/ DOUGLAS W. BUSK  
-----  
NAME: DOUGLAS W. BUSK  
TITLE: CHIEF FINANCIAL OFFICER

KITTY HAWK FUNDING CORPORATION,  
AS COMPANY

BY: /S/ ANDY YAN  
-----  
NAME:  
TITLE:

BANK OF AMERICA, N.A., INDIVIDUALLY  
AND AS COLLATERAL AGENT

BY: /S/ MICHELLE M. HEATH  
-----  
NAME: MICHELLE HEATH  
TITLE: MANAGING DIRECTOR



AMENDMENT NO. 4 TO  
NOTE PURCHASE AGREEMENT

AMENDMENT NO. 4 TO NOTE PURCHASE AGREEMENT (this "Amendment"), dated as of March 12, 2001, 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 issuer (together with its successors and assigns, the "Issuer") and BANK OF AMERICA, N.A., a national banking association ("Bank of America"), individually and as agent for the Company and the Bank Investors (together with its successors and assigns in such capacity, the "Agent"), amending that certain Note Purchase Agreement (as amended to the date hereof, the "Note Purchase Agreement"), dated as of July 7, 1998, among the Company, the Issuer and Bank of America (known under the Note Purchase Agreement as "NationsBank, N.A."), individually and as the Agent.

WHEREAS, on the terms and conditions set forth herein, the parties thereto wish to amend the Note Purchase Agreement as provided herein.

NOW, THEREFORE, the parties HEREBY AGREE AS FOLLOWS:

SECTION 1. DEFINED TERMS. AS USED IN THIS AMENDMENT CAPITALIZED TERMS HAVE THE SAME MEANINGS ASSIGNED THERETO IN THE NOTE PURCHASE AGREEMENT.

SECTION 2. AMENDMENTS.

(1) SECTION 1.1 OF THE NOTE PURCHASE AGREEMENT IS HEREBY AMENDED BY DELETING THE REFERENCE TO "AUGUST 7, 2001" IN THE DEFINITION OF "COMMITMENT TERMINATION DATE" AND REPLACING SUCH REFERENCE WITH "MARCH 11, 2002."

(2) Section 1.1 of the Note Purchase Agreement is hereby amended by deleting the definition of "Facility Limit" and replacing it with the following:

""FACILITY LIMIT" SHALL MEAN, AS OF MARCH 12, 2001, \$125,000,000, AND AT ANY TIME THEREAFTER, 102% OF THE NET INVESTMENT; PROVIDED, THAT AT NO TIME SHALL THE FACILITY LIMIT EXCEED \$125,000,000".

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(3) Section 1.1 of the Note Purchase Agreement is hereby amended by deleting THE REFERENCE TO "AUGUST 7, 2001" IN CLAUSE (VIII) OF THE DEFINITION OF "TERMINATION DATE" AND REPLACING SUCH REFERENCE WITH "MARCH 11, 2002".

(4) Section 2.1(e)(i)(4) of the Note Purchase Agreement is hereby amended by deleting the reference to "August 1, 2007" and replacing such reference with "June 30, 2009".

(5) Section 4.2(a)(i) of the Note Purchase Agreement is hereby amended by deleting the language in such section and replacing it with the following:

"Annual Reporting. Within ninety (90) days after the close of the Issuer's and CAC's fiscal years, (a) audited financial statements, prepared in accordance with GAAP on a consolidated basis for CAC and its Subsidiaries, 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 and (b) certain financial information for the Issuer in form and substance acceptable to the Agent."

SECTION 3. Representations and Warranties. The Issuer hereby makes to the Agent, the Company and the Bank Investors, on and as of the date hereof, all of the representations and warranties set forth in Section 4.1 of the Note Purchase Agreement and Sections 3.1 and 3.2 of the Security Agreement, except that to the extent that any of such representations and warranties expressly relate to an earlier date, such representations and warranties shall be true and correct as of such earlier date.

SECTION 4. Effectiveness. This Amendment shall become effective on March 12, 2001.

SECTION 5. Condition Precedent to Subsequent Funding. Prior to the Subsequent Funding on or next succeeding the date hereof, 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 "A" 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 7% 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 A. Nothing in this Section shall be interpreted as limiting in any way the other

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conditions to Funding in the Note Purchase Agreement or the Security Agreement.

SECTION 6. Costs and Expenses. The Issuer shall pay all of the Company's, the Bank Investors' and the Agent's cost and expenses (including out of pocket expenses and reasonable attorneys fees and disbursements) incurred by them in connection with the preparation, execution and delivery of this Amendment.

SECTION 7. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 8. Severability; Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same instrument. Any provisions of this Amendment 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 9. Captions. The captions in this Amendment are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

SECTION 10. Ratification. Except as expressly affected by the provisions hereof, the Note Purchase Agreement as amended shall remain in full force and effect in accordance with its terms and ratified and confirmed by the parties hereto. On and after the date hereof, each reference in the Note

Purchase Agreement to "this Agreement", "hereunder", "herein" or words of like import shall mean and be a reference to the Agreement as amended by this Amendment.

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IN WITNESS WHEREOF, THE PARTIES HERETO HAVE EXECUTED AND DELIVERED THIS AMENDMENT NO. 4 TO THE NOTE PURCHASE AGREEMENT AS OF THE DATE FIRST WRITTEN ABOVE.

CAC FUNDING CORP., AS ISSUER

BY: /S/ DOUGLAS W. BUSK

-----  
NAME: DOUGLAS W. BUSK

CORPORATION,

KITTY HAWK FUNDING

AS COMPANY

BY: /S/ ANDY YAN

-----  
NAME: ANDY YAN  
TITLE: VICE PRESIDENT

BANK OF AMERICA, N.A., INDIVIDUALLY AND AS COLLATERAL AGENT

BY: /S/ MICHELLE M. HEATH

-----  
NAME: MICHELLE M. HEATH  
TITLE: MANAGING DIRECTOR

## AMENDMENT NO. 4 TO CONTRIBUTION AGREEMENT

This AMENDMENT NO. 4 TO CONTRIBUTION AGREEMENT ("Amendment No. 4"), dated as of March 12, 2001, is made between CREDIT ACCEPTANCE CORPORATION, a Michigan corporation ("CAC") and CAC FUNDING CORP., a Nevada corporation ("Funding").

On July 7, 1998, CAC and Funding entered into a Contribution Agreement pursuant to which CAC did assign, transfer and convey to Funding a pool of Loans constituting the Contributed Property, and Funding did use such loans as collateral to obtain financing from unrelated parties. On June 30, 1999, December 15, 1999 and August 8, 2000, CAC and Funding entered into Amendments No. 1, No. 2 and No. 3, respectively, to the Contribution Agreement to provide for the transfer by CAC to Funding of additional Loans and related property. Funding now desires to acquire additional Loans and related property from CAC identified herein, 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 such additional Loans and related property to Funding upon the terms and conditions hereinafter set forth. CAC has 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:

SECTION 1. Definitions. All capitalized terms used herein shall have the meanings specified in the Contribution Agreement, as amended, or if not so specified, the meaning specified in, or incorporated by reference into, the Security Agreement or the Note Purchase Agreement, as the same may be amended through the date hereof, and shall include in the singular number the plural and in the plural number the singular. All accounting terms not specifically defined herein or therein 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. In addition, the following capitalized terms shall have the meanings shown in this Section:

"Additional 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 and all Related Security therefor (including all of CAC's right, title and interest in and to the vehicle retail installment sales contracts identified on Schedule 1 attached hereto), (ii) all Collections and (v) and all proceeds (including "proceeds" as defined in the UCC) of any of the foregoing.

"Closing Date" means March 12, 2001.

"Contribution Agreement" means the Contribution Agreement between CAC and Funding dated July 7, 1998, as amended.

"Cut-Off Date" means March 1, 2001.

"Loans" shall mean all amounts owing to CAC on account of advances made by CAC pursuant to Dealer Agreements entered into between CAC and a new or used automobile and/or light-duty truck dealer, including servicing charges, insurance charges and service policies and all related finance charges, late charges, and all other fees and charges charged to any such dealer, which Loans are related to those vehicle retail installment sales contracts identified on Schedule 1 attached hereto and are payable from Collections.

SECTION 2. Contribution and Sale of Additional Contributed Property.

(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 Additional Contributed Property conveyed on the Closing Date. 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 Additional 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 Additional 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 Additional Contributed Property by CAC to Funding pursuant to this Amendment No. 4 be construed as a complete transfer of such Loans and other Additional Contributed Property by CAC to Funding. Further, it is not the intention of CAC and Funding that such conveyance be deemed

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a grant of a security interest in the Loans and other Additional 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 Additional Contributed Property are construed to constitute property of CAC, then (i) this Amendment No. 4 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 Amendment No. 4 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 Additional Contributed Property, to secure the rights of Funding set forth in this Amendment No. 4 or as may be determined in connection therewith by applicable law. CAC and Funding shall, to the extent consistent with this Amendment No. 4, take such actions as may be necessary to ensure that, if this Amendment No. 4 were deemed to create a security interest in the Loans and other Additional Contributed Property, such security interest would be deemed to be a first priority 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 Schedule 1 to this Amendment No. 4, shall be delivered to Funding as confidential and proprietary, and is hereby incorporated into and made a part of this Amendment No. 4.

SECTION 3. Consideration. The consideration for the Loans and other Additional Contributed Property conveyed on the Closing Date to Funding by CAC under this Amendment No. 4 shall be reflected as by a credit on the books and records of Funding of an amount of additional contributed capital in the form of shareholders' equity with respect to the Shares previously issued to CAC, which amount shall be equal to the aggregate principal amount of the Loans as of the Cut-Off Date that are contributed by CAC to Funding on the Closing Date.

SECTION 4. Representations and Warranties. CAC represents and warrants to Funding as of the Closing 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 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,

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delivery and performance by CAC of this Amendment No. 4 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 Amendment No. 4), 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 Amendment No. 4 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 Additional Contributed Property, free and clear of all Adverse Claims. On or prior to the Closing Date, 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 Additional 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 Amendment No. 4 and the Contribution Agreement or any transaction contemplated hereby or thereby 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. 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 on CAC or the Additional Contributed Property.

(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 of the Contribution Agreement, or such other locations

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notified to Funding in accordance with the Contribution Agreement in jurisdictions where all actions required by the terms of this Amendment No. 4 and the Contribution Agreement have been taken and completed.

(i) Good Title. Upon the contribution of the Loans and related property to Funding pursuant to this Amendment No. 4, 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, as reported in the loan servicing system of CAC, the Aggregate Outstanding Eligible Loan Balance was not less than \$184,625,823.

(m) Collection Guidelines. Since July 7, 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 July 7, 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.

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(q) Bulk Sales. No transaction contemplated by this Amendment No. 4 requires compliance with any bulk sales act or similar law.

(r) Preference; Voidability. The transfer of the Loans, Collections, Related Security and other Additional 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. Sections 101 et seq.), as amended. After giving effect to the transfer of the Additional Contributed Property hereunder, CAC will not be insolvent.

(s) Consents, Licenses, Approvals. With respect to each Dealer Agreement and each Loan and Contract and all other Additional 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 Additional Contributed Property to Funding have been duly obtained, effected or given and are in full force and effect.

(t) Schedule 1. Schedule 1 to this Amendment No. 4 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 Schedule 1, 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 T, U or X promulgated by the Board of Governors of the Federal Reserve System.

The representations and warranties set forth in this Section 4 shall survive the conveyance of the Additional Contributed Property to Funding, and termination of the rights and obligations of Funding and CAC under this Amendment No. 4. 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.

SECTION 5. Reaffirmation of Covenants, etc. CAC and Funding each reaffirm to the other

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the covenants, undertakings, agreements and obligations set forth in Articles V and VI of the Contribution Agreement as is the same were set forth herein in full and made applicable to the Additional Contributed Property.

SECTION 6. Effectiveness. This Amendment No. 4 shall become effective on March 12, 2001.

SECTION 7. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MICHIGAN.

SECTION 8. Counterparts. This Amendment No. 4 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. Headings. The headings herein are for purposes of reference only and shall not otherwise affect the meaning or interpretation of any provision hereof.

SECTION 10. Ratification. Except as expressly affected by the provisions hereof, the Contribution Agreement, as amended hereby, shall remain in full force and effect in accordance with its terms and is hereby ratified and confirmed by the parties hereto. On and after the date hereof, each reference in the Contribution Agreement to "this Agreement", "hereunder", "herein" or words

of like import shall mean and be a reference to the Contribution Agreement as amended by this Amendment No. 4.

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IN WITNESS WHEREOF, Funding and CAC each have caused this Amendment No. 4 to the 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: Vice President and Chief Financial Officer

CREDIT ACCEPTANCE CORPORATION,  
individually and as Servicer

By: /S/ Douglas W. Busk

-----  
Name: Douglas W. Busk

Title: Vice President and Chief Financial Officer

Acknowledged and agreed as of the date first above written:

KITTY HAWK FUNDING CORPORATION

By: /S/ Andy Yan

-----  
Name: Andy Yan

Title: Vice President

BANK OF AMERICA, N.A., as Agent

By: /S/ Michelle M. Heath

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Name: Michelle M. Heath

Title: Managing Director

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[CAC LOGO]

Credit Acceptance Corporation ("CAC") welcomes you to Team CAC. CAC is a national leader in the specialty finance business. Team CAC is comprised of CAC's employees, shareholders, customers and dealer partners, for which you are about to become a member.

This Servicing Agreement will allow your dealership to establish a relationship with CAC and to formally become a member of Team CAC. If you have any questions with respect to this Servicing Agreement, please contact your CAC Sales Representative or Regional Sales Manager.

Again, welcome to Team CAC. We look forward to a long and mutually beneficial relationship.

DEALER SERVICING AGREEMENT

BY SIGNING BELOW, EACH PARTY AGREES TO BE BOUND BY THE TERMS AND CONDITIONS OF THIS SERVICING AGREEMENT ("AGREEMENT"), WHICH HAS BEEN READ AND UNDERSTOOD.

IN WITNESS WHEREOF, this Agreement is executed this \_\_\_ day of, \_\_\_\_\_, \_\_\_\_\_  
(month) (YR)

CREDIT ACCEPTANCE CORPORATION

DEALER

By: \_\_\_\_\_

(Legal Name) \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_

(D/B/A or Assumed Name): \_\_\_\_\_

\_\_\_\_\_

By: (Signature) \_\_\_\_\_

By: (Print Name) \_\_\_\_\_

Title: \_\_\_\_\_

DEALER'S ADDRESS (PLACE OF BUSINESS):

Street Address: \_\_\_\_\_

\_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_ Zip: \_\_\_\_\_

## RECITALS

WHEREAS, CAC is a specialized financial services company providing funding, receivables management, collection, sales training and related products and services to automobile dealers. CAC's principal business is providing automobile dealers with a financing source for used car purchasers who have limited access to traditional sources of consumer credit, such as banks and credit unions, due to their lack of credit history or a poor credit history. CAC conducts its business through: (i) the acceptance of retail installment contracts originated and assigned by Participating Dealers at or near the time of the sales transaction; and (ii) the subsequent management, servicing and collection of such Contracts.

WHEREAS, the Dealership named on the first page of this Agreement (hereinafter "Dealer") is a car dealership licensed to sell motor vehicles and/or light trucks to consumers at the sales location stated in this Agreement and Dealer has expressed a desire to become a Participating Dealer in the CAC Guaranteed Credit Approval System;

WHEREAS, CAC agrees to service Dealers Contracts pursuant to the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of the mutual agreements contained in this Agreement, the parties agree as follows:

## ARTICLE 1

### DEFINITIONS

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

"ADMINISTRATIVE EXPENSES" Refers to all costs, fees and expenses incurred with respect to any suit, action or proceeding involving or relating to any Dealer bankruptcy, appointment of a conservator, receiver or liquidator for the Dealer, readjustment of debt, marshaling of assets and liabilities, or for the winding up or liquidation of the Dealers affairs.

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

"CAPS" refers to any Internet based Credit Approval System that CAC may make available to Dealer.

"COLLECTION COSTS" means all costs, fees and expenses incurred or assessed by CAC in the administration, servicing and collection of a Receivable.

"COLLECTIONS" means all money received or collected by CAC with respect to a Contract, less any payments required by law to be remitted to the Obligor, less the amount of any checks returned for insufficient funds.

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

"CONTRACT" means a retail installment or conditional sales contract, promissory note and security agreement that evidences an Obligor's agreement to purchase a Financed Vehicle over time and that is assigned to CAC for servicing, administration and collection.

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

"GUARANTEED CREDIT APPROVAL SYSTEM" means the specialized program developed by CAC for use by Participating Dealers to maximize the dealer's sales and profits by providing their customers with an opportunity to establish or re-establish their credit.

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

"PARTICIPATING DEALER" means an automobile dealership that has elected to implement the Guaranteed Credit Approval System as evidenced by the execution of this Agreement.

"QUALIFYING RECEIVABLE" means a Contract that meets and the following specifications:

(i) it has not been rescinded; is not in default; is owned by the Dealer free and clear of all liens, claims, options, encumbrances and security interests (other than the security interest in favor of CAC) and is in all other respects a valid, binding and enforceable obligation of the Obligor at the time the Contract is to be assigned to CAC;

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

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(iii) the Dealer has taken all the steps required by law to enable the Obligor to register and title the Financed Vehicle in his/her name, and has taken all the steps necessary to insure that CAC has a first and prior perfected security interest in the Financed Vehicle securing the performance of the Obligor under the Contract;

(iv) the Financed Vehicle is adequately insured with a policy or policies covering damages, destruction and theft and such policies name CAC as a loss payee;

(v) the Dealer has delivered the motor vehicle and the motor vehicle satisfied all warranties, express or implied, made to the Obligor;

(vi) All amounts to be paid by the Obligor at the time of closing have in fact been paid and the down payment disclosed on the credit application and Contract are consistent and the down payment is made in accordance with Section 4.01 (i) of this Agreement;

"RECEIVABLE" means the amount of money due and owing by an Obligor under the terms of a Contract or Contracts that have been assigned to CAC for administration, servicing and collection.

"RECEIVABLE FILES" means all writings (including an executed copy of the Contract, credit application, privacy disclosure and discount disclosure) and all other records required by CAC relating to a Receivable.

## ARTICLE II

### ADMINISTRATION AND SERVICING OF CONTRACTS

#### 2.01 ASSIGNMENT AND ACCEPTANCE OF CONTRACTS;

(a) The Dealer may submit Contracts to CAC for administration, servicing and collection under the terms of this Agreement. Submission of such a Contract to CAC constitutes a representation and warranty by the Dealer that such Contracts meet the criteria set forth in the definition of Qualifying Receivable and the provisions of Article IV of this Agreement.

(b) If CAC issues an approval number with respect to a Qualifying Receivable,

the Dealer shall deliver the Receivable Files to CAC and assign such Contract and Dealer's security interest in the Financed Vehicle to CAC as nominee for the Dealer, which assignment shall be for purposes of administration, servicing and collection of the Receivable, as well as for security purposes as set forth in Section 2.03(e). Upon the request of CAC, the Dealer will furnish CAC with any additional powers of attorney and other documents that CAC deems necessary or appropriate to enable CAC to carry out its administration, servicing and collection duties hereunder. Dealer understands that absent an Event of Default as set forth in Section 5.04, the assignment is without recourse to the general assets of the Dealer and that the Dealer is not a guarantor of a Contract that has been assigned to CAC. As such, the Dealer is not entitled to receive any statutory notices concerning CAC's collection of a Receivable, such as a post repossession notice (Uniform Commercial Code) or any other statutory notice.

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

(d) If CAC accepts such Contract it shall be deemed a Receivable under this Agreement and CAC will service and administer such Receivable on behalf of the Dealer in accordance with the terms of this Agreement. CAC is hereby authorized and empowered to endorse the Dealer's name on any payments made payable to the Dealer. CAC is also authorized to execute and deliver, in CAC's own name, and on behalf of the Dealer, any and all instruments of satisfaction or cancellation, or of partial or full release or discharge, and all other comparable instruments, with respect to the Receivables or to the Financed Vehicles.

(e) Upon early termination of a Receivable, Dealer understands that the Obligor may be entitled to a refund of an amount equal to the unused portion of any premium collected by Dealer or otherwise received by the Dealer in connection with the sale of any ancillary product, including GAP insurance, property insurance, credit life and credit life accident and health insurance, and warranty or service contracts. Any refund will be calculated in accordance with the product policy or as required by applicable law. CAC will notify Dealer of the cancellation and the Dealer will remit payment of the refund to the Obligor or to CAC, as instructed by CAC.

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

(g) In furtherance of this Agreement, Dealer is encouraged to communicate information to CAC, including location information on Obligors, to the extent that the Dealer believes that the information will assist CAC in servicing the Receivables.

## 2.02 DUTIES OF CAC

(a) CAC's duties shall consist of holding the Receivable Files; collecting and posting of payments due under the Receivables as set forth in subsection (b) of this Section 2.02 and reapplying the amounts so collected in the manner set forth in section 3.03; responding to inquiries of Obligors on the Receivables; investigating delinquencies; sending monthly payment books, payment statements and/or receipts to Obligors; and furnishing statements to Participating Dealers in accordance with Section 3.04.

(b) CAC shall use reasonable efforts to collect all payments called for under the terms and provisions of the Receivables as and when the same shall become due. On behalf of the Dealer, and at the discretion of CAC, CAC shall use reasonable efforts to repossess or otherwise convert the ownership of the Financed Vehicle securing any Receivable, and sell or otherwise liquidate the Financed Vehicle. CAC may, in its discretion, negotiate payment arrangements with a Obligor, settle account balances, waive any late payment charge or any other fee, take any other action that it believes is necessary or advisable in the servicing and collection of the Receivables, including selling or assigning delinquent Receivables to third parties for Collection, or refrain from taking any action that it believes is not in the best interest of CAC or the Dealer.

## 2.03 DUTIES OF DEALER; GRANT OF SECURITY INTEREST

(a) Dealer shall comply will the terms and conditions of this Agreement, including the representations and warranties set forth in Section 4.01.

(b) If required by CAC, the Dealer shall require each Obligor to obtain and shall maintain adequate insurance covering damage, destruction and theft of the Financed Vehicle, at least in the minimum amounts required by law. If CAC has required such insurance and has determined that an Obligor has allowed any such insurance covering the related Financed Vehicle to lapse, CAC may place such insurance and pay the related premium for the account of the Obligor and the Dealer.

(c) The Dealer will take such steps as are necessary to perfect the security interest in the Financed Vehicle in the name of CAC, including placing CAC's name as lien holder on all titles to the Financed Vehicles. The Dealer will take all steps as are necessary to permit the Obligor to title and register the Financed Vehicle in his/her name.

(d) If any payments of a Receivable are made to the Dealer after such Receivable is accepted by CAC under this Agreement, the Dealer will immediately forward such payment to CAC.

(e) The Dealer hereby grants CAC a security interest in all Receivables now or hereafter transferred to CAC pursuant to this Agreement and in the Dealer's interest in the Financed Vehicles connected therewith, together with all proceeds, as security for the payment of all indebtedness of the Dealer to CAC, including Advances, Collection Costs, Administrative Expenses and any other amounts due to CAC hereunder. This grant of a security interest will survive the termination of this Agreement until the Dealer has paid all its obligations to CAC due under this Agreement in full, including Advances, Collection Costs and Administrative Expenses. Dealer agrees to take any action requested by CAC from time to time, to further perfect its security interest in the Receivables.

(f) As a Participating Dealer, the Dealer agrees to adhere to the operational guidelines of the Guaranteed Credit Approval System and to take reasonable steps to ensure that it sales staff is adequately trained and certified through CAC University.

## ARTICLE III

### ADVANCES, DISTRIBUTIONS AND SERVICING FEE

#### 3.01 ADVANCES

Upon the acceptance by CAC of a Contract under Section 2.01, CAC may, in its discretion, make an Advance. The amount of the Advance will be determined by the applicable advance program or credit score currently in use by CAC and made available to the Dealer at the time the Contract is submitted to CAC under Section 2.01. Such Advances shall be repaid to CAC as provided in Section 3.03, unless this Agreement is terminated early under Article V of this Agreement. CAC reserves the right to modify its advance methodology from time to time, without any prior notice to the Dealer.

#### 3.02 SERVICING FEE

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

#### 3.03 APPLICATION OF FUNDS

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

FIRST, to reimburse CAC for all Collection Costs;

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

THIRD, to all outstanding Advances or any other indebtedness or amounts owing from the Dealer to CAC, including, without limitation, Administrative Expenses, CAPS User Fees, Contract Termination Fees, and any indemnification obligations of Dealer to CAC pursuant to Section 4.02 of this Agreement; and

FOURTH, to the Dealer.

All amounts due to the Dealer under this Section 3.03 with respect to Collections made during the calendar month shall be paid to the Dealer as soon as possible, but in all circumstances before the last day of the month immediately following the month the Collections were generated.

#### 3.04 STATEMENTS TO DEALER

CAC shall provide Participating Dealers a statement, or access to a statement via the Internet, containing the following information:

- (i) The amounts set forth in Section 3.03;
- (ii) The amount of any distribution to the Dealer.

Dealer understands and agrees that CAC may, at its discretion, terminate the distribution of dealer statements in the event the Participating Dealer is no longer in business or fails to submit any Contracts for the proceeding 12 months and the Participating Dealer is not receiving back end payments pursuant to Section 3.03 and has not specifically requested, in writing, that CAC continue to send dealer statements.

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### ARTICLE IV

#### DEALER PROMISES

##### 4.01 REPRESENTATIONS AND WARRANTIES

The Dealer makes the following representations on which CAC is relying in entering into this Agreement with the Dealer in accepting Contracts and the accompanying Receivables, and each request by the Dealer to CAC to administer, service and collect a Receivable under Section 2.01 will act as a reaffirmation of each of the following representations as of the date of such request:

(i) DOWN PAYMENT. Dealer understands that the amount of down payment paid by the Obligor is an integral element of the CAC Financing Program and that the Dealer must not misrepresent the amount of the down payment paid by the Obligor in connection with the purchase of a Financed Vehicle. Down Payment means the amount of "cash" or "trade" down payment paid by the Obligor with respect to the purchase of the Financed Vehicle. To the extent that the Dealer accepts a vehicle in trade towards, in whole or in part, the Obligors down payment, Dealer agrees to apply only the Actual Cash Value of that vehicle to the trade in amount. Dealer agrees to disclose on credit applications any and all rebates and source of down payment, if known by the dealer. Dealer warrants not to purchase any item, transfer funds, include any post dated checks, rebates, side notes or installment notes to buyer for use as down payment or for any other reason related to purchase, and that the down payment has been collected in full prior to assignment to "CAC".

(ii) ORGANIZATION IN GOOD STANDING. The Dealer is duly organized and is validly existing as a legal entity (corporation, partnership, sole proprietor, LLC, etc.) a corporation in good standing under the laws of state in which it operates, with full power and authority to own its properties and to conduct its business, and had at all relevant times, and shall have power, authority, and legal right to acquire and own the Receivables. The Dealer is duly qualified to do business and has obtained all necessary licenses and approvals in all jurisdictions in which the ownership or lease of property or the conduct of its business requires such qualification. The individual signing this Agreement on behalf of the Dealer has the power and authority to execute and deliver this Agreement and to carry out its terms and the execution on behalf of the Dealer.

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

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

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

#### 4.02 INDEMNITIES

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

(i) any claims by the Obligor with respect to the condition or operation of the Financed Vehicle and the purchase thereof; and the preparation of the Contract assigned to CAC.

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

(iii) any taxes that may at any time be asserted against CAC with respect to the transactions contemplated herein (other than taxes measured by the net income of CAC), including, without limitation any sales, gross receipts, general corporation, tangible or intangible personal property, privilege, or license taxes and costs and expenses in defending against same.

Indemnification under this Section shall include reasonable attorneys' fees, and all expenses of litigation. To the extent that CAC incurs any costs, fees or expenses pursuant to this Section 4.02, CAC may, at its discretion, treat these costs, fees or expenses as Collection Costs, recovered pursuant to Section 3.03 of this Agreement..

#### 4.03 CONFIDENTIALITY

Except as required for Dealer to conduct its regular daily business with CAC, Dealer shall not at anytime, either during or for a period of two years after termination of Dealer's relationship with CAC, or in any way, disclose, disseminate, transfer and/or use, or permit anyone else to disclose, disseminate, transfer and/or use, any Confidential Information of CAC. Dealer acknowledges that the Confidential Information of CAC is valuable, special and unique to CAC's business and on which such business depends, and is proprietary to CAC and its affiliates, and that CAC has protected and wishes to continue to protect the confidential Information by keeping it secret and confidential for the sole use and benefit of CAC and its affiliates. Upon termination of this Agreement without the necessity of any request from CAC, or at any other time CAC may in writing so request, Dealer shall promptly deliver to CAC all materials concerning any Confidential Information, copies thereof and any other materials of CAC and/or its affiliates which are in Dealer's possession or under Dealer's control, and Dealer shall not make or retain any copy, draft or extract thereof which has been made at any time. The obligations of Dealer under this Section 4.04 shall survive the termination (for any reason) or breach of this Agreement. Dealer agrees that CAC shall be entitled, as a matter of law, without the need to prove irreparable injury, to an injunction, restraining order or other equitable relief from any court of competent jurisdiction, restraining any violation or threatened violation of this Section 4.04 (a) by Dealer.

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### ARTICLE V

#### TERMINATION AND ASSIGNMENT

##### 5.01 MERGER OR CONSOLIDATION OF CAC

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

##### 5.02 RESIGNATION BY CAC

CAC may terminate this Agreement with respect to acceptance of all future

Contracts upon written notice to the Dealer.

#### 5.03 TERMINATION BY THE DEALER

So long as there is no Event of Default, the Dealer may terminate this Agreement upon written notice to CAC.

#### 5.04 EVENTS OF DEFAULT

(a) Dealer understands the importance of assigning only those Contracts to CAC that are in compliance with applicable law and are otherwise in compliance with the Dealer Representations contained in this Agreement and in the Contract. To the extent that CAC or the Dealer discovers that a Contract assigned to CAC is not in compliance with the Dealer Representations contained in this Agreement, and the violation is the result of a bona fide error or mistake, then Dealer agrees to repurchase the subject Contract from CAC for an amount equal to the Advance paid by CAC, plus the applicable Contract Termination Fee. Upon receipt of this amount, CAC will re-assign the Contract to the Dealer and will execute the necessary documentation transferring CAC's lien in the Financed Vehicle to the Dealer.

However, to the extent that CAC reasonably believes that the Dealer has undertaken a pattern and practice to defraud CAC by assigning to CAC Contracts that violate the Dealer Representations contained in this Agreement or in the Contract, then Dealer agrees to allow CAC or its designee immediate access to audit Dealer's internal dealer records, including individual deal jackets, recap sheets, general ledger, bank statements, cash receipt books and journals and any other documents deemed necessary by CAC for use in conducting its audit. Upon completion of the audit, CAC will notify Dealer of the audit results. CAC and Dealer agree to meet and discuss the audit results in an attempt to resolve any issues that may be discovered through the audit. To the extent that the parties are unable to resolve their differences, CAC, at its discretion, can require the Dealer to repurchase the entire portfolio pursuant to the termination language of Section 5.05 of this Agreement.

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

(i) Dealer refuses to grant CAC or its designee immediate access to its internal records to perform an audit as provided for in Section 5.04 (a);

(ii) the Dealer admits in writing its inability to pay its debts generally as they become due; files a petition to take advantage of any applicable bankruptcy statute; makes an assignment for the benefit of its creditors or voluntarily suspends payment of its obligations; a decree or order is entered by a court or agency for the appointment of a conservator, receiver or liquidator for the Dealer in any bankruptcy, readjustment of debt, marshaling of assets and liabilities, or similar proceedings, or for the winding up or liquidation of its affairs; or the Dealer consents to the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities, or similar proceedings of or relating to the Dealer;.

(iii) the Dealer or any guarantor, without CAC's written consent, (a) is dissolved; (b) merges or consolidates with any third party; (c) leases, sells or otherwise conveys a material part of its assets or business outside the ordinary course of business; (d) ceases to operate its business; or (e) agrees to do any of the foregoing;

#### 5.05 EFFECT OF TERMINATION

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

(i) Any unreimbursed Collection Costs and Administrative Expenses;

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

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

Upon receipt in full of the amounts set forth in (i) through (iii) above, CAC shall deliver all Receivable Files to the Dealer and shall take such action as may be requested by Dealer, at the Dealers expense, to terminate or assign to the Dealer CAC's security interest in the Receivables and Financed Vehicles. If the Dealer fails to promptly pay such amounts, CAC may exercise any rights it

has, including those under the Uniform Commercial Code, and may, at its discretion, continue to collect the Receivables and retain Collections in satisfaction of such amounts due from the Dealer.

Dealer acknowledges and agrees that this termination fee is not a penalty provision, but rather just compensation for the work CAC performed up to the date of termination in addition to the work that will have to be performed in transferring the Receivable Files back to the Dealer or its designee, releasing its lien in the Financed vehicle and in notifying the Obligors that their Contracts are now being serviced by the Dealer or its designee.

#### 5.06 COLLECTION FOLLOWING TERMINATION

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

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### ARTICLE VI

#### MISCELLANEOUS PROVISIONS

##### 6.01 GOVERNING LAW

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

##### 6.02 NOTICES

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

##### 6.03 SEVERABILITY OF PROVISIONS; UNENFORCEABILITY

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

##### 6.04 ARBITRATION AND COSTS

Any disputes and differences arising between the parties in connection with or relating to this Agreement or the parties relationship with respect hereto shall be settled and finally determined by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The arbitration shall take place in Southfield, Michigan and shall be conducted by three arbitrators, one of whom shall be selected by the Dealer, one selected by CAC and the third by the two arbitrators so selected. Each party shall notify the other party of the arbitrators selected by it within 30 days of a written request from one party to the other for arbitration. In the event either party shall fail to select an arbitrator or fail to notify the other party of the arbitrator that it has selected within such time period, the arbitrator so selected by the other party shall select a second arbitrator. The decision and award of the arbitrators shall be in writing, and shall be final and binding upon the parties hereto. Judgment upon the award may be entered in any court having jurisdiction thereof or any application may be made to such court for

judicial acceptance of or award in order of enforcement, as the case may be. In the event that CAC shall prevail under any dispute or claim with respect to this Agreement, the Dealer shall pay any costs and expenses incurred by CAC with respect to such dispute, including court costs and attorneys' fees. Notwithstanding the foregoing, CAC shall be entitled to seek legal and equitable relief under this Agreement, pursuant to Section 4.04 or otherwise, in any court of record in the State of Michigan, County of Oakland, or in the United States District Court of the Eastern District of Michigan, and Dealer consents to the jurisdiction thereof.

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

#### 6.05 RIGHTS CUMULATIVE / WAIVER

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

#### 6.06 USAGE OF TERMS

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

#### 6.07 ASSIGNMENT

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

#### 6.08 SETOFF

CAC may, at any time and from time to time, at its option, set off and apply against any amounts due to CAC either hereunder or otherwise any Dealer funds held by CAC. This right of setoff extends to any additional or subsequent dealer Advance Pools or Lots owned by Dealer.

#### 6.09 DELEGATION OF DUTIES; LIABILITY

CAC may execute any of its duties under this Agreement by or through agents, nominees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. CAC shall not be responsible for the negligence or misconduct of any agents, nominees or attorneys-in-fact selected by it with reasonable care. Neither CAC nor any of its officers, directors, employees, nominees, attorneys-in-fact or affiliates shall be liable for any action lawfully taken or omitted to be taken by it or any such person under or in connection with this Agreement (except for its or such person's own gross negligence or willful misconduct).

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#### 6.10 WAIVER OF JURY TRIAL

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

otherwise any such action in which a jury trial cannot be or has not been waived.

6.11 COMPLETE AGREEMENT

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

[CAC LOGO]

CREDIT ACCEPTANCE CORPORATION

SCHEDULE OF CREDIT ACCEPTANCE CORPORATION SUBSIDIARIES

The following is a list of subsidiaries as of the date of this filing of Credit Acceptance Corporation, other than subsidiaries which, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary, as defined by the Securities and Exchange Commission Regulation S-X.

Credit Acceptance Corporation Life Insurance Company

Buyers Vehicle Protection Plan, Inc.

AutoNet Finance Company.com, Inc

CAC Funding Corp.

CAC Leasing, Inc.

CAC Reinsurance, Ltd.

Vehicle Remarketing Services, Inc.

Credit Acceptance Corporation UK Limited

CAC of Canada, Limited

Credit Acceptance Corporation Ireland Limited

Auto Funding America, Inc.

Auto Funding America of Nevada, Inc.

Auto Lease Services, LLC

## INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the Registration Statement of Credit Acceptance Corporation on Forms S-3 (File Nos. 33-75246 (as amended) and 333-18301) and Forms S-8 (File Nos. 33-64876 and 33-80339) of our report dated January 24, 2001, appearing in the Annual Report on Form 10-K of Credit Acceptance Corporation for the year ended December 31, 2000.

DELOITTE & TOUCHE  
Detroit, Michigan  
April 2, 2001