

January 31, 2008

Re: 2007 Form 1099-B

Dear Stockholder:

You should have recently received a Form 1099-B for tax year 2007 that reports the tax characteristics of the cash paid on or about June 18, 2007 to stockholders whose shares were repurchased by us as part of our 2007 Tender Offer (the “Repurchase Distribution”). The information is provided on the Form 1099-B as required by the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations thereunder to aid you in the preparation of your 2007 income tax return.

For your convenience, we are enclosing an excerpt from our Offer to Purchase, dated May 9, 2007, that describes “exchange” treatment and “dividend” treatment and other possible federal income tax consequences as a result of the Repurchase Distribution. We are unable to determine at our corporate level whether particular stockholders who received a Repurchase Distribution as part of our 2007 Tender Offer are entitled to “exchange” treatment or “dividend” treatment under the Code with respect to the Repurchase Distribution made. Such determination depends on the particular facts and circumstances of each stockholder.

We believe that a number of our stockholders may be entitled to “exchange” treatment. Therefore, although not free from doubt, the Repurchase Distributions are reported on Form 1099-B. Even though the Repurchase Distributions are reported on Form 1099-B, it does not necessarily mean that “exchange” treatment applies to you and, because such determination depends on the particular facts and circumstances of each stockholder, it is unclear to us which type of treatment applies to you. You should consult with your own tax adviser to determine whether “exchange” or “dividend” treatment applies to you.

The discussion above, the enclosed excerpt from our 2007 Offer to Purchase and the Form 1099-B recently sent to you are provided solely for informational purposes and should not be considered tax advice. **You are urged to consult with your own tax advisor for guidance on the proper tax treatment and particular tax consequences to you of the Repurchase Distribution, including any federal, state, local or foreign tax considerations.**

If you have any questions regarding your Form 1099-B, please contact Investor Relations at [ir@AssetAcceptance.com](mailto:ir@AssetAcceptance.com), 586-939-9600 option 5, or check the Investors section of our website at [www.AssetAcceptance.com](http://www.AssetAcceptance.com).

Sincerely,

Asset Acceptance Capital Corp.

*Excerpt – Offer to Purchase dated May 9, 2007*

**ASSET ACCEPTANCE CAPITAL CORP.**

**28405 Van Dyke Avenue  
Warren, Michigan 48093**

**Offer to Purchase for Cash  
ASSET ACCEPTANCE CAPITAL CORP.  
up to 1,858,000 shares of its common stock  
at a purchase price not greater than \$20.00  
nor less than \$18.25 per share**

*Set forth below is an excerpt of Section 13 from the Offer to Purchase dated May 9, 2007.*

**Section 13. U.S. federal income tax consequences**

The following discussion of the United States federal income tax consequences of our offer was, within the meaning of Internal Revenue Service Circular 230 Disclosure requirements, written for the purpose of promoting our offer, but it was not written or intended to be used, and cannot be used, by a stockholder or any other party for the purpose of avoiding sanctions, including federal tax penalties, under the Internal Revenue Code of 1986, as amended. You should consult your own tax advisor as to the particular United States federal income tax consequences to you of tendering shares pursuant to our offer and the applicability and effect of any state, local, or foreign tax laws and recent changes in applicable tax laws.

*General.* The following summary describes the material United States federal income tax consequences relating to the tender offer. This summary is based upon the Internal Revenue Code of 1986, as amended (the “Code”), Treasury regulations promulgated thereunder, administrative pronouncements and judicial decisions, all as in effect as of the date hereof and all of which are subject to change, possibly with retroactive effect. This summary addresses only shares that are held as capital assets within the meaning of Section 1221 of the Code and does not address all of the tax consequences that may be relevant to stockholders in light of their particular circumstances or to certain types of stockholders subject to special treatment under the Code, including, without limitation, certain financial institutions, dealers in securities or commodities, traders in securities who elect to apply a mark-to-market method of accounting, insurance companies, tax-exempt organizations, S corporations, expatriates of the United States, persons who are subject to alternative minimum tax, persons that have a “functional currency” other than the United States dollar, persons who hold shares as a position in a “straddle” or as a part of a “hedging,” “conversion” or “constructive sale” transaction for United States federal income tax purposes or persons who received their shares through the exercise of employee stock options or otherwise as compensation. This summary also does not address the state, local or foreign tax consequences of participating in the tender offer. You should consult your tax advisor

as to the particular tax consequences to you of participation in this tender offer. Those stockholders who do not participate in the tender offer should not incur any United States federal income tax liability from the tender offer. Moreover, this summary assumes that the provisions of Section 5881 of the Code are not applicable to any payments made by AACC pursuant to the tender offer.

In addition, except as otherwise specifically noted, this summary applies only to holders of shares that are “United States holders.” For purposes of this discussion, a “United States holder” means a holder of shares that for United States federal income tax purposes is:

- a citizen or resident of the United States;
- a corporation or other entity created or organized in the United States or under the laws of the United States or of any political subdivision thereof;
- an estate, the income of which is includible in gross income for United States federal income tax purposes regardless of its source; or
- a trust whose administration is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all of its substantial decisions.

Holders of shares who are not United States holders (“foreign stockholders”) should consult their tax advisors regarding the United States federal income tax consequences and any applicable foreign tax consequences of the tender offer and should also see Section 3 for a discussion of the applicable United States withholding rules and the potential for obtaining a refund of all or a portion of any tax withheld.

Stockholders are urged to consult their tax advisors to determine the particular tax consequences to them of participating in the tender offer.

*Characterization of the Purchase.* The purchase of a United States holder’s shares by AACC under the tender offer will be a taxable transaction for United States federal income tax purposes. As a consequence of the purchase, a United States holder will, depending on the United States holder’s particular circumstances, be treated either as having sold the United States holder’s shares or as having received a distribution in respect of stock from AACC.

Under Section 302 of the Code, a United States holder whose shares are purchased by AACC under the tender offer will be treated as having sold its shares, and thus will recognize capital gain or loss if the purchase:

- results in a “complete termination” of the United States holder’s equity interest in AACC;
- results in a “substantially disproportionate” redemption with respect to the United States holder; or
- is “not essentially equivalent to a dividend” with respect to the United States holder.

Each of these tests, referred to as the “Section 302 tests,” is explained in more detail below.

*Treatment of Tender Offer as Sale or Exchange.* If a United States holder satisfies any of the Section 302 tests explained below, the United States holder will be treated as if it sold its shares

to AACC and will recognize capital gain or loss equal to the difference between the amount of cash received under the tender offer and the United States holder's adjusted tax basis in the shares surrendered in exchange therefore. This gain or loss will be long-term capital gain or loss if the United States holder's holding period for the shares that were sold exceeds one year as of the date of purchase by AACC under the tender offer. Specified limitations apply to the deductibility of capital losses by United States holders. Gain or loss must be determined separately for each block of shares (shares acquired at the same cost in a single transaction) that is purchased by AACC from a United States holder under the tender offer. In certain circumstances, a holder may be able to designate, generally through its broker, which blocks of shares it wishes to tender under the tender offer if less than all of its shares are tendered under the tender offer, and the order in which different blocks will be purchased by AACC in the event of proration under the tender offer. This right of designation is not available, however, with respect to shares held in the AACC 401(k) Profit Sharing Plan and Trust. United States holders should consult their tax advisors concerning the mechanics and desirability of that designation. Under the "wash sale" rules of Section 1091 of the Code, losses recognized on shares sold pursuant to the tender offer will be disallowed to the extent the United States holder acquires shares of AACC within thirty days before or after the date the shares are purchased pursuant to the tender offer and in that event, the basis and holding period will be adjusted to reflect the disallowed loss.

*Treatment of Tender Offer as a Dividend or Distribution.* If a United States holder does not satisfy any of the Section 302 tests explained below, the purchase of a United States holder's shares by AACC under the tender offer will not be treated as a sale or exchange under Section 302 of the Code with respect to the United States holder. Instead, the entire amount received by a United States holder with respect to the purchase of its shares by AACC under the tender offer will be treated as a distribution to the United States holder with respect to its shares under Section 301 of the Code, taxable as a dividend at ordinary income tax rates to the extent of the United States holder's share of the available current and accumulated earnings and profits (within the meaning of the Code) of AACC. However, under the Jobs and Growth Tax Reconciliation Act of 2003, capital gains rates may apply to most dividends received by individuals, estates and trusts after December 31, 2002 and before January 1, 2009 (see below). To the extent the amount exceeds the United States holder's share of the available current and accumulated earnings and profits of AACC, the excess first will be treated as a tax-free return of capital to the extent of the United States holder's adjusted tax basis in its shares and any remainder will be treated as capital gain (which may be long-term capital gain as described above). The determination of whether a corporation has current or accumulated earnings or profits is complex and the legal standards to be applied are subject to uncertainties and ambiguities. Additionally, whether a corporation has current earnings and profits can be determined only at the end of the taxable year. Accordingly, it is unclear whether all or any portion of the amount received by a United States holder with respect to the purchase of its shares by AACC under the tender offer that is not treated as a sale or exchange under Section 302 of the Code will constitute a dividend. To the extent that a purchase of a United States holder's shares by AACC under the tender offer is treated as the receipt by the United States holder of a dividend, the United States holder's remaining adjusted tax basis in the purchased shares will be added to any shares retained by the United States holder. If all the stockholder's stock is redeemed but the redemption is considered dividend-equivalent because of the attribution rules of Section 318 of the Code, Example (2) of Treas. Reg. Section 1.302-2(c)

provides for the transfer of the basis of the shares of the redeemed stockholder to the shares of a related person whose stock was attributed to the redeemed stockholder.

The Jobs and Growth Tax Reconciliation Act of 2003 significantly altered the treatment of dividends and long term capital gains of individuals. Under this legislation, dividends received in taxable years beginning after 2002 and prior to 2009, and long term capital gains on sales and exchanges (and payments received) after May 6, 2003 and before January 1, 2009, by individuals are taxed at a maximum rate of 15%. The rate applicable to individuals with taxable income at or below \$28,400 (if single) or \$56,800 (if married and filing jointly) is 5% through the end of 2007 (0% in 2008). In order to qualify for the special rate for dividends, the shares must have been held for more than 60 days during the 120 day period beginning on the date which is 60 days before the date on which such share becomes ex-dividend with respect to such dividend (in this case, prior to the repurchase date) and the taxpayer cannot be under an obligation (pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property. As such, these changes may impact the tax consequences of this tender offer to certain United States holders.

*Constructive Ownership of Stock and Other Issues.* In applying each of the Section 302 tests explained below, United States holders must take into account not only shares that they actually own but also shares they are treated as owning under the constructive ownership rules of Section 318 of the Code. Under the constructive ownership rules, a United States holder is treated as owning any shares that are owned (actually and in some cases constructively) by certain related individuals and entities as well as shares that the United States holder has the right to acquire by exercise of an option or by conversion or exchange of a security. A stockholder in a corporation is treated as owning that stockholder's proportionate share of any stock owned, directly or indirectly, by that corporation only if the stockholder actually or constructively owns 50% or more of the value of the stock of the corporation. More specifically, under Section 318 of the Code a stockholder will be considered to own all or a portion of any shares owned directly or indirectly by his or her parents, spouse, children and grandchildren; by a partnership of which the stockholder is a partner; by a trust of which the stockholder is a beneficiary or is treated as the owner for tax purposes; by an estate of which the stockholder is a beneficiary; or by a corporation in which the stockholder owns 50% or more value of the stock. In addition, a stockholder will be considered to own shares that the stockholder has an option to acquire. Also, a stockholder that is a partnership, estate, trust, or corporation may be considered to own shares owned by its parents, grantors, beneficiaries, or stockholders, as the case may be, but there is generally no "double" attribution from such partnership, trust estate or corporation to another stockholder. Due to the factual nature of the Section 302 tests explained below, United States holders should consult their tax advisors to determine whether the purchase of their shares under the tender offer qualifies for sale treatment in their particular circumstances. For purposes of the attribution rules, an S corporation is treated as a partnership and any stockholder of an S corporation is treated as a partner in a partnership.

Contemporaneous dispositions or acquisitions of stock by a stockholder or related individuals or entities may be deemed to be part of a single integrated transaction and may be taken into account in determining whether any of the three tests under Section 302 have been satisfied. United States holders should consult their tax advisors regarding the treatment of other sales of shares that may be integrated with the purchase of their shares by AACC under the tender offer.

Additionally, AACC cannot predict whether or the extent to which the tender offer will be oversubscribed. If the tender offer is oversubscribed, proration of tenders under the tender offer will cause AACC to accept fewer shares than are tendered. Therefore, no assurance can be given that AACC will purchase a sufficient number of a United States holder's shares under the tender offer to ensure that the United States holder receives sale treatment, rather than dividend treatment, for United States federal income tax purposes under the rules discussed below.

*Section 302 Tests.* One of the following tests must be satisfied in order for the purchase of shares by AACC under the tender offer to be treated as a sale or exchange for federal income tax purposes:

*Complete Termination Test.* The purchase of a holder's shares by AACC under the tender offer will result in a "complete termination" of the holder's equity interest in AACC if all of the shares that are actually or constructively owned by the holder are sold under the tender offer, provided that no shares of any other class of stock in AACC are actually or constructively owned by the holder. If the tender offer is prorated, the shares not purchased due to such proration must be taken into account in determining whether a "complete termination" has occurred. With respect to shares owned by certain related individuals, the holder may be entitled to and may waive, in accordance with Section 302(c) of the Code, attribution of shares which otherwise would be considered as constructively owned by the holder. Holders wishing to satisfy the "complete termination" test through waiver of the constructive ownership rules should consult their tax advisors.

*Substantially Disproportionate Test.* The purchase of a holder's shares by AACC under the tender offer will result in a "substantially disproportionate" redemption with respect to the holder if, among other things, the percentage of the then outstanding stock actually and constructively owned by the holder immediately after the purchase is less than 80% of the percentage of such shares actually and constructively owned by the holder immediately before the purchase (treating as outstanding all shares purchased under the tender offer).

*Not Essentially Equivalent to a Dividend Test.* The purchase of a holder's shares by AACC under the tender offer will be treated as "not essentially equivalent to a dividend" if the reduction in the holder's proportionate interest in AACC as a result of the purchase constitutes a "meaningful reduction" given the holder's particular circumstances. Whether the receipt of cash by a stockholder who sells shares under the tender offer will be "not essentially equivalent to a dividend" will depend upon the stockholder's particular facts and circumstances. Holders should consult their tax advisors as to the application of this test in their particular circumstances.

*Corporate Stockholder Dividend Treatment.* In the case of a corporate United States holder, to the extent that any amounts received under the tender offer are treated as a dividend, such holder may be eligible for the dividends-received deduction. The dividends-received deduction is subject to certain limitations under Section 243 of the Code. Therefore, the dividends-received deduction may not be available if a corporate United States holder does not satisfy certain holding period requirements with respect to its shares or if its shares are treated as "debt-

financed portfolio stock” within the meaning of Section 246A of the Code. In addition, in certain circumstances amounts received by a corporate United States holder pursuant to the tender offer that is treated as a dividend will constitute an “extraordinary dividend” under Section 1059 of the Code. If any such amount were treated as an “extraordinary dividend,” a corporate United States holder would be required under Section 1059(a) of the Code to reduce its adjusted tax basis, but not below zero, in its shares by the non-taxed portion of the extraordinary dividend (i.e., the portion of the dividend for which a deduction is allowed) and, if such portion exceeds the corporate United States holder’s adjusted tax basis in its shares, to treat the excess as gain from the sale of such shares in the year in which the dividend is received. These basis reduction and gain recognition rules would be applied by taking account only of the corporate United States holder’s adjusted tax basis in the shares that were sold, without regard to other shares that the corporate United States holder may continue to own.

Corporate United States holders should consult their own tax advisors as to the application of Sections 243, 246, 246A and 1059 of the Code to the tender offer, and to the tax consequences of dividend treatment in their particular circumstances.

*Foreign Stockholders.* Generally, the depositary will withhold United States federal income tax at a rate of 30% from the gross proceeds paid under the tender offer to a foreign stockholder (as defined in Section 3) or his agent, unless the depositary determines that an exemption from, or a reduced rate of, withholding tax is available under a tax treaty or that an exemption from withholding otherwise applies or that proceeds received by the foreign stockholder are entitled to capital gains treatment. See Section 3 for a discussion of the applicable United States withholding rules and the potential for a foreign stockholder being subject to reduced withholding and for obtaining a refund of all or a portion of any tax withheld. Foreign stockholders generally will not be subject to United States federal income or withholding tax on any gain realized on the purchase of shares by AACC in the tender offer unless (i) the gain is effectively connected with the conduct by such foreign stockholder of a trade or business in the United States (in which case the branch profits tax discussed below may also apply if the foreign stockholder is a corporation); or (ii) the foreign stockholder is an individual and is present in the United States for 183 days or more in the taxable year of such sale or exchange and certain other conditions are met; or (iii) AACC is or has been a U.S. real property holding corporation (a “USRPHC”) for United States federal income tax purposes (which AACC does not believe that it has been, currently is, or will likely become) at any time within the shorter of the five-year period preceding the purchase and such foreign stockholder’s holding period. Even if AACC were or were to become a USRPHC at any time during this period, gains realized upon the purchase pursuant to the tender offer by a foreign stockholder that did not directly or indirectly own more than 5% of the shares during this period generally would not be subject to United States federal income tax, provided that the shares are “regularly traded on an established securities market” (within the meaning of Section 897(c)(3) of the Code). AACC believes that the shares are and at the time the shares would be purchased pursuant to the tender offer will be considered to be “regularly traded on an established security market.” If a foreign stockholder does not satisfy any of the Section 302 tests explained above, the purchase of a foreign stockholder’s shares by AACC under the tender offer will not be treated as a sale or exchange under Section 302 of the Code with respect to the foreign stockholder. Instead, the entire amount received by the foreign stockholder with respect to the purchase of its shares by AACC under the tender offer will be treated as a distribution to the foreign stockholder with respect to its shares

under Section 301 of the Code, and treated as a dividend to the extent of the foreign stockholder's allocable share of the available current and accumulated earnings and profits (within the meaning of the Code) of AACC. Dividends paid to foreign stockholders are subject to United States withholding tax at a rate of 30% of the gross amount of the dividend or, if applicable, a lower treaty rate, unless the dividend is effectively connected with the conduct of a trade or business in the United States by a foreign stockholder (and, if certain tax treaties apply, is attributable to a United States permanent establishment maintained by such foreign stockholder) and an IRS form that is available from the depository is filled with AACC. A dividend that is effectively connected with the conduct of a trade or business in the United States by a foreign stockholder (and, if certain tax treaties apply, is attributable to a United States permanent establishment maintained by such foreign stockholder) will be exempt from the withholding tax described above and subject instead (i) to the United States federal income tax on net income that generally applies to United States persons and (ii) with respect to corporate holders under certain circumstances, a 30% (or, if applicable, a lower treaty rate) branch profits tax that in general is imposed on its "effectively connected earnings and profits" (within the meaning of the Code) for the taxable year, as adjusted for certain items.

*Stockholders Who Do Not Receive Cash Under The Tender Offer.* Stockholders whose shares are not purchased by AACC under the tender offer should not incur any United States federal income tax liability as a result of the completion of the tender offer.

*Backup Withholding.* See Section 3 with respect to the application of United States federal backup withholding tax.

*Personal Tax Advice.* Stockholders are urged to consult their tax advisor to determine the particular tax consequences to them of the tender offer, as well as the proposed special one-time cash dividend, including without limitation the applicability and effect of the constructive ownership rules, any state, local and foreign tax laws, and any proposed changes in applicable tax laws.