

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

FORM 10-Q

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

For the quarterly period ended September 30, 2001

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-20202

CREDIT ACCEPTANCE CORPORATION  
(Exact name of registrant as specified in its charter)

MICHIGAN  
(State or other jurisdiction of incorporation or organization)

38-1999511  
(IRS Employer Identification)

25505 WEST 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

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 . No .

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

The number of shares outstanding of Common Stock, par value \$.01, on October 12,  
2001 was 42,066,704.

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## PART I. - FINANCIAL INFORMATION

## ITEM 1. - FINANCIAL STATEMENTS

CREDIT ACCEPTANCE CORPORATION  
CONSOLIDATED INCOME STATEMENTS  
(UNAUDITED)

(Dollars in thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	2001	2000	2001
<b>REVENUE:</b>				
Finance charges.....	\$ 20,206	\$ 22,835	\$ 60,505	\$ 65,065
Lease revenue.....	3,812	5,728	8,628	16,368
Other income.....	7,156	8,263	22,716	27,442
	-----	-----	-----	-----
Total revenue.....	31,174	36,826	91,849	108,875
	-----	-----	-----	-----
<b>COSTS AND EXPENSES:</b>				
Selling, general and administrative expenses.....	12,613	15,547	39,303	46,203
Provision for credit losses.....	3,074	2,632	8,097	8,352
Depreciation of leased assets.....	2,141	3,172	4,514	9,270
Interest.....	4,119	3,887	12,479	11,708
	-----	-----	-----	-----
Total costs and expenses.....	21,947	25,238	64,393	75,533
	-----	-----	-----	-----
Operating income.....	9,227	11,588	27,456	33,342
Foreign exchange losses.....	5	6	85	38
	-----	-----	-----	-----
Income before provision for income taxes.....	9,222	11,582	27,371	33,304
Provision for income taxes.....	3,118	3,937	9,388	11,341
	-----	-----	-----	-----
Net income.....	\$ 6,104	\$ 7,645	\$ 17,983	\$ 21,963
	=====	=====	=====	=====
Net income per common share:				
Basic.....	\$ 0.14	\$ 0.18	\$ 0.41	\$ 0.52
	=====	=====	=====	=====
Diluted.....	\$ 0.14	\$ 0.18	\$ 0.40	\$ 0.51
	=====	=====	=====	=====
Weighted average shares outstanding:				
Basic.....	43,013,682	41,997,434	44,319,948	42,153,090
	=====	=====	=====	=====
Diluted.....	43,424,885	43,594,725	44,653,068	43,027,573
	=====	=====	=====	=====

CREDIT ACCEPTANCE CORPORATION  
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	As of	
	December 31, 2000	September 30, 2001
		(Unaudited)
ASSETS:		
Cash and cash equivalents.....	\$ 20,726	\$ 42,393
Investments - held to maturity.....	751	202
Installment contracts receivable.....	568,900	740,407
Allowance for credit losses.....	(4,640)	( 4,241)
	564,260	736,166
Floor plan receivables.....	8,106	6,727
Notes receivable.....	6,985	11,462
Investment in operating leases, net.....	42,921	45,197
Property and equipment, net.....	18,418	19,795
Income taxes receivable.....	351	-
Other assets.....	3,515	4,875
Retained interest in securitization.....	5,001	-
	\$ 671,034	\$ 866,817
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY:		
LIABILITIES:		
Senior notes.....	\$ 15,948	\$ 7,995
Lines of credit.....	88,096	113,242
Secured financing.....	45,039	102,669
Mortgage note.....	7,590	7,090
Accounts payable and accrued liabilities.....	26,933	36,628
Dealer holdbacks, net.....	214,468	301,542
Deferred income taxes, net.....	10,734	9,278
Income taxes payable.....	-	7,365
	408,808	585,809
	=====	=====
SHAREHOLDERS' EQUITY:		
Common stock.....	425	419
Paid-in capital.....	110,226	108,102
Retained earnings.....	155,953	177,916
Accumulated other comprehensive loss-cumulative translation adjustment.....	(4,378)	(5,429)
	262,226	281,008
	=====	=====
Total Shareholders' Equity.....	262,226	281,008
	=====	=====
Total Liabilities and Shareholders' Equity.....	\$ 671,034	\$ 866,817
	=====	=====

CREDIT ACCEPTANCE CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

(Dollars in thousands)

	Nine Months Ended September 30,	
	2000	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income .....	\$ 17,983	\$ 21,963
Adjustments to reconcile cash provided by operating activities -		
Provision for credit losses.....	8,097	8,352
Depreciation .....	2,738	3,276
Depreciation of operating lease vehicles.....	3,524	7,478
Amortization of deferred leasing costs.....	990	1,792
Credit for deferred income taxes.....	21	(1,456)
Gain on clean up call of securitization.....	-	(1,082)
Change in operating assets and liabilities -		
Accounts payable and accrued liabilities.....	4,695	9,695
Income taxes payable.....	511	7,365
Income taxes receivable.....	12,686	351
Lease payment receivable.....	(1,967)	(486)
Unearned insurance premiums, insurance reserves and fees.....	(1,096)	(467)
Other assets.....	941	(1,360)
	49,123	55,421
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Principal collected on installment contracts receivable.....	236,581	228,811
Advances to dealers and payments of dealer holdbacks.....	(234,101)	(310,651)
Operating lease acquisitions.....	(31,560)	(21,399)
Deferred costs from lease acquisitions.....	(4,854)	(2,866)
Operating lease liquidations.....	2,465	8,743
Decrease in floor plan receivables.....	4,742	1,691
Increase in notes receivable.....	(1,723)	(4,477)
Purchases of property and equipment.....	(2,701)	(4,748)
	(31,151)	(104,896)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net borrowings under line of credit agreements.....	24,809	25,146
Proceeds from secured financing.....	64,500	165,412
Repayment of secured financing.....	(73,495)	(107,782)
Repayments of senior notes and mortgage note.....	(7,963)	(8,453)
Repurchase of common stock.....	(16,440)	(3,229)
Proceeds from stock options exercised.....	71	1,099
	(8,518)	72,193
Effect of exchange rate changes on cash.....	(6,401)	(1,051)
	3,053	21,667
Net Increase In Cash .....	21,565	20,726
Cash and cash equivalents - beginning of period.....		
Cash and cash equivalents - end of period.....	\$ 24,618	\$ 42,393

CREDIT ACCEPTANCE CORPORATION  
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001  
(UNAUDITED)

(Dollars in thousands)

	Total Shareholders' Equity	Comprehensive Income	Common Stock	Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Loss
	-----	-----	-----	-----	-----	-----
Balance - December 31, 2000.....	\$ 262,226		\$ 425	\$ 110,226	\$ 155,953	\$ (4,378)
Comprehensive income:						
Net income.....	21,963	\$ 21,963			21,963	
Other comprehensive income:						
Foreign currency translation adjustment.....	(1,051)	(1,051)				(1,051)
Tax on other comprehensive Loss.....		368				
Other comprehensive loss.....		(683)				
Total comprehensive income.....		\$ 21,280				
Repurchase and retirement of common stock.....	(3,229)		(6)	(3,223)		
Stock options exercised.....	1,099			1,099		
Balance - September 30, 2001.....	\$ 281,008		\$ 419	\$ 108,102	\$ 177,916	\$ (5,429)

CREDIT ACCEPTANCE CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for interim periods are not necessarily indicative of actual results achieved for full fiscal years. The consolidated balance sheet at December 31, 2000 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. NET INCOME PER SHARE

Basic net income per share amounts are based on the weighted average number of common shares outstanding. Diluted net income per share amounts are based on the weighted average number of common shares and potentially dilutive securities outstanding. Potentially dilutive securities included in the computation represent shares issuable upon assumed exercise of stock options that would have a dilutive effect.

3. ACCOUNTING STANDARDS

Effective January 1, 2001, the Company adopted the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133" (SFAS No. 133). These standards 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. Gains or losses resulting from changes in the values of those derivatives are accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The Company has not designated any of its derivative instruments as hedges under SFAS No. 133. The after-tax effect of recognizing the fair value of the derivative instruments as of January 1, 2001 was an approximately \$9,500 increase to income. As of September 30, 2001, changes in the fair value of derivative instruments resulted in a decrease in net income of approximately \$182,000, after-tax.

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. The derivative agreements generally match the notional amounts of the debt. As of September 30, 2001, the following interest rate floor agreement was outstanding (in thousands):

NOTIONAL AMOUNT	COMMERCIAL PAPER FLOOR RATE	TERM
\$ 15,057.....	4.79%	July 1999 through August 2003

As of September 30, 2001, the following interest rate cap agreements were outstanding (in thousands):

NOTIONAL AMOUNT	COMMERCIAL PAPER	
	CAP RATE	TERM
\$ 403.....	7.5%	July 1998 through October 2001
15,057.....	7.5%	July 1999 through August 2003
5,975.....	7.5%	December 1999 through June 2003
22,013.....	8.5%	August 2000 through August 2004
45,494.....	7.0%	March 2001 through December 2005
38,481.....	7.5%	July 2001 through November 2006

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 its obligations under the agreements. The Company manages credit risk by utilizing a financially sound counterparty.

#### 4. BUSINESS SEGMENT INFORMATION

The Company operates in three reportable business segments: CAC North America, CAC United Kingdom and CAC Automotive Leasing. Selected segment information is set forth below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	2001	2000	2001
Total revenue:				
CAC North America.....	\$ 21,452	\$ 24,856	\$ 67,223	\$ 73,701
CAC United Kingdom.....	5,669	5,880	15,469	17,841
CAC Automotive Leasing.....	4,053	6,090	9,157	17,333
	\$ 31,174	\$ 36,826	\$ 91,849	\$ 108,875
Earnings before provision for income taxes:				
CAC North America.....	\$ 7,894	\$ 9,049	\$ 23,082	\$ 28,318
CAC United Kingdom.....	2,142	3,244	5,361	7,852
CAC Automotive Leasing.....	(814)	(711)	(1,072)	(2,866)
	\$ 9,222	\$ 11,582	\$ 27,371	\$ 33,304

As of September 30, 2001, the Company modified the presentation of its three reportable business segments. The Company reclassified two of its leasing subsidiaries from CAC North America and split out its CAC North America Canadian leasing operations and reclassified these to CAC Automotive Leasing. These changes were made to consolidate all lease related businesses into one reportable business segment. The 2000 business segment information has been reclassified to conform to the 2001 presentation.

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

##### ANALYSIS OF ECONOMIC PROFIT OR LOSS

The table below illustrates the calculation of the Company's economic profit (loss) for the periods indicated. Economic profit or loss is a measurement of how efficiently the Company utilizes its capital and has been used by the Company since January 1, 2000 to evaluate its performance. The Company's goal is to maximize the amount of economic profit per share generated by increasing its overall return on capital in future periods and allocating capital to the business units with the highest returns.



(Dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	2001	2000	2001
	(Unaudited)		(Unaudited)	
Reported net income (1).....	\$ 6,104	\$ 7,645	\$ 17,983	\$ 21,963
Adjustments for non-recurring items (2).....	--	--	--	(457)
Adjusted net income.....	6,104	7,645	17,983	21,506
Interest expense after tax.....	2,695	2,556	8,153	7,696
Net operating profit after tax ("NOPAT").....	8,799	10,201	26,136	29,202
Average capital (3).....	\$ 430,852	\$ 479,463	\$ 430,461	\$ 455,312
Return on capital ("ROC")(4).....	8.17%	8.51%	8.10%	8.55%
Weighted average cost of capital ("WACC")(5)..	10.34%	9.60%	10.57%	9.89%
Spread.....	(2.17%)	(1.09%)	(2.47%)	(1.34%)
Total economic loss (6).....	\$ (2,339)	\$ (1,306)	\$ (8,004)	\$ (4,586)
Diluted weighted average shares outstanding...	43,424,885	43,594,725	44,653,068	43,027,573
Economic loss per share.....	\$ (.05)	\$ (.03)	\$ (.18)	\$ (.10)
Economic profit (loss) by CAC business segment:				
North America	\$ (1,248)	\$ (704)	\$ (4,967)	\$ (1,414)
United Kingdom	(405)	217	(2,065)	(349)
Automotive Leasing	(686)	(819)	(972)	(2,823)
Total economic loss	\$ (2,339)	\$ (1,306)	\$ (8,004)	\$ (4,586)

- (1) Consolidated net income from financial statements included under Item 1 of Part I of this report.
- (2) Includes an after tax gain of \$703,000 on an exercised clean up call relating to the July 1998 securitization and a \$246,000 after tax charge relating to an executive severance agreement.
- (3) Average capital is equal to the average amount of debt during the period plus the average amount of equity during the period.
- (4) Return on capital is equal to NOPAT divided by average capital.
- (5) Weighted average cost of capital is equal to the sum of: i) the after tax cost of debt multiplied by the ratio of average debt to average capital, plus ii) the cost of equity multiplied by the ratio of average equity to average capital. The cost of equity is assumed to be equal to the 30-year Treasury bond rate plus 6% plus two times the Company's interest bearing debt to equity.
- (6) Total economic loss equals the spread (ROC minus WACC) multiplied by average capital.

The Company's economic loss per share improved from (\$.05) and (\$.18) for the three and nine months ending September 30, 2000 to (\$.03) and (\$.10) for the same periods in 2001. The improvements were due primarily to a reduction in the weighted average cost of capital and an improvement in the return on capital for the three and nine months ended September 30, 2001 compared to the same periods in 2000.

The Company's return on capital as defined above increased from 8.17% and 8.10% for the three and nine months ended September 30, 2000 to 8.51% and 8.55% for the same periods in 2001. The improvements in the return on capital are primarily the result of an improvement in collection performance and a reduction in the amount advanced to dealers as a percentage of the gross contract amount. The reduction in the weighted average cost of capital for the three and nine months ended September 30, 2001 compared to the same periods in 2000 was primarily due to lower average interest rates on the Company's borrowings as a result of an overall reduction in market rates during the periods.

## RESULTS OF OPERATIONS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2000 COMPARED TO THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2001

**TOTAL REVENUE.** Total revenue consists of finance charges on 30, installment contracts, lease revenue earned on operating leases and other income. Other income consists primarily of: i) premiums or fees earned on service contract, credit life and collateral protection insurance programs; ii) revenue from secured line of credit loans offered to certain dealers; iii) monthly fees from the internet origination system; iv) dealer enrollment fees; v) floor plan financing interest income and other related fees; and vi) for the nine months ended September 30, 2001, other income also included a \$1.1 million gain on a clean-up call relating to a securitization. As a result of the following factors, total revenue increased from \$31.2 million and \$91.8 million for the three and nine months ended September 30, 2000 to \$36.8 million and \$108.9 million for the same periods in 2001, representing increases of 18.1% and 18.5%, respectively.

Finance charges increased from \$20.2 million and \$60.5 million for the three and nine months ended September 30, 2000 to \$22.8 million and \$65.1 million for the same periods in 2001, representing increases of 13.0% and 7.5%, respectively. The increases are primarily the result of the increase in the average size of the Company's installment contract portfolio due to increases in contract originations for the three and nine months ended September 30, 2001. The Company's consolidated originations increased from \$138.5 million and \$464.7 million for the three and nine months ended September 30, 2000 to \$211.5 million and \$654.2 million for the same periods in 2001, representing increases of 52.7% and 40.8%, respectively. The increases were primarily the result of: i) continued acceptance of the Company's internet origination system; ii) strong production from the Company's field sales force, which was expanded in 2000 and (iii) favorable market conditions.

The Company's North American operations originated \$85.2 million and \$317.5 million in new installment contracts for the three and nine months ended September 30, 2000 compared with \$178.6 million and \$531.4 million for the same periods in 2001, representing increases of 109.5% and 67.4% for the three and nine month periods, respectively. The increases reflect: i) increases in the average contract size from \$8,435 and \$8,494 for the three and nine months ended September 30, 2000 to \$11,653 and \$10,559 for the same periods in 2001, as installment contracts originated through the Company's new internet origination system are financing newer vehicles with longer initial contract terms; ii) increases in the number of active dealers from 791 and 1,088 for the three and nine months ended September 30, 2000 to 848 and 1,121 for the same periods in 2001; and iii) increases in the average number of contracts originated per active dealer from 12.8 and 34.4 for the three and nine months ended September 30, 2000 to 18.1 and 44.8 for the same periods in 2001.

The Company's United Kingdom operations originated \$43.1 million and \$110.7 million in new installment contracts for the three and nine months ended September 30, 2000 compared with \$27.7 million and \$98.6 million for the same periods in 2001, representing a decrease of 35.6% and 11.0% for the three and nine month periods, respectively. These decreases reflect: i) decreases in the average number of contracts originated per active dealer from 22.7 and 45.2 for the three and nine months ended September 30, 2000 to 15.3 and 35.1 for the same periods in 2001, which is primarily due to the Company discontinuing its relationship with a high volume dealer in the United Kingdom; ii) for the three months ended September 30, 2001, a decrease in the number of active dealers from 140 for the quarter ended September 30, 2000 to 127 for the same period in 2001; and iii) for the nine months ended September 30, 2001, a decrease in the average contract size from \$13,679 for the quarter ended September 30, 2000 to \$13,686 for the same period in 2001.

The overall increase in finance charges was partially offset by a reduction in the Company's average annualized yield on its installment contract portfolio from 14.0% for the nine months ended September 30, 2000 to 13.3% for the

same period in 2001. The decrease in the average yield primarily resulted from an increase of the average length of the initial contract term from 32.7 months as of September 30, 2000 to 34.9 months as of September 30, 2001. The effect of the increase in initial term was partially offset by a reduction in the percentage of installment contracts that were in non-accrual status from 20.8% as of September 30, 2000 to 18.4 % as of September 30, 2001.

The Company's Automotive Leasing operations records lease revenue on a straight-line basis over the scheduled lease term. The Company's strategy is to limit the amount of capital invested in this operation until additional portfolio performance data is obtained, which will allow the Company to more precisely measure the profitability of the leasing product. The Company implemented several changes to its leasing product in the fourth quarter 2000. The Company expects to obtain the data required to evaluate these changes, as well as its residual values, in 2002. Consistent with this strategy, the Company's lease originations declined from \$10.2 million and \$36.4 million for the three and nine months ended September 30, 2000 compared to \$5.1 million and \$24.3 million for the same periods in 2001, representing a decrease of 49.7% and 33.4% for the three and nine months periods, respectively. Lease revenue increased from \$3.8 million and \$8.6 million for the three and nine months ended September 30, 2000 to \$5.7 million and \$16.4 million for the same periods in 2001, representing increases of 50.3% and 89.7%, respectively. These increases were due to the increases in the Company's lease portfolio balance from \$38.8 million as of September 30, 2000 to \$45.2 million as of September 30, 2001.

Other income increased from \$7.2 million and \$22.7 million for the three and nine months ended September 30, 2000 to \$8.3 million and \$27.4 million for the same periods in 2001, representing increases of 15.5% and 20.8%, respectively. These increases are primarily due to: i) the increase in fees earned on third party service contract products offered by dealers on installment contracts, primarily due to the increase in installment contract originations in the North American segment; ii) the increase in revenue from the Company's secured line of credit loans offered to certain dealers, which the Company began extending at the end of the first quarter of 2000; and iii) for the nine months ended September 30, 2001, a one time gain of \$1.1 million on the clean up call relating to the July 1998 securitization of advance receivables. The gain represents the difference between the value of dealer advance receivables and the Company's carrying amount of the retained interest in securitization plus the cash disbursement. This increase in other income was partially offset by the decrease in premiums earned primarily due to a decrease in the penetration rate on the Company's service contract and credit life insurance programs.

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.** Selling, general and administrative expenses, as a percentage of total revenue, increased from 40.5% for the three months ended September 30, 2000 to 42.2 % for the same period in 2001. The increase in selling, general and administrative expenses, is primarily due to: i) an increase in the provision for credit losses on the secured lines of credit loans offered to certain dealers primarily due to the impairment of two loans having a book value of \$2.3 million. The Company recorded a provision expense on these loans of \$900,000 for the three months ended September 30, 2001 and has an allowance for credit losses of \$1.2 million pertaining to these loans; ii) an increase in information systems expenses relating to the Company's growing investment in technology; and iii) higher salaries and wages which increased primarily due to increased headcount and higher average wage rates to further support the companies growth.

**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, as a percentage of total revenue, decreased from 9.9% and 8.8% for the three and nine months ended September 30, 2000 to 7.1% and 7.7 % for the same periods in 2001. The decreases are primarily due to: i) a decrease in the provision for estimated losses on advances to dealers associated with the Company's United Kingdom operations due to continued improvements in the quality of business originated and a further reduction in the amount advanced to dealers as a percent of the gross contract amount; and ii) a decrease in the provision needed for earned but unpaid revenue due to a decrease in the percent of non-accrual installment contracts receivable from 20.8% as of September 30, 2000 to 18.4% as of September 30, 2001.

The decreases in provision for credit losses as a percentage of revenue are partially offset by the provision for losses associated with the Company's investment in operating leases, as a result of the increase in the dollar value size of

the Company's lease portfolio. To a lesser extent, an increase in the provision was required to reflect increased lease repossession rates and lower forecasted residual values than originally estimated. The Company analyzes its residual value levels based on results from the liquidation of repossessed vehicles and current residual guidebook values.

**DEPRECIATION OF LEASED ASSETS.** Depreciation of leased assets is recorded on a straight-line basis by depreciating the cost of the leased vehicles to their residual value over their scheduled lease terms. The depreciation expense recorded on leased assets, as a percentage of total revenue, increased from 6.9% and 4.9% for the three and nine months ended September 30, 2000 to 8.6% and 8.5% for the same periods in 2001. These increases were due to the increases in the Company's lease portfolio balance from \$38.8 million as of September 30, 2000 to \$45.2 million as of September 30, 2001. Depreciation of leased assets also includes the straight-line amortization of indirect lease costs.

**INTEREST EXPENSE.** Interest expense, as a percent of total revenue, decreased from 13.2% and 13.6% for the three and nine months ended September 30, 2000 to 10.6% and 10.8% for the same periods in 2001. These decreases in interest expense are primarily the result of the decreases in the weighted average interest rate from 9.7% and 10.2% for the three and nine months ended September 30, 2000 to 7.5% and 8.4% for the same periods in 2001 and the impact of fixed borrowing fees and costs on average interest rates when average outstanding borrowings are increasing. The rate decreases were the result of a decrease in the average interest rate on the Company's variable rate debt, including the lines of credit and secured financing as a result of market rate decreases.

**OPERATING INCOME.** As a result of the aforementioned factors, operating income increased from \$9.2 million and \$27.5 million for the three and nine months ended September 30, 2000 to \$11.6 million and \$33.3 million for the same period in 2001, representing increases of 25.6% and 21.4%, respectively.

**FOREIGN EXCHANGE LOSSES.** The Company incurred foreign exchange losses of \$5,000 and \$85,000 for the three and nine months ended September 30, 2000 and foreign exchange losses of \$6,000 and \$38,000 for the same periods in 2001. The losses result from the effect of exchange rate fluctuations between the U.S. dollar and foreign currencies on unhedged intercompany balances between the Company and its foreign subsidiaries.

**PROVISION FOR INCOME TAXES.** The provision for income taxes increased from \$3.1 million and \$9.4 million for the three and nine months ended September 30, 2000 to \$3.9 million and \$11.3 million for the same periods in 2001. These increases are primarily due to increases in pre-tax income in 2001. For the nine months ended September 30, the effective tax rate was 34.3% in 2000 and 34.1% in 2001. The following is a reconciliation of the U.S. federal statutory rate to the Company's effective tax rate:

	Nine Months Ended September 30,	
	2000	2001
	(Unaudited)	
U.S. federal statutory rate.....	35.0%	35.0%
Foreign income taxes.....	(0.6)	(1.1)
Other.....	(0.1)	0.2
Provision for income taxes.....	34.3%	34.1%
	=====	=====

#### INSTALLMENT CONTRACTS RECEIVABLE

The following table summarizes the composition of installment contracts receivable at the dates indicated (dollars in thousands):

	As of	
	December 31, 2000	September 30, 2001
	(Unaudited)	
Gross installment contracts receivable.....	\$ 674,402	\$ 882,820
Unearned finance charges.....	(98,214)	(135,593)
Unearned insurance premiums, insurance reserves and fees.....	(7,288)	(6,820)
Installment contracts receivable.....	\$ 568,900	\$ 740,407
	=====	=====

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	2001	2000	2001
	(Unaudited)		(Unaudited)	
Balance, beginning of period .....	\$ 686,551	\$ 807,281	\$ 679,247	\$ 674,402
Gross amount of installment contracts accepted .....	128,313	206,378	428,260	629,954
Gross installment contracts acquired pursuant to clean up call .....	-	-	-	2,918
Cash collections on installment contracts receivable .....	(97,248)	(110,853)	(302,206)	(322,953)
Charge offs .....	(32,570)	(28,392)	(109,072)	(97,875)
Currency translation .....	(4,074)	8,406	(15,257)	(3,626)
Balance, end of period .....	\$ 680,972	\$ 882,820	\$ 680,972	\$ 882,820

#### INVESTMENT IN OPERATING LEASES

The composition of net investment in operating leases consisted of the following (dollars in thousands):

	As of	
	December 31, 2000	September 30, 2001
	(Unaudited)	
Gross leased vehicles.....	\$ 42,449	\$ 50,181
Accumulated depreciation.....	(5,283)	(10,158)
Gross deferred costs.....	6,245	6,992
Accumulated amortization of deferred costs.....	(1,435)	(2,502)
Lease payments receivable.....	2,968	3,448
Investment in operating leases.....	44,944	47,961
Less: Allowance for lease vehicles losses.....	(2,023)	(2,764)
Investment in operating leases, net.....	\$ 42,921	\$ 45,197

A summary of changes in the investment in operating leases is as follows (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	2001	2000	2001
	(Unaudited)		(Unaudited)	
Balance, beginning of period .....	\$ 33,464	\$ 49,872	\$ 9,188	\$ 44,944
Gross operating leases originated .....	10,156	5,105	36,414	24,265

Depreciation and amortization of				
operating leases .....	(2,141)	(3,172)	(4,514)	(9,270)
Lease payments due .....	3,871	5,664	8,936	16,125
Collections on operating leases .....	(3,029)	(4,925)	(6,667)	(14,171)
Charge offs .....	(235)	(476)	(302)	(1,468)
Operating lease liquidations .....	(2,039)	(3,943)	(3,009)	(12,329)
Currency translation .....	(9)	(164)	(8)	(135)
	-----	-----	-----	-----
Balance, end of period .....	\$ 40,038	\$ 47,961	\$ 40,038	\$ 47,961
	=====	=====	=====	=====

#### DEALER HOLDBACKS

The following table summarizes the composition of dealer holdbacks at the dates indicated (dollars in thousands):

	As of	
	December 31, 2000	September 30, 2001
		(Unaudited)
Dealer holdbacks.....	\$ 537,679	\$ 701,434
Less: Advance net of reserves of \$6,788 and \$8,497 at December 31, 2000 and September 30, 2001, respectively.....	(323,211)	(399,892)
Dealer holdbacks, net .....	\$ 214,468	\$ 301,542
	=====	=====

#### CREDIT LOSS POLICY AND EXPERIENCE

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. 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 installment contract 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.

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 of the leased vehicle. The Company suspends the recognition of revenue at the point the customer becomes three payments past due. 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.

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

The following tables set forth information relating to charge offs, the allowance for credit losses, the reserve on advances, and the allowance for lease vehicle losses (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	2001	2000	2001
	(Unaudited)		(Unaudited)	
<b>CHARGE OFFS</b>				
Charged against dealer holdbacks.....	\$ 26,187	\$ 22,984	\$ 87,354	\$ 78,023
Charged against unearned finance charges.....	6,010	5,281	20,425	18,926
Charged against allowance for credit losses.....	373	127	1,293	926
	-----	-----	-----	-----
Total installment contracts charged off.....	\$ 32,570	\$ 28,392	\$ 109,072	\$ 97,875
	=====	=====	=====	=====
Net charge offs against the reserve on advances...	\$ 2,463	\$ 43	\$ 3,041	\$ 1,557
	=====	=====	=====	=====
Charge against the allowance for lease vehicle losses.....	\$ 383	\$ 1,219	\$ 545	\$ 3,720
	=====	=====	=====	=====

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	2001	2000	2001
	(Unaudited)		(Unaudited)	
<b>ALLOWANCE FOR CREDIT LOSSES</b>				
Balance, beginning of period.....	\$ 4,184	\$ 3,784	\$ 4,742	\$ 4,640
Provision for loan losses.....	581	543	996	543
Charge offs.....	(373)	(127)	(1,293)	(926)
Currency translation.....	(18)	41	(71)	(16)
	-----	-----	-----	-----
Balance, end of period.....	\$ 4,374	\$ 4,241	\$ 4,374	\$ 4,241
	=====	=====	=====	=====

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	2001	2000	2001
	(Unaudited)		(Unaudited)	
<b>RESERVE ON ADVANCES</b>				
Balance, beginning of period .....	\$ 7,695	\$ 8,050	\$ 4,329	\$ 6,788
Provision for advance losses .....	1,452	438	5,370	3,348
Charge offs .....	(2,463)	(43)	(3,041)	(1,557)
Currency translation .....	(79)	52	(53)	(82)
	-----	-----	-----	-----

Balance, end of period .....	\$ 6,605	\$ 8,497	\$ 6,605	\$ 8,497
	=====	=====	=====	=====

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	2001	2000	2001
	(Unaudited)		(Unaudited)	
<b>ALLOWANCE FOR LEASE VEHICLE LOSSES</b>				
Balance, beginning of period .....	\$ 619	\$ 2,332	\$ 91	\$ 2,023
Provision for lease vehicle losses .....	1,041	1,651	1,731	4,461
Charge offs .....	(383)	(1,219)	(545)	(3,720)
Balance, end of period .....	\$ 1,277	\$ 2,764	\$ 1,277	\$ 2,764
	=====	=====	=====	=====

	As of	
	December 31, 2000	September 30, 2001
	(Unaudited)	
<b>CREDIT RATIOS</b>		
Allowance for credit losses as a percent of gross installment contracts receivable .....	0.7%	0.5%
Reserve on advances as a percent of advances .....	2.1%	2.1%
Allowance for lease vehicle losses as a percent of investments in operating leases .....	4.7%	5.8%
Gross dealer holdbacks as a percent of gross installment contracts receivable .....	79.7%	79.5%

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's principal need for capital is: i) to 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 \$265.7 million during the nine months ended September 30, 2000 to \$332.1 million during the same period in 2001. 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 funded indebtedness increased from \$156.7 million as of December 31, 2000 to \$231.0 million as of September 30, 2001.

The Company has a \$120.0 million credit agreement with a commercial bank syndicate. The facility has a commitment period through June 10, 2002 with a one year term out option at the request of the Company provided that no event of default exists. 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 of up to six months. The credit agreement has certain restrictive covenants, including limits on the ratio of the Company's debt to tangible net worth, bank and senior note indebtedness to eligible assets, total indebtedness to total assets and fixed charges to earnings before interest, taxes and non-cash expenses. Additionally, the agreement requires 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 and are limited by a borrowing base formula based upon a percentage of the book value of certain assets. Of the approximately \$113.2 million outstanding under this facility on September 30, 2001, \$22.8 million was borrowed on September 21, 2001 for a temporary purpose and was repaid on October 5, 2001. The Company also maintains immaterial line of credit agreements in both the United Kingdom and Canada to fund the day-to-day cash flow requirements of those operations.



The Company completed a secured financing of advance receivables with an institutional investor on July 23, 2001. Pursuant to this transaction, the Company pledged as collateral dealer advances having a carrying amount of approximately \$77.0 million and received approximately \$60.2 million in financing, which is net of both the underwriter's fees and the required escrow account. The proceeds received were used to reduce outstanding borrowings under the Company's credit facility. The financing, which is non-recourse to the Company, bears interest at a floating rate equal to the commercial paper rate plus 50 basis points with a maximum rate of 7.5%. In the first six months of the financing, the Company may receive additional proceeds by contributing added collateral to the transaction. As of September 30, 2001, the Company has received additional proceeds of \$13.3 million also secured by dealer advances. The secured financing is anticipated to fully amortize within seventeen months. The financing is 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.

The Company has completed six secured financing transactions through September 30, 2001, two of which remain outstanding. The proceeds from the transactions were used to repay borrowings outstanding under the Company's credit facility. A summary of these transactions is as follows (dollars in thousands):

Issue Number	Close Date	Original Balance	Secured Financing Balance at September 30, 2001	Secured Dealer Advance Balance at September 30, 2001	Balance as Percent of Original Balance
1998-A	July 1998	\$ 50,000	Paid in full	Paid in full	0.0%
1999-A	July 1999	50,000	Paid in full	Paid in full	0.0
1999-B	December 1999	50,000	Paid in full	Paid in full	0.0
2000-A	August 2000	65,000	Paid in full	Paid in full	0.0
2001-A	March 2001	97,100	\$ 41,824	\$ 106,859	43.1
2001-B	July 2001	61,000	60,845	80,184	99.7
		\$ 373,100	\$ 102,669	\$ 187,043	

The Company has \$8.0 million of principal maturing on its senior notes in the fourth quarter of 2001 which the Company expects to repay from cash generated from operations and amounts available under its \$120 million credit agreement.

The Company's short and long-term cash flow requirements are materially dependent on future levels of originations. During the first nine-months of 2001, the Company experienced an increase in originations over the same period in 2000. The Company expects this trend to continue in future periods. To the extent this trend does continue, the Company will experience an increase in its need for capital, which the Company intends to fund through secured financings.

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 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 September 30, 2001, the Company has repurchased approximately 4.5 million shares of the 5.0 million shares authorized to be repurchased under this program at a cost of \$23,590,000. 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 has reached a preliminary agreement with the Internal Revenue Service as the result of an examination of its tax years ended December 31, 1993, 1994 and 1995. This agreement requires changes in some tax accounting methods with respect to the timing of income recognition. The finalization of the agreement is predicated on Joint Tax Committee review of the new methods. In addition, the Company has filed amended returns for the tax years

ended December 31, 1996, 1997, 1998 and 1999 adjusted for the new methods. Pursuant to the preliminary agreement and the filed amended returns, the Company has recorded an additional current tax liability and a reduction to its deferred tax liability of \$3.5 million. The agreement may also require the Company to recognize items of interest income and interest expense for the years in question. No interest amounts have been recorded, as the amounts and timing of such items are not available.

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.

#### FORWARD-LOOKING STATEMENTS

The foregoing discussion and analysis contains a number of forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, both as amended, with respect to expectations for future periods. These forward-looking statements represent our outlook only as of the date of this release. While we believe any forward-looking statements we have made are reasonable, actual results could differ materially since the statements are based on our current expectations and are subject to risks and uncertainties. These risks and uncertainties are detailed from time to time in reports filed by the Company with the Securities and Exchange Commission, including forms 8-K, 10-Q and 10-K, and include, among others, competition from traditional financing sources and from non-traditional lenders, 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. Readers are cautioned to consider these factors when relying on such forward-looking information.

Other factors not currently anticipated by management may also materially and adversely affect the Company's results of operations. The Company does not undertake, and expressly disclaims any obligation, to update or alter its forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2000 for a complete discussion of the Company's market risk. There have been no material changes to the market risk information included in the Company's 2000 Annual Report on Form 10-K.

PART II. - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As previously disclosed in the Company's 2000 Annual Report on Form 10-K, 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. On November 13, 2000, the Court of Appeals remanded the case to the District Court for purposes of the District Court's consideration of the proposed settlement. On May 15, 2001, following presentation of a formal Stipulation of Settlement to the District Court, the District Court entered an order granting preliminary approval of the proposed settlement, directing that notice thereof be mailed to members of the Class, and setting a hearing on final approval of the proposed settlement for August 14, 2001. The District Court subsequently adjourned the hearing on final approval to September 24, 2001. At the September 24, 2001 hearing, the District Court entered an Order and Final Judgment finally approving the proposed settlement and dismissing the action with prejudice. The settlement will not have a material impact on the Company's financial position, liquidity and results of operations.

The Company is currently a defendant in a class action proceeding which is pending in the Superior Court for the Judicial District of Waterbury Connecticut. Though the case was commenced on July 16, 1999, a class was not certified until May 15, 2001. The class is composed of all Connecticut residents whose vehicles were repossessed by the Company between August 5, 1993 and October 31, 1998. The plaintiffs allege that the Company failed to provide these consumers with adequate notice of their rights to redeem the vehicle after repossession and are seeking money damages for such failure. The Company has appealed the certification order and will continue to vigorously defend the litigation. 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. On September 19, 2001, the parties reached an agreement in principle to settle the action. The Company will be working with class counsel to prepare a formal Stipulation of Settlement seeking an order of preliminary approval from the Court. The proposed settlement will not have a material impact on the Company's financial position, liquidity and results of operations.

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. On September 18, 2001, the Circuit Court of Jackson County, Missouri mailed an order assigning this matter to a judge. 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.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

See Index of Exhibits following the signature page.

(b) Reports on Form 8-K

The Company was not required to file a current report on Form 8-K during the quarter ended September 30, 2001 and none were filed during that period.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CREDIT ACCEPTANCE CORPORATION  
(Registrant)

By: /S/MATTHEW F. HILZINGER

-----  
MATTHEW F. HILZINGER  
Executive Vice President of Finance and Chief Financial  
Officer  
October 18, 2001

(Principal Financial Officer and Duly Authorized Officer)

By: /S/LINDA M. CARDINALE

-----  
LINDA M. CARDINALE  
Vice President - Accounting  
October 18, 2001

(Principal Accounting Officer)

INDEX OF EXHIBITS

EXHIBIT NO.	DESCRIPTION
4(f)(16)	Amendment No. 5, dated July 20, 2001, to Note Purchase Agreement dated July 7, 1998 among Kitty Hawk Funding Corporation, CAC Funding Corp., and Bank of America, N.A. (Filed as exhibit 4 (f) (16) to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2001 and incorporated herein by reference).
4(f)(17)	Amendment No. 6, dated July 20, 2001, to Note Purchase Agreement dated July 7, 1998 among Kitty Hawk Funding Corporation, CAC Funding Corp., and Bank of America, N.A. (Filed as exhibit 4 (f) (17) to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2001 and incorporated herein by reference).
4(f)(18)	Amended and Restated Security Agreement, dated July 20, 2001, among Kitty Hawk Funding Corporation, CAC Funding Corp., the Company and Bank of America, N.A., individually and as Collateral Agent (Filed as exhibit 4 (f) (18) to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2001 and incorporated herein by reference).
4(f)(19)	Amended No. 5, dated July 20, 2001, to Contribution Agreement dated July 7, 1998 between the Company and CAC Funding Corp. (Filed as exhibit 4 (f) (19) to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2001 and incorporated herein by reference).
4(g)(6)	First Amendment, dated as of September 7, 2001, to Second Amended and Restated Security Agreement, dated June 11, 2001 between Comerica Bank, as Collateral Agent and the Company.
4(i)	Security Agreement, dated September 7, 2001, between CAC of Canada Limited and Comerica Bank.
4(j)	Debenture, dated September 7, 2001, made by way of deed by CAC Ireland Limited, in favor of Comerica Bank, as agent and security trustee.
4(k)	Debenture, dated September 7, 2001, made by way of deed by CAC UK Limited, in favor of Comerica Bank, as agent and security trustee.
4(l)	Debenture, dated September 7, 2001, made by way of deed by CAC UK Funding Ltd., in favor of Comerica Bank, as agent and security trustee.
4(m)	Assignment in Security, dated September 10, 2001, among Credit Acceptance Corporation, CAC Nevada, Inc., CAC Scotland and Comerica Bank, as collateral agent and trustee.

4(n) Deed of Charge, dated September 7, 2001, between Credit Acceptance Corp., and Comerica Bank, as collateral agent, with respect to the share capital of CAC Ireland Limited.



FIRST AMENDMENT TO  
SECOND AMENDED AND RESTATED SECURITY AGREEMENT

This First Amendment dated as of September 7, 2001, by and between Credit Acceptance Corporation, a Michigan corporation (the "Company"), the Subsidiaries of the Company from time to time parties hereto (collectively, with the Company, and either or any of them, the "Debtors" and individually, each a "Debtor") and Comerica Bank, a Michigan banking corporation ("Comerica"), as agent (in such capacity, the "Collateral Agent") for the benefit of the "Lenders", the "Noteholders" and the "Future Debt Holders" (each as referred to in the Security Agreement, defined below).

R E C I T A L S:

A. Pursuant to the Credit Agreement and the Senior Debt Documents (each as defined in the Security Agreement), Debtors executed and delivered to the Collateral Agent that certain Second Amended and Restated Security Agreement dated as of June 11, 2001 (the "Security Agreement").

B. Debtors and the Collateral Agent desire to amend the Security Agreement as set forth below.

The parties agree as follows:

1. Section 1.1 of the Security Agreement is amended, as follows:

(a) The following new definitions are added to Section 1.1, and inserted in appropriate alphabetical order:

"CAC Canada" means CAC of Canada, Limited, a corporation organized under the laws of Canada.

"Percentage Limitation" means the lesser of: (i) all of the shares of stock of CAC Canada owned or at any time and from time to time acquired by the Company or any other Debtor and (ii) sixty-five percent (65%) of the aggregate share capital of CAC Canada at any time or from time to time issued and outstanding determined in accordance with Section 956 of the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.

"Pledged Canadian Shares" means those shares of stock of CAC Canada from time to time subject to the security interest and lien established hereby, as set forth in Section 2.1(i) of this Agreement.

"PPSA" means the Personal Property Security Act as in effect in the Province of Ontario; provided that if, by applicable law, the perfection or effect of perfection or non-perfection of the security interest created hereunder in the Pledged Canadian Shares is governed by personal property security legislation as in effect on or after the date hereof in any other jurisdiction, "PPSA" means the personal property security legislation as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or the effect of perfection or non-perfection.

(b) The definition of "Pledged Shares" is amended to add, in the third line thereof (following the words "Non-Specified Interest"), the words "and the Pledged Canadian Shares."

2. Section 2.1 (i) of the Security Agreement is hereby amended and restated in its entirety, as follows:

"(i) (a) all shares of stock, and other equity, partnership or membership interests constituting ownership interests (or evidence thereof) or other securities, of the Significant Domestic Subsidiaries of Debtor from time to time owned or acquired by such Debtor in any manner (including without limitation, as applicable, the Pledged Shares), and any certificates at any time evidencing the same, (b) and 65% of the issued and outstanding capital stock of CAC Canada, as evidenced by the share certificate described on Schedule D hereto and all additional shares of stock or other equity interests in CAC Canada issued after the date hereof to Company or any other Debtor or otherwise from time to time owned or acquired by Company or any Debtor in any manner, subject, however, to the Percentage Limitation, and (c) all dividends, cash, instruments, rights and other property from time to time received, receivable or otherwise distributed or distributable in respect of or in exchange for any or all of such shares;"

3. The last sentence of Section 3.4 of the Security Agreement is hereby amended and restated in its entirety, as follows:

"All certificates or other instruments owned by such Debtor representing shares of stock or other ownership interests of any Significant Domestic Subsidiary (including, without limitation, the Pledged Shares) or the Pledged Canadian Shares or representing or evidencing the Non-Specified Interest will be delivered to the Collateral Agent, accompanied by duly executed stock powers or instruments of transfer or assignments in blank with respect thereto."

4. Section 3.7(c) of the Security Agreement is hereby amended and restated in its entirety, as follows:

"(c) On the date hereof, the Pledged Shares constitute the percentage of the issued and outstanding shares of stock, partnership units or membership or other ownership interests of the Issuers thereof indicated on Schedule D, if applicable, and such schedule contains a description of all shares of capital stock, partnership units, membership interests and other ownership interests of or in CAC Canada, the Significant Domestic Subsidiaries owned by the applicable Debtor and with respect to the Non-Specified Interest in the Titling Subsidiary (as such Schedule D may from time to time be supplemented, amended or modified in accordance with the terms of this Agreement)."

5. Section 4.15(a) of the Security Agreement is hereby amended and restated as follows [the changes are in bold]:

"(a) except with the written consent of the Collateral Agent, it will not permit CAC Canada or any Significant Domestic Subsidiary to issue to it or any of its other Subsidiaries any shares of stock, membership interests, partnership units, notes or other securities or instruments (including without limitation the Pledged Shares) in addition to or in substitution for any of the Collateral, unless, concurrently with each issuance thereof, but subject to the Percentage Limitation in the case of the shares of CAC Canada, any and all such shares of stock, membership interests, partnership units, notes or instruments are encumbered in favor of the Collateral Agent under this Agreement or otherwise (it being understood and agreed that all such shares of stock, membership interests, partnership units, notes or instruments issued to such Debtor shall, without further action by such Debtor or Collateral Agent, be automatically encumbered by this Agreement as Pledged Shares) and"

6. Section 6.1 of the Security Agreement is amended to add, after each reference to the "UCC" in such section, the words "or the PPSA".

7. Section 6.2(a) of the Security Agreement is amended to add, in the seventh line thereof (after the definition of "Securities Act"), the words "or, in the case of the Pledged Canadian Shares, the equivalent thereof, pursuant to part XVII or Rule 45-501 of the Securities Act (Ontario), as amended from time to time (the "Canadian Securities Act")," and to add, in the last line of such section (following the words "applicable state securities laws"), the words "or, in the case of the Pledged Canadian Shares, under the Canadian Securities Act,".

8. Section 7.4 is amended to add in the second to last line thereof (following the words "U.S. Mail,"), the words "or, in the case of the Pledged Canadian Shares or CAC Canada, 'Canada Post'".

9. Replacement Schedule D (Pledged Shares) to the Security Agreement set forth on Attachment 1 hereto shall replace, in its entirety, existing Schedule D (Pledged Shares) to the Security Agreement.

10. Except as expressly modified hereby, all the terms and conditions of the Security Agreement shall remain in full force and effect. Except as expressly set forth herein, nothing in this Amendment shall constitute a waiver of any term or condition of the Security Agreement or any of the rights and remedies provided to the secured party thereunder or as otherwise provided by law.

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

DEBTORS:

CREDIT ACCEPTANCE CORPORATION

By: /s/ Douglas W. Busk  
Name: Douglas W. Busk  
Title: Treasurer  
Address for Notices:  
Credit Acceptance Corporation  
25505 W. 12 Mile Road, Suite 3000  
Southfield, Michigan 48034  
Fax No.: 248-827-8542  
Telephone No.: 248-353-2700  
Attention: Doug Busk

AUTO FUNDING AMERICA OF NEVADA INC.  
CREDIT ACCEPTANCE CORPORATION LIFE  
INSURANCE COMPANY  
BUYERS VEHICLE PROTECTION PLAN, INC.  
CAC LEASING, INC.  
VEHICLE REMARKETING SERVICES, INC.  
CREDIT ACCEPTANCE CORPORATION OF  
NEVADA, INC.

By: /s/ Douglas W. Busk  
Name: Douglas W. Busk  
Title: Treasurer  
Address for Notices:  
c/o Credit Acceptance Corporation  
25505 W. 12 Mile Road, Suite 3000  
Southfield, Michigan 48034  
Fax No.: 248-827-8542  
Telephone No.: 248-353-2700  
Attention: Doug Busk

COLLATERAL AGENT:

COMERICA BANK as Collateral Agent

By: /s/ Caryn Dorfman  
Name: Caryn Dorfman  
Title: Assistant Vice President

Address for Notices:  
Metropolitan Loans D  
One Detroit Center, 6th Floor  
500 Woodward Avenue  
Detroit, Michigan 48226  
Fax No.: 313/222-3503  
Telephone No.:313/222-4865  
Attention: Caryn Dorfman

ATTACHMENT 1  
SCHEDULE D  
TO  
SECURITY AGREEMENT

Pledged Shares

Issuer	Owner	Certificate No.	No. of Pledged Shares	Pledged Shares as % of Total Shares Issued and Outstanding	Total Shares Issued and Outstanding
Auto Funding America of Nevada, Inc.	Company	1	1,000	100%	1,000
Buyers Vehicle Protection Plan, Inc.	Company	1	1,000	100%	1,000
CAC Leasing, Inc.	Company	1	1,000	100%	1,000
Vehicle Remarketing Services, Inc.	Company	1	10	100%	10
Credit Acceptance Corporation Life Insurance Company	Company	2	100,000	100%	100,000
Credit Acceptance Corporation of Nevada, Inc.	Company	1	1,000	100%	1,000
CAC of Canada Limited	Company	3	487,565	65%	750,100

The entire Non-Specified Interest of Company in the Titling Subsidiary, evidenced by Certificate No. 1 under the Titling Subsidiary Agreements

## SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "Agreement") dated September 7th, 2001, is entered into by and between CAC of Canada Limited, a corporation incorporated under the laws of Canada (the "Debtor"), and Comerica Bank, a Michigan banking corporation ("Comerica"), as agent for the benefit of the "Lenders" (in such capacity, the "Agent"). The addresses for the Debtor and Agent are set forth on the signature pages.

## R E C I T A L S:

A. The Debtor and certain of its Affiliates, Comerica (individually, and in the capacities referred to below) and the other financial institutions signatory thereto, each as "Banks" thereunder (and, in the case of Comerica, in its capacity as Agent for the Lenders and in its separate additional capacities as "Issuing Bank" thereunder) (together with any successors and permitted assigns party thereto from time to time, collectively the "Lenders"), entered into that certain Amended and Restated Credit Agreement dated as of June 11, 2001 (said credit agreement, as further amended, restated or otherwise modified from time to time, the "Credit Agreement"), under which Debtor is a Permitted Borrower.

B. The Debtor has, among other things, guaranteed payment and performance of the obligations of the Permitted Borrowers (other than itself as a Permitted Borrower) under the Credit Agreement and the Loan Documents pursuant to the Foreign Guaranty.

C. Pursuant to the Credit Agreement, the Lenders have required that the Debtor grant (or cause to be granted) certain liens and security interests to Comerica, as agent for the benefit of the Lenders, all to secure, among other things, the obligations of the Debtor under the Loan Documents (the "Obligations").

D. The Lenders have consented to the transactions contemplated hereby, and by the Loan Documents, and the Lenders have agreed that the Debtor's obligations under the Loan Documents shall be equally and ratably secured pursuant to this Agreement.

E. The Debtor has directly and indirectly benefitted and will directly and indirectly benefit from the transactions evidenced by and contemplated in the Credit Agreement and the other Loan Documents.

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

ARTICLE I  
DEFINITIONS

SECTION 1.1. DEFINITIONS. As used in this Agreement (including the recitals), capitalized terms not otherwise defined herein have the meanings provided for such terms in the Credit Agreement. References to "Sections," "subsections," "Exhibits" and "Schedules" shall be to Sections, subsections, Exhibits and Schedules, respectively, of this Agreement unless otherwise specifically provided. All references to statutes and regulations shall include any amendments of the same and any successor statutes and regulations. References to particular sections of the PPSA (as hereinafter defined) should be read to refer also to parallel sections of the personal property security legislation as enacted in each Province or other jurisdiction where any portion of the Collateral is or may be located.

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

"Account" means any "account," as such term is defined in Subsection 1(1) of the PPSA, now owned or hereafter acquired by the Debtor, and, in any event, shall include, without limitation, each of the following, whether now owned or hereafter acquired by the Debtor: (a) all rights of the Debtor to payment for goods sold or leased or services rendered, whether or not earned by performance, (b) all accounts receivable of the Debtor, (c) all rights of the Debtor to receive any payment of money or other form of consideration, (d) all security pledged, assigned or granted to or held by the Debtor to secure any of the foregoing, (e) all guaranties of, or indemnifications with respect to, any of the foregoing, and (f) all rights of the Debtor as an unpaid seller of goods or services, including, but not limited to, all rights of stoppage in transit, replevin, reclamation and resale.

"Advances to Dealers" shall mean any and all advances by the Debtor to Dealers under the Dealer Agreements whether in respect of Installment Contracts or Leases, as outstanding from time to time.

"Chattel Paper" means any "chattel paper," as such term is defined in Subsection 1(1) of the PPSA, now owned or hereafter acquired by the Debtor.

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

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

"Dealer(s)" shall mean a Person engaged in the business of the retail sale or lease of motor vehicles, whether new or used, including any such Person which constitutes an Affiliate of Debtor.

"Dealer Agreement(s)" shall mean the sales and/or servicing agreements between the Debtor or its Affiliates and a participating Dealer which sets forth the terms and conditions under which the Debtor or its Affiliates may (i) accept, as nominee for such Dealer, the assignment of Installment



Contracts or Leases for purposes of administration, servicing and collection and under which the Debtor or its Affiliates may make Advances to Dealers or (ii) accept outright assignments of Installments Contracts or Leases from Dealers or funds Installments Contracts or Leases originated by the Dealer in the name of the Debtor or its Affiliates, in each case as such agreements may be in effect from time to time.

"Document of Title" means any "document of title", as such term is defined in Subsection 1(1) of the PPSA, now owned or hereafter acquired by the Debtor, including, without limitation, all documents of title and all receipts covering, evidencing or representing goods now owned or hereafter acquired by the Debtor.

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

"Equipment" means any "equipment," as such term is defined in Subsection 1(1) of the PPSA, now owned or hereafter acquired by the Debtor and, in any event, shall include, without limitation, all machinery, equipment, furniture, trade fixtures, tractors, trailers, rolling stock, vessels, aircraft and vehicles now owned or hereafter acquired by the Debtor and any and all additions, substitutions and replacements of any of the foregoing, wherever located, together with all attachments, components, parts, equipment and accessories installed thereon or affixed thereto.

"Goods" means any "goods" as that term is defined in Subsection 1(1) of the PPSA, now owned or hereafter acquired by the Debtor.

"Installment Contract(s)" shall mean retail installment and/or conditional sale contracts for the sale of new or used motor vehicles assigned outright by Dealers to the Debtor or written by Dealers in the name of the Debtor or an Affiliate of the Debtor (and funded by the Debtor or such Affiliate) or assigned by Dealers to the Debtor or an Affiliate of the Debtor, 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 Debtor or any Affiliate transfers or encumbers its interest in any Installment Contracts (or any Advances to Dealers related thereto) pursuant to a Permitted Securitization, such Installment Contracts shall, from and after the date of such transfer or encumbrance, cease to be considered Installment Contracts under this Agreement (reducing the aggregate amount of Advances to Dealers by the outstanding amount of such advances, if any, attributable to such Installment Contracts) unless and until such Installment Contracts are reassigned to the Debtor or an Affiliate of the Debtor or such encumbrances are discharged.

"Instrument" means any "instrument," as such term is defined in Subsection 1(1) of the PPSA, now owned or hereafter acquired by the Debtor, and, in any event, shall include all promissory notes, drafts, bills of exchange and trade acceptances of the Debtor, whether now owned or hereafter acquired.

"Intangibles" means any "intangibles," as such term is defined in Subsection 1(1) of the PPSA, now owned or hereafter acquired by the Debtor and, in any event, shall include, without limitation, each of the following, whether now owned or hereafter acquired by the Debtor: (a) all of

the Debtor's service marks, trade names, trade secrets, registrations, goodwill, franchises, licenses, permits, proprietary information, customer lists, designs and inventions; (b) all of the Debtor's books, records, data, plans, manuals, computer software, computer tapes, computer disks, computer programs, source codes, object codes and all rights of the Debtor to retrieve data and other information from third parties; (c) all of the Debtor's contract rights, partnership interests, membership interests, joint venture interests, securities, deposit accounts, investment accounts and certificates of deposit; (d) all rights of the Debtor to payment under letters of credit and similar agreements; (e) all tax refunds and tax refund claims of the Debtor; (f) all choses in action and causes of action of the Debtor (whether arising in contract, tort or otherwise and whether or not currently in litigation) and all judgments in favor of the Debtor; (g) all rights and claims of the Debtor under warranties and indemnities; and (h) all rights of the Debtor under any insurance, surety or similar contract or arrangement.

"Inventory" means any "inventory," as such term is defined in Subsection 1(1) of the PPSA, now owned or hereafter acquired by the Debtor, and, in any event, shall include, without limitation, each of the following, whether now owned or hereafter acquired by the Debtor: (a) all Goods and other personal property of the Debtor that are held for sale or lease or to be furnished under any contract of service; (b) all raw materials, work-in-process, finished goods, supplies and materials of the Debtor; (c) all wrapping, packaging, advertising and shipping materials of the Debtor; (d) all Goods that have been returned to, repossessed by or stopped in transit by the Debtor; and (e) all Documents of Title evidencing any of the foregoing.

"Lease(s)" shall mean the retail agreements for the lease of motor vehicles assigned outright by Dealers to the Debtor or written by a Dealer in the name of the Debtor (and funded by the Debtor or an Affiliate) or assigned by Dealers to the Debtor or an Affiliate, 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 Debtor transfers or encumbers its interest in any Leases pursuant to a Permitted Securitization, such Leases shall, from and after the date of such transfer or encumbrance, cease to be considered Leases under this Agreement (reducing the aggregate amount of Advances to Dealers by the outstanding amount of Advances to Dealers attributable to such Leases) unless and until such Leases are reassigned to the Debtor or an Affiliate or such encumbrances have been discharged.

"Lenders" has the meaning specified in the recitals hereto.

"Money" means any "money", as such term is defined in Subsection 1(1) of the PPSA, now owned or hereafter acquired by the Debtor.

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

"PPSA" means the Personal Property Security Act as in effect in the Province of Ontario; provided, that if, by applicable law, the perfection or effect of perfection or non-perfection of the security interest created hereunder in any Collateral is governed by the personal property security legislation as in effect on or after the date hereof in any other jurisdiction, "PPSA" means the

personal property security legislation as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or the effect of perfection or non-perfection.

"Proceeds" means any "proceeds," as such term is defined in Subsection 1(1) of the PPSA and, in any event, shall include, but not be limited to, (a) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to the Debtor from time to time with respect to any of the Collateral, (b) any and all payments (in any form whatsoever) made or due and payable to the Debtor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental authority (or any Person acting, or purporting to act, for or on behalf of any governmental authority), and (c) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Records" has the meaning specified in Section 4.9 of this Agreement.

"Securities" means any "securities" as such term is defined in Subsection 1(1) of the PPSA, now owned or hereafter acquired by the Debtor.

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

## ARTICLE II SECURITY INTEREST

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

- (a) all Accounts;
- (b) all Chattel Paper;
- (c) all Documents of Title;
- (d) all Equipment;
- (e) all Goods;
- (f) all Installment Contracts;
- (g) all Instruments;
- (h) all Intangibles;

- (i) all Inventory;
- (j) all Leases;
- (k) all Money;
- (l) all Securities;
- (m) all Advances to Dealers, Dealer Agreements (and any amounts advanced to or liens granted by Dealers thereunder), and the Installment Contracts or Leases securing the repayment of such Advances to Dealers (and other indebtedness of Dealers to the Debtor) and related financial property (the security interest granted hereby in such Dealer Agreements, Advances to Dealers, Installment Contracts and Leases, and the Accounts, Chattel Paper, Documents of Title, Instruments, Intangibles, Monies and Proceeds therefrom relating to such Dealer Agreements, Advances to Dealers, Installment Contracts and Leases being subject to the rights of Dealers under Dealer Agreements);
- (n) all computer records ("Computer Records") and software ("Software"), whether relating to the foregoing Collateral or otherwise, but in the case of such Software, subject to the rights of any non-affiliated licensee of software; and
- (o) the Proceeds, in cash or otherwise, of any of the property described in the foregoing clauses (a) through (n) and all liens, security, rights, remedies and claims of the Debtor with respect thereto;

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

SECTION 2.2. DEBTOR REMAINS LIABLE. Notwithstanding anything to the contrary contained herein, (a) the Debtor shall remain liable under the contracts, agreements, documents and instruments included in the Collateral (including without limitation Dealer Agreements, Advances to Dealers, Installment Contracts and Leases) to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed and pay when due any taxes, including without limitation, any sales taxes payable in connection with the Dealer Agreements, Advances to Dealers, Installment Contracts or Leases and their creation and

satisfaction, (b) the exercise by the Agent or any of the Lenders of any of their respective rights or remedies hereunder shall not release the Debtor from any of its duties or obligations under the contracts, agreements, documents and instruments included in the Collateral, and (c) subject to the rights of Dealers under Dealer Agreements to the extent of collections on Installment Contracts or Leases for the account of such Dealers received by the Agent or any Lender, neither the Agent nor any of the Lenders shall have any indebtedness, liability or obligation (by assumption or otherwise) under any of the contracts, agreements, documents and instruments included in the Collateral (including without limitation any Dealer Agreement, Installment Contract or Lease) by reason of this Agreement, and none of such parties shall be obligated to perform any of the obligations or duties of the Debtor thereunder (including without limitation any obligation to make future advances to or on behalf of any Dealer or other obligor) or to take any action to collect or enforce any claim for payment assigned hereunder.

SECTION 2.3. MARKING COMPUTER FILES. In connection with the security interest and lien established hereby, the Debtor hereby agrees, at its sole expense, to indicate clearly and unambiguously in its computer files with respect to the Dealer Agreements, Advances to Dealers, Installment Contracts and Leases encumbered hereby, that the Debtor's rights to payment under such Dealer Agreements, Advances to Dealers, Installment Contracts and Leases have been pledged to the Agent pursuant to this Agreement for the benefit of the Lenders.

SECTION 2.4. AFFIXING LEGENDS. The Debtor shall, within thirty (30) days from the date hereof with respect to each Dealer Agreement which constitutes Collateral on the date hereof and, with respect to each Dealer Agreement which subsequently becomes Collateral hereunder, within five (5) days of the Debtor entering into any such agreement, clearly mark each such Dealer Agreement encumbered hereby with the following legend: "THIS AGREEMENT HAS BEEN PLEDGED TO COMERICA BANK, AS AGENT FOR THE BENEFIT OF CERTAIN LENDERS". Such legend shall be in bold, in type face at least as large as 12 point and shall be entirely in capital letters.

### ARTICLE III REPRESENTATIONS AND WARRANTIES

To induce the Agent and the Lenders to enter into this Agreement and to make advances and extend other credit accommodations under the Credit Agreement, the Debtor represents and warrants to the Agent and to each Lender that as of the date hereof:

SECTION 3.1. TITLE. The Debtor is, and with respect to Collateral acquired after the date hereof the Debtor will be, the legal and beneficial owner of the Collateral free and clear of any Lien or other encumbrance, except for (a) Liens which are permitted under Section 8.6 of the Credit Agreement (hereinafter, "Permitted Liens").

SECTION 3.2. FINANCING STATEMENTS. No financing statement, security agreement or other Lien instrument covering all or any part of the Collateral is on file in any public office with respect to any outstanding obligation of the Debtor except (i) as may have been filed in favor of the Agent

pursuant to this Agreement and (ii) financing statements filed to perfect Permitted Liens. As of the date hereof, and to the best of the Debtor's knowledge, except as otherwise disclosed on Schedule D hereto, the Debtor does not do business and has not done business within the past five (5) years under a trade name or any name other than its legal name set forth at the beginning of this Agreement.

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

SECTION 3.4. LOCATION OF COLLATERAL. All Inventory (except Inventory in transit) and Equipment (other than vehicles) of the Debtor in the possession of the Debtor are located at the places specified on Schedule A hereto. If any such location is leased by the Debtor as of the date hereof, the name and address of the landlord leasing such location is identified on Schedule A hereto. None of the Inventory or Equipment of the Debtor (other than trailers, rolling stock, vessels, aircraft and vehicles) is evidenced by a Document of Title (including, without limitation, a negotiable document of title).

SECTION 3.5. PERFECTION. Upon the filing of PPSA financing statements in the jurisdictions listed on Schedule B attached hereto, the security interest in favor of the Agent created herein will constitute a valid and perfected Lien upon and security interest in the Collateral which may be created and perfected under the PPSA by filing financing statements subject to no junior, equal or prior Liens except for those (if any) which constitute Permitted Liens.

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

#### ARTICLE IV COVENANTS

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

SECTION 4.1. ENCUMBRANCES. The Debtor shall not create, permit or suffer to exist, and shall defend the Collateral against, any Lien or other encumbrance (other than the Liens created by

this Agreement and the Permitted Liens) or any restriction upon the pledge or other transfer thereof (other than as provided in the Loan Documents), and shall, subject to the Permitted Liens, defend the Debtor's title to and other rights in the Collateral and the Agent's pledge and collateral assignment of and security interest in the Collateral against the claims and demands of all Persons. Except to the extent permitted by the Loan Documents or in connection with any release of Collateral under Section 7.13 hereof (but only to the extent of any Collateral so released), the Debtor shall do nothing to impair the rights of the Agent in the Collateral.

SECTION 4.2. COLLECTION OF ACCOUNTS AND CONTRACTS; NO COMMINGLING. The Debtor shall, in accordance with its usual business practices, endeavor to collect or cause to be collected from each account debtor under its Accounts, as and when due, any and all amounts owing under such Accounts and from any Dealer or from any obligor under an Installment Contract or Lease, as the case may be, any Advances to Dealers or other amounts owing under a Dealer Agreement, Installment Contract or Lease, as applicable. The Debtor shall take the steps required under the documents relating to Permitted Securitizations to segregate any Collateral transferred, encumbered or otherwise affected by a Permitted Securitization from the Collateral encumbered under this Agreement and all proceeds or other sums received in respect thereof (provided that Dealer Agreements which cover Advances to Dealers which have been transferred pursuant to a Permitted Securitization, but which also cover Advances to Dealers encumbered hereby, may contain the legend affixed in connection with the applicable Permitted Securitization, so long as such Dealer Agreements also contain the legend required under Section 2.4 hereof).

SECTION 4.3. DISPOSITION OF COLLATERAL. To the extent prohibited by the terms of the Loan Documents, the Debtor shall not enter into or consummate any transfer or other disposition of assets without the prior written consent of the Lenders, according to the terms of the Credit Agreement.

SECTION 4.4. FURTHER ASSURANCES. At any time and from time to time, upon the request of the Agent acting reasonably, and at the sole expense of the Debtor, the Debtor shall promptly execute and deliver all such further agreements, documents and instruments and take such further action as the Agent may reasonably deem necessary or appropriate to preserve and perfect its security interest in and pledge and collateral assignment of the Collateral and carry out the provisions and purposes of this Agreement or to enable the Agent to exercise and enforce its rights and remedies hereunder with respect to any of the Collateral; provided, however, that nothing contained in this Section 4.4 shall require the Debtor to affix legends to the Dealer Agreements, Installment Contracts or Leases (or folders containing the same) prior to the times set forth hereunder in Sections 2.4 and 6.4, respectively. Except as otherwise expressly permitted by the terms of the Credit Agreement relating to disposition of assets, including without limitation any Permitted Securitization and except for Permitted Liens, the Debtor agrees to maintain and preserve the Agent's security interest in and pledge and collateral assignment of the Collateral hereunder. Without limiting the generality of the foregoing, the Debtor shall (a) execute and deliver to the Agent such financing statements and/or financing change statements as the Agent may from time to time require; and (b) execute and deliver to the Agent, or cause to be so executed and delivered, such other agreements, acknowledgments, documents and instruments, including without limitation stock powers, as the Agent may reasonably require to perfect and maintain the validity, effectiveness and priority of the Liens intended to be

created by the Loan Documents. The Debtor authorizes the Agent to file one or more financing or financing change statements, and amendments thereto, relating to all or any part of the Collateral without the signature of the Debtor unless otherwise prohibited by law.

SECTION 4.5. INSURANCE. The Debtor shall maintain insurance of the types and in amounts, and under the terms and conditions, specified in the Loan Documents and shall cause the Agent to be named as "lender loss payee" thereunder to the full extent required to perfect and/or protect the Lien established hereby. Recoveries under any such policy of insurance shall be paid as provided in the Loan Documents.

SECTION 4.6. BAILEES. If any of the Collateral is at any time in the possession or control of any warehouseman, bailee or any of the Debtor's agents or processors, the Debtor shall, at the request of the Agent (as directed by the Majority Banks), notify such warehouseman, bailee, agent or processor of the security interest created hereunder and shall instruct such Person to hold such Collateral for the Agent's account subject to the Agent's instructions, and shall obtain such acknowledgments and/or undertakings from such Persons as reasonably requested by the Agent (as directed by the Majority Banks).

SECTION 4.7. FURNISHING OF INFORMATION AND INSPECTION RIGHTS.

(a) Within 30 days following the execution and delivery of this Agreement, the Debtor agrees to deliver to the Agent one or more computer files or microfiche lists containing true and complete (and updated to the most recent month end) lists of all Dealer Agreements and Advances to Dealers, and all Installment Contracts or Leases, as applicable, securing all such Advances to Dealers or owned outright by the Debtor, identified by account number, dealer number (if not owned outright by the Debtor), and pool number and the outstanding balance as of the date of such file or list. Such file or list shall be delivered to the Agent as confidential and proprietary.

(b) Thereafter:

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

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

to furnish to the Agent, a computer file, microfiche list or other list identifying each of the Dealer Agreements, Advances to Dealers, Installment Contracts and Leases encumbered hereby by pool number, account number and dealer number (if not owned outright by the Debtor) and by the outstanding balance thereof and identifying the obligor on the relevant Installment Contract or Lease, and the Debtor shall also furnish to the Agent from time to time such other information with respect to Dealer Agreements, the Advances to Dealers, Installment Contracts and Leases encumbered



hereby as the Agent may reasonably request. Without impairing the rights of any Lender to obtain information from the Debtor under any of the other Loan Documents, as applicable, the Agent shall furnish copies of the foregoing to any Lender upon its request following the occurrence and during the continuance of any Default or Event of Default, and the Debtor hereby authorizes and approves such release. The Debtor will, at any time and from time to time during regular business hours, upon 5 days prior notice (except if any Event of Default has occurred and is continuing, when no prior notice shall be required), permit the Agent, or its agents or representatives, to examine and make copies of and abstracts from all Records, to visit the offices and properties of the Debtor for the purpose of examining such Records, and to discuss matters relating to the Advances to Dealers, Installment Contracts, Leases or the Debtor's performance hereunder and under the other Loan Documents with any of the officers, directors, employees or independent public accountants of the Debtor having knowledge of such matters; provided, however, that the Agent acknowledges that, in exercising the rights and privileges conferred in this Section 4.7, it or its agents and representatives may, from time to time, obtain knowledge of information, practices, books, correspondence and records of a confidential nature and in which the Debtor has a proprietary interest. The Agent agrees that all such information, practices, books, correspondence and records are to be regarded as confidential information and agrees that it shall retain in strict confidence and shall use its reasonable efforts to ensure that its agents and representatives retain in strict confidence, and will not disclose without the prior written consent of the Debtor, any such information, practices, books, correspondence and records furnished to them except that the Agent may disclose such information (i) to its officers, directors, employees, agents, counsel, accountants, auditors, affiliates, advisors or representatives (provided that such Persons are informed of the confidential nature of such information), (ii) to the extent such information has become available to the public other than as a result of a disclosure by or through the Agent or its officers, directors, employees, agents, counsel, accountants, auditors, affiliates, advisors or representatives, (iii) to the extent such information was available to the Agent on a nonconfidential basis prior to its disclosure to the Agent hereunder, (iv) to the extent the Agent is (A) required in connection with any legal or regulatory proceeding or (B) requested by any bank or other regulatory authority to disclose such information, (v) to any prospective assignee of any note or other instrument evidencing Obligations; provided, that the Agent shall notify such assignee of the confidentiality provisions of this Section 4.7 and such assignee shall agree pursuant to the required form of assignment agreement attached as Exhibit G to the Credit Agreement to be bound thereby, or (vi) to any Lender, subject to the confidentiality provisions contained in this Agreement and any other Loan Document to which it is a party, upon the request of such party following the occurrence and during the continuance of such Default or Event of Default (but with no obligation on the part of any such Lender hereunder to return such information to the Agent or the Debtor if any such Default or Event of Default is subsequently cured or waived). Notwithstanding anything to the contrary in this Agreement, the Agent may reply to a request from any Person for a list of Advances to Dealers, Dealer Agreements, Installment Contracts, Leases or other information related to any Collateral referred to in any financing statement filed or acknowledgment obtained to perfect the security interest and liens established hereby, to the extent necessary to maintain the perfection or priority of such security interests or liens, or otherwise required under applicable law. The Agent agrees (at the Debtor's sole cost and expense) to take such measures as shall be reasonably requested by the Debtor to protect and maintain the security and confidentiality of such information. The Agent shall exercise good faith and make diligent efforts to

provide the Debtor with written notice at least five (5) Business Days prior to any disclosure pursuant to this Subsection 4.7(b).

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

SECTION 4.8. CORPORATE CHANGES. The Debtor shall not change its name, identity or corporate structure in any manner that might make any financing statement filed in connection with this Agreement misleading to any third party or which might otherwise result in the security interest granted hereunder becoming unperfected unless the Debtor shall have given the Agent thirty (30) days prior written notice thereof and shall have taken all action deemed necessary or desirable by the Agent to protect its Liens and the perfection and priority thereof. The Debtor shall not change its principal place of business, chief executive office or the place where it keeps its books and records unless it shall have given the Agent thirty (30) days prior written notice thereof and shall have taken all action deemed necessary or desirable by the Agent to cause its security interest in the Collateral to be perfected with the priority required by this Agreement.

SECTION 4.9. BOOKS AND RECORDS; INFORMATION. The Debtor shall keep accurate and complete books and records (the "Records") of the Collateral and the Debtor's business and financial condition in accordance with the Loan Documents. Subject to Section 4.7, the Debtor shall from time to time at the request of the Agent deliver to the Agent such information regarding the Collateral and the Debtor as the Agent may reasonably request, including, without limitation, lists and descriptions of the Collateral and evidence of the identity and existence of the Collateral. The Debtor shall mark its books and records to reflect the security interest of the Agent under this Agreement; provided, however, that with respect to its computer files, the Debtor's compliance with Section 2.3 hereof shall be deemed to satisfy its obligations under this sentence.

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

SECTION 4.11. EQUIPMENT, GOODS AND INVENTORY.

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

(b) The Debtor shall maintain the Equipment, Goods and Inventory in accordance with the terms of the Loan Documents.

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

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

ARTICLE V  
RIGHTS OF THE AGENT

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

(i) to demand, sue for, collect or receive, in the name of the Debtor or in its own name, any money or property at any time payable or receivable on account of or in exchange for any of the Collateral and, in connection therewith, endorse checks, notes, drafts,

acceptances, money orders, documents of title or any other instruments for the payment of money under the Collateral or any policy of insurance;

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

(iii) (A) to direct account debtors, Dealers, any obligors under Installment Contracts or Leases, as applicable, and any other parties liable for any payment under any of the Collateral to make payment of any and all monies due and to become due thereunder directly to the Agent or as the Agent shall direct; (B) to receive payment of and receipt for any and all monies, claims and other amounts due and to become due at any time in respect of or arising out of any Collateral; (C) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, proxies, stock powers, verifications and notices in connection with accounts and other documents relating to the Collateral; (D) to commence and prosecute any suit, action or proceeding at law or in equity in any court of competent jurisdiction to collect the Collateral or any part thereof and to enforce any other right in respect of any Collateral; (E) to defend any suit, action or proceeding brought against the Debtor with respect to any Collateral; (F) to settle, compromise or adjust any suit, action or proceeding described above and, in connection therewith, to give such discharges or releases as the Agent may deem appropriate; (G) to exchange any of the Collateral for other property upon any merger, consolidation, reorganization, recapitalization or other readjustment of the issuer thereof and, in connection therewith, deposit any of the Collateral with any committee, depository, transfer agent, registrar or other designated agency upon such terms as the Agent may determine; (H) to add or release any guarantor, indorser, surety or other party to any of the Collateral; (I) to renew, extend or otherwise change the terms and conditions of any of the Collateral; (J) to make, settle, compromise or adjust any claim under or pertaining to any of the Collateral (including claims under any policy of insurance); and (K) to sell, transfer, pledge, convey, make any agreement with respect to, or otherwise deal with, any of the Collateral as fully and completely as though the Agent were the absolute owner thereof for all purposes, and to do, at the Agent's option and the Debtor's sole expense, at any time, or from time to time, all acts and things which the Agent deems necessary to protect, preserve, maintain, or realize upon the Collateral and the Agent's security interest therein.

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

SECTION 5.2. SETOFF. In addition to and not in limitation of any rights of any Lender under applicable law, the Agent and each Lender shall, upon acceleration of any Obligations owing to such party under the Loan Documents, or when and to the extent any such Obligations shall otherwise be due and payable, and without notice or demand of any kind, have the right to appropriate and apply to the payment of the Obligations owing to it (whether or not then due) any and all balances, credits, deposits, accounts or moneys of the Debtor then or thereafter on deposit with such Lender; provided, however, that any such amount so applied by any Lender on any of the Obligations owing to it shall be subject to the provisions of Sections 10.2, 10.3 and 10.4 of the Credit Agreement.

SECTION 5.3. ASSIGNMENT BY THE AGENT. The Agent may at any time assign or otherwise transfer all or any portion of its rights and obligations as Agent under this Agreement and the other Loan Documents (including, without limitation, the Obligations) to any other Person, to the extent permitted by, and upon the conditions contained in, the Credit Agreement and the other Loan Documents, as applicable, and such Person shall thereupon become vested with all the benefits and obligations thereof granted to the Agent herein or otherwise.

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

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

SECTION 5.6. CERTAIN COSTS AND EXPENSES. The Debtor shall pay or reimburse the Agent within five (5) Business Days after demand for all reasonable costs and expenses (including reasonable legal fees and expenses supported by an itemized billing) incurred by it in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or any other Loan Document during the existence of an Event of Default or after acceleration of any of the Obligations (including in connection with any "workout" or restructuring regarding the Obligations, and including in any insolvency proceeding or appellate proceeding); provided, however, that the Debtor shall only be required to pay or reimburse the Agent in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or any other Loan Document for the fees and expenses of one law firm in each jurisdiction governing the establishment, perfection or priority of any security interest or lien established hereby, or governing any dispute, claim or other matter arising hereunder, at any given

time, engaged on behalf of the Agent. The agreements in this Section 5.6 shall survive the payment in full of the Obligations. Notwithstanding the foregoing, the reimbursement of any fees and expenses incurred by the Lenders shall be governed by the terms and conditions of the applicable Loan Documents.

SECTION 5.7. INDEMNIFICATION. The Debtor shall indemnify, defend and hold the Agent and each Lender and each of their respective officers, directors, employees, counsel, agents and attorneys-in-fact (each, an "Indemnified Person") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses and disbursements (including reasonable legal fees and expenses supported by an itemized billing) of any kind or nature whatsoever which may at any time (including at any time following repayment of the Obligations and the termination, resignation or replacement of the Agent or replacement of any Lender) be imposed on, incurred by or asserted against any such Indemnified Person in any way relating to or arising out of this Agreement or any other Loan Document or any document contemplated by or referred to herein or therein, or the transactions contemplated hereby, or any action taken or omitted by any such Indemnified Person under or in connection with any of the foregoing, including with respect to any investigation, litigation or proceeding (including any proceeding described in Section 9.1(j) of the Credit Agreement or appellate proceeding) related to or arising out of this Agreement or the Obligations or the use of the proceeds thereof, whether or not any Indemnified Person is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"); provided, that the Debtor shall have no obligation under this Section 5.7 to any Indemnified Person (a) with respect to Indemnified Liabilities to the extent resulting from the gross negligence or willful misconduct of such Indemnified Person or (b) if, in the case of an action solely among the Agent and/or the Lenders (or any of them), neither the Debtor nor any of its Affiliates or employees or agents is (or has been) finally determined, in a court of competent jurisdiction, to have engaged in any wrongful conduct or in any breach of this Agreement or any of the Loan Documents or (c) if, in the case of an action solely as between or among the Agent and/or the Lenders (or any of them) on the one hand and the Debtor, on the other hand, (i) the Debtor has obtained a final, non-appealable judgment from a court of competent jurisdiction that neither it nor any of its Affiliates, employees or agents has engaged in any wrongful conduct or in any breach of this Agreement or any of the other Loan Documents or (ii) the Debtor by non-appealable judgment is the prevailing party. The agreements in this Section 5.7 shall survive payment of all other Obligations.

#### ARTICLE VI DEFAULT

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

(i) In addition to all other rights and remedies granted to the Agent in this Agreement, the Credit Agreement or in any other Loan Document or by applicable law, the Agent shall have all of the rights and remedies of a secured party under the PPSA (whether or

not the PPSA applies to the affected Collateral) and the Agent may also, without notice except as specified below or in the Credit Agreement, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Agent may, in its reasonable discretion, deem commercially reasonable or otherwise as may be permitted by law. Without limiting the generality of the foregoing, the Agent may (A) without demand or notice to the Debtor (except as required under the Loan Documents or applicable law), collect, receive or take possession of the Collateral or any part thereof, and for that purpose the Agent (and/or its agents, servicers or other independent contractors) may enter upon any premises on which the Collateral is located and remove the Collateral therefrom or render it inoperable, and/or (B) sell, lease or otherwise dispose of the Collateral, or any part thereof, in one or more parcels at public or private sale or sales, at the Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Agent may, in its reasonable discretion, deem commercially reasonable or otherwise as may be permitted by law. The Agent and, subject to the terms of the Credit Agreement, each of the Lenders shall have the right at any public sale or sales, and, to the extent permitted by applicable law, at any private sale or sales, to bid (which bid may be, in whole or in part, in the form of cancellation of indebtedness) and become a purchaser of the Collateral or any part thereof free of any right of redemption on the part of the Debtor, which right of redemption is hereby expressly waived and released by the Debtor to the extent permitted by applicable law. Upon the request of the Agent, the Debtor shall assemble the Collateral and make it available to the Agent at any place designated by the Agent that is reasonably convenient to the Debtor and the Agent. The Debtor agrees that, subject to notice requirements of applicable law, the Agent shall not be obligated to give more than fifteen (15) days prior written notice of the time and place of any public sale or of the time after which any private sale may take place and that such notice shall constitute reasonable notice of such matters. The Agent shall not be obligated to make any sale of Collateral if, in the exercise of its reasonable discretion, it shall determine not to do so, regardless of the fact that notice of sale of Collateral may have been given. The Agent may, without notice or publication (except as required by applicable law), adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. The Debtor shall be liable for all reasonable expenses of retaking, holding, preparing for sale or the like, and all reasonable legal fees and expenses and other costs and expenses incurred by the Agent in connection with the collection of the Obligations and the enforcement of the Agent's rights under this Agreement and the other Loan Documents. The Debtor shall, to the extent permitted by applicable law, remain liable for any deficiency if the Proceeds of any such sale or other disposition of the Collateral (conducted in conformity with this clause (i) and applicable law) applied to the Obligations are insufficient to pay the Obligations in full. The Agent shall apply the proceeds from the sale of the Collateral hereunder against the Obligations in such order and manner as is provided in the Credit Agreement.

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

(iii) The Agent may exercise any and all rights and remedies of the Debtor under or in respect of the Collateral, including, without limitation, any and all rights of the Debtor to demand or otherwise require payment of any amount under, or performance of any provision of any of the Collateral and any and all voting rights and corporate powers in respect of the Collateral.

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

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

SECTION 6.2. PRIVATE SALES. The Debtor agrees to do or cause to be done, to the extent that the Debtor may do so under applicable law, all such other reasonable acts and things as may be necessary to make any private sales or resales of any portion or all of the Collateral according to the terms hereof valid and binding and in compliance with any and all applicable laws, regulations, orders, writs, injunctions, decrees or awards of any and all courts, arbitrators or governmental instrumentalities, domestic or foreign, having jurisdiction over any such sale or sales, all at the Debtor's sole expense.

SECTION 6.3. ESTABLISHMENT OF SPECIAL ACCOUNT; AND LOCK BOX. Upon the occurrence and during the continuance of any Event of Default, there shall be established by the Debtor with the Agent, for the benefit of the Lenders in the name of the Agent, a segregated non-interest bearing cash collateral account ("Special Account") bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Agent and the Lenders; provided, however, that the Special Account may be an interest-bearing account with a commercial bank (including Comerica or any other Lender which is a commercial bank) if determined by the Agent, in its reasonable



discretion, to be practicable, invested by the Agent in its sole discretion, but without any liability for losses or the failure to achieve any particular rate of return. Subject to the terms hereof and to the rights of Dealers under applicable Dealer Agreement and to the rights of the applicable creditor in respect of Permitted Securitizations, the Agent shall possess all right, title and interest in and to all funds deposited from time to time in such account. Furthermore, upon the occurrence and during the continuance of any Event of Default, the Debtor agrees, upon the written election of the Agent, to establish and maintain at the Debtor's sole expense a Canada Post lock box (the "Lock Box"), to which the Agent shall have exclusive access and control. The Debtor expressly authorizes the Agent, from time to time, to remove the contents from the Lock Box, for disposition in accordance with this Agreement. Upon the occurrence and during the continuance of an Event of Default, the Debtor shall, upon the Agent's request, notify all account debtors, all Dealers under Dealer Agreements encumbered hereby, and all obligors under Installment Contracts or Leases encumbered hereby that all payments made to the Debtor (a) other than by electronic funds transfer, shall be remitted, for the credit of the Debtor, to the Lock Box, and the Debtor shall include a like statement on all invoices, and (b) by electronic funds transfer, shall be remitted to the Special Account, and the Debtor shall include a like statement on all invoices. The Debtor shall execute all documents and authorizations as reasonably required by the Agent to establish and maintain the Lock Box and the Special Account. It is acknowledged by the parties hereto that any lockbox presently maintained or subsequently established by the Debtor with the Agent may be used, subject to the terms hereof, to satisfy the requirements set forth in the first sentence of this Section 6.3.

6.4. LEGENDING INSTALLMENT CONTRACTS AND LEASES ON DEFAULT. Upon the occurrence and during the continuance of any Event of Default, the Majority Banks may elect (the "Election"), by directing the Agent to notify the Debtor of such election, to affix to each Installment Contract and Lease encumbered by this Agreement or securing Advances to Dealers or otherwise related to a Dealer Agreement encumbered hereby (or, at the Debtor's option, to the file folders containing such Installment Contracts or Leases) the following legend: "THIS AGREEMENT HAS BEEN PLEDGED TO COMERICA BANK, AS AGENT FOR THE BENEFIT OF CERTAIN LENDERS". The Election, once made by the Majority Banks, as aforesaid, shall remain in effect, the Debtor shall remain obligated to comply with such Election, notwithstanding any subsequent waiver or cure of the applicable Event of Default giving rise to such election, unless the Election is withdrawn by the Majority Banks.

6.5 DEFAULT UNDER LOAN DOCUMENTS. It shall constitute an Event of Default under each of the Loan Documents if (a) any representation or warranty made or deemed made by the Debtor herein or in any instrument submitted pursuant hereto proves untrue in any material adverse respect when made or deemed made, or (b) the Debtor shall breach any covenant or other provision hereof, and such breach shall continue for a period of three (3) consecutive days, in the case of any failure to pay any money due hereunder, and thirty (30) consecutive days, in the case of any other breach hereunder or (c) this Agreement shall at any time for any reason (other than in accordance with its terms or the terms of each of the Loan Documents or with the consent of the requisite Lenders) cease to be valid and binding and enforceable against the Debtor, or (d) the validity, binding effect or enforceability hereof shall be contested by any Person, or (e) the Debtor shall deny, prior to payment of the Obligations in full or the termination of this Agreement according to its terms, that it has any

further liability hereunder, or (f) this Agreement (other than in accordance with its terms or the terms of each of the Loan Documents) shall be terminated, invalidated, revoked or set aside or in any way cease to give or provide to the Agent and the Lenders the benefits purported to be created hereby.

ARTICLE VII  
MISCELLANEOUS

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

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

SECTION 7.3. AMENDMENT; ENTIRE AGREEMENT. THIS AGREEMENT (AND THE LOAN DOCUMENTS REFERRED TO HEREIN) EMBODIES THE FINAL, ENTIRE AGREEMENT AMONG THE PARTIES HERETO AND SUPERSEDES ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES HERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES HERETO. The provisions of this Agreement may be amended or waived only by an instrument in writing signed by the parties hereto.

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

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

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER SECURITY DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE PROVINCE OF ONTARIO OR OF THE FEDERAL COURTS OF CANADA, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE DEBTOR AND THE AGENT CONSENT, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. THE DEBTOR AND THE AGENT IRREVOCABLY WAIVE ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY SECURITY DOCUMENT.

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

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

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

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

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

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

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

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

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

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

shall be inconsistent with any provision of any other Loan Documents, such provision of this Agreement shall govern.

\* \* \* \*

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

DEBTOR:  
CAC OF CANADA LIMITED

By:/s/ Charles A. Pearce  
Name: Charles A. Pearce  
Title: Secretary

By: /s/ Brett A. Roberts  
Name: Brett A. Roberts  
Title: Co-President

Address for Notices:  
25505 West Twelve Mile Road  
Suite 3000  
Southfield, Michigan 48034  
Fax No.: 248/827-8542  
Telephone No.: 248/353-2700  
Attention: Chief Financial Officer

AGENT:

COMERICA BANK as Agent

By: /s/ Caryn Dorfman

Name: Caryn Dorfman

Title:

Address for Notices:

Metropolitan Loans D

One Detroit Center, 6th Floor

500 Woodward Avenue

Detroit, Michigan 48226

Fax No.: 313/222-3503

Telephone No.: 313/222-4865

Attention: Caryn Dorfman

SCHEDULE A  
TO  
SECURITY AGREEMENT

Principal Place of Business, Locations of Equipment and Inventory  
(including leased locations) in the Possession of the Debtor

Registered Office  
42nd Floor  
1 First Canadian Place  
Toronto, Ontario  
M5X 1B2

Books and Records  
25505 West Twelve Mile Road  
Southfield, Michigan 48034

Asset Locations  
Alberta  
British Columbia  
Ontario  
New Brunswick  
Nova Scotia  
Michigan

Leased Locations  
Nil

SCHEDULE B  
TO  
SECURITY AGREEMENT

Jurisdictions for Filing  
PPSA Financing Statements

Alberta  
British Columbia  
Ontario  
New Brunswick  
Nova Scotia

Jurisdictions for Filing  
UCC Financing Statements

Michigan



SCHEDULE C  
TO  
SECURITY AGREEMENT

Primary Computer Systems and Software

Application and Contract System is software which utilizes the HP Unix operating system and is resident on Credit Acceptance Corporation's HP9000-K410 server. It was designed by in-house personnel and TUSC, a consulting firm hired to assist with the project.

The Loan Servicing System is software which utilizes the HP Unix operating system and is resident on Credit Acceptance Corporation's HP9000-K420 server. It was designed by in-house personnel and TUSC.

The Collection System is software which utilizes the HP Unix operating system and is resident on Credit Acceptance Corporation's HP9000-T520 server. It was developed and is owned by Ontario Systems Corporation and licensed to Credit Acceptance Corporation under an agreement dated November 15, 1989.

Further information regarding these systems is contained on the attached excerpt from Credit Acceptance Corporation's Form 10-K for the year ended December 31, 2000.

SCHEDULE D  
TO  
SECURITY AGREEMENT  
Trade and Other Names

CAC of Canada Limited

Nil

Dated 7th September, 2001

CREDIT ACCEPTANCE CORPORATION IRELAND LIMITED  
AS COMPANY

IN FAVOUR OF

COMERICA BANK  
AS SECURITY TRUSTEE

-----  
DEBENTURE  
-----

A & L Goodbody,  
25-28 North Wall Quay,  
International Financial Services Centre,  
Dublin 1.  
Q:\COMM\IFSC\GGL\WORD7\GLAG1101.DOC(OL2)

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THIS DEBENTURE is dated 7th September, 2001 and made by way of deed by:

- (1) CREDIT ACCEPTANCE CORPORATION IRELAND LIMITED, registered in Ireland with registered number 254590 and having its registered office at 17, Dame Street, Dublin 2. (the "COMPANY") in favour of
- (2) COMERICA BANK, a Michigan banking corporation, as agent and security trustee for the benefit of the Banks under the Credit Agreement (referred to below), (the "SECURITY TRUSTEE").

IT IS AGREED as follows:

PART 1

INTERPRETATION

1. DEFINITIONS AND INTERPRETATION

1.1 DEFINITIONS

In this Debenture, unless the context otherwise requires:

"ADVANCES TO DEALERS" shall mean any and all advances by the Company to Dealers under the Dealer Trading Agreements whether in respect of Instalment Contracts or Leases, as outstanding from time to time.

"BANKS" has the meaning specified in the Credit Agreement.

"BILL OF SALE" means a bill of sale taken or to be taken by the Company from a Customer by way of security in a Vehicle for liabilities under a CAC Loan Agreement or such similar document taken by another member of the Group, the rights, title, benefit and interest to and under which have since been assigned, transferred or novated to the Company by such other member of the Group.

"CAC LOAN AGREEMENTS" means any loan agreement which may be entered into between the Company and a Customer and pursuant to which financing may be advanced by way of loan from the Company to the Customer, to assist the Customer's acquisition of a Vehicle, and may be secured by way of Bill of Sale.

"COMPANY" has the meaning given to it in the preamble.

"CONDITIONAL SALE AGREEMENT" means an agreement between the Company as seller and a Customer as buyer, a specimen of which has previously been supplied to the Security Trustee in connection with its execution of this Debenture, under which the Company sells to the Customer a Vehicle which the Company has purchased from the Dealer on terms that the price is payable by the Customer in instalments and where

risk in the Vehicle passes to the Customer upon delivery but title to the Vehicle remains with the Company until all instalments together with any costs, fees, expenses and default interest have been paid in full to the Company or such similar agreement entered into between another member of the Group and a Customer, which the rights, title, interest and benefit to and under which have since been assigned, transferred or novated to the Company by such other member of the Group.

"CONVEYANCING ACTS" means the Conveyancing and Law of Property Acts, 1881 to 1911.

"CREDIT AGREEMENT" means the Amended and Restated Credit Agreement dated as of June 11, 2001 (amended and restating the prior Credit Agreement) between, inter alia, Credit Acceptance Corporation, a Michigan corporation, other parties and Comerica Bank as administrative agent (as amended, restated or otherwise modified from time to time).

"CUSTOMERS" means the person or persons who enters into a Conditional Sale Agreement with the Company after being introduced to the Company by a Dealer.

"DEALER" shall mean a person engaged in the business of the retail sale or lease of motor vehicles, whether new or used, selling new motor vehicles, but having a used vehicle department, including any such person which constitutes an affiliate of the Company.

"DEALER TRADING AGREEMENT" means an agreement entered into between a Dealer in Ireland and the Company, a specimen of which has previously been supplied to the Security Trustee in connection with its execution of this Debenture, pursuant to which the Dealer agrees that from time to time it will introduce Customers to the Company who seek finance to acquire a Vehicle from the Dealer and that it will sell such Vehicles to the Company for a charge or commission (the acquisition of such Vehicles by Customers being subsequently financed by the Company by way of a Conditional Sale Agreement or, subject to Clause 8.8 (Finance of Acquisition of Vehicles), a CAC Loan Agreement) or such similar agreement entered into between another member of the Group and a Dealer, the rights, title, interest and benefit to and under which have since been assigned, transferred or novated to the Company by such other member of the Group.

"DEBTS" means all present and future book and other debts and other monies due, owing or payable to the Company including, but not limited to, such monies due under the Irish Contracts or any Intercompany Loans and the benefit of any claims, insurance policies (including the proceeds of the same), guarantees and any other rights relating to any of the above, including any security or remedies for any of the same, now or at any time enjoyed or held by the Company.

"DEFAULT RATE" means the rate specified in clause 2.9 of the Credit Agreement.

"DISCHARGE DATE" has the meaning given to it in Clause 5.1 (No discharge of security).

"DISPUTE" has the meaning given to it in Clause 36.1 (Jurisdiction of Irish courts).

"DISSOLUTION" of a person includes the dissolution, bankruptcy, insolvency, winding-up, liquidation, administration, examination, amalgamation, reconstruction, reorganisation, arrangement, adjustment, administrative or other receivership or dissolution of that person, its official management or all of its assets or revenues or the seeking of protection or relief of debtors and any equivalent or analogous proceeding by whatever name known and in whatever jurisdiction.

"DOCUMENTS" means this Debenture and each of the Loan Documents.

"ENFORCEMENT EVENT" means any of the following events:

- (a) a breach by the Company of any provision of this Debenture (including Clause 2.1 (Covenant to Pay)) or any other Document;
- (b) the occurrence of an Event of Default in connection with, or relating to, any obligor in respect of any of the Secured Liabilities; or
- (c) the taking of any action by any person to enforce any Security Interest over any of the Company's assets other than the Security.

"EVENT OF DEFAULT" means each of those events of default specified in clause 9.1 of the Credit Agreement.

"GROUP" means the Company and its Subsidiaries and the Company's holding company (as defined in Section 155 of the Companies Acts 1963-99) and its Subsidiaries.

"INSTRUMENTS" means any contract, agreement, indenture, mortgage, document or writing (whether by formal agreement, letter or otherwise) under which any obligation is evidenced, assumed, or undertaken or any security interest (or right or interest in any security interest) is granted or perfected or purported to be granted or perfected.

"INSURANCE PROCEEDS" means all monies which may from time to time be payable to or received by the Company (whether as an insured party or as loss payee) pursuant to any Insurance and the proceeds of all claims made by the Company under any such Insurance.

"INSURANCES" means all policies and contracts of insurance which have been or are from time to time taken out by or on behalf of the Company or (to the extent of its interest) in which the Company has an interest (including as loss payee or additional insured) and including, for the avoidance of doubt, all renewals of and replacements for such policies and contracts of insurance.



"INTELLECTUAL PROPERTY" means all patents, designs, copyrights, design rights, trade and service marks, utility models, trade and business names, moral rights, know-how formulae, inventions, confidential information, trade secrets, computer records and computer software programs and systems (including applications, improvements, prolongations, extensions and rights to apply for, and the benefit of any licences or consents relating to, any of the above) and rights of a like nature whether registered or unregistered and all fees, royalties or other rights derived from or incidental to the same arising or subsisting in any part of the world now or at any time belonging to the Company.

"INTERCOMPANY LOANS" means all loans which the Company may, at any time and from time to time, make to other members of the Group in accordance with the Credit Agreement.

"INTERCREDITOR AGREEMENT" means the Intercreditor Agreement dated as of December 15, 1998 as amended by the First Amendment thereto, dated as of March 30, 2001 (as further amended, amended and restated, supplemented or otherwise modified from time to time) among the Security Trustee, the Banks and certain Noteholders (as defined therein).

"IRISH CONTRACTS" means the Conditional Sale Agreements, CAC Loan Agreements, Bills of Sale and Dealer Trading Agreements.

"LOAN DOCUMENTS" has the meaning given to it in the Credit Agreement.

"PARTY" means a party to this Debenture and includes its successors in title, permitted assigns and permitted transferees.

"PERMITTED SECURITIZATION" shall mean a "Permitted Securitization" as such term is defined in the applicable Loan Documents.

"PERMITTED SECURITY INTERESTS" means "Permitted Liens" as such term is defined in the Credit Agreement.

"RECEIVER" means any receiver, receiver and manager or administrative receiver appointed by the Security Trustee over all or any of the Secured Assets pursuant to this Debenture whether alone or jointly with any other or additional person and includes any substitute for any of them appointed from time to time.

"SECURED ASSETS" means all of the undertaking and assets, rights and property of the Company which are the subject of any security created or purported to be created by this Debenture and includes any part of or any interest in any of them save that any assets sold or disposed of pursuant to Clause 5.3 (Release for Permitted Securitizations) shall not, once such assets have been released from the security granted by this Debenture, constitute Secured Assets.

"SECURED LIABILITIES" means all monies, obligations and liabilities whatsoever whether for principal, interest or otherwise in whatever currency which may now or at any time in the future be due, owing or incurred pursuant to or in connection with the Credit Agreement by any or all of the Company, CAC of Canada Limited, a corporation organised under the laws of Canada and Credit Acceptance Corporation UK Limited, a corporation organised under the laws of England and Wales, together with any other Foreign Subsidiary (as defined in the Credit Agreement) which becomes a Permitted Borrower under the Credit Agreement whether present or future, actual or contingent, and whether alone, severally or jointly as principal, guarantor, surety or otherwise and in whatever name and whether on any current or other account or in any other manner whatsoever Provided that there shall be excluded from this definition any money, obligation or liability which would, but for this proviso, cause the covenant set out in Clause 2.1 (Covenant to Pay) or the security which would otherwise be constituted by this Debenture to constitute unlawful financial assistance prohibited by Section 60 of the Companies Acts 1963-99.

"SECURITY" means the security from time to time constituted by or pursuant to this Debenture.

"SECURITY DOCUMENTS" means this Debenture and any other document guaranteeing or creating security for or supporting the obligations of the Company or any other person to the Security Trustee or any of the Banks.

"SECURITY INTEREST" means any mortgage, charge, pledge, lien, assignment, hypothecation, security interest, title retention, preferential right, trust arrangement or any other type of security or preferential arrangement howsoever arising.

"SECURITY TRUSTEE" has the meaning given to it in the preamble.

"SPECIAL ACCOUNTS" means upon or after the occurrence of an Enforcement Event such separate and denominated account or accounts with the Security Trustee or such other bank or banks as the Security Trustee may thereafter specify from time to time in writing as the account or accounts into which the Debts are to be paid.

"TANGIBLE MOVABLE PROPERTY" means all plant, equipment and machinery now or at any time vested in or held by or on behalf of the Company and all related spare parts, fuels, equipment and tools.

"VEHICLE" means a mechanically propelled vehicle as defined in the Road Traffic Act 1961 (as amended) or a light commercial vehicle (which in any case has not been adapted from its original manufacturer's specification) and all accessories and replacements fitted to the said Vehicle whether by the Company or the Dealer or another.

1.2

#### INTERPRETATION

(a) Any reference in this Debenture to:

- (i) "APPLICABLE LAW" includes any law (including common or customary law), statute, constitution, decree, judgment, treaty, regulation, directive, bye-law, order, rule, convention, procedure, consent, request, determination or any other legislative measure or requirement (whether or not having the force of law) of, and any interpretation of the same by, any governmental, intergovernmental, supranational, national, federal, state, regional, local, statutory, regulatory, self regulatory or other body or court;
- (ii) the "ASSETS" of any person includes the whole or any part of its business, undertakings, property, intellectual property, shares, securities, debts, accounts, revenues (including any right to receive revenues), goodwill, shareholdings and uncalled capital including premium whether now or at any time acquired and any other assets whatsoever;
- (iii) a "BUSINESS DAY" is a reference to a day (other than a Saturday or Sunday) on which banks are generally open for business in London, Dublin and the United States of America;
- (iv) a "DISPOSAL" includes any sale, lease, transfer, conveyance, assignment, licence, sub-licence or other disposal and "DISPOSE" and "DISPOSED" shall be construed accordingly;
- (v) a "GUARANTEE" includes any guarantee, bond, indemnity, letter of credit, third party security or other legally binding assurance against financial loss granted by one person in respect of any indebtedness of another person or any agreement to assume any indebtedness of any other person or to supply funds or to invest in any manner whatsoever in such other person by reason of or otherwise in relation to any indebtedness of such other person;
- (vi) "INDEBTEDNESS" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
- (vii) "MATERIAL ADVERSE EFFECT" means, in the opinion of the Security Trustee acting reasonably, a material adverse effect on:
  - (A) the business, operations, assets or financial condition of the Company;
  - (B) the ability of the Company to perform any material obligation under any Document to which it is a party; or

- (C) the legality, validity or enforceability of any material provision of this Debenture or any of the other Documents or the rights and remedies of the Security Trustee hereunder or thereunder;
- (viii) a "PERSON" includes any person, firm, company, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) or two or more of the above;
- (ix) a "SUBSIDIARY" of any person means any other person which is a "subsidiary undertaking" of the first-mentioned person within the meaning of Section 155 of the Companies Acts 1963-99 as in force at the date of this Debenture;
- (x) "TAX" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same);
- (xi) a "DOCUMENT" or any other agreement or Instrument is a reference to that Document or other agreement or Instrument as amended or novated from time to time;
- (xii) "VAT" means value added tax and any other tax of a similar nature;
- (xiii) a provision of law is a reference to that provision as the same may have been, or may from time to time be, amended or re-enacted; and
- (xiv) any person shall be construed so as to include it and any subsequent successors and assigns in accordance with their respective interests.
- (b) Section, Clause and Schedule headings are for ease of reference only.
- (c) Unless otherwise specified, a reference to any Section, Clause or Schedule is a reference to such Section, Clause or Schedule of this Debenture.

### 1.3 CREDIT AGREEMENT

All terms defined in the Credit Agreement which are used in this Debenture shall bear the same meaning as in the Credit Agreement unless the context requires otherwise. In the event of any conflict between the meaning of any term defined in the Credit Agreement and in this Debenture the definition in this Debenture shall prevail.

PART 2

THE SECURED LIABILITIES

2. PAYMENT OF THE SECURED LIABILITIES

2.1 COVENANT TO PAY

The Company covenants with the Security Trustee and the Banks that it shall pay and discharge the Secured Liabilities when due in accordance with the Credit Agreement to the Security Trustee or the Banks.

2.2 INTEREST

If the Company fails to pay any amount due under Clause 2.1 (Covenant to pay) on the due date for payment of the same, the Company shall pay interest on such amount (after as well as before any judgment) from the due date until the date of payment (notwithstanding the Dissolution of the Company), calculated on a daily basis at the rate or rates applicable under the agreements or arrangements under which such amount is payable or, if no such rate or rates are specified, at the Default Rate, upon such days and upon such terms as the Security Trustee may from time to time determine.

2.3 NO WITHHOLDING

All sums payable by the Company under this Debenture shall be paid without any set-off, counterclaim, withholding or deduction whatsoever unless required by law, in which event the Company will:

- (a) simultaneously with making the relevant payment under this Debenture pay to the Security Trustee such additional amount as will result in the receipt by the Security Trustee of the full amount which would otherwise have been received; and
- (b) promptly supply the Security Trustee with evidence satisfactory to the Security Trustee that the Company has accounted to the relevant authority for the sum withheld or deducted.

PART 3

SECURITY INTERESTS

3. ASSIGNMENTS, FIXED AND FLOATING CHARGES

3.1 FIXED CHARGES

The Company as beneficial owner and as a continuing security for the payment and discharge of the Secured Liabilities charges by way of fixed charge in favour of the Security Trustee:

- (a) the Tangible Movable Property;
- (b) the Intellectual Property;
- (c) all present and future goodwill and uncalled capital of the Company;
- (d) the Debts;
- (e) all monies now or at any time standing to the credit of any bank account (including any Special Account) opened or maintained by the Company with any person; and
- (f) all Vehicles to which the Company holds the title and the purchase of which are being financed by the Company pursuant to any of the Irish Contracts.

3.2 ASSIGNMENT IN EQUITY

The Company as beneficial owner as a continuing security for the payment and discharge of the Secured Liabilities assigns in equity to the Security Trustee all of the Company's right, title and interest in and to all present and future rights and claims of the Company under or in respect of the Irish Contracts including, but not limited to, all of the Company's right, title and interest in and to all present and future rights and claims of the Company under any Conditional Sale Agreements and any Dealer Trading Agreements.

3.3 FLOATING CHARGE

The Company as beneficial owner and as a continuing security for the payment and discharge of the Secured Liabilities charges in favour of the Security Trustee by way of floating charge the whole of the undertaking and all the assets, rights and income of the Company both present and future not otherwise effectively mortgaged, charged or assigned (whether at law or in equity) pursuant to Clauses 3.1 (Fixed charges) and 3.2 (Assignment in equity).

#### 3.4 RANKING OF CHARGES

The charges created by Clause 3.1 (Fixed charges) shall constitute first fixed charges. The charge created by Clause 3.3 (Floating charge) shall be a first floating charge unless and until it is converted into a fixed charge pursuant to Clause 6 (Crystallisation of floating charge) or by operation of law.

#### 3.5 FAILURE OF ASSIGNMENT

If for any reason the assignment of any of the Secured Assets referred to in Clause 3.2 (Assignment in equity) is found to be ineffective and/or if any sums payable in respect of such Secured Assets are received by the Company, the Company shall hold the benefit of such Secured Assets and any such sums received by it on trust for the Security Trustee and shall account to the Security Trustee for or otherwise apply all such sums as the Security Trustee may direct and shall otherwise at its own cost take such action and execute such documents as the Security Trustee may reasonably require.

#### 3.6 PERFORMANCE OF OBLIGATIONS

The Company shall remain at all times liable to perform all of the obligations assumed by it under or in respect of the Irish Contracts and the Documents to the same extent as if the Security had not been created and neither the Security Trustee nor any Receiver shall be under any obligation or liability to the Company or to any other person under or in respect of any Irish Contract or Document.

#### 4. PERFECTION OF SECURITY AND FURTHER ASSURANCES

##### 4.1 FURTHER ASSURANCES

The Company shall at the request of the Security Trustee and at its own expense promptly execute (in such form as the Security Trustee may reasonably require) such Instruments and otherwise do such acts and things as the Security Trustee may reasonably require to improve, preserve, perfect or protect the security created (or intended to be created) by this Debenture or the priority of the same or upon or after the occurrence of an Enforcement Event to facilitate the realisation of or otherwise to enforce the same or to exercise any of the Security Trustee's or any Receiver's rights in relation to the same. In particular, but without limitation, the Company will:

- (a) execute a legal assignment over all or any of the Debts charged by this Debenture; and
- (b) upon the occurrence of an Enforcement Event execute a valid fixed charge over:
  - (i) any asset subject to the floating charge created pursuant to Clause 3.3 (Floating charge);

- (ii) all bank accounts which the Company maintains at such time and from time to time thereafter (and procure that the Company's banker(s) execute an acknowledgement of such fixed charge in a form satisfactory to the Security Trustee at such time); and
  - (iii) any asset subsequently acquired by the Company which would, if such asset had been owned by the Company at the date of this Debenture, have been charged pursuant to Clause 3.1; and
- (c) notify the Security Trustee promptly if it wishes to undertake any of the following activities (prior to undertaking such activities) and execute an amendment to this Debenture and/or such other additional security document as the Security Trustee reasonably requires if the Company wishes to:
- (i) materially amend or modify the Irish Contracts; or
  - (ii) without prejudice to Clause 8.8 (Finance of Acquisition of Vehicles), finance a Customer's purchase of any Vehicle in Ireland by way of CAC Loan Agreement and/or Bill of Sale or accept any assignment, transfer or novation of the right, title, interest or benefit, to or under, any CAC Loan Agreement or Bill of Sale from any other member of the Group.

4.2 INTENTIONALLY BLANK

5. RELEASE OF SECURITY

5.1 NO DISCHARGE OF SECURITY

This Debenture and the Security shall be continuing security for the Secured Liabilities and shall not be considered as satisfied or discharged by any intermediate payment or settlement of all or any part of the Secured Liabilities or any other matter or thing whatsoever and shall be binding until the date (the "DISCHARGE DATE") on which:

- (a) all of the Secured Liabilities have been unconditionally and irrevocably paid or discharged in full to the satisfaction of the Security Trustee;
- (b) the Security Trustee is satisfied that each of the Banks and it have ceased to have any commitment, liability or obligation (whether actual or contingent) to make any credit or provide any other accommodation to the Company under any Document or otherwise or to any other person in respect of whose liabilities the Company has undertaken a liability to the Security Trustee or the Banks under or pursuant to any Document; and
- (c) the Security Trustee is satisfied that the Company has ceased to have any liability (whether actual or contingent) to the Security Trustee and the Banks



under or pursuant to any Document in respect of any matter or thing whatsoever.

## 5.2 RELEASE OF SECURITY

Following the Discharge Date and at the request and cost of the Company, the Security Trustee shall, as soon as reasonably practicable after receipt of such request, release and discharge without recourse, representation or warranty whatsoever the Security and re-assign without recourse, representation or warranty whatsoever property and assets charged or assigned to the Security Trustee by or pursuant to this Debenture to the Company (or as it shall direct), subject to the provisions of the Credit Agreement and Clause 17 (Retention of Security) and to the rights and claims of any person having prior rights over the same. Any release or discharge of the Security or of any of the Secured Liabilities shall not release or discharge the Company from any liability to the Security Trustee or the Banks for the Secured Liabilities or any other monies which exists independently of this Debenture.

## 5.3 RELEASE FOR PERMITTED SECURITIZATIONS AND TRANSFERS OF VEHICLES

Notwithstanding the provisions of Clauses 5.1 and 5.2, the Security Trustee acknowledges and consents to:

- (a) a disposition (as such term is defined in the Credit Agreement) by the Company to CAC UK Funding Limited of Advances to Dealers, without the need for further notice to the Security Trustee; provided, however, that the debenture granted by CAC UK Funding Limited to the Security Trustee shall first be amended in a manner reasonably satisfactory to the Security Trustee to encumber any such Advances to Dealers (or other such property) transferred by the Company to CAC UK Funding Limited and provided further that any such disposition of any Advance to Dealer shall be made in connection with a Permitted Securitization by CAC UK Funding Limited involving such Advance to Dealer and/or otherwise in accordance with, and pursuant to, the terms and conditions of the Credit Agreement. Without prejudice to the foregoing, the Security Trustee shall, upon the written request and at the cost of the Company, execute and deliver to the Company an instrument or instruments in form reasonably acceptable to the Company acknowledging the release and discharge of those Secured Assets which are permitted to be sold or disposed of by the Company or any other grantor pursuant to a Permitted Securitization or otherwise pursuant to the Credit Agreement; and
- (b) the release of the fixed charge granted pursuant hereto in respect of any Vehicle upon the transfer of title in such Vehicle to a customer of the Company in accordance with the terms and conditions of any Irish Contract.

6. CRYSTALLISATION OF FLOATING CHARGE

6.1 CRYSTALLISATION BY NOTICE

The Security Trustee may at any time by notice in writing to the Company convert the floating charge referred to in Clause 3.3 (Floating charge) into a fixed charge with immediate effect as regards any Secured Asset specified in the notice which the Security Trustee shall consider to be in danger of seizure, distress, diligence or other legal process or otherwise for any reason whatsoever in jeopardy.

6.2 AUTOMATIC CRYSTALLISATION

Notwithstanding Clause 6.1 (Crystallisation by notice) and without prejudice to any rule of law having a similar effect, the floating charge shall automatically be converted into a fixed charge with immediate effect as regards all assets subject to the floating charge created by Clause 3.3 (Floating charge) on:

- (a) any Secured Asset becoming subject to a Security Interest other than a Permitted Security Interest or being disposed of contrary to the provisions of Clause 7.1 (Restrictions on dealing) or otherwise being in jeopardy; or
- (b) any person levying or notifying the Company that it intends to levy any distress, execution, sequestration or other process against any Secured Asset; or
- (c) the Company ceasing to carry on business or to be a going concern; or
- (d) the occurrence of an Enforcement Event; or
- (e) any of the Secured Liabilities becoming due and outstanding prior to their stated maturity; or
- (f) the presentation of a petition for the compulsory winding up of or the making of an administration order in relation to the Company or the convening of a meeting for the passing of a resolution for the voluntary winding up of the Company.

7. RESTRICTIONS ON DEALING WITH THE SECURED ASSETS

7.1 RESTRICTIONS ON DEALING

The Company represents, warrants and undertakes to the Security Trustee that save with the prior written consent of the Security Trustee:

- (a) it has and will at all times during the subsistence of the Security have legal title to and is and at all times during the subsistence of the Security will be entitled to the entire beneficial interest in the Secured Assets free from Security Interests (save for Permitted Security Interests) and will not create or attempt

to create or permit to arise or subsist any Security Interest on any of the Secured Assets;

- (b) save as permitted by the Credit Agreement or this Debenture it has not sold or agreed to sell or otherwise disposed of or agreed to dispose of and will not at any time during the subsistence of the Security sell, assign, part with, transfer, lease, licence or otherwise dispose of the benefit of all or any of the Company's right, title and interest in and to the Secured Assets or any part of them and will not agree to or grant any option in respect of any of the above, with the exception of:
- (i) sales of its stock in trade at not less than market value in the ordinary course of its business;
  - (ii) the use of cash for the acquisition of goods or services in the ordinary course of its business; and
  - (iii) the sale or disposal of all or any of its undertaking and assets for the time being subject to the floating charge created pursuant to Clause 3.3 (Floating charge) in the ordinary course of its business until such time as such floating charge is converted into a fixed charge pursuant to Clause 6 (Crystallisation of Floating Charge) or by operation of law; and
- (c) (i) upon or after the occurrence of an Enforcement Event and upon receipt of a notice from the Security Trustee requiring the establishment of a Special Account (or Special Accounts), it will promptly pay into a Special Account all monies which it may receive in respect of the Debts immediately on receipt and it will not be entitled to withdraw or transfer from the Special Accounts any monies standing to the credit of such Special Accounts or direct any payment to be made from such Special Accounts to any person, and (ii) until such payment into a Special Account of the nature referred to in sub-clause (c) (i) will hold all monies which it may receive in respect of the Debts on trust for the Security Trustee and will not release, set-off, compound or deal with the Debts otherwise than by getting in and realising the same in the ordinary and proper course of its business (and for this purpose the realisation of Debts by means of block discounting, factoring or the like shall not be regarded as dealing in the ordinary and proper course of its business).

PART 4

REPRESENTATIONS, WARRANTIES AND COVENANTS

8. REPRESENTATIONS, WARRANTIES AND GENERAL COVENANTS

The Company makes the representations, warranties and covenants set out in this Clause to the Security Trustee.

8.1 DUE INCORPORATION

It is a limited liability company, duly incorporated and validly existing under the laws of Ireland, capable of being sued in its own right and will not be entitled to claim immunity (whether on the basis of sovereignty or otherwise) from judicial proceedings including attachment (both before and after judgment), execution or otherwise.

8.2 CAPACITY

It has and will at all times have the necessary power and existence to enter into and perform its obligations under this Debenture.

8.3 ENFORCEABILITY

This Debenture constitutes, and will continue during the subsistence of the Security to constitute, its legal, valid, binding and enforceable obligations and is, and will continue during the subsistence of the Security to be, a first ranking Security Interest over the Secured Assets effective in accordance with its terms.

8.4 AUTHORISATIONS

All actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents or the like) in order:

- (a) to enable the Company lawfully to enter into and perform and comply with its obligations under or pursuant to this Debenture and to ensure that those obligations are valid, legally binding and enforceable;
- (b) to enable the Company to create the Security and to ensure that (subject to all necessary registrations being made) the Security is valid, legally binding and enforceable and has and will have the ranking which it is expressed to have;
- (c) to make this Debenture admissible in evidence in the courts of Ireland and each other jurisdiction in which any Secured Asset is located;
- (d) to enable the Company to own its assets and property and to carry on its business as it is currently being conducted; and

- (e) to ensure that no other party to any agreement or arrangement entered into by the Company becomes entitled to terminate such agreement as a consequence of the Company entering into this Debenture,

have been taken, fulfilled and done (and in the case of consents and the like will remain in full force and effect during the subsistence of the Security).

#### 8.5 COMPLIANCE WITH LAWS

Its entry into and its performance of and compliance with its obligations under or pursuant to this Debenture and the creation of the Security does not and will not violate or exceed any borrowing or other powers or restrictions granted or imposed under or pursuant to:

- (a) any applicable law to which it is subject;
- (b) any agreement or other Instrument binding on it or any of its assets; or
- (c) its Memorandum and Articles of Association.

#### 8.6 INSOLVENCY PROCEEDINGS

It has not taken any corporate action nor have any other steps been taken or legal proceedings been started or, to the best of its knowledge and belief, threatened against it for its Dissolution.

#### 8.7 INSURANCE POLICIES

It has obtained and maintained all such insurance policies as would be maintained by prudent companies carrying on business of the type carried on by the Company at all relevant times and has complied in all material respects with the terms and conditions of such policies.

#### 8.8 FINANCE OF ACQUISITION OF VEHICLES

In connection with the conduct of business in relation to Vehicles or any other asset (including the financing of the acquisition thereof) the Company shall conduct such business substantially through Conditional Sale Agreements entered into pursuant to a Dealer Trading Agreement. Without prejudice to the foregoing, notwithstanding the ability of the Company to utilise CAC Loan Agreements and Bills of Sale to finance substantially the acquisition by Customers of Vehicles pursuant to the Dealer Trading Agreements, the Company has financed, and will continue to finance, substantially all acquisitions of Vehicles by way of Conditional Sale Agreements and not through any CAC Loan Agreement or Bill of Sale and, without prejudice to the generality of the foregoing, the Company has not accepted, and will not accept, any assignment of the right, title, interest and benefit, to or under any CAC Loan Agreements or Bills of Sale from any other member of the Group. The Company shall promptly supply the Security Trustee with copies of any documents other than Conditional Sale

Agreements utilized by it in connection with the conduct of business in relation to Vehicles or any other assets.

9. SPECIFIC COVENANTS

9.1 SPECIFIC COVENANTS

Save with the prior written consent of the Security Trustee, the Company shall at all times during the subsistence of the Security:

(A) ACCESS

- (i) upon prior written notice from the Security Trustee, permit the Security Trustee and/or its representatives or agents free access at all reasonable times to inspect and take copies and extracts from the books, accounts and records of the Company and such other documents as the Security Trustee may reasonably require and furnish the Security Trustee with all information and facilities which it may require and pay all reasonable expenses incurred by the Security Trustee in connection with the above; and
- (ii) grant the Security Trustee and/or its legal or other advisers on request all reasonable facilities to enable it or them to carry out at the Company's expense such investigation of title to any Secured Assets and enquiries into matters in connection with the same as would be carried out by a prudent person;

(B) INSURANCES

maintain, with financially sound and reputable insurers, insurance with respect to its material property and business against such casualties and contingencies, of such types (including insurance with respect to losses arising out of such property loss or damage, public liability, business interruption, larceny, workers' compensation, embezzlement or other criminal misappropriation) and in such amounts as is customary in the case of companies of established reputations engaged in the same or similar business and similarly situated (and including such lender loss payee clauses and/or endorsements as the Security Trustee or the Banks may request following the delivery of the Collateral Documents (as defined in the Credit Agreement) pursuant to clause 7.20 of the Credit Agreement), provided that such insurance is commercially available, it being understood that the Company and its Subsidiaries may self-insure against hazards and risks with respect to which, and in such amounts as, the Company in good faith determines to be prudent and consistent with sound financial and business practice;

(C) INTELLECTUAL PROPERTY

- (i) use its best endeavours to detect any infringement of the Intellectual Property and if it shall become aware of any such infringement to give the Security Trustee immediately all information in its possession with regard to the same and at the request of the Security Trustee but at its own cost to take such steps as the Security Trustee may from time to time direct, including commencing and diligently prosecuting or permitting the Security Trustee in the name but at the expense of the Company to commence and prosecute all proceedings necessary to prevent such infringement or to recover damages in respect of the same;
- (ii) lodge all notices, complete all filings and registrations and do all other acts as may be necessary to ensure that the Intellectual Property to which the Company is or may become entitled is valid and subsisting and remains vested in the Company and to take all such actions and proceedings as are necessary to protect such Intellectual Property and if any or all such Intellectual Property shall at any time become void to lodge all notices and do all other acts as may be necessary to restore such Intellectual Property to the Company and in particular to pay all such fees as may be necessary for all of the above at least 14 days before the same shall become due; and
- (iii) do all such things as are necessary to maintain and keep in force such of its Intellectual Property as is material to its business;

(D) COMPLIANCE WITH LAWS

comply in all material respects with the provisions of all applicable laws and every notice, order, direction, licence or permission given or made under such applicable laws;

(E) RECORDS

keep its books of account and prepare all financial statements in accordance with accounting principles generally accepted in Ireland consistently applied and procure that there is furnished to the Security Trustee:

- (i) such information, financial or otherwise, as the Security Trustee may from time to time reasonably request regarding the affairs of the Company or all or any part of the Secured Assets; and
- (ii) details of any litigation, arbitration or administrative proceedings in progress pending or, to the knowledge of the Company, threatened against it which might have a material adverse effect on the Company's

ability to perform its obligations under this Debenture as soon as the Company becomes aware of such details;

(F) CONTRACTS AND DOCUMENTS

diligently pursue any remedies available to it for any breach of, or in respect of any claim in relation to, any Irish Contract or Document;

(G) INTERCOMPANY LOANS

keep a full written record evidencing all Intercompany Loans and provide copies of such record to the Security Trustee free of charge within 10 Business Days of receiving a written request from the Security Trustee for a copy of such record;

(H) VAT

(i) not, without the prior written consent of the Security Trustee, exercise any option, election or discretion to charge VAT or transfer the right to recover any VAT or levy VAT or to treat supplies made by it as taxable supplies for the purposes of VAT; and

(ii) if the Security Trustee so requires, exercise any option, election or discretion which may now or from time to time be available to it to charge VAT or to treat supplies made by it as taxable supplies for the purposes of VAT; and

(I) GENERAL

conduct and carry on its business in a proper and efficient manner, keep or cause to be kept proper books of account relating to such business, not make any material alteration in the nature of such business which would constitute a change from that carried on at the date of this Debenture and not take any step or omit to take any step the taking or omission of which might have a material adverse effect on the value of the Company's goodwill.

9.2 EVIDENCE OF COMPLIANCE

The Company shall at all times during the subsistence of the Security and if the Security Trustee so requires, give to the Security Trustee evidence sufficient to satisfy it that the provisions of this Clause 9 (Specific Covenants) have been complied with.

9.3 LIMITATION ON POWERS

None of the covenants in Clause 9 (Specific Covenants) shall be construed as limiting any powers exercisable by any Receiver under this Debenture.



9.4 NECESSITATED AMENDMENTS OR SUPPLEMENTS TO THIS DEBENTURE

Should the Company seek the written consent of the Security Trustee to undertake any activity which is expressly prohibited under Clause 9.1 (Specific Covenants) and which the Company has therein covenanted that it will not undertake, the Company hereby agrees that it will at its expense execute and deliver such additional security document or such amendment to this Debenture as the Security Trustee requires and will reimburse the Security Trustee for all reasonable costs and expenses (including, but not limited to, legal fees) of the Security Trustee in connection with the negotiating, drafting, execution, delivery and registration of such additional security document or such amendment (as applicable).

PART 5  
ENFORCEMENT

10. POWER TO REMEDY

10.1 ENTRY, POSSESSION AND POWER TO REMEDY

The Company shall upon 5 days prior notice (except if an Enforcement Event has occurred and is continuing, where no prior notice shall be required) permit the Security Trustee and/or its representatives, agents or contractors free access at reasonable times to enter or take possession of all or any part of the Secured Assets to:

- (a) view the state and condition of the same;
- (b) comply with or object to any direction or notice or other matter served on the Company; or
- (c) carry out any repairs or take any other action (including the payment of money) which the Security Trustee shall consider necessary or desirable in connection with such Secured Assets to remedy any failure to comply with any covenant contained in Clause 9 (Specific Covenants),

and in any such case without becoming liable to account as mortgagee in possession;

provided, however, that the Security Trustee acknowledges that, in exercising the rights and privileges conferred in this Clause 10.1, it or its agents, representatives or contactors may, from time to time, obtain knowledge of information, practices, books, correspondence and records of a confidential nature and in which the Company has a proprietary interest. The Security Trustee agrees that all such information, practices, books, correspondence and records are to be regarded as confidential information and agrees that it shall retain in strict confidence and shall use its reasonable efforts to ensure that its agents and representatives retain in strict confidence, and will not disclose without the prior written consent of the Company, any such information, practices, books, correspondence and records furnished to them except that the Security Trustee may disclose such information (i) to its officers, directors, employees, agents, legal advisers, accountants, auditors, affiliates, advisors or representatives (provided that such persons are informed of the confidential nature of such information); (ii) to the extent such information has become available to the public other than as a result of a disclosure by or through the Security Trustee or its officers, directors, employees, agents, legal advisers, accountants, auditors, affiliates, advisors or representatives; (iii) to the extent such information was available to the Security Trustee on a non-confidential basis prior to its disclosure to the Security Trustee hereunder; (iv) to the extent the Security Trustee is (A) required in connection with any legal or regulatory proceeding or (B) requested by any bank or other regulatory authority to disclose such information; (v) to any prospective assignee of any note or other instrument evidencing any of the Secured Liabilities; provided,

however, that the Security Trustee shall notify such assignee of the confidentiality provisions of this Clause 10.1 and such assignee shall agree to be bound thereby; or (vi) to any Bank, subject to the confidentiality provisions contained in this Debenture and the Credit Agreement and any other Loan Documents to which it is a party, upon the request of such party following the occurrence and during the continuance of any Enforcement Event (but with no obligation on the part of any such Bank to return such information to the Security Trustee or the Company if any such Enforcement Event is subsequently cured or waived).

#### 10.2 INSURANCES

If the Company shall fail to comply with any of its obligations as to insurance, the Security Trustee may, but shall not be required to, take out, renew or maintain such insurance either in its own name, in its name and that of the Company jointly or in the name of the Company with the Security Trustee's interest noted on the policy, in such sum as the Security Trustee may think expedient.

#### 10.3 INDEMNITY

The Company shall on demand indemnify the Security Trustee and the Banks on a full indemnity basis in respect of any and all costs, damages and expenses incurred by the Security Trustee or the Banks pursuant to Clauses 10.1 (Entry, possession and power to remedy) and 10.2 (Insurances), together with interest at the Default Rate from the date of payment by the Security Trustee or the Banks until repayment, whether before or after judgment and notwithstanding any release or discharge of all or any part of the Security, indemnify the Security Trustee and the Banks on a full indemnity basis in respect of any and all actions, proceedings, demands, claims, losses, liabilities, costs and expenses arising as a result of any breach of Clause 9 (Specific Covenants) or otherwise relating to all or any part of the Secured Assets save to any costs, charges or expenses incurred as a result of the Security Trustee's own negligence or wilful default.

#### 11. ENFORCEMENT

##### 11.1 ENFORCEMENT

On or at any time after the occurrence of an Enforcement Event:

- (a) the Security Trustee shall cease to be under any further commitment to the Company and may at any time (notwithstanding any conflicting agreement or arrangement) declare the Secured Liabilities (or such of them as the Security Trustee may specify) to be immediately due and payable or payable immediately on demand; and
- (b) the Security shall become immediately enforceable and the power of sale and other powers conferred by the Conveyancing Acts as varied or extended by this Debenture and all the powers, authorities and discretions conferred by this

Debenture expressly or by implication on any Receiver or otherwise conferred by statute or common law on mortgagees or receivers shall become immediately exercisable by the Security Trustee, whether or not it shall have appointed a Receiver, without the restrictions contained in the Conveyancing Acts as to the giving of notice or otherwise.

11.2 POWER OF SALE

Upon the occurrence and during the continuance of an Enforcement Event, the statutory powers of sale and of appointing a receiver conferred by Section 19 of the Conveyancing and Law of Property Act, 1881 will immediately arise and be exercisable by the Security Trustee free from the restrictions contained in Section 20 of that Act.

11.3 CONSOLIDATION

The restriction on the consolidation of mortgages contained in Section 17 of the Conveyancing and Law of Property Act, 1881 shall not apply to this Debenture or to any Security.

12. APPOINTMENT OF RECEIVER

12.1 APPOINTMENT OF RECEIVER

Without prejudice to any statutory or other powers of appointment of the Security Trustee under the Conveyancing Acts as extended by this Debenture or otherwise, on or at any time after the occurrence and during the continuance of an Enforcement Event or if the Company so requests in writing at any time the Security Trustee may without further notice to the Company appoint by writing under hand of a duly authorised officer or under seal any one or more persons qualified to act as a receiver, receiver and manager either solely, jointly, severally or jointly and severally to be a Receiver of all or any part of the Secured Assets and except as otherwise required by statute may remove any such Receiver and appoint another or others in his or their place. The forgoing powers of appointment of a receiver are in addition to and not to the prejudice of all statutory and other powers of the Security Trustee under the Conveyancing Acts (and so that any statutory power of sale would be exercisable without the restrictions contained in Sections 19 and 20 of the Conveyancing and Law of Property Act, 1881) or otherwise, and so that such powers will be and remain exercisable by the Security Trustee in respect of any part of the Secured Assets in respect of which no appointment of a Receiver by the Security Trustee is for the time being subsisting, notwithstanding that an appointment under the powers of this Clause 12.1 shall have subsisted and been withdrawn in respect of that part of the Secured Assets or shall be subsisting in respect of any other part of the Secured Assets.

Every Receiver shall have in relation to the Secured Assets (and every reference in this Clause to "Secured Assets" shall be read as a reference to that part of the Secured Assets in respect of which such Receiver was appointed) the powers granted by the Conveyancing Acts to any receiver appointed under the Conveyancing Acts, all as varied and extended by this Debenture and in addition, but without prejudice to the generality of the above, shall have power to do the following:

- (a) enter upon, take possession of, collect and get in the Secured Assets or any part of them and collect and get in all rents and other income whether accrued before or after the date of his appointment and for those purposes make such demands and take such actions or proceedings as may seem expedient;
- (b) comply with and perform all or any of the acts, matters, omissions or things covenanted to be done or omitted by the Company under this Debenture;
- (c) carry on, manage, develop, reconstruct, amalgamate or diversify the business of the Company to the extent contained in the Secured Assets or any part of it in such manner as he shall in his discretion think fit (including, without prejudice to the generality of the above, to purchase supplies and materials);
- (d) sell by public auction or private contract, let, grant, surrender or accept surrenders of leases or tenancies of, grant rights, licences, options or easements in relation to, otherwise deal with or dispose of and exercise all or any rights, powers and discretions incidental to the ownership of, all or any part of the Secured Assets in the name of and on behalf of the Company or otherwise or concur in doing any of the above in such manner and generally on such terms and conditions and for such consideration (whether in cash, debentures, shares, stocks, securities or other valuable consideration and whether payable by a lump sum or by instalments) as he may think fit and carry out any such sale by conveying by deed or transferring in the name and on behalf of the Company or otherwise and taking such steps so that plant, machinery and other fixtures and fittings may be severed and sold separately from the premises containing them and apportion any rent and the performance of any obligations;
- (e) repair, decorate, furnish, maintain, alter, improve, renew or add to the Secured Assets or any part of them as he shall think fit and effect, maintain, renew or increase indemnity insurance and other insurances and obtain bonds;
- (f) appoint or dismiss managers, agents, officers, employees, servants, builders or workmen and employ professional advisers and others at such salaries or for such remuneration as he may think fit;
- (g) perform, repudiate, rescind, vary or enter into any arrangement or compromise any contracts or agreements which he may consider expedient;

- (h) settle, arrange, compromise and submit to arbitration any accounts, claims, questions or disputes whatsoever which may arise in connection with the business of the Company or all or any of the Secured Assets or in any way relating to the Security and bring, prosecute, defend, enforce, compromise, submit to and discontinue any actions, suits, arbitrations or proceedings whatsoever whether civil or criminal;
- (i) enter into, complete, disclaim, abandon, disregard, determine or rectify all or any of the outstanding contracts or arrangements of the Company and allow time for payment of any unsecured or secured debts;
- (j) exercise or permit the Company or any nominee of the Company to exercise any powers or rights incidental to the ownership of the Secured Assets or any part of them in such manner as he may think fit;
- (k) form a Subsidiary or Subsidiaries of the Company and transfer, lease or licence to any such Subsidiary or any other person all or any part of the Secured Assets on such terms and conditions as he may think fit;
- (l) purchase, lease, hire or otherwise acquire any assets or rights of any description which he shall in his absolute discretion consider necessary or desirable for the carrying on, improvement or realisation of all or any part of the Secured Assets or the business of the Company or otherwise for the benefit of all or any part of the Secured Assets;
- (m) exercise any powers and discretions conferred on a landlord or a tenant by any applicable law in relation to all or any part of the Secured Assets;
- (n) in the exercise of any of the powers, authorities and discretions conferred on him by this Debenture or for any other purpose to raise and borrow money either unsecured or secured and either in priority to, pari passu with or subsequent to the Security and generally on such terms and conditions as he may think fit;
- (o) give valid receipts for all monies and execute all discharges, assurances and things which may be proper or desirable for realising the Secured Assets or any part of them and redeem, discharge or compromise any security whether or not having priority to the Security or any part of it;
- (p) execute and do all such other acts, things and deeds as he may consider necessary or desirable for the realisation or preservation of the Secured Assets or any part of them or incidental or conducive to any of the matters, powers, discretions or authorities conferred on or vested in him under or by virtue of this Debenture or otherwise and exercise in relation to the Secured Assets or any part of them, and at the cost of the Company, all such powers, discretions, authorities and things as he would be capable of exercising if he were the absolute beneficial owner of the same; and

- (q) use the name of the Company or his own name to exercise all or any of the powers conferred by this Debenture.

#### 12.3 AGENT OF THE COMPANY

Any Receiver appointed under this Debenture, whether acting solely or jointly shall be the agent of the Company and the Company will be solely responsible for his acts and defaults and the Security Trustee will have power from time to time to fix the remuneration of any Receiver appointed by the Security Trustee and to direct payment thereof out of the Secured Assets or any part thereof by the Company will alone be liable for the payment of such remuneration and the provisions of Section 24 of the Conveyancing and Law of Property Act, 1881 (as modified by the provisions of this Debenture) with the exception of sub-sections 6 and 8 will apply hereto.

#### 12.4 JOINT APPOINTMENT

If at any time two or more persons have been appointed as Receivers of the same part of the Secured Assets, each one of such Receivers shall be entitled to exercise individually all of the powers and discretions conferred on Receivers under this Debenture to the exclusion of the other or others of them in relation to any of the Secured Assets in respect of which he has been appointed unless the Security Trustee shall state otherwise in the document appointing him.

#### 12.5 LIABILITY OF SECURITY TRUSTEE AND RECEIVER

- (a) Neither the Security Trustee nor any Receiver appointed under this Debenture will be liable to account as mortgagee or mortgagees in possession in respect of any of the Secured Assets or be liable for any loss upon realisation or for any neglect or default of any nature whatsoever (except to the extent that the same results from the Security Trustee's or the Receiver's negligence or wilful default) in connection with any of the Secured Assets for which a mortgagee in possession might as such be liable, and all costs, charges and expenses incurred by the Security Trustee or any Receiver appointed under the Debenture (including the costs of any proceedings to enforce the security hereby given) shall be paid by the Company on a solicitor and own client basis and be charged on the Secured Assets.
- (b) In the event that the Security Trustee takes possession under this Debenture of the Secured Assets or any part or parts of the Secured Assets or otherwise exercises any statutory powers or any additional powers set forth in this Debenture, it will not be accountable as a mortgagee in possession of the Secured Assets.
- (c) In the event that the Security Trustee or any Receiver appointed by the Security Trustee under this Debenture enters into possession of any of the Secured Assets, the Security Trustee or such Receiver as the case may be is hereby irrevocably authorised as agent of the Company to list, and to remove,

store, sell or otherwise dispose of, all or any furniture or other chattels which have not been removed from the said property at the expiration of seven days from the date of such entry into possession, and any list so made will be conclusive evidence as between the Security Trustee and such Receiver and the Company of their matters therein contained, and the Company shall indemnify the Security Trustee and the Receiver against all claims and demands in respect of such removal, storage, sale or other disposition and against all costs and expenses incurred in connection therewith.

- (d) The Security Trustee will not be liable for any involuntary losses which may happen in or about the exercise or execution of the statutory power of sale or any of the powers or trusts expressed or implied which may be vested in the Security Trustee by virtue of this Debenture.

#### 12.6 SECURITY TRUSTEE AS MORTGAGEE IN POSSESSION

In addition to the statutory powers incidental to the estate or interest of mortgagees contained in Section 19 of the Conveyancing and Law of Property Act, 1881 at any time after the Security Trustee in accordance with the provisions of this Debenture enters into possession of the Secured Assets or any part of the Secured Assets the Security Trustee will have power to:

- (a) effect and carry out upon any building or erection for the time being comprised in such part of Secured Assets of which the Security Trustee is in possession any such repairs, amendments, alterations and additions as the Security Trustee may reasonably consider necessary or desirable for the maintenance or protection of all or any part of the Secured Assets;
- (b) demise or agree any of the Secured Assets or any part of the Secured Assets of which the Security Trustee is in possession for such period at such rent and upon such terms with or without premium or fine in all respect as the Security Trustee may from time to time think fit; and
- (c) perform or cause to be performed all acts and things requisite or desirable according to the law of the country in which the Secured Assets of which the Security Trustee is in possession is situate for the purpose of giving effect to the exercise of any of the said powers, authorities and discretions.

#### 13. PROTECTION OF THIRD PARTIES

No purchaser, mortgagee or other person dealing with a Receiver or the Security Trustee shall be concerned to enquire whether the Secured Liabilities have become payable, whether any power which he or it is purporting to exercise has become exercisable, whether any money is due under this Debenture, as to the application of



any money paid, raised or borrowed or as to the propriety or regularity of any sale by or other dealing with such Receiver or the Security Trustee.

14. APPLICATION OF PROCEEDS

14.1 ORDER OF PRIORITY

Any monies received by the Security Trustee or any Receiver pursuant to this Debenture or under the powers conferred by this Debenture shall, after the occurrence of an Enforcement Event and payment of any claims having priority to the Security, be applied in the following order, but without prejudice to the right of the Security Trustee or the Banks to recover any shortfall from the Company:

- (a) where applicable, in payment of all costs, charges and expenses of and incidental to the appointment of the Receiver and the exercise of all or any of his powers;
- (b) where applicable, in payment of the Receiver's remuneration at such rate as may be agreed with the Security Trustee;
- (c) in or towards payment of the Secured Liabilities in such order as the Security Trustee in its absolute discretion thinks fit; and
- (d) in payment of the surplus (if any) to the person or persons entitled to it.

14.2 SPECIAL ACCOUNTS

During the subsistence of the Security (and upon or after the occurrence of an Enforcement Event) the Security Trustee may, in its discretion, apply any part of the monies standing to the credit of the Special Accounts in accordance with this Clause.

14.3 INSURANCE PROCEEDS

After occurrence of an Enforcement Event, all monies received by the Company by virtue of any insurance on the Secured Assets, whether or not effected pursuant to this Debenture and whether the event by virtue of which such monies became payable occurred before, on or after the date of this Debenture, shall be deemed part of the Secured Assets and (subject to any rights of third parties arising under any statute for the time being relating to the application of insurance monies and under any lease under which any Property is demised or let to or by the Company), shall, save with the prior written consent of the Security Trustee, be paid to the Security Trustee. Any monies so paid to the Security Trustee or otherwise received by the Security Trustee by virtue of any such insurance shall be applied in accordance with the provisions of the Credit Agreement. Any monies received by the Company by virtue of any such insurance shall be held on trust for the Security Trustee until such monies are paid to the Security Trustee in accordance with this Clause. The Company waives any right it

may have to require that any such monies be applied in or towards making good the loss or damage in respect of which they became payable.

14.4 SUSPENSE ACCOUNT

The Security Trustee or any Receiver may credit any monies to a suspense account for so long and in such manner as the Security Trustee or any Receiver may from time to time determine and the Receiver may retain the same for such period as the Receiver and the Security Trustee consider expedient.

15. POWER OF ATTORNEY

15.1 APPOINTMENT

The Company irrevocably and by way of security appoints the Security Trustee and any Receiver and every delegate referred to in Clause 19 (Delegation) and each of them jointly and also severally to be its attorney (with full powers of substitution and delegation) and in its name or otherwise and on its behalf and as its act and deed to, after the occurrence and during the continuance of an Enforcement Event execute (using the corporate seal, if appropriate), deliver and perfect all Instruments and do such other acts and things which may be required or which the attorney may consider desirable:

- (a) to carry out any obligation imposed on the Company by this Debenture;
- (b) to carry into effect any sale, lease or other dealing whatsoever by the Security Trustee or any Receiver;
- (c) to convey or transfer any legal estate or other interest in land or any other property whatsoever;
- (d) to get in all or any of the Secured Assets; and
- (e) generally to enable the Security Trustee and any Receiver to exercise the respective powers, authorities and discretions conferred on them by this Debenture or by law,

and the Company covenants with the Security Trustee to ratify and confirm all acts and things done by such attorney in the exercise or purported exercise of its powers and all monies spent by such attorney shall be deemed to be expenses incurred by the Security Trustee under this Debenture.

15.2 INTENTIONALLY BLANK

SECURITY TRUSTEE'S ADDITIONAL RIGHTS

16. GENERAL SECURITY PROVISIONS

16.1 ADDITIONAL SECURITY

This Debenture, the Security and the rights, powers and remedies given to the Security Trustee under this Debenture shall be in addition to and independent of and shall not prejudice, affect or merge in any other Security Interest, any guarantee or other Instrument (whether given by the Company or any other person) or any other right, power or remedy vested in the Security Trustee or which the Security Trustee may at any time hold in respect of or in connection with any or all of the Secured Liabilities and shall not be affected by any release, reassignment or discharge of such Security Interest, guarantee or Instrument or right, power or remedy. All the rights, powers and remedies so vested may be exercised from time to time as often as the Security Trustee may deem expedient.

16.2 WAIVER OF DEFENCES

Without prejudice to the other provisions of this Clause 16, the obligations of the Company and the rights, powers and remedies of the Security Trustee under this Debenture and the Security or by applicable law will not be affected by any act, omission, matter or thing which, but for this provision, would reduce, release, prejudice or otherwise affect all or any of such obligations, remedies, rights, powers or Security including:

- (a) any time or waiver or any other indulgence or concession granted to, or composition with, any other person;
- (b) the taking, variation, compromise, exchange, realisation, renewal or release of, or refusal or neglect to perfect, register, renew, take up, fully take up or enforce, any rights against, or security over the assets of, any other person or any non-presentation or non-observance of any formality or other requirement in respect of any Instrument or any failure to realise, or fully realise the full value of, any security;
- (c) any incapacity, lack of power, authority or legal personality or Dissolution or change in the members, status, constitution, ownership or control of any other person;
- (d) any variation (however fundamental), replacement or amendment of, or waiver or release granted under or in connection with, any Document or any other document or security;

- (e) any unenforceability, illegality or invalidity of any obligation of any person under any Document or any other document or security; or
- (f) any postponement, discharge, reduction, non-provability or other similar circumstance affecting any obligation of any person under any Document resulting from any Dissolution or from any applicable law.

#### 16.3 NEW ACCOUNT

At any time following:

- (a) the Security Trustee's receipt of notice (either actual or constructive) of any subsequent Security Interest affecting the Secured Assets which is not permitted under the terms of the Credit Agreement;
- (b) the Dissolution of the Company, or
- (c) any assignment or transfer of all or any of the Secured Assets in breach of Clause 7.1 (Restrictions on dealing),

the Security Trustee may open a new account or accounts in the name of the Company (whether or not it permits any existing account to continue). If the Security Trustee does not open such a new account, it shall nevertheless be treated as if it had done so at the time when the notice was received or was deemed to have been received or, as the case may be, the Dissolution commenced from that time, all payments made by the Company to the Security Trustee or received by the Security Trustee for the account of the Company shall be credited or treated as having been credited to the new account and shall not operate to reduce the amount secured by this Debenture at the time when the Security Trustee received or was deemed to have received such notice or, as the case may be, the Dissolution commenced.

#### 16.4 NON-COMPETITION

- (a) Until the Discharge Date, the Company shall not by virtue of any payment made, security realised or monies received for or on account of the liability of any third party:
  - (i) be subrogated to any rights of, or security or monies held, received or receivable by, the Security Trustee or the Banks or be entitled to any right of contribution or indemnity in respect of the same;
  - (ii) claim, rank, prove or vote as a creditor of any such third party or its estate in competition with the Security Trustee or the Banks; or
  - (iii) receive, claim or have the benefit of any payment, distribution or security from or on account of any such third party or exercise any right of set-off as against such third party.

- (b) The Company will hold on trust for, and immediately pay or transfer or assign to, the Security Trustee any payment or the benefit of any security received by it in breach of this Clause 16.4. If the Company exercises any right of set-off contrary to the above, it will immediately pay an amount equal to the amount set-off to the Security Trustee.

#### 16.5 ENTRY INTO POSSESSION

If the Security Trustee or any Receiver shall enter into possession of all or any part of the Secured Assets, the Security Trustee or such Receiver may at any time go out of such possession. Neither the Security Trustee nor any Receiver shall in any circumstances be liable to account to the Company for anything except its or his actual receipts or be liable to the Company for any loss or damage arising from any realisation of all or any part of the Secured Assets or from any act, default or omission in relation to all or any part of the Secured Assets.

#### 17. RETENTION OF SECURITY

##### 17.1 AVOIDANCE OF PAYMENTS

No assurance, security or payment which may be avoided or adjusted under any applicable law relating to bankruptcy or insolvency or under any legislation binding on the Company in a jurisdiction other than Ireland and no release, settlement, discharge or arrangement given or made by the Security Trustee on the faith of any such assurance, security or payment shall prejudice or affect the right of the Security Trustee or the Banks to recover from the Company and from the Security the Secured Liabilities (including any monies which it may have been compelled by due process of law to refund under any relevant legislation any costs payable by it pursuant to or otherwise incurred by it in connection with such process).

##### 17.2 REINSTATEMENT

If any payment by the Company or any discharge given by the Security Trustee or any Bank (whether in respect of the obligations of the Company or any Security Interest for those obligations or otherwise) is avoided or reduced as a result of Dissolution:

- (a) the liability of the Company shall continue as if the payment, discharge, avoidance or reduction had not occurred; and
- (b) the Security Trustee and/or the Banks, as the case may be, shall be entitled to recover the value or amount of that Security Interest or payment from the Company, as if the payment, discharge, avoidance or reduction had not occurred.

18. CUSTODY

The Security Trustee shall be entitled to provide for the safe custody by third parties of all certificates and documents of title relating to the Secured Assets and shall not be responsible for any loss or damage occurring to or in respect of the same unless such loss or damage arises as a result of the Security Trustee's negligence or wilful misconduct.

19. DELEGATION

The Security Trustee may at any time and from time to time delegate by power of attorney or in any other manner to any persons or persons all or any of the powers, authorities and discretions which are for the time being exercisable by the Security Trustee under this Debenture in relation to all or any part of the Secured Assets. Any such delegation may be made upon such terms (including power to sub-delegate) and subject to such conditions as the Security Trustee may think fit. The Security Trustee shall not be in any way liable or responsible to the Company for any loss or damage arising from any act, default, omission or misconduct on the part of any such delegate or sub-delegate. Such delegation shall not preclude the subsequent exercise of such powers, authorities and discretions by the Security Trustee itself nor preclude the Security Trustee from making a subsequent delegation of the same to another person or from revoking any such delegation.

20. PRIOR CHARGES

In the event of there being a prior Security Interest to the Security and proceedings or steps being taken to exercise or enforce any powers or remedies conferred by such prior Security Interest against all or any of the Secured Assets, the Security Trustee or any Receiver appointed under this Debenture in respect of such Secured Assets may (but without prejudice to any other rights of a Receiver) redeem such prior Security Interest or procure its transfer to itself or such Receiver, as the case may be, and may settle and pass the accounts of any prior mortgagee, chargee or encumbrance. Any account so settled and passed shall be conclusive and binding on the Company and all the principal, money, interest, costs, charges and expenses of and incidental to such redemption or transfer shall be paid to the Security Trustee on demand together with interest at the Default Rate on the same from the earlier of the date of demand and the date of payment by the Security Trustee until the date of payment by the Company, whether before or after judgment. All the powers, authorities and discretions conferred by a prior Security Interest upon any prior mortgagee, chargee or encumbrancer or any receiver under such prior Security Interest shall be exercisable by the Security Trustee or a Receiver in a like manner as if the same were expressly included in this Debenture and the Security Trustee or such Receiver shall be entitled to exercise all the powers, authorities and discretions of a receiver, receiver and manager or administrative receiver appointed under such prior Security Interest.

21. SET-OFF

Without prejudice to any rights the Security Trustee may have at law, in equity or otherwise, following an Enforcement Event, the Security Trustee or the Banks may, without notice to the Company, combine or consolidate all or any sums standing to the credit of the Company's accounts with the Security Trustee or the Banks with the Secured Liabilities and/or set-off or transfer any such sums in or towards the satisfaction of any of the Secured Liabilities and may do so notwithstanding that the balances on such accounts and such Secured Liabilities may not be expressed in the same currency or any specified maturity of such deposits and for the purpose of exercising any rights under this Clause or applicable law the Security Trustee or the Banks is authorised to effect any necessary conversions at the Security Trustee or the Banks' own rate of exchange then prevailing. Neither the Security Trustee nor the Banks shall be obliged to exercise any right given to it by this Clause.

22. CURRENCY INDEMNITY

If any sum due from the Company under this Debenture or any order or judgment given or made in relation to this Debenture has to be converted from the currency (the "FIRST CURRENCY") in which the same is payable into another currency (the "SECOND CURRENCY") for the purpose of (a) making or filing a claim or proof against the Company, (b) obtaining an order or judgment in any court or other tribunal, (c) enforcing any order or judgment given or made, or (d) applying the same in satisfaction of any of the Secured Liabilities, the Company shall, as a separate and independent obligation, indemnify and hold harmless the Security Trustee or the Banks from and against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which the Security Trustee or the Banks may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof or for application in satisfaction of the Secured Liabilities.

PART 7

MISCELLANEOUS

23. COSTS

23.1 COSTS AND EXPENSES

The Company shall on demand and on a full indemnity basis pay to the Security Trustee the amount of all reasonable costs and expenses (including reasonable legal and out-of-pocket expenses and any VAT on such costs and expenses) which the Security Trustee incurs in connection with:

- (a) the preparation, negotiation, execution and delivery of this Debenture;
- (b) any stamping or registration of this Debenture;
- (c) any actual or proposed amendment of or waiver or consent under or in connection with this Debenture;
- (d) any discharge or release of this Debenture;
- (e) the preservation or exercise (or attempted preservation or exercise) of any rights, remedies or powers under or in connection with, and the enforcement (or attempted enforcement) of, this Debenture and the perfection or enforcement of any other security for or guarantee in respect of the Secured Liabilities;
- (f) the taking or holding of the Security or any proceedings in relation to the same or to all or any of the Secured Assets; and
- (g) any advice obtained in relation to any other matter or question arising out of or in connection with this Debenture,

together with interest at the Default Rate on the same from the earlier of the date of demand and the date of payment by the Security Trustee until the date of payment by the Company, whether before or after judgment.

23.2 TAXES

The Company shall pay all stamp, registration and other taxes to which this Debenture or any judgment or order given in connection with this Debenture may at any time be subject and shall on demand indemnify the Security Trustee against any liabilities, costs, claims and expenses resulting from any failure to pay or delay in paying the same.



24. INDEMNITY

24.1 GENERAL INDEMNITY

The Company shall on demand and on a full indemnity basis indemnify and keep indemnified the Security Trustee and the Banks and every Receiver, attorney, manager, agent or other person appointed by the Security Trustee or the Banks under this Debenture and their respective employees in respect of all liabilities and reasonable expenses incurred or suffered by any of them in or directly or indirectly as a result of the exercise or purported exercise of any of the powers, authorities or discretions vested in them under this Debenture and against all actions, proceedings, losses, costs, claims and demands suffered or incurred by any of them in respect of any matter or thing done or omitted relating to the Secured Assets together with interest at the Default Rate on the same from the earlier of the date of demand and the date of payment by such person until the date of payment by the Company, whether before or after judgment. The Security Trustee and any such Receiver may retain and pay all sums in respect of the same out of any monies received by it or him pursuant to this Debenture.

24.2 INDEMNITY FOR BREACH

The Company shall on demand and on a full indemnity basis indemnify and keep indemnified the Security Trustee and the Banks in respect of all actions, proceedings, demands, reasonable costs and reasonable expenses occasioned by any breach of any of its covenants or other obligations under this Debenture together with interest at the Default Rate on the same from the earlier of the date of demand and the date of payment by the Security Trustee or the Banks until the date of payment by the Company, whether before or after judgment.

25. TRANSFERS

25.1 SECURITY TRUSTEE

This Debenture is freely assignable or transferable by the Security Trustee.

25.2 COMPANY

The Company may not assign or transfer any of its obligations under this Debenture or enter into any transaction which would result in any of those obligations passing to another person.

25.3 DISCLOSURE

The Security Trustee may, with the consent of the Company (such consent not be unreasonably withheld or delayed), disclose to any person related to it and/or any person to whom it is proposing to transfer or assign or has transferred or assigned this

Debenture any information about the Company and any person connected or associated with it.

26. PROPERTY OF SECURITY TRUSTEE

This Debenture is and will remain the property of the Security Trustee.

27. SECURITY TRUSTEE'S CERTIFICATE OR DETERMINATION

A certificate or determination of the Security Trustee as to any matter provided for in this Debenture shall, in the absence of manifest error, be conclusive and binding on the Company.

28. NOTICES

28.1 COMMUNICATIONS IN WRITING

Any communication to be made under or in connection with this Debenture shall be made in writing and, unless otherwise stated, may be made by fax or letter.

28.2 ADDRESSES

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with this Debenture is that identified with its name below or any substitute address, fax number or department or officer as the relevant Party may notify to the other Party by not less than 15 Business Days' notice.

28.3 DELIVERY

Any communication or document made or delivered by one Party to another under or in connection with this Debenture will only be effective:

- (a) if by way of fax, when received in legible form; or
- (b) if by way of letter, when it has been left at the relevant address or 10 Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address

and, if a particular department or officer is specified as part of its address details provided under Clause 28.2 (Addresses), if addressed to that department or officer.

28.4 ENGLISH LANGUAGE

- (a) Any notice given under or in connection with this Debenture must be in English.

- (b) All other documents provided under or in connection with this Debenture must be:
- (i) in English; or
  - (ii) if not in English, and if so required by the Security Trustee, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

29. PARTIAL INVALIDITY

If, at any time, any provision of this Debenture is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

30. REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of the Security Trustee, any right or remedy under this Debenture shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Debenture are cumulative and not exclusive of any rights or remedies provided by law.

31. AMENDMENTS AND WAIVERS

Any term of this Debenture may be amended or waived only with the written consent of the Security Trustee and the Company and any such amendment or waiver will be binding on all Parties.

32. COUNTERPARTS

This Debenture may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Debenture.

33. INTENTIONALLY BLANK

34. SECURITY TRUSTEE NOT COLLATERAL AGENT

34.1 NOT COLLATERAL AGENT

This Debenture has been granted in favour of the Security Trustee, in its capacity as Security Trustee for the Banks under the Credit Agreement, and not in its capacity as collateral agent for the Banks and other creditors under the Intercreditor Agreement.

34.2 SECURITY TRUSTEE

The Security Trustee shall hold the benefit of all covenants, charges and other undertakings given by the Company pursuant to this Debenture upon trust for itself and each of the Banks.

PART 8

GOVERNING LAW AND ENFORCEMENT

35. GOVERNING LAW

This Debenture is governed by Irish law.

36. ENFORCEMENT

36.1 JURISDICTION OF IRISH COURTS

- (a) The courts of Ireland have exclusive jurisdiction to settle any dispute arising out of or in connection with this Debenture (including a dispute regarding the existence, validity or termination of this Debenture) (a "DISPUTE").
- (b) The Parties agree that the courts of Ireland are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (c) This Clause 36.1 is for the benefit of the Security Trustee and the Banks only. As a result, neither the Security Trustee nor the Banks shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Security Trustee or the Banks may take concurrent proceedings in any number of jurisdictions.

THIS DEBENTURE has been executed as a deed on the date stated at the beginning of this Debenture and is delivered on the date stated at the beginning of this Debenture.

GIVEN UNDER THE COMMON SEAL  
OF CREDIT ACCEPTANCE  
CORPORATION IRELAND LIMITED in  
the presence of:

/s/ Steven Jones  
-----  
Director

/s/ Mark Thoms  
-----  
Director/Secretary

Address of the Company: 17 Dame Street  
Dublin 2

Fax: +44 1903 605 450

Attention: Company Secretary  
Mark Thoms

With a copy to: Credit Acceptance Corporation  
25505 West Twelve Mile Road  
Southfield  
MI 48034

USA

Fax: 001 248 827 8542

Attention: Douglas W. Busk

THE BANKS

Signed for and on behalf of COMERICA  
BANK as Security Trustee )

By: /s/ Caryn Dorfman )  
----- )  
Vice President )

Name: Comerica Bank

Address: One Detroit Center, MC3245,  
500 Woodward Avenue,  
Detroit, Michigan 48226,  
USA

Fax: 313 222 3503

Attention: Caryn Dorfman

Dated 7 September 2001

CREDIT ACCEPTANCE CORPORATION UK LIMITED  
as Company

in favour of

COMERICA BANK  
as Security Trustee

-----  
DEBENTURE  
-----

[MAYER BROWN & PLATT LOGO]

Bucklersbury House  
3 Queen Victoria Street  
London, EC4N 8EL  
Telephone: 020 7246 6200  
Fax: 020 7329 4465  
Reference: 98497274



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THIS DEBENTURE is dated \_\_\_ September 2001 and made by way of deed by:

- (1) CREDIT ACCEPTANCE CORPORATION UK LIMITED, registered in England and Wales no. 2965427 and having its registered office at Burfree House, Teville Road, Worthing, BN11 1AZ (the "COMPANY") in favour of
- (2) COMERICA BANK, a Michigan banking corporation, as agent and security trustee for the benefit of the Banks under the Credit Agreement (referred to below), (the "SECURITY TRUSTEE").

IT IS AGREED as follows:

#### PART 1

##### INTERPRETATION

#### 1. DEFINITIONS AND INTERPRETATION

##### 1.1 Definitions

In this Debenture, unless the context otherwise requires:

"ADVANCES TO DEALERS" shall mean any and all advances by the Company to Dealers under the Dealer Agreements whether in respect of Instalment Contracts or Leases, as outstanding from time to time.

"BANKS" has the meaning specified in the Credit Agreement.

"BILL OF SALE" means a bill of sale taken or to be taken by the Company from a Customer by way of security in a Vehicle for liabilities under a CAC Loan Agreement or such similar document taken by another member of the Group, the rights, title, benefit and interest to and under which have since been assigned, transferred or novated to the Company by such other member of the Group.

"CAC LOAN AGREEMENTS" means the "Loan Agreements" as defined in the Dealer Trading Agreements each of which may be entered into between the Company and a Customer and pursuant to which financing may be advanced by way of loan from the Company to the Customer, to assist the Customer's acquisition of a Vehicle, and may be secured by way of Bill of Sale.

"COMPANY" has the meaning given to it in the preamble.

"CONDITIONAL SALE AGREEMENT" means an agreement between the Company as seller and a Customer as buyer, a specimen of which has previously been supplied to the Security Trustee in connection with its execution of this Debenture, under which the Company sells to the Customer a Vehicle which the Company has purchased from the Dealer on terms that the price is payable by the Customer in instalments and where risk in the Vehicle passes to the Customer upon delivery but title to the Vehicle

remains with the Company until all installments together with any costs, fees, expenses and default interest have been paid in full to the Company or such similar agreement entered into between another member of the Group and a Customer, which the rights, title, interest and benefit to and under which have since been assigned, transferred or novated to the Company by such other member of the Group.

"CREDIT AGREEMENT" means the Amended and Restated Credit Agreement dated as of June 11, 2001 (amended and restating the prior Credit Agreement) between, inter alia, Credit Acceptance Corporation, a Michigan corporation, other parties and Comerica Bank as administrative agent (as amended, restated or otherwise modified from time to time).

"CUSTOMERS" means the person or persons who enters into a Conditional Sale Agreement with the Company after being introduced to the Company by a Dealer.

"DEALER" shall mean a person engaged in the business of the retail sale or lease of motor vehicles, whether new or used, selling new motor vehicles, but having a used vehicle department, including any such person which constitutes an affiliate of the Company.

"DEALER TRADING AGREEMENT" means an agreement entered into between a Dealer in the United Kingdom and the Company, a specimen of which has previously been supplied to the Security Trustee in connection with its execution of this Debenture, pursuant to which the Dealer agrees that from time to time it will introduce Customers to the Company who seek finance to acquire a Vehicle from the Dealer and that it will sell such Vehicles to the Company for a charge or commission (the acquisition of such Vehicles by Customers being subsequently financed by the Company by way of a Conditional Sale Agreement or, subject to Clause 8.8 (Finance of Acquisition of Vehicles), a CAC Loan Agreement) or such similar agreement entered into between another member of the Group and a Dealer, the rights, title, interest and benefit to and under which have since been assigned, transferred or novated to the Company by such other member of the Group.

"DEBTS" means all present and future book and other debts and other monies due, owing or payable to the Company including, but not limited to, such monies due under the UK Contracts or any Intercompany Loans and the benefit of any claims, insurance policies (including the proceeds of the same), guarantees and any other rights relating to any of the above, including any security or remedies for any of the same, now or at any time enjoyed or held by the Company.

"DEFAULT RATE" means the rate specified in Clause 2.9 of the Credit Agreement.

"DISCHARGE DATE" has the meaning given to it in Clause 5.1 (No discharge of security).

"DISPUTE" has the meaning given to it in Clause 36.1 (Jurisdiction of English courts).

"DISSOLUTION" of a person includes the dissolution, bankruptcy, insolvency, winding-up, liquidation, administration, examination, amalgamation, reconstruction,

reorganisation, arrangement, adjustment, administrative or other receivership or dissolution of that person, its official management or all of its assets or revenues or the seeking of protection or relief of debtors and any equivalent or analogous proceeding by whatever name known and in whatever jurisdiction.

"DOCUMENTS" means this Debenture and each of the Loan Documents.

"ENFORCEMENT EVENT" means any of the following events:

- (a) a breach by the Company of any provision of this Debenture (including Clause 2.1 (Covenant to Pay)) or any other Document;
- (b) the occurrence of an Event of Default in connection with, or relating to, any obligor in respect of any of the Secured Liabilities; or
- (c) the taking of any action by any person to enforce any Security Interest over any of the Company's assets other than the Security.

"EVENT OF DEFAULT" means each of those events of default specified in Clause 9.1 of the Credit Agreement.

"GROUP" means the Company and its Subsidiaries and the Company's holding company (as defined in Section 736 of the Companies Act 1985) and its Subsidiaries.

"INSTRUMENTS" means any contract, agreement, indenture, mortgage, document or writing (whether by formal agreement, letter or otherwise) under which any obligation is evidenced, assumed, or undertaken or any security interest (or right or interest in any security interest) is granted or perfected or purported to be granted or perfected.

"INSURANCE PROCEEDS" means all monies which may from time to time be payable to or received by the Company (whether as an insured party or as loss payee) pursuant to any Insurance and the proceeds of all claims made by the Company under any such Insurance.

"INSURANCES" means all policies and contracts of insurance which have been or are from time to time taken out by or on behalf of the Company or (to the extent of its interest) in which the Company has an interest (including as loss payee or additional insured) and including, for the avoidance of doubt, all renewals of and replacements for such policies and contracts of insurance.

"INTELLECTUAL PROPERTY" means all patents, designs, copyrights, design rights, trade and service marks, utility models, trade and business names, moral rights, know-how formulae, inventions, confidential information, trade secrets, computer records and computer software programs and systems (including applications, improvements, prolongations, extensions and rights to apply for, and the benefit of any licences or consents relating to, any of the above) and rights of a like nature whether registered or unregistered and all fees, royalties or other rights derived from or incidental to the same arising or subsisting in any part of the world now or at any time belonging to the Company.

"INTERCOMPANY LOANS" means all loans which the Company may, at any time and from time to time, make to other members of the Group in accordance with the Credit Agreement.

"INTERCREDITOR AGREEMENT" means the Intercreditor Agreement dated as of December 15, 1998 as amended by the First Amendment thereto, dated as of March 30, 2001 (as further amended, amended and restated, supplemented or otherwise modified from time to time) among the Security Trustee, the Banks and certain Noteholders (as defined therein).

"LOAN DOCUMENTS" has the meaning given to it in the Credit Agreement.

"LPA" means the Law of Property Act 1925.

"PARTY" means a party to this Debenture and includes its successors in title, permitted assigns and permitted transferees.

"PERMITTED SECURITIZATION" shall mean a "Permitted Securitization" as such term is defined in the applicable Loan Documents.

"PERMITTED SECURITY INTERESTS" means "Permitted Liens" as such term is defined in the Credit Agreement.

"RECEIVER" means any receiver, receiver and manager or administrative receiver appointed by the Security Trustee over all or any of the Secured Assets pursuant to this Debenture whether alone or jointly with any other or additional person and includes any substitute for any of them appointed from time to time.

"SECURED ASSETS" means all of the undertaking and assets, rights and property of the Company which are the subject of any security created or purported to be created by this Debenture and includes any part of or any interest in any of them save that any assets sold or disposed of pursuant to Clause 5.3 (Release for Permitted Securitizations) shall not, once such assets have been released from the security granted by this Debenture, constitute Secured Assets.

"SECURED LIABILITIES" means all monies, obligations and liabilities whatsoever whether for principal, interest or otherwise in whatever currency which may now or at any time in the future be due, owing or incurred pursuant to or in connection with the Credit Agreement by any or all of the Company, CAC of Canada Limited, a corporation organised under the laws of Canada and Credit Acceptance Corporation Ireland Limited, a corporation organised under the laws of the Republic of Ireland, together with any other Foreign Subsidiary (as defined in the Credit Agreement) which becomes a Permitted Borrower under the Credit Agreement whether present or future, actual or contingent, and whether alone, severally or jointly as principal, guarantor, surety or otherwise and in whatever name and whether on any current or other account or in any other manner whatsoever Provided that there shall be excluded from this definition any money, obligation or liability which would, but for this proviso, cause the covenant set out in Clause 2.1 (Covenant to Pay) or the

security which would otherwise be constituted by this Debenture to constitute unlawful financial assistance prohibited by Section 151 of the Companies Act 1985.

"SECURITY" means the security from time to time constituted by or pursuant to this Debenture.

"SECURITY DOCUMENTS" means this Debenture and any other document guaranteeing or creating security for or supporting the obligations of the Company or any other person to the Security Trustee or any of the Banks.

"SECURITY INTEREST" means any mortgage, charge, pledge, lien, assignment, hypothecation, security interest, title retention, preferential right, trust arrangement or any other type of security or preferential arrangement howsoever arising.

"SECURITY TRUSTEE" has the meaning given to it in the preamble.

"SPECIAL ACCOUNTS" means, upon or after the occurrence of an Enforcement Event, such separate and denominated account or accounts with the Security Trustee or such other bank or banks as the Security Trustee may thereafter specify from time to time in writing as the account or accounts into which the Debts are to be paid.

"TANGIBLE MOVABLE PROPERTY" means all plant, equipment and machinery now or at any time vested in or held by or on behalf of the Company and all related spare parts, fuels, equipment and tools.

"UK CONTRACTS" means the Conditional Sale Agreements, CAC Loan Agreements, Bills of Sale and Dealer Trading Agreements.

"VEHICLE" means a motor car as defined by section 185 of the Road Traffic Act 1988 or a light commercial vehicle (which in any case has not been adapted from its original manufacturer's specification) and all accessories and replacements fitted to the said Vehicle whether by the Company or the Dealer or another.

1.2

#### INTERPRETATION

(a) Any reference in this Debenture to:

- (i) "APPLICABLE LAW" includes any law (including common or customary law), statute, constitution, decree, judgment, treaty, regulation, directive, bye-law, order, rule, convention, procedure, consent, request, determination or any other legislative measure or requirement (whether or not having the force of law) of, and any interpretation of the same by, any governmental, intergovernmental, supranational, national, federal, state, regional, local, statutory, regulatory, self regulatory or other body or court;
- (ii) the "ASSETS" of any person includes the whole or any part of its business, undertakings, property, intellectual property, shares, securities, debts, accounts, revenues (including any right to receive

- revenues), goodwill, shareholdings and uncalled capital including premium whether now or at any time acquired and any other assets whatsoever;
- (iii) a "BUSINESS DAY" is a reference to a day (other than a Saturday or Sunday) on which banks are generally open for business in London and the United States of America;
  - (iv) a "DISPOSAL" includes any sale, lease, transfer, conveyance, assignment, licence, sub-licence or other disposal and "DISPOSE" and "DISPOSED" shall be construed accordingly;
  - (v) a "GUARANTEE" includes any guarantee, bond, indemnity, letter of credit, third party security or other legally binding assurance against financial loss granted by one person in respect of any indebtedness of another person or any agreement to assume any indebtedness of any other person or to supply funds or to invest in any manner whatsoever in such other person by reason of or otherwise in relation to any indebtedness of such other person;
  - (vi) "INDEBTEDNESS" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
  - (vii) "MATERIAL ADVERSE EFFECT" means, in the opinion of the Security Trustee acting reasonably, a material adverse effect on:
    - (A) the business, operations, assets or financial condition of the Company;
    - (B) the ability of the Company to perform any material obligation under any Document to which it is a party; or
    - (C) the validity or enforceability of any material provision of this Debenture or any of the other Documents or the rights or remedies of the Security Trustee hereunder or thereunder;
  - (viii) a "PERSON" includes any person, firm, company, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) or two or more of the above;
  - (ix) a "SUBSIDIARY" of any person means any other person which is a "subsidiary undertaking" of the first-mentioned person within the meaning of Section 258 of the Companies Act 1985 as in force at the date of this Debenture;
  - (x) "TAX" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in



connection with any failure to pay or any delay in paying any of the same);

- (xi) a "DOCUMENT" or any other agreement or Instrument is a reference to that Document or other agreement or Instrument as amended or novated from time to time;
  - (xii) "VAT" means value added tax and any other tax of a similar nature;
  - (xiii) a provision of law is a reference to that provision as the same may have been, or may from time to time be, amended or re-enacted; and
  - (xiv) any person shall be construed so as to include it and any subsequent successors and assigns in accordance with their respective interests.
- (b) Section, Clause and Schedule headings are for ease of reference only.
  - (c) "(POUND)", "STERLING" and "POUNDS STERLING" denote the lawful currency of the United Kingdom and "\$" and "DOLLARS" denote the lawful currency of the United States of America.
  - (d) Unless otherwise specified, a reference to any Section, Clause or Schedule is a reference to such Section, Clause or Schedule of this Debenture.

### 1.3 CREDIT AGREEMENT

All terms defined in the Credit Agreement which are used in this Debenture shall bear the same meaning as in the Credit Agreement unless the context requires otherwise. In the event of any conflict between the meaning of any term defined in the Credit Agreement and in this Debenture the definition in this Debenture shall prevail.

PART 2

THE SECURED LIABILITIES

2. PAYMENT OF THE SECURED LIABILITIES

2.1 COVENANT TO PAY

The Company covenants with the Security Trustee and the Banks that it shall pay and discharge the Secured Liabilities when due in accordance with the Credit Agreement to the Security Trustee or the Banks.

2.2 INTEREST

If the Company fails to pay any amount due under Clause 2.1 (Covenant to pay) on the due date for payment of the same, the Company shall pay interest on such amount (after as well as before any judgment) from the due date until the date of payment (notwithstanding the Dissolution of the Company), calculated on a daily basis at the rate or rates applicable under the agreements or arrangements under which such amount is payable or, if no such rate or rates are specified, at the Default Rate, upon such days and upon such terms as the Security Trustee may from time to time determine.

2.3 NO WITHHOLDING

All sums payable by the Company under this Debenture shall be paid without any set-off, counterclaim, withholding or deduction whatsoever unless required by law, in which event the Company will:

- (a) simultaneously with making the relevant payment under this Debenture pay to the Security Trustee such additional amount as will result in the receipt by the Security Trustee of the full amount which would otherwise have been received; and
- (b) promptly supply the Security Trustee with evidence satisfactory to the Security Trustee that the Company has accounted to the relevant authority for the sum withheld or deducted.

PART 3

SECURITY INTERESTS

3. ASSIGNMENTS, FIXED AND FLOATING CHARGES

3.1 FIXED CHARGES

The Company with full title guarantee and as a continuing security for the payment and discharge of the Secured Liabilities charges by way of fixed charge in favour of the Security Trustee:

- (a) the Tangible Movable Property;
- (b) the Intellectual Property;
- (c) all present and future goodwill and uncalled capital of the Company;
- (d) the Debts;
- (e) all monies now or at any time standing to the credit of any bank account (including any Special Account) opened or maintained by the Company with any person; and
- (f) all Vehicles to which the Company holds the title and the purchase of which are being financed by the Company pursuant to any of the UK Contracts.

3.2 ASSIGNMENT IN EQUITY

The Company with full title guarantee and as a continuing security for the payment and discharge of the Secured Liabilities assigns in equity to the Security Trustee all of the Company's right, title and interest in and to all present and future rights and claims of the Company under or in respect of the UK Contracts including, but not limited to, all of the Company's right, title and interest in and to all present and future rights and claims of the Company under any Conditional Sale Agreements and any Dealer Trading Agreements.

3.3 FLOATING CHARGE

The Company with full title guarantee and as a continuing security for the payment and discharge of the Secured Liabilities charges in favour of the Security Trustee by way of floating charge the whole of the undertaking and all the assets, rights and income of the Company both present and future not otherwise effectively mortgaged, charged or assigned (whether at law or in equity) pursuant to Clauses 3.1 (Fixed charges) and 3.2 (Assignment in equity).

3.4 RANKING OF CHARGES

The charges created by Clause 3.1 (Fixed charges) shall constitute first fixed charges. The charge created by Clause 3.3 (Floating charge) shall be a first floating charge

unless and until it is converted into a fixed charge pursuant to Clause 6 (Crystallisation of floating charge) or by operation of law.

### 3.5 FAILURE OF ASSIGNMENT

If for any reason the assignment of any of the Secured Assets referred to in Clause 3.2 (Assignment in equity) is found to be ineffective and/or if any sums payable in respect of such Secured Assets are received by the Company, the Company shall hold the benefit of such Secured Assets and any such sums received by it on trust for the Security Trustee and shall account to the Security Trustee for or otherwise apply all such sums as the Security Trustee may direct and shall otherwise at its own cost take such action and execute such documents as the Security Trustee may reasonably require.

### 3.6 PERFORMANCE OF OBLIGATIONS

The Company shall remain at all times liable to perform all of the obligations assumed by it under or in respect of the UK Contracts and the Documents to the same extent as if the Security had not been created and neither the Security Trustee nor any Receiver shall be under any obligation or liability to the Company or to any other person under or in respect of any UK Contract or Document.

## 4. PERFECTION OF SECURITY AND FURTHER ASSURANCES

### 4.1 FURTHER ASSURANCES

The Company shall at the request of the Security Trustee and at its own expense promptly execute (in such form as the Security Trustee may reasonably require) such Instruments and otherwise do such acts and things as the Security Trustee may require to improve, preserve, perfect or protect the security created (or intended to be created) by this Debenture or the priority of the same or, upon or after the occurrence of an Enforcement Event, to facilitate the realisation of or otherwise to enforce the same or to exercise any of the Security Trustee's or any Receiver's rights in relation to the same. In particular, but without limitation, the Company will:

- (a) execute a legal assignment over all or any of the Debts charged by this Debenture; and
- (b) upon the occurrence of an Enforcement Event execute a valid fixed charge over.
  - (i) any asset subject to the floating charge created pursuant to Clause 3.3 (Floating charge);
  - (ii) all bank accounts which the Company maintains at such time and from time to time thereafter (and procure that the Company's banker(s) execute an acknowledgment of such fixed charge in a form satisfactory to the Security Trustee at such time); and

- (iii) any asset subsequently acquired by the Company which would, if such asset had been owned by the Company at the date of this Debenture, have been charged pursuant to Clause 3.1; and
- (c) notify the Security Trustee promptly if it wishes to undertake any of the following activities (prior to undertaking such activities) and execute an amendment to this Debenture and/or such other additional security document as the Security Trustee reasonably requires if the Company wishes to:
  - (i) materially amend or modify the UK Contracts; or
  - (iii) without prejudice to Clause 8.8 (Finance of Acquisition of Vehicles), finance a Customer's purchase of any Vehicle in the United Kingdom by way of CAC Loan Agreement and/or Bill of Sale or accept any assignment, transfer or novation of the right, title, interest or benefit, to or under, any CAC Loan Agreement or Bill of Sale from any other member of the Group.

#### 4.2 COVENANTS FOR TITLE

The obligations of the Company under this Clause 4 (Perfection of Security and Further Assurances) shall be in addition to and not in substitution for the covenants for title deemed to be included in this Debenture by virtue of Part 1 of the Law of Property (Miscellaneous Provisions) Act 1994.

#### 5. RELEASE OF SECURITY

##### 5.1 NO DISCHARGE OF SECURITY

This Debenture and the Security shall be continuing security for the Secured Liabilities and shall not be considered as satisfied or discharged by any intermediate payment or settlement of all or any part of the Secured Liabilities or any other matter or thing whatsoever and shall be binding until the date (the "DISCHARGE DATE") on which:

- (a) all of the Secured Liabilities have been unconditionally and irrevocably paid or discharged in full to the satisfaction of the Security Trustee;
- (b) the Security Trustee is satisfied that each of the Banks and it have ceased to have any commitment, liability or obligation (whether actual or contingent) to make any credit or provide any other accommodation to the Company under any Document or otherwise or to any other person in respect of whose liabilities the Company has undertaken a liability to the Security Trustee or the Banks under or pursuant to any Document.
- (c) the Security Trustee is satisfied that the Company has ceased to have any liability (whether actual or contingent) to the Security Trustee and the Banks under or pursuant to any Document in respect of any matter or thing whatsoever.

## 5.2 RELEASE OF SECURITY

Following the Discharge Date and at the request and cost of the Company, the Security Trustee shall, as soon as reasonably practicable after receipt of such request, release and discharge without recourse, representation or warranty whatsoever the Security and re-assign without recourse, representation or warranty whatsoever property and assets charged or assigned to the Security Trustee by or pursuant to this Debenture to the Company (or as it shall direct), subject to the provisions of the Credit Agreement and Clause 17 (Retention of Security) and to the rights and claims of any person having prior rights over the same. Any release or discharge of the Security or of any of the Secured Liabilities shall not release or discharge the Company from any liability to the Security Trustee or the Banks for the Secured Liabilities or any other monies which exists independently of this Debenture.

## 5.3 RELEASE FOR PERMITTED SECURITIZATIONS AND TRANSFERS OF VEHICLES

Notwithstanding the provisions of Clauses 5.1 and 5.2, the Security Trustee acknowledges and consents to:

- (a) a disposition (as such term is defined in the Credit Agreement) by the Company to CAC UK Funding LTD. of Advances to Dealers, without the need for further notice to the Security Trustee; provided, however, that any such disposition of any Advance to Dealer shall be made in connection with a Permitted Securitization by CAC UK Funding LTD. involving such Advance to Dealer and/or otherwise in accordance with, and pursuant to, the terms and conditions of the Credit Agreement. Without prejudice to the foregoing, the Security Trustee shall, upon the written request and at the cost of the Company, execute and deliver to the Company an instrument or instruments in form reasonably acceptable to the Company acknowledging the release and discharge of those Secured Assets which are permitted to be sold or disposed of by the Company or any other grantor pursuant to a Permitted Securitization or otherwise pursuant to the Credit Agreement; and
- (b) the release of the fixed charge granted pursuant hereto in respect of any Vehicle upon the transfer of title in such Vehicle to a customer of the Company in accordance with the terms and conditions of any UK Contract.

## 6. CRYSTALLISATION OF FLOATING CHARGE

### 6.1 CRYSTALLISATION BY NOTICE

The Security Trustee may at any time by notice in writing to the Company convert the floating charge referred to in Clause 3.3 (Floating charge) into a fixed charge with immediate effect as regards any Secured Asset specified in the notice which the Security Trustee shall consider to be in danger of seizure, distress, diligence or other legal process or otherwise for any reason whatsoever in jeopardy.

6.2 AUTOMATIC CRYSTALLISATION

Notwithstanding Clause 6.1 (Crystallisation by notice) and without prejudice to any rule of law having a similar effect, the floating charge shall automatically be converted into a fixed charge with immediate effect as regards all assets subject to the floating charge created by Clause 3.3 (Floating charge) on:

- (a) any Secured Asset becoming subject to a Security Interest other than a Permitted Security Interest or being disposed of contrary to the provisions of Clause 7.1 (Restrictions on dealing) or otherwise being in jeopardy; or
- (b) any person levying or notifying the Company that it intends to levy any distress, execution, sequestration or other process against any Secured Asset; or
- (c) the Company ceasing to carry on business or to be a going concern; or
- (d) the occurrence of an Enforcement Event; or
- (e) any of the Secured Liabilities becoming due and outstanding prior to their stated maturity; or
- (f) the presentation of a petition for the compulsory winding up of or the making of an administration order in relation to the Company or the convening of a meeting for the passing of a resolution for the voluntary winding up of the Company.

7. RESTRICTIONS ON DEALING WITH THE SECURED ASSETS

7.1 RESTRICTIONS ON DEALING

The Company represents, warrants and undertakes to the Security Trustee that save with the prior written consent of the Security Trustee:

- (a) it has and will at all times during the subsistence of the Security have legal title to and is and at all times during the subsistence of the Security will be entitled to the entire beneficial interest in the Secured Assets free from Security Interests (save for Permitted Security Interests) and will not create or attempt to create or permit to arise or subsist any Security Interest on any of the Secured Assets;
- (b) save as permitted by the Credit Agreement or this Debenture it has not sold or agreed to sell or otherwise disposed of or agreed to dispose of and will not at any time during the subsistence of the Security sell, assign, part with, transfer, lease, licence or otherwise dispose of the benefit of all or any of the Company's right, title and interest in and to the Secured Assets or any part of them and will not agree to or grant any option in respect of any of the above, with the exception of:

- (i) sales of its stock in trade at not less than market value in the ordinary course of its business;
  - (ii) the use of cash for the acquisition of goods or services in the ordinary course of its business; and
  - (iii) the sale or disposal of all or any of its undertaking and assets for the time being subject to the floating charge created pursuant to Clause 3.3 (Floating charge) in the ordinary course of its business until such time as such floating charge is converted into a fixed charge pursuant to Clause 6 (Crystallisation of Floating Charge) or by operation of law; and
- (c) (i) upon or after the occurrence of an Enforcement Event and upon receipt of a notice from the Security Trustee requiring the establishment of a Special Account (or Special Accounts), it will promptly pay into a Special Account all monies which it may receive in respect of the Debts immediately on receipt and it will not be entitled to withdraw or transfer from the Special Accounts any monies standing to the credit of such Special Accounts or direct any payment to be made from such Special Accounts to any person, and (ii) until such payment into a Special Account of the nature referred to in sub-clause (c)(i) will hold all monies which it may receive in respect of the Debts on trust for the Security Trustee, it will not release, set-off, compound or deal with the Debts otherwise than by getting in and realising the same in the ordinary and proper course of its business (and for this purpose the realisation of Debts by means of block discounting, factoring or the like shall not be regarded as dealing in the ordinary and proper course of its business).



PART 4

REPRESENTATIONS, WARRANTIES AND COVENANTS

8. REPRESENTATIONS, WARRANTIES AND GENERAL COVENANTS

The Company makes the representations, warranties and covenants set out in this Clause to the Security Trustee.

8.1 DUE INCORPORATION

It is a limited liability company, duly incorporated and validly existing under the laws of England and Wales, capable of being sued in its own right and will not be entitled to claim immunity (whether on the basis of sovereignty or otherwise) from judicial proceedings including attachment (both before and after judgment), execution or otherwise.

8.2 CAPACITY

It has and will at all times have the necessary power and existence to enter into and perform its obligations under this Debenture.

8.3 ENFORCEABILITY

This Debenture constitutes, and will continue during the subsistence of the Security to constitute, its legal, valid, binding and enforceable obligations and is, and will continue during the subsistence of the Security to be, a first ranking Security Interest over the Secured Assets effective in accordance with its terms.

8.4 AUTHORISATIONS

All actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents or the like) in order:

- (a) to enable the Company lawfully to enter into and perform and comply with its obligations under or pursuant to this Debenture and to ensure that those obligations are valid, legally binding and enforceable;
- (b) to enable the Company to create the Security and to ensure that (subject to all necessary registrations being made) the Security is valid, legally binding and enforceable and has and will have the ranking which it is expressed to have;
- (c) to make this Debenture admissible in evidence in the courts of England and each other jurisdiction in which any Secured Asset is located;
- (d) to enable the Company to own its assets and property and to carry on its business as it is currently being conducted; and

- (e) to ensure that no other party to any agreement or arrangement entered into by the Company becomes entitled to terminate such agreement as a consequence of the Company entering into this Debenture,

have been taken, fulfilled and done (and in the case of consents and the like will remain in full force and effect during the subsistence of the Security).

#### 8.5 COMPLIANCE WITH LAWS

Its entry into and its performance of and compliance with its obligations under or pursuant to this Debenture and the creation of the Security does not and will not violate or exceed any borrowing or other powers or restrictions granted or imposed under or pursuant to:

- (a) any applicable law to which it is subject;
- (b) any agreement or other Instrument binding on it or any of its assets; or
- (c) its Memorandum and Articles of Association.

#### 8.6 INSOLVENCY PROCEEDINGS

It has not taken any corporate action nor have any other steps been taken or legal proceedings been started or, to the best of its knowledge and belief, threatened against it for its Dissolution.

#### 8.7 INSURANCE POLICIES

It has obtained and maintained all such insurance policies as would be maintained by prudent companies carrying on business of the type carried on by the Company at all relevant times and has complied in all material respects with the terms and conditions of such policies.

#### 8.8 FINANCE OF ACQUISITION OF VEHICLES

In connection with the conduct of business in relation to Vehicles or any other asset (including the financing of the acquisition thereof) the Company shall conduct such business substantially through Conditional Sale Agreements entered into pursuant to a Dealer Trading Agreement. Without prejudice to the foregoing, notwithstanding the ability of the Company to utilise CAC Loan Agreements and Bills of Sale to finance the acquisition by Customers of Vehicles pursuant to the Dealer Trading Agreements, the Company has financed, and will continue to finance, substantially all acquisitions of Vehicles by way of Conditional Sale Agreements and not through any CAC Loan Agreement or Bill of Sale and, without prejudice to the generality of the foregoing, the Company has not accepted, and will not accept, any assignment of the right, title, interest and benefit, to or under any CAC Loan Agreements or Bills of Sale from any other member of the Group. The Company shall promptly supply the Security Trustee with copies of any documents other than Conditional Sale Agreements

utilised by it in connection with the conduct of business in relation to Vehicles or any other assets.

9. SPECIFIC COVENANTS

9.1 SPECIFIC COVENANTS

Save with the prior written consent of the Security Trustee, the Company shall at all times during the subsistence of the Security:

(a) ACCESS

- (i) upon prior written notice from the Security Trustee, permit the Security Trustee and/or its representatives or agents free access at all reasonable times to inspect and take copies and extracts from the books, accounts and records of the Company and such other documents as the Security Trustee may reasonably require and furnish the Security Trustee with all information and facilities which it may require and pay all reasonable expenses incurred by the Security Trustee in connection with the above; and
- (ii) grant the Security Trustee and/or its legal or other advisers on request all reasonable facilities to enable it or them to carry out at the Company's expense such investigation of title to any Secured Assets and enquiries into matters in connection with the same as would be carried out by a prudent person;

(b) INSURANCES

maintain, with financially sound and reputable insurers, insurance with respect to its material property and business against such casualties and contingencies, of such types (including insurance with respect to losses arising out of such property loss or damage, public liability, business interruption, larceny, workers' compensation, embezzlement or other criminal misappropriation) and in such amounts as is customary in the case of companies of established reputations engaged in the same or similar business and similarly situated (and including such lender loss payee clauses and/or endorsements as the Security Trustee or the Banks may request following the delivery of the Collateral Documents (as defined in the Credit Agreement) pursuant to Section 7.20 of the Credit Agreement), provided that such insurance is commercially available, it being understood that the Company and its Subsidiaries may self-insure against hazards and risks with respect to which, and in such amounts as, the Company in good faith determines to be prudent and consistent with sound financial and business practice.

(c) INTELLECTUAL PROPERTY

- (i) use its best endeavours to detect any infringement of the Intellectual Property and if it shall become aware of any such infringement to give

the Security Trustee immediately all information in its possession with regard to the same and at the request of the Security Trustee but at its own cost to take such steps as the Security Trustee may from time to time direct, including commencing and diligently prosecuting or permitting the Security Trustee in the name but at the expense of the Company to commence and prosecute all proceedings necessary to prevent such infringement or to recover damages in respect of the same;

- (ii) lodge all notices, complete all filings and registrations and do all other acts as may be necessary to ensure that the Intellectual Property to which the Company is or may become entitled is valid and subsisting and remains vested in the Company and to take all such actions and proceedings as are necessary to protect such Intellectual Property and if any or all such Intellectual Property shall at any time become void to lodge all notices and do all other acts as may be necessary to restore such Intellectual Property to the Company and in particular to pay all such fees as may be necessary for all of the above at least 14 days before the same shall become due; and
- (iii) do all such things as are necessary to maintain and keep in force such of its Intellectual Property as is material to its business;

(d) COMPLIANCE WITH LAWS

comply in all material respects with the provisions of all applicable laws and every notice, order, direction, licence or permission given or made under such applicable laws;

(e) RECORDS

keep its books of account and prepare all financial statements in accordance with accounting principles generally accepted in England consistently applied and procure that there is furnished to the Security Trustee:

- (i) such information, financial or otherwise, as the Security Trustee may from time to time reasonably request regarding the affairs of the Company or all or any part of the Secured Assets; and
- (ii) details of any litigation, arbitration or administrative proceedings in progress pending or, to the knowledge of the Company, threatened against it which might have a material adverse effect on the Company's ability to perform its obligations under this Debenture as soon as the Company becomes aware of such details;

(f) CONTRACTS AND DOCUMENTS

diligently pursue any remedies available to it for any breach of, or in respect of any claim in relation to, any UK Contract or Document;

(g) INTERCOMPANY LOANS

keep a full written record evidencing all Intercompany Loans and provide copies of such record to the Security Trustee free of charge within 10 Business Days of receiving a written request from the Security Trustee for a copy of such record;

(h) VAT

(i) not, without the prior written consent of the Security Trustee, exercise any option, election or discretion to charge VAT or transfer the right to recover any VAT or levy VAT or to treat supplies made by it as taxable supplies for the purposes of VAT; and

(ii) if the Security Trustee so requires, exercise any option, election or discretion which may now or from time to time be available to it to charge VAT or to treat supplies made by it as taxable supplies for the purposes of VAT; and

(i) GENERAL

conduct and carry on its business in a proper and efficient manner, keep or cause to be kept proper books of account relating to such business, not make any material alteration in the nature of such business which would constitute a change from that carried on at the date of this Debenture and not take any step or omit to take any step the taking or omission of which might have a material adverse effect on the value of the Company's goodwill.

9.2 EVIDENCE OF COMPLIANCE

The Company shall at all times during the subsistence of the Security and if the Security Trustee so requires, give to the Security Trustee evidence sufficient to satisfy it that the provisions of this Clause 9 (Specific Covenants) have been complied with.

9.3 LIMITATION ON POWERS

None of the covenants in Clause 9 (Specific Covenants) shall be construed as limiting any powers exercisable by any Receiver under this Debenture.

9.4 NECESSITATED AMENDMENTS OR SUPPLEMENTS TO THIS DEBENTURE

Should the Company seek the written consent of the Security Trustee to undertake any activity which is expressly prohibited under Clause 9.1 and which the Company has therein covenanted that it will not undertake, the Company hereby agrees that it will at its expense execute and deliver such additional security document or such amendment to this Debenture as the Security Trustee requires and will reimburse the Security Trustee for all reasonable costs and expenses (including, but not limited to, legal fees) of the Security Trustee in connection with the negotiating, drafting, execution, delivery and registration of such additional security document or such amendment (as applicable).

PART 5

ENFORCEMENT

10. POWER TO REMEDY

10.1 ENTRY, POSSESSION AND POWER TO REMEDY

The Company shall upon 5 days prior notice (except if an Enforcement Event has occurred and is continuing, when no prior notice shall be required) permit the Security Trustee and/or its representatives, agents or contractors free access at reasonable times to enter or take possession of all or any part of the Secured Assets to:

- (a) view the state and condition of the same;
- (b) comply with or object to any direction or notice or other matter served on the Company; or
- (c) carry out any repairs or take any other action (including the payment of money) which the Security Trustee shall consider necessary or desirable in connection with such Secured Assets to remedy any failure to comply with any covenant contained in Clause 9 (Specific Covenants),

and in any such case without becoming liable to account as mortgagee in possession;

provided, however, that the Security Trustee acknowledges that, in exercising the rights and privileges conferred in this Clause 10.1, it or agents, representatives or contactors may, from time to time, obtain knowledge of information, practices, books, correspondence and records of a confidential nature and in which the Company has a proprietary interest. The Security Trustee agrees that all such information, practices, books, correspondence and records are to be regarded as confidential information and agrees that it shall retain in strict confidence and shall use its reasonable efforts to ensure that its agents and representatives retain in strict confidence, and will not disclose without the prior written consent of the Company, any such information, practices, books, correspondence and records furnished to them except that the Security Trustee may disclose such information (i) to its officers, directors, employees, agents, legal advisers, accountants, auditors, affiliates, advisors or representatives (provided that such persons are informed of the confidential nature of such information), (ii) to the extent such information has become available to the public other than as a result of a disclosure by or through the Security Trustee or its officers, directors, employees, agents, legal advisers, accountants, auditors, affiliates, advisors or representatives, (iii) to the extent such information was available to the Security Trustee on a non-confidential basis prior to its disclosure to the Security Trustee hereunder, (iv) to the extent the Security Trustee is (A) required in connection with any legal or regulatory proceeding or (B) requested by any bank or other regulatory authority to disclose such information; (v) to any prospective assignee of any note or other instrument evidencing any of the Secured Liabilities; provided, however, that the Security Trustee shall notify such assignee of the confidentiality provisions of this Section 10.1 and such assignee shall agree to be bound thereby; or

(vi) to any Bank, subject to the confidentiality provisions contained in this Debenture and the Credit Agreement and any other Loan Documents to which it is a party, upon the request of such party following the occurrence and during the continuance of any Event (but with no obligation on the part of any such Bank to return such information to the Security Trustee or the Company if any such Enforcement Event is subsequently cured or waived).

#### 10.2 INSURANCES

If the Company shall fail to comply with any of its obligations as to insurance, the Security Trustee may, but shall not be required to, take out, renew or maintain such insurance either in its own name, in its name and that of the Company jointly or in the name of the Company with the Security Trustee's interest noted on the policy, in such sum as the Security Trustee may think expedient.

#### 10.3 INDEMNITY

The Company shall on demand indemnify the Security Trustee and the Banks on a full indemnity basis in respect of any and all costs, damages and expenses incurred by the Security Trustee or the Banks pursuant to Clauses 10.1 (Entry, possession and power to remedy) and 10.2 (Insurances), together with interest at the Default Rate from the date of payment by the Security Trustee or the Banks until repayment, whether before or after judgment and notwithstanding any release or discharge of all or any part of the Security, indemnify the Security Trustee and the Banks on a full indemnity basis in respect of any and all actions, proceedings, demands, claims, losses, liabilities, costs and expenses arising as a result of any breach of Clause 9 (Specific Covenants) or otherwise relating to all or any part of the Secured Assets save to any costs, charges or expenses incurred as a result of the Security Trustee's own negligence or wilful default.

#### 11. ENFORCEMENT

##### 11.1 ENFORCEMENT

On or at any time after the occurrence of an Enforcement Event:

- (a) the Security Trustee shall cease to be under any further commitment to the Company and may at any time (notwithstanding any conflicting agreement or arrangement) declare the Secured Liabilities (or such of them as the Security Trustee may specify) to be immediately due and payable or payable immediately on demand; and
- (b) the Security shall become immediately enforceable and the power of sale and other powers conferred by Section 101 of the LPA as varied or extended by this Debenture and all the powers, authorities and discretions conferred by this Debenture expressly or by implication on any Receiver or otherwise conferred by statute or common law on mortgagees or receivers shall become immediately exercisable by the Security Trustee, whether or not it shall have



appointed a Receiver, without the restrictions contained in the LPA as to the giving of notice or otherwise.

11.2 POWER OF SALE

The Secured Liabilities shall be deemed for the purposes of all powers implied by statute to have become due and payable within the meaning of Section 101 of the LPA immediately on the execution of this Debenture and Section 103 of the LPA (restricting the power of sale) and Section 109 of the LPA (restricting the power to appoint a receiver) shall not apply to this Debenture or any Security and upon the occurrence of an Enforcement Event, the Security created by this Debenture shall become immediately enforceable and the powers conferred by the LPA and this Debenture shall become immediately exercisable without the restrictions contained in the LPA.

11.3 CONSOLIDATION

The restriction on the consolidation of mortgages imposed by Section 93(1) of the LPA shall not apply to this Debenture or to any Security.

12. APPOINTMENT OF RECEIVER

12.1 APPOINTMENT OF RECEIVER

Without prejudice to any statutory or other powers of appointment of the Security Trustee under the LPA as extended by this Debenture or otherwise, at any time after the security constituted by this Debenture has become enforceable or if the Company so requests in writing at any time the Security Trustee may without further notice to the Company appoint by writing under hand of a duly authorised officer or under seal any one or more persons qualified to act as a receiver, receiver and manager or administrative receiver (as the case may require) under the Insolvency Act 1986 either solely, jointly, severally or jointly and severally to be a Receiver of all or any part of the Secured Assets and either at the time of appointment or any time after such appointment may fix his or their remuneration and except as otherwise required by statute may remove any such Receiver and appoint another or others in his or their place.

12.2 POWERS OF RECEIVER

Every Receiver shall have in relation to the Secured Assets (and every reference in this Clause to "Secured Assets" shall be read as a reference to that part of the Secured Assets in respect of which such Receiver was appointed) the powers granted by the LPA to any receiver appointed under it or to any mortgagor or mortgagee in possession and the powers granted by the Insolvency Act 1986 to any administrative receiver, all as varied and extended by this Debenture and in addition, but without prejudice to the generality of the above, shall have power to do the following:

- (a) enter upon, take possession of, collect and get in the Secured Assets or any part of them and collect and get in all rents and other income whether accrued

before or after the date of his appointment and for those purposes make such demands and take such actions or proceedings as may seem expedient;

- (b) comply with and perform all or any of the acts, matters, omissions or things covenanted to be done or omitted by the Company under this Debenture;
- (c) carry on, manage, develop, reconstruct, amalgamate or diversify the business of the Company to the extent contained in the Secured Assets or any part of it in such manner as he shall in his discretion think fit (including, without prejudice to the generality of the above, to purchase supplies and materials);
- (d) sell by public auction or private contract, let, grant, surrender or accept surrenders of leases or tenancies of, grant rights, licences, options or easements in relation to, otherwise deal with or dispose of and exercise all or any rights, powers and discretions incidental to the ownership of, all or any part of the Secured Assets in the name of and on behalf of the Company or otherwise or concur in doing any of the above in such manner and generally on such terms and conditions and for such consideration (whether in cash, debentures, shares, stocks, securities or other valuable consideration and whether payable by a lump sum or by instalments) as he may think fit and carry out any such sale by conveying by deed or transferring in the name and on behalf of the Company or otherwise and taking such steps so that plant, machinery and other fixtures and fittings may be severed and sold separately from the premises containing them and apportion any rent and the performance of any obligations;
- (e) repair, decorate, furnish, maintain, alter, improve, renew or add to the Secured Assets or any part of them as he shall think fit and effect, maintain, renew or increase indemnity insurance and other insurances and obtain bonds;
- (f) appoint or dismiss managers, agents, officers, employees, servants, builders or workmen and employ professional advisers and others at such salaries or for such remuneration as he may think fit;
- (g) perform, repudiate, rescind, vary or enter into any arrangement or compromise any contracts or agreements which he may consider expedient;
- (h) settle, arrange, compromise and submit to arbitration any accounts, claims, questions or disputes whatsoever which may arise in connection with the business of the Company or all or any of the Secured Assets or in any way relating to the Security and bring, prosecute, defend, enforce, compromise, submit to and discontinue any actions, suits, arbitrations or proceedings whatsoever whether civil or criminal;
- (i) enter into, complete, disclaim, abandon, disregard, determine or rectify all or any of the outstanding contracts or arrangements of the Company and allow time for payment of any unsecured or secured debts;

- (j) exercise or permit the Company or any nominee of the Company to exercise any powers or rights incidental to the ownership of the Secured Assets or any part of them in such manner as he may think fit;
- (k) form a Subsidiary or Subsidiaries of the Company and transfer, lease or licence to any such Subsidiary or any other person all or any part of the Secured Assets on such terms and conditions as he may think fit;
- (l) purchase, lease, hire or otherwise acquire any assets or rights of any description which he shall in his absolute discretion consider necessary or desirable for the carrying on, improvement or realisation of all or any part of the Secured Assets or the business of the Company or otherwise for the benefit of all or any part of the Secured Assets;
- (m) exercise any powers and discretions conferred on a landlord or a tenant by any applicable law in relation to all or any part of the Secured Assets;
- (n) in the exercise of any of the powers, authorities and discretions conferred on him by this Debenture or for any other purpose to raise and borrow money either unsecured or secured and either in priority to, pari passu with or subsequent to the Security and generally on such terms and conditions as he may think fit;
- (o) give valid receipts for all monies and execute all discharges, assurances and things which may be proper or desirable for realising the Secured Assets or any part of them and redeem, discharge or compromise any security whether or not having priority to the Security or any part of it;
- (p) execute and do all such other acts, things and deeds as he may consider necessary or desirable for the realisation or preservation of the Secured Assets or any part of them or incidental or conducive to any of the matters, powers, discretions or authorities conferred on or vested in him under or by virtue of this Debenture or otherwise and exercise in relation to the Secured Assets or any part of them, and at the cost of the Company, all such powers, discretions, authorities and things as he would be capable of exercising if he were the absolute beneficial owner of the same; and
- (q) use the name of the Company or his own name to exercise all or any of the powers conferred by this Debenture.

### 12.3 AGENT OF THE COMPANY

Any Receiver appointed under this Debenture whether acting solely or jointly shall be deemed to be the agent of the Company and to be in the same position as a receiver appointed under the LPA and the Company shall be solely responsible for his acts, omissions, defaults, losses and misconduct and for his remuneration and the Security Trustee shall not be in any way liable or responsible either to the Company or to any other person whatsoever for any Receiver.

12.4 JOINT APPOINTMENT

If at any time two or more persons have been appointed as Receivers of the same part of the Secured Assets, each one of such Receivers shall be entitled to exercise individually all of the powers and discretions conferred on Receivers under this Debenture to the exclusion of the other or others of them in relation to any of the Secured Assets in respect of which he has been appointed unless the Security Trustee shall state otherwise in the document appointing him.

13. PROTECTION OF THIRD PARTIES

No purchaser, mortgagee or other person dealing with a Receiver or the Security Trustee shall be concerned to enquire whether the Secured Liabilities have become payable, whether any power which he or it is purporting to exercise has become exercisable, whether any money is due under this Debenture, as to the application of any money paid, raised or borrowed or as to the propriety or regularity of any sale by or other dealing with such Receiver or the Security Trustee. All the protection to purchasers contained in Sections 104 and 107 of the LPA and Section 42(3) of the Insolvency Act 1986 shall apply to any person purchasing from or dealing with a Receiver or the Security Trustee as if the Secured Liabilities had become due and the statutory powers of sale and of appointing a Receiver in relation to the Secured Assets had arisen on the date of this Debenture.

14. APPLICATION OF PROCEEDS

14.1 ORDER OF PRIORITY

Any monies received by the Security Trustee or any Receiver pursuant to this Debenture or under the powers conferred by this Debenture shall, after the occurrence of an Enforcement Event and payment of any claims having priority to the Security, be applied in the following order, but without prejudice to the right of the Security Trustee or the Banks to recover any shortfall from the Company:

- (a) where applicable, in payment of all costs, charges and expenses of and incidental to the appointment of the Receiver and the exercise of all or any of his powers;
- (b) where applicable, in payment of the Receiver's remuneration at such rate as may be agreed with the Security Trustee;
- (c) in or towards payment of the Secured Liabilities in such order as the Security Trustee in its absolute discretion thinks fit; and
- (d) in payment of the surplus (if any) to the person or persons entitled to it.

14.2 SPECIAL ACCOUNTS

During the subsistence of the Security (and upon or after the occurrence of an Enforcement Event) the Security Trustee may, in its discretion, apply any part of the monies standing to the credit of the Special Accounts in accordance with this Clause.

14.3 INSURANCE PROCEEDS

After occurrence of an Enforcement Event, all monies received by the Company by virtue of any insurance on the Secured Assets, whether or not effected pursuant to this Debenture and whether the event by virtue of which such monies became payable occurred before, on or after the date of this Debenture, shall be deemed part of the Secured Assets and (subject to any rights of third parties arising under any statute for the time being relating to the application of insurance monies and under any lease under which any Property is demised or let to or by the Company), shall, save with the prior written consent of the Security Trustee, be paid to the Security Trustee. Any monies so paid to the Security Trustee or otherwise received by the Security Trustee by virtue of any such insurance shall be applied in accordance with the provisions of the Credit Agreement. Any monies received by the Company by virtue of any such insurance shall be held on trust for the Security Trustee until such monies are paid to the Security Trustee in accordance with this Clause. The Company waives any right it may have to require that any such monies be applied in or towards making good the loss or damage in respect of which they became payable.

14.4 SUSPENSE ACCOUNT

The Security Trustee or any Receiver may credit any monies to a suspense account for so long and in such manner as the Security Trustee or any Receiver may from time to time determine and the Receiver may retain the same for such period as the Receiver and the Security Trustee consider expedient.

15. POWER OF ATTORNEY

15.1 APPOINTMENT

The Company irrevocably and by way of security appoints the Security Trustee and any Receiver and every delegate referred to in Clause 19 (Delegation) and each of them jointly and also severally to be its attorney (with full powers of substitution and delegation) and in its name or otherwise and on its behalf and as its act and deed to, after the occurrence and during the continuance of an Enforcement Event, execute (using the corporate seal, if appropriate), deliver and perfect all Instruments and do such other acts and things which may be required or which the attorney may consider desirable:

- (a) to carry out any obligation imposed on the Company by this Debenture;
- (b) to carry into effect any sale, lease or other dealing whatsoever by the Security Trustee or any Receiver;

- (c) to convey or transfer any legal estate or other interest in land or any other property whatsoever;
- (d) to get in all or any of the Secured Assets; and
- (e) generally to enable the Security Trustee and any Receiver to exercise the respective powers, authorities and discretions conferred on them by this Debenture or by law,

and the Company covenants with the Security Trustee to ratify and confirm all acts and things done by such attorney in the exercise or purported exercise of its powers and all monies spent by such attorney shall be deemed to be expenses incurred by the Security Trustee under this Debenture.

#### 15.2 IRREVOCABLE POWER

The Company acknowledges that the power of attorney granted by Clause 15.1 (Appointment) is as regards each of the Security Trustee and each Receiver granted irrevocably and for value as part of the Security to secure a proprietary interest in and the performance of obligations owed to the respective donees within the meaning of Section 4 of the Powers of Attorney Act 1971.

PART 6

SECURITY TRUSTEE'S ADDITIONAL RIGHTS

16. GENERAL SECURITY PROVISIONS

16.1 ADDITIONAL SECURITY

This Debenture, the Security and the rights, powers and remedies given to the Security Trustee under this Debenture shall be in addition to and independent of and shall not prejudice, affect or merge in any other Security Interest, any guarantee or other Instrument (whether given by the Company or any other person) or any other right, power or remedy vested in the Security Trustee or which the Security Trustee may at any time hold in respect of or in connection with any or all of the Secured Liabilities and shall not be affected by any release, reassignment or discharge of such Security Interest, guarantee or Instrument or right, power or remedy. All the rights, powers and remedies so vested may be exercised from time to time as often as the Security Trustee may deem expedient.

16.2 WAIVER OF DEFENCES

Without prejudice to the other provisions of this Clause 16, the obligations of the Company and the rights, powers and remedies of the Security Trustee under this Debenture and the Security or by applicable law will not be affected by any act, omission, matter or thing which, but for this provision, would reduce, release, prejudice or otherwise affect all or any of such obligations, remedies, rights, powers or Security including:

- (a) any time or waiver or any other indulgence or concession granted to, or composition with, any other person;
- (b) the taking, variation, compromise, exchange, realisation, renewal or release of, or refusal or neglect to perfect, register, renew, take up, fully take up or enforce, any rights against, or security over the assets of, any other person or any non-presentation or non-observance of any formality or other requirement in respect of any Instrument or any failure to realise, or fully realise the full value of, any security;
- (c) any incapacity, lack of power, authority or legal personality or Dissolution or change in the members, status, constitution, ownership or control of any other person;
- (d) any variation (however fundamental), replacement or amendment of, or waiver or release granted under or in connection with, any Document or any other document or security;
- (e) any unenforceability, illegality or invalidity of any obligation of any person under any Document or any other document or security; or

- (f) any postponement, discharge, reduction, non-provability or other similar circumstance affecting any obligation of any person under any Document resulting from any Dissolution or from any applicable law.

16.3 NEW ACCOUNT

At any time following:

- (a) the Security Trustee's receipt of notice (either actual or constructive) of any subsequent Security Interest affecting the Secured Assets which is not permitted under the terms of the Credit Agreement;
- (b) the Dissolution of the Company, or
- (c) any assignment or transfer of all or any of the Secured Assets in breach of Clause 7.1 (Restrictions on dealing),

the Security Trustee may open a new account or accounts in the name of the Company (whether or not it permits any existing account to continue). If the Security Trustee does not open such a new account, it shall nevertheless be treated as if it had done so at the time when the notice was received or was deemed to have been received or, as the case may be, the Dissolution commenced from that time, all payments made by the Company to the Security Trustee or received by the Security Trustee for the account of the Company shall be credited or treated as having been credited to the new account and shall not operate to reduce the amount secured by this Debenture at the time when the Security Trustee received or was deemed to have received such notice or, as the case may be, the Dissolution commenced.

16.4 NON-COMPETITION

- (a) Until the Discharge Date, the Company shall not by virtue of any payment made, security realised or monies received for or on account of the liability of any third party:
  - (i) be subrogated to any rights of, or security or monies held, received or receivable by, the Security Trustee or the Banks or be entitled to any right of contribution or indemnity in respect of the same;
  - (ii) claim, rank, prove or vote as a creditor of any such third party or its estate in competition with the Security Trustee or the Banks; or
  - (iii) receive, claim or have the benefit of any payment, distribution or security from or on account of any such third party or exercise any right of set-off as against such third party.
- (b) The Company will hold on trust for, and immediately pay or transfer or assign to, the Security Trustee any payment or the benefit of any security received by it in breach of this Clause 16.4. If the Company exercises any right of set-off



contrary to the above, it will immediately pay an amount equal to the amount set-off to the Security Trustee.

16.5 ENTRY INTO POSSESSION

If the Security Trustee or any Receiver shall enter into possession of all or any part of the Secured Assets, the Security Trustee or such Receiver may at any time go out of such possession. Neither the Security Trustee nor any Receiver shall in any circumstances be liable to account to the Company for anything except its or his actual receipts or be liable to the Company for any loss or damage arising from any realisation of all or any part of the Secured Assets or from any act, default or omission in relation to all or any part of the Secured Assets.

17. RETENTION OF SECURITY

17.1 AVOIDANCE OF PAYMENTS

No assurance, security or payment which may be avoided or adjusted under any applicable law relating to bankruptcy or insolvency or under Part VI of the Insolvency Act 1986 or similar legislation binding on the Company in a jurisdiction other than England and Wales and no release, settlement, discharge or arrangement given or made by the Security Trustee on the faith of any such assurance, security or payment shall prejudice or affect the right of the Security Trustee or the Banks to recover from the Company and from the Security the Secured Liabilities (including any monies which it may have been compelled by due process of law to refund under the provisions of the Insolvency Act 1986 and any costs payable by it pursuant to or otherwise incurred by it in connection with such process).

17.2 REINSTATEMENT

If any payment by the Company or any discharge given by the Security Trustee or any Bank (whether in respect of the obligations of the Company or any Security Interest for those obligations or otherwise) is avoided or reduced as a result of Dissolution:

- (a) the liability of the Company shall continue as if the payment, discharge, avoidance or reduction had not occurred; and
- (b) the Security Trustee and/or the Banks, as the case may be, shall be entitled to recover the value or amount of that Security Interest or payment from the Company, as if the payment, discharge, avoidance or reduction had not occurred.

18. CUSTODY

The Security Trustee shall be entitled to provide for the safe custody by third parties of all certificates and documents of title relating to the Secured Assets and shall not be responsible for any loss or damage occurring to or in respect of the same unless such loss or damage arises as a result of the Security Trustee's negligence or wilful misconduct.

19. DELEGATION

The Security Trustee may at any time and from time to time delegate by power of attorney or in any other manner to any persons or persons all or any of the powers, authorities and discretions which are for the time being exercisable by the Security Trustee under this Debenture in relation to all or any part of the Secured Assets. Any such delegation may be made upon such terms (including power to sub-delegate) and subject to such conditions as the Security Trustee may think fit. The Security Trustee shall not be in any way liable or responsible to the Company for any loss or damage arising from any act, default, omission or misconduct on the part of any such delegate or sub-delegate. Such delegation shall not preclude the subsequent exercise of such powers, authorities and discretions by the Security Trustee itself nor preclude the Security Trustee from making a subsequent delegation of the same to another person or from revoking any such delegation.

20. PRIOR CHARGES

In the event of there being a prior Security Interest to the Security and proceedings or steps being taken to exercise or enforce any powers or remedies conferred by such prior Security Interest against all or any of the Secured Assets, the Security Trustee or any Receiver appointed under this Debenture in respect of such Secured Assets may (but without prejudice to any rights the Receiver may have under Section 43 of the Insolvency Act 1986 to apply to a court for authorisation to dispose of property secured by a prior Security Interest) redeem such prior Security Interest or procure its transfer to itself or such Receiver, as the case may be, and may settle and pass the accounts of any prior mortgagee, chargee or encumbrancer. Any account so settled and passed shall be conclusive and binding on the Company and all the principal, money, interest, costs, charges and expenses of and incidental to such redemption or transfer shall be paid to the Security Trustee on demand together with interest at the Default Rate on the same from the earlier of the date of demand and the date of payment by the Security Trustee until the date of payment by the Company, whether before or after judgment. All the powers, authorities and discretions conferred by a prior Security Interest upon any prior mortgagee, chargee or encumbrancer or any receiver under such prior Security Interest shall be exercisable by the Security Trustee or a Receiver in a like manner as if the same were expressly included in this Debenture and the Security Trustee or such Receiver shall be entitled to exercise all the powers, authorities and discretions of a receiver, receiver and manager or administrative receiver appointed under such prior Security Interest.

21. SET-OFF

Without prejudice to any rights the Security Trustee may have at law, in equity or otherwise, following an Enforcement Event, the Security Trustee or the Banks may, without notice to the Company, combine or consolidate all or any sums standing to the credit of the Company's accounts with the Security Trustee or the Banks with the Secured Liabilities and/or set-off or transfer any such sums in or towards the satisfaction of any of the Secured Liabilities and may do so notwithstanding that the balances on such accounts and such Secured Liabilities may not be expressed in the

same currency or any specified maturity of such deposits and for the purpose of exercising any rights under this Clause or applicable law the Security Trustee or the Banks is authorised to effect any necessary conversions at the Security Trustee or the Banks' own rate of exchange then prevailing. Neither the Security Trustee nor the Banks shall be obliged to exercise any right given to it by this Clause.

22. CURRENCY INDEMNITY

If any sum due from the Company under this Debenture or any order or judgment given or made in relation to this Debenture has to be converted from the currency (the "FIRST CURRENCY") in which the same is payable into another currency (the "SECOND CURRENCY") for the purpose of (a) making or filing a claim or proof against the Company, (b) obtaining an order or judgment in any court or other tribunal, (c) enforcing any order or judgment given or made, or (d) applying the same in satisfaction of any of the Secured Liabilities, the Company shall, as a separate and independent obligation, indemnify and hold harmless the Security Trustee or the Banks from and against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which the Security Trustee or the Banks may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof or for application in satisfaction of the Secured Liabilities.

PART 7

MISCELLANEOUS

23. COSTS

23.1 COSTS AND EXPENSES

The Company shall on demand and on a full indemnity basis pay to the Security Trustee the amount of all reasonable costs and expenses (including reasonable legal and out-of-pocket expenses and any VAT on such costs and expenses) which the Security Trustee incurs in connection with:

- (a) the preparation, negotiation, execution and delivery of this Debenture;
- (b) any stamping or registration of this Debenture;
- (c) any actual or proposed amendment of or waiver or consent under or in connection with this Debenture;
- (d) any discharge or release of this Debenture;
- (e) the preservation or exercise (or attempted preservation or exercise) of any rights, remedies or powers under or in connection with, and the enforcement (or attempted enforcement) of, this Debenture and the perfection or enforcement of any other security for or guarantee in respect of the Secured Liabilities;
- (f) the taking or holding of the Security or any proceedings in relation to the same or to all or any of the Secured Assets; and
- (g) any advice obtained in relation to any other matter or question arising out of or in connection with this Debenture,

together with interest at the Default Rate on the same from the earlier of the date of demand and the date of payment by the Security Trustee until the date of payment by the Company, whether before or after judgment.

23.2 TAXES

The Company shall pay all stamp, registration and other taxes to which this Debenture or any judgment or order given in connection with this Debenture may at any time be subject and shall on demand indemnify the Security Trustee against any liabilities, costs, claims and expenses resulting from any failure to pay or delay in paying the same.

24. INDEMNITY

24.1 GENERAL INDEMNITY

The Company shall on demand and on a full indemnity basis indemnify and keep indemnified the Security Trustee and the Banks and every Receiver, attorney, manager, agent or other person appointed by the Security Trustee or the Banks under this Debenture and their respective employees in respect of all liabilities and reasonable expenses incurred or suffered by any of them in or directly or indirectly as a result of the exercise or purported exercise of any of the powers, authorities or discretions vested in them under this Debenture and against all actions, proceedings, losses, costs, claims and demands suffered or incurred by any of them in respect of any matter or thing done or omitted relating to the Secured Assets together with interest at the Default Rate on the same from the earlier of the date of demand and the date of payment by such person until the date of payment by the Company, whether before or after judgment. The Security Trustee and any such Receiver may retain and pay all sums in respect of the same out of any monies received by it or him pursuant to this Debenture.

24.2 INDEMNITY FOR BREACH

The Company shall on demand and on a full indemnity basis indemnify and keep indemnified the Security Trustee and the Banks in respect of all actions, proceedings, demands, reasonable costs and reasonable expenses occasioned by any breach of any of its covenants or other obligations under this Debenture together with interest at the Default Rate on the same from the earlier of the date of demand and the date of payment by the Security Trustee or the Banks until the date of payment by the Company, whether before or after judgment.

25. TRANSFERS

25.1 SECURITY TRUSTEE

This Debenture is freely assignable or transferable by the Security Trustee.

25.2 COMPANY

The Company may not assign or transfer any of its obligations under this Debenture or enter into any transaction which would result in any of those obligations passing to another person.

25.3 DISCLOSURE

The Security Trustee may, with the consent of the Company (such consent not be unreasonably withheld or delayed), disclose to any person related to it and/or any person to whom it is proposing to transfer or assign or has transferred or assigned this Debenture any information about the Company and any person connected or associated with it.

26. PROPERTY OF SECURITY TRUSTEE

This Debenture is and will remain the property of the Security Trustee.

27. SECURITY TRUSTEE'S CERTIFICATE OR DETERMINATION

A certificate or determination of the Security Trustee as to any matter provided for in this Debenture shall, in the absence of manifest error, be conclusive and binding on the Company.

28. NOTICES

28.1 COMMUNICATIONS IN WRITING

Any communication to be made under or in connection with this Debenture shall be made in writing and, unless otherwise stated, may be made by fax or letter.

28.2 ADDRESSES

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with this Debenture is that identified with its name below or any substitute address, fax number or department or officer as the relevant Party may notify to the other Party by not less than 15 Business Days' notice.

28.3 DELIVERY

Any communication or document made or delivered by one Party to another under or in connection with this Debenture will only be effective:

- (a) if by way of fax, when received in legible form; or
- (b) if by way of letter, when it has been left at the relevant address or 10 Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address

and, if a particular department or officer is specified as part of its address details provided under Clause 28.2 (Addresses), if addressed to that department or officer.

28.4 ENGLISH LANGUAGE

- (a) Any notice given under or in connection with this Debenture must be in English.
- (b) All other documents provided under or in connection with this Debenture must be:
  - (i) in English; or

- (ii) if not in English, and if so required by the Security Trustee, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

29. PARTIAL INVALIDITY

If, at any time, any provision of this Debenture is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

30. REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of the Security Trustee, any right or remedy under this Debenture shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Debenture are cumulative and not exclusive of any rights or remedies provided by law.

31. AMENDMENTS AND WAIVERS

Any term of this Debenture may be amended or waived only with the written consent of the Security Trustee and the Company and any such amendment or waiver will be binding on all Parties.

32. COUNTERPARTS

This Debenture may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Debenture.

33. THIRD PARTY RIGHTS

Except as set forth in Clause 34(b), a person who is not a Party has no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Debenture save that any right pursuant to this Debenture expressed to be for the benefit of the Banks, individually, in addition to the Security Trustee may be exercised by such Banks notwithstanding that they are not signatories to this Debenture.

34. SECURITY TRUSTEE NOT COLLATERAL AGENT

(a) NOT COLLATERAL AGENT

This Debenture has been granted in favour of the Security Trustee, in its capacity as Security Trustee for the Banks under the Credit Agreement, and not in its capacity as collateral agent for the Banks and other creditors under the Intercreditor Agreement.

(b) SECURITY TRUSTEE

The Security Trustee shall hold the benefit of all covenants, charges and other undertakings given by the Company pursuant to this Debenture upon trust for itself and each of the Banks.



PART 8

GOVERNING LAW AND ENFORCEMENT

35. GOVERNING LAW

This Debenture is governed by English law.

36. ENFORCEMENT

36.1 JURISDICTION OF ENGLISH COURTS

- (a) The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Debenture (including a dispute regarding the existence, validity or termination of this Debenture) (a "DISPUTE").
- (b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (c) This Clause 36.1 is for the benefit of the Security Trustee and the Banks only. As a result, neither the Security Trustee nor the Banks shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Security Trustee or the Banks may take concurrent proceedings in any number of jurisdictions.

THIS DEBENTURE has been executed as a deed on the date stated at the beginning of this Debenture and is delivered on the date stated at the beginning of this Debenture.

Signed as a deed by CREDIT ACCEPTANCE CORPORATION  
UK LIMITED acting by -----  
-----

/s/ Brett A. Roberts

-----  
Director

/s/ Mark Thoms

-----  
Director

Address: Burfree House  
Teville Road  
Worthing  
West Sussex  
BN11 1AZ  
United Kingdom

Fax: +44 1903 605 450

Attention: Mark Thoms

With a copy to: Credit Acceptance Corporation  
25505 West Twelve Mile Road  
Southfield  
MI 48034  
USA

Fax: 001 248 827 8542

Attention: Douglas W. Busk

THE BANKS

Signed for and on behalf of COMERICA  
BANK as Security Trustee )  
By: /s/ Caryn Dorfman )  
----- )  
Vice President )

Name: Comerica Bank  
Address: One Detroit Center, MC3245,  
500 Woodward Avenue,  
Detroit, Michigan 48226,  
USA  
Fax: 313 222 3503  
Attention: Caryn Dorfman

Dated 7 September 2001

CAC UK FUNDING LTD.  
as Company

in favour of

COMERICA BANK  
as Security Trustee

-----  
DEBENTURE  
-----

[MAYER BROWN & PLATT LOGO]

Bucklersbury House  
3 Queen Victoria Street  
London, EC4N 8EL  
Telephone: 020 7246 6200  
Fax: 020 7329 4465  
Reference: 98497274

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THIS DEBENTURE is dated 7 September 2001 and made by way of deed by:

- (1) CAC UK FUNDING LTD., registered in England and Wales no. 04184229 and having its registered office at Burfree House, Teville Road, Worthing, BN11 1AZ (the "COMPANY") in favour of
- (2) COMERICA BANK, a Michigan banking corporation, as agent and security trustee for the benefit of the Banks under the Credit Agreement (referred to below), (the "SECURITY TRUSTEE").

IT IS AGREED as follows:

PART 1

INTERPRETATION

1. DEFINITIONS AND INTERPRETATION

1.1 DEFINITIONS

In this Debenture, unless the context otherwise requires:

"ADVANCES TO DEALERS" shall mean any and all advances by the Company to Dealers under the Dealer Agreements whether in respect of Instalment Contracts or Leases, as outstanding from time to time.

"BANKS" has the meaning specified in the Credit Agreement.

"BILL OF SALE" means a bill of sale taken or to be taken by the Company from a Customer by way of security in a Vehicle for liabilities under a CAC Loan Agreement.

"CAC LOAN AGREEMENTS" means the "Loan Agreements" as defined in the Dealer Trading Agreements each of which may be entered into between the Company and a Customer and pursuant to which financing may be advanced by way of loan from the Company to the Customer, to assist the Customer's acquisition of a Vehicle, and may be secured by way of Bill of Sale.

"CAC UK" means Credit Acceptance Corporation UK Limited, a company organised under the laws of England and Wales.

"COMPANY" has the meaning given to it in the preamble.

"CONDITIONAL SALE AGREEMENT" means an agreement between the Company as seller and a Customer as buyer, a specimen of which has previously been supplied to the Security Trustee in connection with its execution of this Debenture, under which the Company sells to the Customer a Vehicle which the Company has purchased from the Dealer on terms that the price is payable by the Customer in instalments and where

risk in the Vehicle passes to the Customer upon delivery but title to the Vehicle remains with the Company until all instalments together with any costs, fees, expenses and default interest have been paid in full to the Company.

"CREDIT AGREEMENT" means the Amended and Restated Credit Agreement dated as of June 11, 2001 (amended and restating the prior Credit Agreement) between, inter alia, Credit Acceptance Corporation, a Michigan corporation, other parties and Comerica Bank as administrative agent (as amended, restated or otherwise modified from time to time).

"CUSTOMERS" means the person or persons who enters into a Conditional Sale Agreement with the Company after being introduced to the Company by a Dealer.

"DEALER" shall mean a person engaged in the business of the retail sale or lease of motor vehicles, whether new or used, selling new motor vehicles, but having a used vehicle department, including any such person which constitutes an affiliate of the Company.

"DEALER TRADING AGREEMENT" means an agreement entered into between a Dealer in the United Kingdom and the Company, a specimen of which has previously been supplied to the Security Trustee in connection with its execution of this Debenture, pursuant to which the Dealer agrees that from time to time it will introduce Customers to the Company who seek finance to acquire a Vehicle from the Dealer and that it will sell such Vehicles to the Company for a charge or commission (the acquisition of such Vehicles by Customers being subsequently financed by the Company by way of a Conditional Sale Agreement or, subject to Clause 8.8, a CAC Loan Agreement).

"DEBTS" means all present and future book and other debts and other monies due, owing or payable to the Company including, but not limited to, such monies due under the UK Contracts or any Intercompany Loans and the benefit of any claims, insurance policies (including the proceeds of the same), guarantees and any other rights relating to any of the above, including any security or remedies for any of the same, now or at any time enjoyed or held by the Company.

"DEFAULT RATE" means the rate specified in Clause 2.9 of the Credit Agreement.

"DISCHARGE DATE" has the meaning given to it in Clause 5.1.

"DISPUTE" has the meaning given to it in Clause 36.1.

"DISSOLUTION" of a person includes the dissolution, bankruptcy, insolvency, winding-up, liquidation, administration, examination, amalgamation, reconstruction, reorganisation, arrangement, adjustment, administrative or other receivership or dissolution of that person, its official management or all of its assets or revenues or the seeking of protection or relief of debtors and any equivalent or analogous proceeding by whatever name known and in whatever jurisdiction.

"DOCUMENTS" means this Debenture and each of the Loan Documents.



"ENFORCEMENT EVENT" means any of the following events:

- (a) a breach by the Company of any provision of this Debenture (including Clause 2.1) or any other Document;
- (b) the occurrence of an Event of Default in connection with, or relating to, any obligor in respect of any of the Secured Liabilities; or
- (c) the taking of any action by any person to enforce any Security Interest over any of the Company's assets other than the Security.

"EVENT OF DEFAULT" means each of those events of default specified in Clause 9.1 of the Credit Agreement.

"GROUP" means the Company and its Subsidiaries and the Company's holding company (as defined in Section 736 of the Companies Act 1985) and its Subsidiaries (including, for the avoidance of doubt, CAC UK).

"INSTRUMENTS" means any contract, agreement, indenture, mortgage, document or writing (whether by formal agreement, letter or otherwise) under which any obligation is evidenced, assumed, or undertaken or any security interest (or right or interest in any security interest) is granted or perfected or purported to be granted or perfected.

"INSURANCE PROCEEDS" means all monies which may from time to time be payable to or received by the Company (whether as an insured party or as loss payee) pursuant to any Insurance and the proceeds of all claims made by the Company under any such Insurance.

"INSURANCES" means all policies and contracts of insurance which have been or are from time to time taken out by or on behalf of the Company or (to the extent of its interest) in which the Company has an interest (including as loss payee or additional insured) and including, for the avoidance of doubt, all renewals of and replacements for such policies and contracts of insurance.

"INTELLECTUAL PROPERTY" means all patents, designs, copyrights, design rights, trade and service marks, utility models, trade and business names, moral rights, know-how formulae, inventions, confidential information, trade secrets, computer records and computer software programs and systems (including applications, improvements, prolongations, extensions and rights to apply for, and the benefit of any licences or consents relating to, any of the above) and rights of a like nature whether registered or unregistered and all fees, royalties or other rights derived from or incidental to the same arising or subsisting in any part of the world now or at any time belonging to the Company.

"INTERCOMPANY LOANS" means all loans which the Company may, at any time and from time to time, make to other members of the Group in accordance with the Credit Agreement.

"INTERCREDITOR AGREEMENT" means the Intercreditor Agreement dated as of December 15, 1998 as amended by the First Amendment thereto, dated as of March 30, 2001 (as further amended, amended and restated, supplemented or otherwise modified from time to time) among the Security Trustee, the Banks and certain Noteholders (as defined therein).

"LOAN DOCUMENTS" has the meaning given to it in the Credit Agreement.

"LPA" means the Law of Property Act 1925.

"PARTY" means a party to this Debenture and includes its successors in title, permitted assigns and permitted transferees.

"PERMITTED SECURITIZATION" shall mean a "Permitted Securitization" as such term is defined in the applicable Loan Documents.

"PERMITTED SECURITY INTERESTS" means "Permitted Liens" as such term is defined in the Credit Agreement.

"RECEIVER" means any receiver, receiver and manager or administrative receiver appointed by the Security Trustee over all or any of the Secured Assets pursuant to this Debenture whether alone or jointly with any other or additional person and includes any substitute for any of them appointed from time to time.

"SECURED ASSETS" means all of the undertaking and assets, rights and property of the Company which are the subject of any security created or purported to be created by this Debenture and includes any part of or any interest in any of them save that any assets sold or disposed of pursuant to Clause 5.3 shall not, once such assets have been released from the security granted by this Debenture, constitute Secured Assets.

"SECURED LIABILITIES" means all monies, obligations and liabilities whatsoever whether for principal, interest or otherwise in whatever currency which may now or at any time in the future be due, owing or incurred pursuant to or in connection with the Credit Agreement by any or all of CAC UK, CAC of Canada Limited, a corporation organised under the laws of Canada and Credit Acceptance Corporation Ireland Limited, a corporation organised under the laws of the Republic of Ireland, together with any other Foreign Subsidiary (as defined in the Credit Agreement) which becomes a Permitted Borrower under the Credit Agreement whether present or future, actual or contingent, and whether alone, severally or jointly as principal, guarantor, surety or otherwise and in whatever name and whether on any current or other account or in any other manner whatsoever Provided that there shall be excluded from this definition any money, obligation or liability which would, but for this proviso, cause the covenant set out in Clause 2.1 or the security which would otherwise be constituted by this Debenture to constitute unlawful financial assistance prohibited by Section 151 of the Companies Act 1985.

"SECURITY" means the security from time to time constituted by or pursuant to this Debenture.

"SECURITY DOCUMENTS" means this Debenture and any other document guaranteeing or creating security for or supporting the obligations of the Company or any other person to the Security Trustee or any of the Banks.

"SECURITY INTEREST" means any mortgage, charge, pledge, lien, assignment, hypothecation, security interest, title retention, preferential right, trust arrangement or any other type of security or preferential arrangement howsoever arising.

"SECURITY TRUSTEE" has the meaning given to it in the preamble.

"SPECIAL ACCOUNTS" means, upon or after the occurrence of an Enforcement Event, such separate and denominated account or accounts with the Security Trustee or such other bank or banks as the Security Trustee may thereafter specify from time to time in writing as the account or accounts into which the Debts are to be paid.

"TANGIBLE MOVABLE PROPERTY" means all plant, equipment and machinery now or at any time vested in or held by or on behalf of the Company and all related spare parts, fuels, equipment and tools.

"UK CONTRACTS" means the Conditional Sale Agreements, CAC Loan Agreements, Bills of Sale and Dealer Trading Agreements.

"VEHICLE" means a motor car as defined by section 185 of the Road Traffic Act 1988 or a light commercial vehicle (which in any case has not been adapted from its original manufacturer's specification) and all accessories and replacements fitted to the said Vehicle whether by the Company, any other member of the Group or the Dealer or another.

## 1.2 INTERPRETATION

- (a) Any reference in this Debenture to any Bill of Sale, CAC Loan Agreement, Conditional Sale Agreement or Dealer Trading Agreement shall be deemed to include a reference to any other similar document taken or entered into by another member of the Group, the rights, title, benefit and interest to and under which have since been assigned, transferred or novated to the Company by such other member of the Group and any reference to an Advance or to a Customer shall include a reference to an advance originally made by another member of the Group under any such UK Contract or to a customer of such other member of the Group under such UK Contract, respectively.
- (b) Any reference in this Debenture to:
  - (i) "APPLICABLE LAW" includes any law (including common or customary law), statute, constitution, decree, judgment, treaty, regulation, directive, bye-law, order, rule, convention, procedure, consent, request, determination or any other legislative measure or requirement (whether or not having the force of law) of, and any interpretation of the same by, any governmental, intergovernmental, supranational, national,

- federal, state, regional, local, statutory, regulatory, self regulatory or other body or court;
- (ii) the "ASSETS" of any person includes the whole or any part of its business, undertakings, property, intellectual property, shares, securities, debts, accounts, revenues (including any right to receive revenues), goodwill, shareholdings and uncalled capital including premium whether now or at any time acquired and any other assets whatsoever;
  - (iii) a "BUSINESS DAY" is a reference to a day (other than a Saturday or Sunday) on which banks are generally open for business in London and the United States of America;
  - (iv) a "DISPOSAL" includes any sale, lease, transfer, conveyance, assignment, licence, sub-licence or other disposal and "DISPOSE" and "DISPOSED" shall be construed accordingly;
  - (v) a "GUARANTEE" includes any guarantee, bond, indemnity, letter of credit, third party security or other legally binding assurance against financial loss granted by one person in respect of any indebtedness of another person or any agreement to assume any indebtedness of any other person or to supply funds or to invest in any manner whatsoever in such other person by reason of or otherwise in relation to any indebtedness of such other person;
  - (vi) "INDEBTEDNESS" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
  - (vii) "MATERIAL ADVERSE EFFECT" means, in the opinion of the Security Trustee acting reasonably, a material adverse effect on:
    - (A) the business, operations, assets or financial condition of the Company;
    - (B) the ability of the Company to perform any material obligation under any Document to which it is a party; or
    - (C) the validity or enforceability of any material provision of this Debenture or any of the other Documents or the rights or remedies of the Security Trustee hereunder or thereunder;
  - (viii) a "PERSON" includes any person, firm, company, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) or two or more of the above;

- (ix) a "SUBSIDIARY" of any person means any other person which is a "subsidiary undertaking" of the first-mentioned person within the meaning of Section 258 of the Companies Act 1985 as in force at the date of this Debenture;
  - (x) "TAX" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same);
  - (xi) a "DOCUMENT" or any other agreement or Instrument is a reference to that Document or other agreement or Instrument as amended or novated from time to time;
  - (xii) "VAT" means value added tax and any other tax of a similar nature;
  - (xiii) a provision of law is a reference to that provision as the same may have been, or may from time to time be, amended or re-enacted; and
  - (xiv) any person shall be construed so as to include it and any subsequent successors and assigns in accordance with their respective interests.
- (c) Section, Clause and Schedule headings are for ease of reference only.
  - (d) "(POUND)", "STERLING" and "POUNDS STERLING" denote the lawful currency of the United Kingdom and "\$" and "DOLLARS" denote the lawful currency of the United States of America.
  - (e) Unless otherwise specified, a reference to any Section, Clause or Schedule is a reference to such Section, Clause or Schedule of this Debenture.

### 1.3 CREDIT AGREEMENT

All terms defined in the Credit Agreement which are used in this Debenture shall bear the same meaning as in the Credit Agreement unless the context requires otherwise. In the event of any conflict between the meaning of any term defined in the Credit Agreement and in this Debenture the definition in this Debenture shall prevail.

PART 2

THE SECURED LIABILITIES

2. PAYMENT OF THE SECURED LIABILITIES

2.1 COVENANT TO PAY

The Company covenants with the Security Trustee and the Banks that it shall pay and discharge the Secured Liabilities when due in accordance with the Credit Agreement to the Security Trustee or the Banks; provided, however, that recourse to the Company in connection with the foregoing covenants shall be limited to the Security and the other rights and remedies in connection with the Secured Assets granted to the Security Trustee and the Banks pursuant to this Debenture.

2.2 INTEREST

If the Company fails to pay any amount due under Clause 2.1 on the due date for payment of the same, the Company shall pay interest on such amount (after as well as before any judgment) from the due date until the date of payment (notwithstanding the Dissolution of the Company), calculated on a daily basis at the rate or rates applicable under the agreements or arrangements under which such amount is payable or, if no such rate or rates are specified, at the Default Rate, upon such days and upon such terms as the Security Trustee may from time to time determine.

2.3 NO WITHHOLDING

All sums payable by the Company under this Debenture shall be paid without any set-off, counterclaim, withholding or deduction whatsoever unless required by law, in which event the Company will:

- (a) simultaneously with making the relevant payment under this Debenture pay to the Security Trustee such additional amount as will result in the receipt by the Security Trustee of the full amount which would otherwise have been received; and
- (b) promptly supply the Security Trustee with evidence satisfactory to the Security Trustee that the Company has accounted to the relevant authority for the sum withheld or deducted.

PART 3

SECURITY INTERESTS

3. ASSIGNMENTS, FIXED AND FLOATING CHARGES

3.1 FIXED CHARGES

The Company with full title guarantee and as a continuing security for the payment and discharge of the Secured Liabilities charges by way of fixed charge in favour of the Security Trustee:

- (a) the Tangible Movable Property;
- (b) the Intellectual Property;
- (c) all present and future goodwill and uncalled capital of the Company;
- (d) the Debts;
- (e) all monies now or at any time standing to the credit of any bank account (including any Special Account) opened or maintained by the Company with any person; and
- (f) all Vehicles to which the Company holds the title and the purchase of which are being financed by the Company pursuant to any of the UK Contracts.

3.2 ASSIGNMENT IN EQUITY

The Company with full title guarantee and as a continuing security for the payment and discharge of the Secured Liabilities assigns in equity to the Security Trustee all of the Company's right, title and interest in and to all present and future rights and claims of the Company under or in respect of the UK Contracts including, but not limited to, all of the Company's right, title and interest in and to all present and future rights and claims of the Company under any Conditional Sale Agreements and any Dealer Trading Agreements.

3.3 FLOATING CHARGE

The Company with full title guarantee and as a continuing security for the payment and discharge of the Secured Liabilities charges in favour of the Security Trustee by way of floating charge the whole of the undertaking and all the assets, rights and income of the Company both present and future not otherwise effectively mortgaged, charged or assigned (whether at law or in equity) pursuant to Clauses 3.1 and 3.2.

#### 3.4 RANKING OF CHARGES

The charges created by Clause 3.1 shall constitute first fixed charges. The charge created by Clause 3.3 shall be a first floating charge unless and until it is converted into a fixed charge pursuant to Clause 6 or by operation of law.

#### 3.5 FAILURE OF ASSIGNMENT

If for any reason the assignment of any of the Secured Assets referred to in Clause 3.2 is found to be ineffective and/or if any sums payable in respect of such Secured Assets are received by the Company, the Company shall hold the benefit of such Secured Assets and any such sums received by it on trust for the Security Trustee and shall account to the Security Trustee for or otherwise apply all such sums as the Security Trustee may direct and shall otherwise at its own cost take such action and execute such documents as the Security Trustee may reasonably require.

#### 3.6 PERFORMANCE OF OBLIGATIONS

The Company shall remain at all times liable to perform all of the obligations assumed by it under or in respect of the UK Contracts and the Documents to the same extent as if the Security had not been created and neither the Security Trustee nor any Receiver shall be under any obligation or liability to the Company or to any other person under or in respect of any UK Contract or Document.

### 4. PERFECTION OF SECURITY AND FURTHER ASSURANCES

#### 4.1 FURTHER ASSURANCES

The Company shall at the request of the Security Trustee and at its own expense promptly execute (in such form as the Security Trustee may reasonably require) such Instruments and otherwise do such acts and things as the Security Trustee may require to improve, preserve, perfect or protect the security created (or intended to be created) by this Debenture or the priority of the same or, upon or after the occurrence of an Enforcement Event, to facilitate the realisation of or otherwise to enforce the same or to exercise any of the Security Trustee's or any Receiver's rights in relation to the same. In particular, but without limitation, the Company will:

- (a) execute a legal assignment over all or any of the Debts charged by this Debenture; and
- (b) upon the occurrence of an Enforcement Event execute a valid fixed charge over.
  - (i) any asset subject to the floating charge created pursuant to Clause 3.3;
  - (ii) all bank accounts which the Company maintains at such time and from time to time thereafter (and procure that the Company's banker(s) execute an acknowledgment of such fixed charge in a form satisfactory to the Security Trustee at such time); and



- (iii) any asset subsequently acquired by the Company which would, if such asset had been owned by the Company at the date of this Debenture, have been charged pursuant to Clause 3.1; and
- (c) notify the Security Trustee promptly if it wishes to undertake any of the following activities (prior to undertaking such activities) and execute an amendment to this Debenture and/or such other additional security document as the Security Trustee reasonably requires if the Company wishes to:
  - (i) materially amend or modify the UK Contracts; or
  - (ii) without prejudice to Clause 8.8, finance a Customer's purchase of any Vehicle in the United Kingdom by way of CAC Loan Agreement and/or Bill of Sale or accept any assignment, transfer or novation of the right, title, interest or benefit, to or under, any CAC Loan Agreement or Bill of Sale from any other member of the Group.

#### 4.2 COVENANTS FOR TITLE

The obligations of the Company under this Clause 4 shall be in addition to and not in substitution for the covenants for title deemed to be included in this Debenture by virtue of Part 1 of the Law of Property (Miscellaneous Provisions) Act 1994.

#### 5. RELEASE OF SECURITY

##### 5.1 NO DISCHARGE OF SECURITY

This Debenture and the Security shall be continuing security for the Secured Liabilities and shall not be considered as satisfied or discharged by any intermediate payment or settlement of all or any part of the Secured Liabilities or any other matter or thing whatsoever and shall be binding until the date (the "DISCHARGE DATE") on which:

- (a) all of the Secured Liabilities have been unconditionally and irrevocably paid or discharged in full to the satisfaction of the Security Trustee;
- (b) the Security Trustee is satisfied that each of the Banks and it have ceased to have any commitment, liability or obligation (whether actual or contingent) to make any credit or provide any other accommodation to the Company under any Document or otherwise or to any other person in respect of whose liabilities the Company has undertaken a liability to the Security Trustee or the Banks under or pursuant to any Document.
- (c) the Security Trustee is satisfied that the Company has ceased to have any liability (whether actual or contingent) to the Security Trustee and the Banks under or pursuant to any Document in respect of any matter or thing whatsoever.

5.2 RELEASE OF SECURITY

Following the Discharge Date and at the request and cost of the Company, the Security Trustee shall, as soon as reasonably practicable after receipt of such request, release and discharge without recourse, representation or warranty whatsoever the Security and re-assign without recourse, representation or warranty whatsoever property and assets charged or assigned to the Security Trustee by or pursuant to this Debenture to the Company (or as it shall direct), subject to the provisions of the Credit Agreement and Clause 17 and to the rights and claims of any person having prior rights over the same. Any release or discharge of the Security or of any of the Secured Liabilities shall not release or discharge the Company from any liability to the Security Trustee or the Banks for the Secured Liabilities or any other monies which exists independently of this Debenture.

5.3 RELEASE FOR PERMITTED SECURITIZATIONS AND TRANSFERS OF VEHICLES

Notwithstanding the provisions of Clauses 5.1 and 5.2, the Security Trustee acknowledges and consents to:

- (a) a disposition (as such term is defined in the Credit Agreement) of Advances to Dealers, without the need for further notice to the Security Trustee; provided, however, that any such disposition of any Advance to Dealer shall be made in connection with a Permitted Securitization involving such Advance to Dealer and/or otherwise in accordance with, and pursuant to, the terms and conditions of the Credit Agreement; and provided, further, however, that the Company shall not dispose of, or otherwise remit, the proceeds of any such Permitted Securitization to any person other than CAC UK. Without prejudice to the foregoing, the Security Trustee shall, upon the written request and at the cost of the Company, execute and deliver to the Company an instrument or instruments in form reasonably acceptable to the Company acknowledging the release and discharge of those Secured Assets which are permitted to be sold or disposed of by the Company or any other grantor pursuant to a Permitted Securitization or otherwise pursuant to the Credit Agreement; and
- (b) the release of the fixed charge granted pursuant hereto in respect of any Vehicle upon the transfer of title in such Vehicle to a customer of the Company in accordance with the terms and conditions of any UK Contract.

6. CRYSTALLISATION OF FLOATING CHARGE

6.1 CRYSTALLISATION BY NOTICE

The Security Trustee may at any time by notice in writing to the Company convert the floating charge referred to in Clause 3.3 into a fixed charge with immediate effect as regards any Secured Asset specified in the notice which the Security Trustee shall consider to be in danger of seizure, distress, diligence or other legal process or otherwise for any reason whatsoever in jeopardy.

6.2 AUTOMATIC CRYSTALLISATION

Notwithstanding Clause 6.1 and without prejudice to any rule of law having a similar effect, the floating charge shall automatically be converted into a fixed charge with immediate effect as regards all assets subject to the floating charge created by Clause 3.3 on:

- (a) any Secured Asset becoming subject to a Security Interest other than a Permitted Security Interest or being disposed of contrary to the provisions of Clause 7.1 or otherwise being in jeopardy; or
- (b) any person levying or notifying the Company that it intends to levy any distress, execution, sequestration or other process against any Secured Asset; or
- (c) the Company ceasing to carry on business or to be a going concern; or
- (d) the occurrence of an Enforcement Event; or
- (e) any of the Secured Liabilities becoming due and outstanding prior to their stated maturity; or
- (f) the presentation of a petition for the compulsory winding up of or the making of an administration order in relation to the Company or the convening of a meeting for the passing of a resolution for the voluntary winding up of the Company.

7. RESTRICTIONS ON DEALING WITH THE SECURED ASSETS

7.1 RESTRICTIONS ON DEALING

The Company represents, warrants and undertakes to the Security Trustee that save with the prior written consent of the Security Trustee:

- (a) it has and will at all times during the subsistence of the Security have legal title to and is and at all times during the subsistence of the Security will be entitled to the entire beneficial interest in the Secured Assets free from Security Interests (save for Permitted Security Interests) and will not create or attempt to create or permit to arise or subsist any Security Interest on any of the Secured Assets;
- (b) save as permitted by the Credit Agreement or this Debenture it has not sold or agreed to sell or otherwise disposed of or agreed to dispose of and will not at any time during the subsistence of the Security sell, assign, part with, transfer, lease, licence or otherwise dispose of the benefit of all or any of the Company's right, title and interest in and to the Secured Assets or any part of them and will not agree to or grant any option in respect of any of the above, with the exception of:

- (i) sales of its stock in trade at not less than market value in the ordinary course of its business;
  - (ii) the use of cash for the acquisition of goods or services in the ordinary course of its business; and
  - (iii) the sale or disposal of all or any of its undertaking and assets for the time being subject to the floating charge created pursuant to Clause 3.3 in the ordinary course of its business until such time as such floating charge is converted into a fixed charge pursuant to Clause 6 or by operation of law; and
- (c) (i) upon or after the occurrence of an Enforcement Event and upon receipt of a notice from the Security Trustee requiring the establishment of a Special Account (or Special Accounts), it will promptly pay into a Special Account all monies which it may receive in respect of the Debts immediately on receipt and it will not be entitled to withdraw or transfer from the Special Accounts any monies standing to the credit of such Special Accounts or direct any payment to be made from such Special Accounts to any person, and (ii) until such payment into a Special Account of the nature referred to in sub-clause (c)(i) will hold all monies which it may receive in respect of the Debts on trust for the Security Trustee, it will not release, set-off, compound or deal with the Debts otherwise than by getting in and realising the same in the ordinary and proper course of its business (and for this purpose the realisation of Debts by means of block discounting, factoring or the like shall not be regarded as dealing in the ordinary and proper course of its business).

PART 4

REPRESENTATIONS, WARRANTIES AND COVENANTS

8. REPRESENTATIONS, WARRANTIES AND GENERAL COVENANTS

The Company makes the representations, warranties and covenants set out in this Clause to the Security Trustee.

8.1 DUE INCORPORATION

It is a limited liability company, duly incorporated and validly existing under the laws of England and Wales, capable of being sued in its own right and will not be entitled to claim immunity (whether on the basis of sovereignty or otherwise) from judicial proceedings including attachment (both before and after judgment), execution or otherwise.

8.2 CAPACITY

It has and will at all times have the necessary power and existence to enter into and perform its obligations under this Debenture.

8.3 ENFORCEABILITY

This Debenture constitutes, and will continue during the subsistence of the Security to constitute, its legal, valid, binding and enforceable obligations and is, and will continue during the subsistence of the Security to be, a first ranking Security Interest over the Secured Assets effective in accordance with its terms.

8.4 AUTHORISATIONS

All actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents or the like) in order:

- (a) to enable the Company lawfully to enter into and perform and comply with its obligations under or pursuant to this Debenture and to ensure that those obligations are valid, legally binding and enforceable;
- (b) to enable the Company to create the Security and to ensure that (subject to all necessary registrations being made) the Security is valid, legally binding and enforceable and has and will have the ranking which it is expressed to have;
- (c) to make this Debenture admissible in evidence in the courts of England and each other jurisdiction in which any Secured Asset is located;
- (d) to enable the Company to own its assets and property and to carry on its business as it is currently being conducted; and

- (e) to ensure that no other party to any agreement or arrangement entered into by the Company becomes entitled to terminate such agreement as a consequence of the Company entering into this Debenture,

have been taken, fulfilled and done (and in the case of consents and the like will remain in full force and effect during the subsistence of the Security).

#### 8.5 COMPLIANCE WITH LAWS

Its entry into and its performance of and compliance with its obligations under or pursuant to this Debenture and the creation of the Security does not and will not violate or exceed any borrowing or other powers or restrictions granted or imposed under or pursuant to:

- (a) any applicable law to which it is subject;
- (b) any agreement or other Instrument binding on it or any of its assets; or
- (c) its Memorandum and Articles of Association.

#### 8.6 INSOLVENCY PROCEEDINGS

It has not taken any corporate action nor have any other steps been taken or legal proceedings been started or, to the best of its knowledge and belief, threatened against it for its Dissolution.

#### 8.7 INSURANCE POLICIES

It has obtained and maintained all such insurance policies as would be maintained by prudent companies carrying on business of the type carried on by the Company at all relevant times and has complied in all material respects with the terms and conditions of such policies.

#### 8.8 FINANCE OF ACQUISITION OF VEHICLES

In connection with the conduct of business in relation to Vehicles or any other asset (including the financing of the acquisition thereof) the Company shall conduct such business substantially through Conditional Sale Agreements entered into pursuant to a Dealer Trading Agreement. Without prejudice to the foregoing, notwithstanding the ability of the Company to utilise CAC Loan Agreements and Bills of Sale to finance the acquisition by Customers of Vehicles pursuant to the Dealer Trading Agreements, the Company has financed, and will continue to finance, substantially all acquisitions of Vehicles by way of Conditional Sale Agreements and not through any CAC Loan Agreement or Bill of Sale and, without prejudice to the generality of the foregoing, the Company has not accepted, and will not accept, any assignment of the right, title, interest and benefit, to or under any CAC Loan Agreements or Bills of Sale from any other member of the Group. The Company shall promptly supply the Security Trustee with copies of any documents other than Conditional Sale Agreements

utilised by it in connection with the conduct of business in relation to Vehicles or any other assets.

9. SPECIFIC COVENANTS

9.1 SPECIFIC COVENANTS

Save with the prior written consent of the Security Trustee, the Company shall at all times during the subsistence of the Security:

(a) ACCESS

- (i) upon prior written notice from the Security Trustee, permit the Security Trustee and/or its representatives or agents free access at all reasonable times to inspect and take copies and extracts from the books, accounts and records of the Company and such other documents as the Security Trustee may reasonably require and furnish the Security Trustee with all information and facilities which it may require and pay all reasonable expenses incurred by the Security Trustee in connection with the above; and
- (ii) grant the Security Trustee and/or its legal or other advisers on request all reasonable facilities to enable it or them to carry out at the Company's expense such investigation of title to any Secured Assets and enquiries into matters in connection with the same as would be carried out by a prudent person;

(b) INSURANCES

maintain, with financially sound and reputable insurers, insurance with respect to its material property and business against such casualties and contingencies, of such types (including insurance with respect to losses arising out of such property loss or damage, public liability, business interruption, larceny, workers' compensation, embezzlement or other criminal misappropriation) and in such amounts as is customary in the case of companies of established reputations engaged in the same or similar business and similarly situated (and including such lender loss payee clauses and/or endorsements as the Security Trustee or the Banks may request following the delivery of the Collateral Documents (as defined in the Credit Agreement) pursuant to Section 7.20 of the Credit Agreement), provided that such insurance is commercially available, it being understood that the Company and its Subsidiaries may self-insure against hazards and risks with respect to which, and in such amounts as, the Company in good faith determines to be prudent and consistent with sound financial and business practice.

(c) INTELLECTUAL PROPERTY

- (i) use its best endeavours to detect any infringement of the Intellectual Property and if it shall become aware of any such infringement to give the Security Trustee immediately all information in its possession with regard to the same and at the request of the Security Trustee but at its own cost to take such steps as the Security Trustee may from time to time direct, including commencing and diligently prosecuting or permitting the Security Trustee in the name but at the expense of the Company to commence and prosecute all proceedings necessary to prevent such infringement or to recover damages in respect of the same;
- (ii) lodge all notices, complete all filings and registrations and do all other acts as may be necessary to ensure that the Intellectual Property to which the Company is or may become entitled is valid and subsisting and remains vested in the Company and to take all such actions and proceedings as are necessary to protect such Intellectual Property and if any or all such Intellectual Property shall at any time become void to lodge all notices and do all other acts as may be necessary to restore such Intellectual Property to the Company and in particular to pay all such fees as may be necessary for all of the above at least 14 days before the same shall become due; and
- (iii) do all such things as are necessary to maintain and keep in force such of its Intellectual Property as is material to its business;

(d) COMPLIANCE WITH LAWS

comply in all material respects with the provisions of all applicable laws and every notice, order, direction, licence or permission given or made under such applicable laws;

(e) RECORDS

keep its books of account and prepare all financial statements in accordance with accounting principles generally accepted in England consistently applied and procure that there is furnished to the Security Trustee:

- (i) such information, financial or otherwise, as the Security Trustee may from time to time reasonably request regarding the affairs of the Company or all or any part of the Secured Assets; and
- (ii) details of any litigation, arbitration or administrative proceedings in progress pending or, to the knowledge of the Company, threatened against it which might have a material adverse effect on the Company's ability to perform its obligations under this Debenture as soon as the Company becomes aware of such details;



(f) CONTRACTS AND DOCUMENTS

diligently pursue any remedies available to it for any breach of, or in respect of any claim in relation to, any UK Contract or Document;

(g) INTERCOMPANY LOANS

keep a full written record evidencing all Intercompany Loans and provide copies of such record to the Security Trustee free of charge within 10 Business Days of receiving a written request from the Security Trustee for a copy of such record;

(h) VAT

(i) not, without the prior written consent of the Security Trustee, exercise any option, election or discretion to charge VAT or transfer the right to recover any VAT or levy VAT or to treat supplies made by it as taxable supplies for the purposes of VAT; and

(ii) if the Security Trustee so requires, exercise any option, election or discretion which may now or from time to time be available to it to charge VAT or to treat supplies made by it as taxable supplies for the purposes of VAT; and

(i) GENERAL

conduct and carry on its business in a proper and efficient manner, keep or cause to be kept proper books of account relating to such business, not make any material alteration in the nature of such business which would constitute a change from that carried on at the date of this Debenture and not take any step or omit to take any step the taking or omission of which might have a material adverse effect on the value of the Company's goodwill.

9.2 EVIDENCE OF COMPLIANCE

The Company shall at all times during the subsistence of the Security and if the Security Trustee so requires, give to the Security Trustee evidence sufficient to satisfy it that the provisions of this Clause 9 have been complied with.

9.3 LIMITATION ON POWERS

None of the covenants in Clause 9 shall be construed as limiting any powers exercisable by any Receiver under this Debenture.

9.4 NECESSITATED AMENDMENTS OR SUPPLEMENTS TO THIS DEBENTURE

Should the Company seek the written consent of the Security Trustee to undertake any activity which is expressly prohibited under Clause 9.1 and which the Company has therein covenanted that it will not undertake, the Company hereby agrees that it will at its expense execute and deliver such additional security document or such amendment to this Debenture as the Security Trustee requires and will reimburse the Security Trustee for all reasonable costs and expenses (including, but not limited to, legal fees) of the Security Trustee in connection with the negotiating, drafting, execution, delivery and registration of such additional security document or such amendment (as applicable).

PART 5  
ENFORCEMENT

10. POWER TO REMEDY

10.1 ENTRY, POSSESSION AND POWER TO REMEDY

The Company shall upon 5 days prior notice (except if an Enforcement Event has occurred and is continuing, when no prior notice shall be required) permit the Security Trustee and/or its representatives, agents or contractors free access at reasonable times to enter or take possession of all or any part of the Secured Assets to:

- (a) view the state and condition of the same;
- (b) comply with or object to any direction or notice or other matter served on the Company; or
- (c) carry out any repairs or take any other action (including the payment of money) which the Security Trustee shall consider necessary or desirable in connection with such Secured Assets to remedy any failure to comply with any covenant contained in Clause 9,

and in any such case without becoming liable to account as mortgagee in possession;

provided, however, that the Security Trustee acknowledges that, in exercising the rights and privileges conferred in this Clause 10.1, it or agents, representatives or contactors may, from time to time, obtain knowledge of information, practices, books, correspondence and records of a confidential nature and in which the Company has a proprietary interest. The Security Trustee agrees that all such information, practices, books, correspondence and records are to be regarded as confidential information and agrees that it shall retain in strict confidence and shall use its reasonable efforts to ensure that its agents and representatives retain in strict confidence, and will not disclose without the prior written consent of the Company, any such information, practices, books, correspondence and records furnished to them except that the Security Trustee may disclose such information (i) to its officers, directors, employees, agents, legal advisers, accountants, auditors, affiliates, advisors or representatives (provided that such persons are informed of the confidential nature of such information), (ii) to the extent such information has become available to the public other than as a result of a disclosure by or through the Security Trustee or its officers, directors, employees, agents, legal advisers, accountants, auditors, affiliates, advisors or representatives, (iii) to the extent such information was available to the Security Trustee on a non-confidential basis prior to its disclosure to the Security Trustee hereunder, (iv) to the extent the Security Trustee is (A) required in connection with any legal or regulatory proceeding or (B) requested by any bank or other regulatory authority to disclose such information; (v) to any prospective assignee of any note or other instrument evidencing any of the Secured Liabilities; provided, however, that the Security Trustee shall notify such assignee of the confidentiality

provisions of this Section 10.1 and such assignee shall agree to be bound thereby; or (vi) to any Bank, subject to the confidentiality provisions contained in this Debenture and the Credit Agreement and any other Loan Documents to which it is a party, upon the request of such party following the occurrence and during the continuance of any Event (but with no obligation on the part of any such Bank to return such information to the Security Trustee or the Company if any such Enforcement Event is subsequently cured or waived).

10.2 INSURANCES

If the Company shall fail to comply with any of its obligations as to insurance, the Security Trustee may, but shall not be required to, take out, renew or maintain such insurance either in its own name, in its name and that of the Company jointly or in the name of the Company with the Security Trustee's interest noted on the policy, in such sum as the Security Trustee may think expedient.

10.3 INDEMNITY

The Company shall on demand indemnify the Security Trustee and the Banks on a full indemnity basis in respect of any and all costs, damages and expenses incurred by the Security Trustee or the Banks pursuant to Clauses 10.1 and 10.2, together with interest at the Default Rate from the date of payment by the Security Trustee or the Banks until repayment, whether before or after judgment and notwithstanding any release or discharge of all or any part of the Security, indemnify the Security Trustee and the Banks on a full indemnity basis in respect of any and all actions, proceedings, demands, claims, losses, liabilities, costs and expenses arising as a result of any breach of Clause 9 or otherwise relating to all or any part of the Secured Assets save to any costs, charges or expenses incurred as a result of the Security Trustee's own negligence or wilful default.

11. ENFORCEMENT

11.1 ENFORCEMENT

On or at any time after the occurrence of an Enforcement Event:

- (a) the Security Trustee shall cease to be under any further commitment to the Company and may at any time (notwithstanding any conflicting agreement or arrangement) declare the Secured Liabilities (or such of them as the Security Trustee may specify) to be immediately due and payable or payable immediately on demand; and
- (b) the Security shall become immediately enforceable and the power of sale and other powers conferred by Section 101 of the LPA as varied or extended by this Debenture and all the powers, authorities and discretions conferred by this Debenture expressly or by implication on any Receiver or otherwise conferred by statute or common law on mortgagees or receivers shall become immediately exercisable by the Security Trustee, whether or not it shall have

appointed a Receiver, without the restrictions contained in the LPA as to the giving of notice or otherwise.

11.2 POWER OF SALE

The Secured Liabilities shall be deemed for the purposes of all powers implied by statute to have become due and payable within the meaning of Section 101 of the LPA immediately on the execution of this Debenture and Section 103 of the LPA (restricting the power of sale) and Section 109 of the LPA (restricting the power to appoint a receiver) shall not apply to this Debenture or any Security and upon the occurrence of an Enforcement Event, the Security created by this Debenture shall become immediately enforceable and the powers conferred by the LPA and this Debenture shall become immediately exercisable without the restrictions contained in the LPA.

11.3 CONSOLIDATION

The restriction on the consolidation of mortgages imposed by Section 93(1) of the LPA shall not apply to this Debenture or to any Security.

12. APPOINTMENT OF RECEIVER

12.1 APPOINTMENT OF RECEIVER

Without prejudice to any statutory or other powers of appointment of the Security Trustee under the LPA as extended by this Debenture or otherwise, at any time after the security constituted by this Debenture has become enforceable or if the Company so requests in writing at any time the Security Trustee may without further notice to the Company appoint by writing under hand of a duly authorised officer or under seal any one or more persons qualified to act as a receiver, receiver and manager or administrative receiver (as the case may require) under the Insolvency Act 1986 either solely, jointly, severally or jointly and severally to be a Receiver of all or any part of the Secured Assets and either at the time of appointment or any time after such appointment may fix his or their remuneration and except as otherwise required by statute may remove any such Receiver and appoint another or others in his or their place.

12.2 POWERS OF RECEIVER

Every Receiver shall have in relation to the Secured Assets (and every reference in this Clause to "Secured Assets" shall be read as a reference to that part of the Secured Assets in respect of which such Receiver was appointed) the powers granted by the LPA to any receiver appointed under it or to any mortgagor or mortgagee in possession and the powers granted by the Insolvency Act 1986 to any administrative receiver, all as varied and extended by this Debenture and in addition, but without prejudice to the generality of the above, shall have power to do the following:

- (a) enter upon, take possession of, collect and get in the Secured Assets or any part of them and collect and get in all rents and other income whether accrued before or after the date of his appointment and for those purposes make such demands and take such actions or proceedings as may seem expedient;
- (b) comply with and perform all or any of the acts, matters, omissions or things covenanted to be done or omitted by the Company under this Debenture;
- (c) carry on, manage, develop, reconstruct, amalgamate or diversify the business of the Company to the extent contained in the Secured Assets or any part of it in such manner as he shall in his discretion think fit (including, without prejudice to the generality of the above, to purchase supplies and materials);
- (d) sell by public auction or private contract, let, grant, surrender or accept surrenders of leases or tenancies of, grant rights, licences, options or easements in relation to, otherwise deal with or dispose of and exercise all or any rights, powers and discretions incidental to the ownership of, all or any part of the Secured Assets in the name of and on behalf of the Company or otherwise or concur in doing any of the above in such manner and generally on such terms and conditions and for such consideration (whether in cash, debentures, shares, stocks, securities or other valuable consideration and whether payable by a lump sum or by instalments) as he may think fit and carry out any such sale by conveying by deed or transferring in the name and on behalf of the Company or otherwise and taking such steps so that plant, machinery and other fixtures and fittings may be severed and sold separately from the premises containing them and apportion any rent and the performance of any obligations;
- (e) repair, decorate, furnish, maintain, alter, improve, renew or add to the Secured Assets or any part of them as he shall think fit and effect, maintain, renew or increase indemnity insurance and other insurances and obtain bonds;
- (f) appoint or dismiss managers, agents, officers, employees, servants, builders or workmen and employ professional advisers and others at such salaries or for such remuneration as he may think fit;
- (g) perform, repudiate, rescind, vary or enter into any arrangement or compromise any contracts or agreements which he may consider expedient;
- (h) settle, arrange, compromise and submit to arbitration any accounts, claims, questions or disputes whatsoever which may arise in connection with the business of the Company or all or any of the Secured Assets or in any way relating to the Security and bring, prosecute, defend, enforce, compromise, submit to and discontinue any actions, suits, arbitrations or proceedings whatsoever whether civil or criminal;

- (i) enter into, complete, disclaim, abandon, disregard, determine or rectify all or any of the outstanding contracts or arrangements of the Company and allow time for payment of any unsecured or secured debts;
- (j) exercise or permit the Company or any nominee of the Company to exercise any powers or rights incidental to the ownership of the Secured Assets or any part of them in such manner as he may think fit;
- (k) form a Subsidiary or Subsidiaries of the Company and transfer, lease or licence to any such Subsidiary or any other person all or any part of the Secured Assets on such terms and conditions as he may think fit;
- (l) purchase, lease, hire or otherwise acquire any assets or rights of any description which he shall in his absolute discretion consider necessary or desirable for the carrying on, improvement or realisation of all or any part of the Secured Assets or the business of the Company or otherwise for the benefit of all or any part of the Secured Assets;
- (m) exercise any powers and discretions conferred on a landlord or a tenant by any applicable law in relation to all or any part of the Secured Assets;
- (n) in the exercise of any of the powers, authorities and discretions conferred on him by this Debenture or for any other purpose to raise and borrow money either unsecured or secured and either in priority to, pari passu with or subsequent to the Security and generally on such terms and conditions as he may think fit;
- (o) give valid receipts for all monies and execute all discharges, assurances and things which may be proper or desirable for realising the Secured Assets or any part of them and redeem, discharge or compromise any security whether or not having priority to the Security or any part of it;
- (p) execute and do all such other acts, things and deeds as he may consider necessary or desirable for the realisation or preservation of the Secured Assets or any part of them or incidental or conducive to any of the matters, powers, discretions or authorities conferred on or vested in him under or by virtue of this Debenture or otherwise and exercise in relation to the Secured Assets or any part of them, and at the cost of the Company, all such powers, discretions, authorities and things as he would be capable of exercising if he were the absolute beneficial owner of the same; and
- (q) use the name of the Company or his own name to exercise all or any of the powers conferred by this Debenture.

### 12.3 AGENT OF THE COMPANY

Any Receiver appointed under this Debenture whether acting solely or jointly shall be deemed to be the agent of the Company and to be in the same position as a receiver

appointed under the LPA and the Company shall be solely responsible for his acts, omissions, defaults, losses and misconduct and for his remuneration and the Security Trustee shall not be in any way liable or responsible either to the Company or to any other person whatsoever for any Receiver.

#### 12.4 JOINT APPOINTMENT

If at any time two or more persons have been appointed as Receivers of the same part of the Secured Assets, each one of such Receivers shall be entitled to exercise individually all of the powers and discretions conferred on Receivers under this Debenture to the exclusion of the other or others of them in relation to any of the Secured Assets in respect of which he has been appointed unless the Security Trustee shall state otherwise in the document appointing him.

#### 13. PROTECTION OF THIRD PARTIES

No purchaser, mortgagee or other person dealing with a Receiver or the Security Trustee shall be concerned to enquire whether the Secured Liabilities have become payable, whether any power which he or it is purporting to exercise has become exercisable, whether any money is due under this Debenture, as to the application of any money paid, raised or borrowed or as to the propriety or regularity of any sale by or other dealing with such Receiver or the Security Trustee. All the protection to purchasers contained in Sections 104 and 107 of the LPA and Section 42(3) of the Insolvency Act 1986 shall apply to any person purchasing from or dealing with a Receiver or the Security Trustee as if the Secured Liabilities had become due and the statutory powers of sale and of appointing a Receiver in relation to the Secured Assets had arisen on the date of this Debenture.

#### 14. APPLICATION OF PROCEEDS

##### 14.1 ORDER OF PRIORITY

Any monies received by the Security Trustee or any Receiver pursuant to this Debenture or under the powers conferred by this Debenture shall, after the occurrence of an Enforcement Event and payment of any claims having priority to the Security, be applied in the following order, but without prejudice to the right of the Security Trustee or the Banks to recover any shortfall from the Company:

- (a) where applicable, in payment of all costs, charges and expenses of and incidental to the appointment of the Receiver and the exercise of all or any of his powers;
- (b) where applicable, in payment of the Receiver's remuneration at such rate as may be agreed with the Security Trustee;
- (c) in or towards payment of the Secured Liabilities in such order as the Security Trustee in its absolute discretion thinks fit; and



(d) in payment of the surplus (if any) to the person or persons entitled to it.

#### 14.2 SPECIAL ACCOUNTS

During the subsistence of the Security (and upon or after the occurrence of an Enforcement Event) the Security Trustee may, in its discretion, apply any part of the monies standing to the credit of the Special Accounts in accordance with this Clause.

#### 14.3 INSURANCE PROCEEDS

After occurrence of an Enforcement Event, all monies received by the Company by virtue of any insurance on the Secured Assets, whether or not effected pursuant to this Debenture and whether the event by virtue of which such monies became payable occurred before, on or after the date of this Debenture, shall be deemed part of the Secured Assets and (subject to any rights of third parties arising under any statute for the time being relating to the application of insurance monies and under any lease under which any Property is demised or let to or by the Company), shall, save with the prior written consent of the Security Trustee, be paid to the Security Trustee. Any monies so paid to the Security Trustee or otherwise received by the Security Trustee by virtue of any such insurance shall be applied in accordance with the provisions of the Credit Agreement. Any monies received by the Company by virtue of any such insurance shall be held on trust for the Security Trustee until such monies are paid to the Security Trustee in accordance with this Clause. The Company waives any right it may have to require that any such monies be applied in or towards making good the loss or damage in respect of which they became payable.

#### 14.4 SUSPENSE ACCOUNT

The Security Trustee or any Receiver may credit any monies to a suspense account for so long and in such manner as the Security Trustee or any Receiver may from time to time determine and the Receiver may retain the same for such period as the Receiver and the Security Trustee consider expedient.

#### 15. POWER OF ATTORNEY

##### 15.1 APPOINTMENT

The Company irrevocably and by way of security appoints the Security Trustee and any Receiver and every delegate referred to in Clause 19 and each of them jointly and also severally to be its attorney (with full powers of substitution and delegation) and in its name or otherwise and on its behalf and as its act and deed to, after the occurrence and during the continuance of an Enforcement Event, execute (using the corporate seal, if appropriate), deliver and perfect all Instruments and do such other acts and things which may be required or which the attorney may consider desirable:

(a) to carry out any obligation imposed on the Company by this Debenture;

- (b) to carry into effect any sale, lease or other dealing whatsoever by the Security Trustee or any Receiver;
- (c) to convey or transfer any legal estate or other interest in land or any other property whatsoever;
- (d) to get in all or any of the Secured Assets; and
- (e) generally to enable the Security Trustee and any Receiver to exercise the respective powers, authorities and discretions conferred on them by this Debenture or by law,

and the Company covenants with the Security Trustee to ratify and confirm all acts and things done by such attorney in the exercise or purported exercise of its powers and all monies spent by such attorney shall be deemed to be expenses incurred by the Security Trustee under this Debenture.

#### 15.2 IRREVOCABLE POWER

The Company acknowledges that the power of attorney granted by Clause 15.1 is as regards each of the Security Trustee and each Receiver granted irrevocably and for value as part of the Security to secure a proprietary interest in and the performance of obligations owed to the respective donees within the meaning of Section 4 of the Powers of Attorney Act 1971.

## SECURITY TRUSTEE'S ADDITIONAL RIGHTS

## 16. GENERAL SECURITY PROVISIONS

## 16.1 ADDITIONAL SECURITY

This Debenture, the Security and the rights, powers and remedies given to the Security Trustee under this Debenture shall be in addition to and independent of and shall not prejudice, affect or merge in any other Security Interest, any guarantee or other Instrument (whether given by the Company or any other person) or any other right, power or remedy vested in the Security Trustee or which the Security Trustee may at any time hold in respect of or in connection with any or all of the Secured Liabilities and shall not be affected by any release, reassignment or discharge of such Security Interest, guarantee or Instrument or right, power or remedy. All the rights, powers and remedies so vested may be exercised from time to time as often as the Security Trustee may deem expedient.

## 16.2 WAIVER OF DEFENCES

Without prejudice to the other provisions of this Clause 16, the obligations of the Company and the rights, powers and remedies of the Security Trustee under this Debenture and the Security or by applicable law will not be affected by any act, omission, matter or thing which, but for this provision, would reduce, release, prejudice or otherwise affect all or any of such obligations, remedies, rights, powers or Security including:

- (a) any time or waiver or any other indulgence or concession granted to, or composition with, any other person;
- (b) the taking, variation, compromise, exchange, realisation, renewal or release of, or refusal or neglect to perfect, register, renew, take up, fully take up or enforce, any rights against, or security over the assets of, any other person or any non-presentation or non-observance of any formality or other requirement in respect of any Instrument or any failure to realise, or fully realise the full value of, any security;
- (c) any incapacity, lack of power, authority or legal personality or Dissolution or change in the members, status, constitution, ownership or control of any other person;
- (d) any variation (however fundamental), replacement or amendment of, or waiver or release granted under or in connection with, any Document or any other document or security;
- (e) any unenforceability, illegality or invalidity of any obligation of any person under any Document or any other document or security; or

- (f) any postponement, discharge, reduction, non-provability or other similar circumstance affecting any obligation of any person under any Document resulting from any Dissolution or from any applicable law.

16.3 NEW ACCOUNT

At any time following:

- (a) the Security Trustee's receipt of notice (either actual or constructive) of any subsequent Security Interest affecting the Secured Assets which is not permitted under the terms of the Credit Agreement;
- (b) the Dissolution of the Company, or
- (c) any assignment or transfer of all or any of the Secured Assets in breach of Clause 7.1,

the Security Trustee may open a new account or accounts in the name of the Company (whether or not it permits any existing account to continue). If the Security Trustee does not open such a new account, it shall nevertheless be treated as if it had done so at the time when the notice was received or was deemed to have been received or, as the case may be, the Dissolution commenced from that time, all payments made by the Company to the Security Trustee or received by the Security Trustee for the account of the Company shall be credited or treated as having been credited to the new account and shall not operate to reduce the amount secured by this Debenture at the time when the Security Trustee received or was deemed to have received such notice or, as the case may be, the Dissolution commenced.

16.4 NON-COMPETITION

- (a) Until the Discharge Date, the Company shall not by virtue of any payment made, security realised or monies received for or on account of the liability of any third party:
  - (i) be subrogated to any rights of, or security or monies held, received or receivable by, the Security Trustee or the Banks or be entitled to any right of contribution or indemnity in respect of the same;
  - (ii) claim, rank, prove or vote as a creditor of any such third party or its estate in competition with the Security Trustee or the Banks; or
  - (iii) receive, claim or have the benefit of any payment, distribution or security from or on account of any such third party or exercise any right of set-off as against such third party.
- (b) The Company will hold on trust for, and immediately pay or transfer or assign to, the Security Trustee any payment or the benefit of any security received by it in breach of this Clause 16.4. If the Company exercises any right of set-off

contrary to the above, it will immediately pay an amount equal to the amount set-off to the Security Trustee.

16.5 ENTRY INTO POSSESSION

If the Security Trustee or any Receiver shall enter into possession of all or any part of the Secured Assets, the Security Trustee or such Receiver may at any time go out of such possession. Neither the Security Trustee nor any Receiver shall in any circumstances be liable to account to the Company for anything except its or his actual receipts or be liable to the Company for any loss or damage arising from any realisation of all or any part of the Secured Assets or from any act, default or omission in relation to all or any part of the Secured Assets.

17. RETENTION OF SECURITY

17.1 AVOIDANCE OF PAYMENTS

No assurance, security or payment which may be avoided or adjusted under any applicable law relating to bankruptcy or insolvency or under Part VI of the Insolvency Act 1986 or similar legislation binding on the Company in a jurisdiction other than England and Wales and no release, settlement, discharge or arrangement given or made by the Security Trustee on the faith of any such assurance, security or payment shall prejudice or affect the right of the Security Trustee or the Banks to recover from the Company and from the Security the Secured Liabilities (including any monies which it may have been compelled by due process of law to refund under the provisions of the Insolvency Act 1986 and any costs payable by it pursuant to or otherwise incurred by it in connection with such process).

17.2 REINSTATEMENT

If any payment by the Company or any discharge given by the Security Trustee or any Bank (whether in respect of the obligations of the Company or any Security Interest for those obligations or otherwise) is avoided or reduced as a result of Dissolution:

- (a) the liability of the Company shall continue as if the payment, discharge, avoidance or reduction had not occurred; and
- (b) the Security Trustee and/or the Banks, as the case may be, shall be entitled to recover the value or amount of that Security Interest or payment from the Company, as if the payment, discharge, avoidance or reduction had not occurred.

18. CUSTODY

The Security Trustee shall be entitled to provide for the safe custody by third parties of all certificates and documents of title relating to the Secured Assets and shall not be responsible for any loss or damage occurring to or in respect of the same unless such

loss or damage arises as a result of the Security Trustee's negligence or wilful misconduct.

19. DELEGATION

The Security Trustee may at any time and from time to time delegate by power of attorney or in any other manner to any persons or persons all or any of the powers, authorities and discretions which are for the time being exercisable by the Security Trustee under this Debenture in relation to all or any part of the Secured Assets. Any such delegation may be made upon such terms (including power to sub-delegate) and subject to such conditions as the Security Trustee may think fit. The Security Trustee shall not be in any way liable or responsible to the Company for any loss or damage arising from any act, default, omission or misconduct on the part of any such delegate or sub-delegate. Such delegation shall not preclude the subsequent exercise of such powers, authorities and discretions by the Security Trustee itself nor preclude the Security Trustee from making a subsequent delegation of the same to another person or from revoking any such delegation.

20. PRIOR CHARGES

In the event of there being a prior Security Interest to the Security and proceedings or steps being taken to exercise or enforce any powers or remedies conferred by such prior Security Interest against all or any of the Secured Assets, the Security Trustee or any Receiver appointed under this Debenture in respect of such Secured Assets may (but without prejudice to any rights the Receiver may have under Section 43 of the Insolvency Act 1986 to apply to a court for authorisation to dispose of property secured by a prior Security Interest) redeem such prior Security Interest or procure its transfer to itself or such Receiver, as the case may be, and may settle and pass the accounts of any prior mortgagee, chargee or encumbrancer. Any account so settled and passed shall be conclusive and binding on the Company and all the principal, money, interest, costs, charges and expenses of and incidental to such redemption or transfer shall be paid to the Security Trustee on demand together with interest at the Default Rate on the same from the earlier of the date of demand and the date of payment by the Security Trustee until the date of payment by the Company, whether before or after judgment. All the powers, authorities and discretions conferred by a prior Security Interest upon any prior mortgagee, chargee or encumbrancer or any receiver under such prior Security Interest shall be exercisable by the Security Trustee or a Receiver in a like manner as if the same were expressly included in this Debenture and the Security Trustee or such Receiver shall be entitled to exercise all the powers, authorities and discretions of a receiver, receiver and manager or administrative receiver appointed under such prior Security Interest.

21. SET-OFF

Without prejudice to any rights the Security Trustee may have at law, in equity or otherwise, following an Enforcement Event, the Security Trustee or the Banks may, without notice to the Company, combine or consolidate all or any sums standing to the credit of the Company's accounts with the Security Trustee or the Banks with the

Secured Liabilities and/or set-off or transfer any such sums in or towards the satisfaction of any of the Secured Liabilities and may do so notwithstanding that the balances on such accounts and such Secured Liabilities may not be expressed in the same currency or any specified maturity of such deposits and for the purpose of exercising any rights under this Clause or applicable law the Security Trustee or the Banks is authorised to effect any necessary conversions at the Security Trustee or the Banks' own rate of exchange then prevailing. Neither the Security Trustee nor the Banks shall be obliged to exercise any right given to it by this Clause.

22. CURRENCY INDEMNITY

If any sum due from the Company under this Debenture or any order or judgment given or made in relation to this Debenture has to be converted from the currency (the "FIRST CURRENCY") in which the same is payable into another currency (the "SECOND CURRENCY") for the purpose of (a) making or filing a claim or proof against the Company, (b) obtaining an order or judgment in any court or other tribunal, (c) enforcing any order or judgment given or made, or (d) applying the same in satisfaction of any of the Secured Liabilities, the Company shall, as a separate and independent obligation, indemnify and hold harmless the Security Trustee or the Banks from and against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which the Security Trustee or the Banks may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof or for application in satisfaction of the Secured Liabilities.

PART 7

MISCELLANEOUS

23. COSTS

23.1 COSTS AND EXPENSES

The Company shall on demand and on a full indemnity basis pay to the Security Trustee the amount of all reasonable costs and expenses (including reasonable legal and out-of-pocket expenses and any VAT on such costs and expenses) which the Security Trustee incurs in connection with:

- (a) the preparation, negotiation, execution and delivery of this Debenture;
- (b) any stamping or registration of this Debenture;
- (c) any actual or proposed amendment of or waiver or consent under or in connection with this Debenture;
- (d) any discharge or release of this Debenture;
- (e) the preservation or exercise (or attempted preservation or exercise) of any rights, remedies or powers under or in connection with, and the enforcement (or attempted enforcement) of, this Debenture and the perfection or enforcement of any other security for or guarantee in respect of the Secured Liabilities;
- (f) the taking or holding of the Security or any proceedings in relation to the same or to all or any of the Secured Assets; and
- (g) any advice obtained in relation to any other matter or question arising out of or in connection with this Debenture,

together with interest at the Default Rate on the same from the earlier of the date of demand and the date of payment by the Security Trustee until the date of payment by the Company, whether before or after judgment.

23.2 TAXES

The Company shall pay all stamp, registration and other taxes to which this Debenture or any judgment or order given in connection with this Debenture may at any time be subject and shall on demand indemnify the Security Trustee against any liabilities, costs, claims and expenses resulting from any failure to pay or delay in paying the same.



24. INDEMNITY

24.1 GENERAL INDEMNITY

The Company shall on demand and on a full indemnity basis indemnify and keep indemnified the Security Trustee and the Banks and every Receiver, attorney, manager, agent or other person appointed by the Security Trustee or the Banks under this Debenture and their respective employees in respect of all liabilities and reasonable expenses incurred or suffered by any of them in or directly or indirectly as a result of the exercise or purported exercise of any of the powers, authorities or discretions vested in them under this Debenture and against all actions, proceedings, losses, costs, claims and demands suffered or incurred by any of them in respect of any matter or thing done or omitted relating to the Secured Assets together with interest at the Default Rate on the same from the earlier of the date of demand and the date of payment by such person until the date of payment by the Company, whether before or after judgment. The Security Trustee and any such Receiver may retain and pay all sums in respect of the same out of any monies received by it or him pursuant to this Debenture.

24.2 INDEMNITY FOR BREACH

The Company shall on demand and on a full indemnity basis indemnify and keep indemnified the Security Trustee and the Banks in respect of all actions, proceedings, demands, reasonable costs and reasonable expenses occasioned by any breach of any of its covenants or other obligations under this Debenture together with interest at the Default Rate on the same from the earlier of the date of demand and the date of payment by the Security Trustee or the Banks until the date of payment by the Company, whether before or after judgment.

25. TRANSFERS

25.1 SECURITY TRUSTEE

This Debenture is freely assignable or transferable by the Security Trustee.

25.2 COMPANY

The Company may not assign or transfer any of its obligations under this Debenture or enter into any transaction which would result in any of those obligations passing to another person.

25.3 DISCLOSURE

The Security Trustee may, with the consent of the Company (such consent not be unreasonably withheld or delayed), disclose to any person related to it and/or any person to whom it is proposing to transfer or assign or has transferred or assigned this Debenture any information about the Company and any person connected or associated with it.

26. PROPERTY OF SECURITY TRUSTEE

This Debenture is and will remain the property of the Security Trustee.

27. SECURITY TRUSTEE'S CERTIFICATE OR DETERMINATION

A certificate or determination of the Security Trustee as to any matter provided for in this Debenture shall, in the absence of manifest error, be conclusive and binding on the Company.

28. NOTICES

28.1 COMMUNICATIONS IN WRITING

Any communication to be made under or in connection with this Debenture shall be made in writing and, unless otherwise stated, may be made by fax or letter.

28.2 ADDRESSES

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with this Debenture is that identified with its name below or any substitute address, fax number or department or officer as the relevant Party may notify to the other Party by not less than 15 Business Days' notice.

28.3 DELIVERY

Any communication or document made or delivered by one Party to another under or in connection with this Debenture will only be effective:

- (a) if by way of fax, when received in legible form; or
- (b) if by way of letter, when it has been left at the relevant address or 10 Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address

and, if a particular department or officer is specified as part of its address details provided under Clause 28.2, if addressed to that department or officer.

28.4 ENGLISH LANGUAGE

- (a) Any notice given under or in connection with this Debenture must be in English.
- (b) All other documents provided under or in connection with this Debenture must be:
  - (i) in English; or

- (ii) if not in English, and if so required by the Security Trustee, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

29. PARTIAL INVALIDITY

If, at any time, any provision of this Debenture is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

30. REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of the Security Trustee, any right or remedy under this Debenture shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Debenture are cumulative and not exclusive of any rights or remedies provided by law.

31. AMENDMENTS AND WAIVERS

Any term of this Debenture may be amended or waived only with the written consent of the Security Trustee and the Company and any such amendment or waiver will be binding on all Parties.

32. COUNTERPARTS

This Debenture may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Debenture.

33. THIRD PARTY RIGHTS

Except as set forth in Clause 34(b), a person who is not a Party has no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Debenture save that any right pursuant to this Debenture expressed to be for the benefit of the Banks, individually, in addition to the Security Trustee may be exercised by such Banks notwithstanding that they are not signatories to this Debenture.

34. SECURITY TRUSTEE NOT COLLATERAL AGENT

(a) NOT COLLATERAL AGENT

This Debenture has been granted in favour of the Security Trustee, in its capacity as Security Trustee for the Banks under the Credit Agreement, and not in its capacity as collateral agent for the Banks and other creditors under the Intercreditor Agreement.

(b) SECURITY TRUSTEE

The Security Trustee shall hold the benefit of all covenants, charges and other undertakings given by the Company pursuant to this Debenture upon trust for itself and each of the Banks.

PART 8

GOVERNING LAW AND ENFORCEMENT

35. GOVERNING LAW

This Debenture is governed by English law.

36. ENFORCEMENT

36.1 JURISDICTION OF ENGLISH COURTS

- (a) The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Debenture (including a dispute regarding the existence, validity or termination of this Debenture) (a "DISPUTE").
- (b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (c) This Clause 36.1 is for the benefit of the Security Trustee and the Banks only. As a result, neither the Security Trustee nor the Banks shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Security Trustee or the Banks may take concurrent proceedings in any number of jurisdictions.

THIS DEBENTURE has been executed as a deed on the date stated at the beginning of this Debenture and is delivered on the date stated at the beginning of this Debenture.

Signed as a deed by CAC UK FUNDING  
LTD. acting by \_\_\_\_\_ and  
\_\_\_\_\_

/s/ Mark Thoms

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Director

/s/ Douglas W. Busk

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Director

Address: Burfree House  
Teville Road  
Worthing  
West Sussex  
BN11 1AZ  
United Kingdom

Fax: +44 1903 605 450

Attention: Mark Thoms

With a copy to: Credit Acceptance Corporation  
25505 West Twelve Mile Road  
Southfield  
MI 48034  
USA

Fax: 001 248 827 8542

Attention: Douglas W. Busk

THE BANKS

Signed for and on behalf of COMERICA )  
BANK as Security Trustee )  
By: /s/ Caryn Dorfman )  
----- )  
Vice President )

Name: Comerica Bank  
Address: One Detroit Center, MC3245,  
500 Woodward Avenue,  
Detroit, Michigan 48226,  
USA  
Fax: 313 222 3503  
Attention: Caryn Dorfman

## ASSIGNATION IN SECURITY

## AMONG:

- (1) CREDIT ACCEPTANCE CORPORATION, a company incorporated in Michigan, USA and having a place of business at 25505 W. Twelve Mile Road, Suite 3000, Southfield, Michigan, 48034, USA (the "CHARGOR");
- (2) COMERICA BANK, a bank organised and existing under the laws of Michigan, as collateral agent and trustee for the benefit of the Lenders, the Noteholders and the Future Debt Holders (in such capacity, the "COLLATERAL AGENT");
- (3) CAC NEVADA, INC., a company incorporated in Nevada, USA and having a place of business at 25505 W. Twelve Mile Road, Suite 3000, Southfield, Michigan, 48034, USA ("CAC NEVADA"); and
- (4) CAC SCOTLAND, a firm constituted under the law of Scotland (the "PARTNERSHIP").

## WHEREAS:

- (A) The Chargor, Comerica Bank and the other financial institutions signatory thereto, each as "BANKS" thereunder (and, in the case of Comerica Bank, in its separate additional capacity as "ISSUING BANK" thereunder) (together with any Successor Lenders party thereto from time to time, collectively the "LENDERS"), entered into an Amended and Restated Credit Agreement dated as of June 11, 2001 by and among the Chargor, the financial institutions from time to time parties thereto and Comerica Bank, as Agent (said credit agreement, as amended, restated or otherwise modified from time to time, the "CREDIT AGREEMENT").
- (B) The Chargor entered into the separate note purchase agreements with the 1994 Noteholders dated as of October 1, 1994 (collectively, as amended, restated or otherwise modified from time to time, the "1994 NOTE AGREEMENTS"), pursuant to which the Second Amended and Restated Senior Notes due November 1, 2001 (collectively, as amended, restated or otherwise modified from time to time, the "1994 SENIOR NOTES") are outstanding.
- (C) The Chargor entered into the separate note purchase agreements with the 1996 Noteholders dated as of August 1, 1996 (collectively, as amended, restated or otherwise modified from time to time, the "1996 NOTE AGREEMENTS"), pursuant to which the Second Amended and Restated Senior Notes due July 1, 2001 (collectively, as amended, restated or otherwise modified from time to time, the "1996 SENIOR NOTES") are outstanding.
- (D) The Chargor entered into the separate note purchase agreements with the 1997 Noteholders dated as of March 25, 1997 (collectively, as amended, restated or otherwise modified from time to time, the "1997 NOTE AGREEMENTS") pursuant to which the Second Amended and Restated Senior Notes due October 1, 2001 (collectively, as amended, restated or otherwise modified from time to time, the "1997 SENIOR NOTES") are outstanding.
- (E) Pursuant to Section 7.22 of the Credit Agreement and Section 6.23 of the 1994 Note Agreements, the 1996 Note Agreements and the 1997 Note Agreements (the "NOTE AGREEMENTS") the Lenders have required that the Chargor grant (or cause to be granted) certain liens and security interests to the Collateral Agent, as collateral agent and trustee for the benefit of the Lenders, the Noteholders, and the Future Debt Holders, all to secure the obligations of the Chargor under the Credit Documents, the obligations of the Chargor under the Noteholder Documents and the obligations of the Chargor under the Future Debt Documents.



- (F) The Lenders and the Noteholders have consented to the transactions contemplated hereby and by the other Security Documents, and the Lenders and the Noteholders have agreed that the Chargor's obligations under the Credit Agreement, the Note Agreements and the Future Debt Documents shall be equally and ratably secured pursuant to this Assignment and the other Security Documents.
- (G) The Chargor has directly and indirectly benefited and will directly and indirectly benefit from the transactions evidenced by and contemplated in the Credit Agreement, the Note Agreements and the Future Debt Documents and has consented to the execution and delivery of the Intercreditor Agreement among the Collateral Agent, the Lenders (including Comerica Bank), the Noteholders and the Future Debt Holders, dated as of 15 December 1998 as amended by First Amendment dated as of March 30, 2001 (as further amended from time to time according to the terms thereof, the "INTERCREDITOR AGREEMENT").
- (H) The Lenders, the Noteholders and the Collateral Agent have entered into the Intercreditor Agreement to define the rights, duties, authority and responsibilities of the Collateral Agent, acting on behalf of such parties regarding the Charged Property (as defined below), and the relationship among the parties regarding their equal and ratable interests in the Charged Property.
- (I) This Assignment is made in accordance with the Partnership Agreement and in particular, but without limitation, Clause 6.2 thereof.

NOW IT IS HEREBY AGREED as follows:

1 DEFINED TERMS; INTERPRETATION

- 1.1 In this Assignment, unless the context otherwise requires, the following expressions shall have the following meanings:
- "ASSIGNATION" means this Assignment in Security, as amended, modified or supplemented from time to time;
- "CAC A CAPITAL SHARE" has the meaning given to it in the Partnership Agreement;
- "CAC B CAPITAL SHARE" has the meaning given to it in the Partnership Agreement;
- "CAC A REVENUE SHARE" has the meaning given to it in the Partnership Agreement;
- "CAC B REVENUE SHARE" has the meaning given to it in the Partnership Agreement;
- "CHARGED PROPERTY" means all the right, title and interest (including, but without limitation, the Rights) of the Chargor in and to the CAC A Capital Share and the CAC A Revenue Share present and future, arising under or deriving from the Partnership Agreement or held or received by the Chargor as Partner thereunder, assigned or to be assigned in security by or pursuant to this Assignment;
- "LIEN" means any mortgage, standard security, charge, pledge, hypothecation, assignment or assignment by way of security, deposit agreement, encumbrance, lien (statutory or otherwise), title retention, finance lease, factoring or discounting of debts

or other security interest on or over present or future assets of a person concerned securing any obligation of any person or any other type of preferential or trust arrangement having a similar effect, including any such security interest which arises or is imposed by operation of law;

"NON-CHARGED PARTNERSHIP INTEREST" means all right, title and interest (including without limitation, the Rights) of the Chargor in and to the CAC B Capital Share and the CAC B Revenue Share present or future, arising under or deriving from the Partnership Agreement or held or received by the Chargor as Partner thereunder, which shall not be charged or assigned in security by or pursuant to this Assignment;

"PARTNER" has the meaning given to it in the Partnership Agreement;

"PARTNERSHIP AGREEMENT" means the partnership agreement dated 23 March 2001 between the Chargor and CAC Nevada as amended by supplemental agreement dated 6 September 2001 as the same may be further supplemented or amended from time to time;

"PARTNERSHIP INTEREST" means all right, title and interest of the Chargor in and to the Partnership;

"RIGHTS" in relation to the Partnership Agreement means all rights, powers and entitlements, present and future thereunder including (but not restricted to):

- (i) the right to receive allocations of revenue profits and capital profits in the Partnership pursuant to Clause 7 thereof; and
- (ii) the rights to distributions of all cash or other property from the Partnership to which the Chargor is entitled.

1.2 In this Assignment:

- (i) references to the "CHARGOR", the "COLLATERAL AGENT" and any other person referred to in this Assignment shall be construed so as to include their respective successors and permitted transferees and assignees in accordance with their respective interests;
- (ii) capitalised terms used but not defined in this Assignment (including the recitals hereto) have the same meanings as in the Intercreditor Agreement; and
- (iii) this Assignment is a Security Document and a Financing Agreement and shall be interpreted and construed in accordance with the terms and provisions of the Intercreditor Agreement.

2. OBLIGATION TO PAY

The Chargor hereby undertakes to the Collateral Agent that it will pay the Benefited Obligations as and when the same fall due for payment in accordance with the applicable Financing Agreements (as defined in the Intercreditor Agreement).

3. ASSIGNATION IN SECURITY

3.1 As a continuing security for the payment and discharge of all Benefited Obligations,

the Chargor hereby charges and assigns by way of security to the Collateral Agent, (to the intent that the security hereby created shall be a continuing security in favour of the Collateral Agent in its capacity as such) all of the Charged Property, but excluding therefrom all rights, title and interest of the Chargor in and to the Non-Charged Partnership Interest.

- 3.2 Without prejudice to the foregoing, the parties hereto agree and will ensure that the Charged Property assigned pursuant to this Assignment will at all times constitute at least but not greater than 65% of the Rights determined in accordance with Section 956 of the Internal Revenue Code of the United States of America as amended from time to time.
- 3.3 The Chargor binds and obliges itself to take all steps as are within its power and as the Collateral Agent may reasonably request to perfect under any appropriate law the security hereby granted or any security interest constituted pursuant to this Assignment in respect of all or any of the Charged Property.
- 3.4 The Chargor intimates to CAC Nevada and the Partnership the assignment in security made in terms of Clause 3.1 hereof and CAC Nevada and the Partnership by their respective execution of this Assignment immediately subsequent to the execution hereof by the Chargor acknowledge such intimation and confirm that they have received no notice that the Chargor has otherwise assigned, charged, pledged or encumbered any of its rights and benefits under the Partnership Agreement. CAC Nevada further confirms that it has given its prior consent to the said assignment in security in accordance with Clause 6.2.1 of the Partnership Agreement.
- 3.5 The Collateral Agent shall hold the benefit of the undertakings, charges and securities given by the Chargor pursuant to this Assignment upon trust for the Lenders, the Noteholders and the Future Debt Holders and the Collateral Agent, provided that the sole obligations of the Collateral Agent and of any Agent-Related Persons to the Lenders, the Noteholders and the Future Debt Holders shall be those set out in the Intercreditor Agreement (including, without limitation, Section 8 thereof) and neither the Collateral Agent nor any Agent-Related Persons shall be deemed to be a fiduciary hereunder or a partner in the Partnership. The Partnership hereby undertakes to pay to the Collateral Agent or to its order:-
- (a) all distributions of revenue profits and capital profits in the Partnership, and
  - (b) all distributions of cash and other property from the Partnership

to the extent that the Partners resolve to distribute the same in terms of the Partnership Agreement and to the extent the same constitute Charged Property.

#### 4. DELIVERY

The Chargor agrees to deliver to the Collateral Agent, forthwith upon execution of this Assignment and the Collateral Agent shall be entitled during the continuance of this Assignment to hold any documents of title relating to the Charged Property and undertakes to the Collateral Agent to deliver to it all other documents of title relating to the Charged Property which may at any time come into the possession or control of the Chargor; and prior to the delivery thereof to the Collateral Agent, the Chargor will hold all such documents of title on trust for the Collateral Agent.

## 5. REPRESENTATIONS AND WARRANTIES

The Chargor represents and warrants to the Collateral Agent on the date of this Assignment and shall be deemed to have represented and warranted on each date when any of the Benefited Obligations is outstanding, in each case in the terms set out below:

- 5.1 the Chargor is the sole legal and beneficial owner of the Charged Property, free and clear of all Liens, other than the security created hereunder;
- 5.2 the assignment in security constituted by this Assignment creates a valid first ranking charge over and assignment of the Charged Property in favour of the Collateral Agent;
- 5.3 except pursuant to this Assignment, the Chargor has not disposed of, or granted any rights over, any of the Charged Property or any interest therein or released or agreed to release any of its rights in or to any of the Charged Property;
- 5.4 except pursuant to this Assignment or as set forth in the Partnership Agreement none of the Charged Property is the subject of any valid claim, assertion, infringement, right, action or other restriction or arrangement of whatever nature which does or may impinge upon the validity, enforceability or ownership of the Charged Property by the Chargor or its utilisation by the Chargor; and
- 5.5 the Chargor is not unable to pay its debts as they fall due and is not otherwise insolvent.

## 6. NEGATIVE PLEDGE AND DISPOSAL RESTRICTIONS

During the continuance of the security constituted by this Assignment, and without prejudice to the provisions of the Intercreditor Agreement and the other Financing Agreements, the Chargor will not (without the prior consent in writing of the Collateral Agent):

- 6.1 create or agree or attempt to create or permit to subsist (in favour of any person other than the Collateral Agent) any Lien over the whole or any part of the Charged Property or of the Partnership Interest or agree (whether on a contingent basis or otherwise) to do so; or
- 6.2 (whether by a single transaction or a number of related or unrelated transactions and whether at the same time or over a period of time) sell, transfer, assign, lease out, lend or otherwise dispose of or cease to exercise direct control over all or any part of the Charged Property or of the Non-Charged Partnership Interest or any interest therein or the right to receive or to be paid the proceeds arising on the disposal of the same, or agree or attempt to do so; or
- 6.3 permit the Partnership to admit an additional Partner or additional Partners (provided that the consent of the Collateral Agent shall not be unreasonably withheld or delayed where the admission of an additional Partner or Partners would not result in a breach of Clause 3.2 (save that the terms of this Clause 6 shall not apply in cases where, subject to Clause 3.2, (a) such additional Partner charges its interest in the Partnership to the Collateral Agent subject to and in terms substantially similar to this Assignment; (b) CAC Nevada transfers all or part of its interest in the Partnership to an additional Partner; or (c) the Chargor transfers all or part of the Non-Charged Partnership Interest to an additional Partner)); or

- 6.4 permit the Partnership to take any steps to dissolve or terminate the Partnership; or
- 6.5 make any material changes to the Partnership Agreement which are in any material respect adverse to the Majority Benefited Parties.

7 OTHER UNDERTAKINGS

- 7.1 The Chargor will furnish the Collateral Agent with copies of all notices served under the Partnership Agreement and such information concerning the Charged Property and the Non-Charged Partnership Interest as the Collateral Agent may from time to time reasonably request, and will permit the Collateral Agent from time to time during business hours and on reasonable notice (or at any time without notice during the existence of an Event of Default), to inspect, audit and make copies of and extracts from all records and all other papers in the possession of the Chargor which pertain to the Charged Property and/or the Non-Charged Partnership Interest.
- 7.2 The Chargor will not do or cause or permit to be done anything (including, without limitation, by way of any exercise of its rights under Clause 8) which may in any way depreciate, jeopardise or otherwise prejudice the value to the Collateral Agent of the Charged Property or the security constituted by this Assignment; and further provided that this undertaking will only relate to matters affecting the Charged Property and no breach of this undertaking shall arise as a result of any general deterioration in the financial condition of the Partnership arising as a consequence of any action or omission of the Chargor or the Partnership in relation to the business or assets of the Partnership.
- 7.3 The Chargor hereby declares and agrees that:
- (i) this Assignment shall be held by the Collateral Agent as a continuing security and shall not be satisfied by any intermediate payment or satisfaction of any part of the Benefited Obligations and shall remain in full force and effect until all Benefited Obligations have been unconditionally and irrevocably paid and discharged in full to the satisfaction of the Collateral Agent;
  - (ii) the Collateral Agent shall not be bound to enforce any guarantee or security or proceed to take any other steps against any other person before enforcing this Assignment; and
  - (iii) this Assignment shall be in addition to, and not in substitution for, any other rights which the Collateral Agent or any Lender, Noteholder or Future Debt Holder may now or hereafter have under or by virtue of any guarantee or security or agreement or any Lien or by operation of law or under any collateral or other security now or hereafter held by the Collateral Agent or any Lender, Noteholder or Future Debt Holder or to which the Collateral Agent or any Lender, Noteholder or Future Debt Holder may be entitled.
- 7.4 Any settlement or discharge under this Assignment between the Collateral Agent and the Chargor shall be conditional upon no security or payment to the Collateral Agent or any Lender, Noteholder or Future Debt Holder by the Chargor or any other person being avoided or set-aside or ordered to be refunded or reduced by virtue of any provision or enactment relating to bankruptcy, sequestration, insolvency, administration or liquidation for the time being in force, and if such condition is not satisfied (but without limiting the other rights of the Collateral Agent or any Lender,

Noteholder or Future Debt Holder hereunder or under applicable law) such settlement or discharge shall be of no effect and the security created by this Assignment shall remain and/or shall be reinstated in full force and effect as if such settlement or discharge had not occurred and the Collateral Agent shall, on behalf of the Lenders, the Noteholders and the Future Debt Holders, be entitled to recover from the Chargor on demand the value of the security or payment so avoided, set-aside, refunded or reduced.

## 8 UPON ENFORCEMENT

- 8.1 At any time on or following the occurrence of an Event of Default so long as such Event of Default is continuing, the Collateral Agent may in its absolute discretion enforce all or any part of this Assignment in any manner it sees fit and shall be entitled without any notice to the Chargor to exercise all rights and powers in relation to the Charged Property which could have been exercised by the Chargor prior to the security hereby granted becoming enforceable.
- 8.2 The Collateral Agent shall not in any circumstances, either by reason of any dealing with the Charged Property or any part thereof or for any other reason whatsoever be liable to account to the Chargor for anything except in respect of the Collateral Agent's own actual receipts or be liable to the Chargor for any loss or damage arising from any reduction by the Collateral Agent of the Charged Property or any part thereof or from any exercise or non-exercise by the Collateral Agent of any power, authority or discretion conferred upon it in relation to the Charged Property or any part thereof by or pursuant to this Assignment or otherwise by any applicable law other than, in each case, as a result of wilful default or negligence;
- 8.3 For the purpose of or pending the discharge of any of the Benefited Obligations, the Collateral Agent may, subject to the terms and conditions of the Intercreditor Agreement, convert any moneys received, recovered or realised in any currency under this Assignment (including the proceeds thereof ) from their existing currency of denomination into any other currency at such rate or rates of exchange and at such time as the Collateral Agent thinks fit and shall effect such conversion in such a manner as to minimise the number of currencies to be converted to the extent reasonably practicable.

## 9 FURTHER ASSURANCES; POWER OF ATTORNEY

- 9.1 The Chargor hereby undertakes with the Collateral Agent to take such further acts, enter into such other instruments or documents and otherwise perform such action as may be necessary or as the Collateral Agent may otherwise reasonably request to more fully give effect to the security granted hereunder and, upon the occurrence of an Event of Default, for so long as the same continues, to facilitate the realisation of the Charged Property and any other provision of this Assignment. This shall include (without limitation) (i) the execution of any further fixed securities, transfers, conveyances, assignments, assurances or deeds supplemental hereto (whether in favour of the Collateral Agent or otherwise) of or in respect of the Charged Property and any future rights granted to or obtained by the Chargor (or following the admission of an additional Partner or additional Partners pursuant to Clause 6.3 hereof) in respect of the Partnership and (ii) the giving of any notice, order or direction and the making of any registration, which the Collateral Agent may think expedient.

9.2 The Chargor hereby irrevocably and by way of security appoints the Collateral Agent and its delegates to be its attorney (with full power of substitution and delegation) in its name and on its behalf and as its act and deed to execute, seal and deliver and otherwise perfect and complete and do any deed, agreement, instrument, resolution, or other act or thing which the Chargor ought to execute and do under the terms of this Assignment or which may otherwise be required or deemed proper by the Collateral Agent for the purposes of this Assignment and the Chargor hereby undertakes to ratify and confirm all acts and things done by such attorney. The power of attorney hereby granted is as regards the Collateral Agent and its delegates (and as the Chargor hereby acknowledges) granted irrevocably and for value as part of the security constituted by this Assignment to secure proprietary interests in and the performance of obligations owed to the respective donees, and shall be exercisable upon the occurrence and during the continuance of any Event of Default.

#### 10. PROTECTION OF THIRD PARTIES

No purchaser from, or other person dealing with, the Collateral Agent will be obliged or concerned to enquire whether the right of the Collateral Agent to exercise any of the powers conferred by this Assignment has arisen or become exercisable or whether any of the Benefited Obligations remains outstanding and the receipt of the Collateral Agent shall be an absolute and complete discharge to any such purchaser and will relieve such purchaser of any obligation to see to the application of any monies paid to or by the direction of the Collateral Agent.

#### 11. THE COLLATERAL AGENT'S REMEDIES

- 11.1 The rights, powers and remedies provided in this Assignment are cumulative and are not, nor are they to be construed as, exclusive of any rights, powers or remedies provided by law or otherwise.
- 11.2 No failure on the part of the Collateral Agent or any Agent-Related Persons to exercise, or delay on its part in exercising, any of its rights, powers and remedies provided by this Assignment or by law (collectively the "AGENT'S RIGHTS") shall operate as a waiver thereof, nor shall any single or partial exercise of any of the Agent's Rights preclude any further or other exercise of that one of the Agent's Rights concerned or the exercise of any other of the Agent's Rights.
- 11.3 The Chargor hereby agrees to indemnify the Collateral Agent and any Agent-Related Persons against all losses, actions, claims, costs, charges, expenses and liabilities incurred by the Collateral Agent and any Agent-Related Persons (including any substitute, delegate or attorney) in relation to this Assignment or the Benefited Obligations (including, without limitation, the costs, charges and expenses incurred in the carrying into effect of this Assignment or in the exercise of any of the rights, remedies and powers conferred on the Collateral Agent hereby or in the perfection or enforcement of the security constituted hereby or pursuant hereto) or occasioned by any breach by the Chargor of any of its covenants, undertakings or obligations to the Collateral Agent and any Agent-Related Persons under this Assignment. The Chargor shall so indemnify the Collateral Agent on demand.
- 11.4 The Collateral Agent shall not be obliged, before exercising any of the rights, powers or remedies conferred upon it by or pursuant to this Assignment or by law to:
- (i) take any action or obtain judgment or decree in any court against the Chargor; or

- (ii) make or file any claim to rank in a winding up, liquidation or sequestration (as appropriate) of the Chargor.

12 THE COLLATERAL AGENT'S DISCRETION

- 12.1 Subject to the terms and conditions of the Intercreditor Agreement, any liberty or power which may be exercised or any determination which may be made hereunder by the Collateral Agent may be exercised or made in the reasonable discretion of the Collateral Agent.
- 12.2 A certificate by an officer of the Collateral Agent (i) as to the amount for the time being due to the Collateral Agent or any Lender, Noteholder or Future Debt Holder under any Financing Agreement and (ii) as to any sums payable to the Collateral Agent or any Lender, Noteholder or Future Debt Holder hereunder, shall (save in the case of manifest error) be conclusive and binding upon the Chargor for all purposes.

13. AMENDMENTS

No amendment or waiver of any provision of this Assignment and no consent to any departure by the Chargor therefrom shall in any event be effective unless the same shall be in writing and signed or approved in writing by the Collateral Agent in accordance with the provisions of the Intercreditor Agreement and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. In the event of any conflict between this Assignment and the Intercreditor Agreement or any of the other Financing Agreements, the provisions of the Intercreditor Agreement or the relevant Financing Agreement shall prevail.

14. NOTICES

- 14.1 All notices and other communications provided to any party hereto in connection with this Assignment shall be in writing and the provisions of Section 11(a) of the Intercreditor Agreement are hereby incorporated into this Assignment with all necessary consequential changes.
- 14.2 Any notice to the Partnership may be left at or sent to 3 Genfinlas Street, Edinburgh, EH3 6AQ, Scotland.

15 RIGHTS AND REMEDIES CUMULATIVE; WAIVERS

- 15.1 The rights and remedies of the Collateral Agent provided in this Assignment are cumulative and not exclusive of any rights or remedies provided by law;
- 15.2 A waiver given or consent granted by the Collateral Agent under this Assignment will be effective only if given in writing and then only in the instance and for the purpose for which it is given.

16. INVALIDITY OF ANY PROVISION

If any provision of this Assignment is or becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions will not be affected or impaired in any way.



## 17. ASSIGNATION

The Collateral Agent may at any time assign or otherwise transfer all or any part of its rights under this Assignment in accordance with and subject to the terms of the Intercreditor Agreement. The Chargor may not at any time assign or otherwise transfer any of its rights or obligations under this Assignment.

## 18. NOTICE OF SUBSEQUENT CHARGE

If the Collateral Agent receives notice of any subsequent Lien affecting any part of the Charged Property, it may open a new account for the Chargor in its books and if it does not do so then it will, as from the time of receipt of such notice, automatically be treated as if all payments made to it by the Chargor have been credited to a new account of the Chargor and not as having been applied in reduction of the Benefited Obligations.

## 19. OBLIGATIONS UNDER PARTNERSHIP AGREEMENT

19.1 No obligation shall be assumed by the Collateral Agent under the Partnership Agreement by virtue of the execution and delivery of this Assignment and no liability (whether contractual, delictual or otherwise) shall fall upon or accrue to the Collateral Agent in consequence of any failure by the Chargor to perform its obligations under or otherwise in terms of the Partnership Agreement.

19.2 Nothing in this Assignment shall have the effect of making the Collateral Agent a Partner

## 20. NO WAIVER

The obligations of the Chargor contained in this Assignment will not be affected by any act, omission or circumstance which (save for this provision) may operate so as to release or otherwise exonerate the Chargor from its obligations hereunder or otherwise affect any such obligation, including:

- (i) any time, indulgence or waiver granted to or composition made with any obligor in respect of the Benefited Obligations or any other person;
- (ii) the taking, variation, compromise, renewal or release of or failure to enforce any rights, remedies or securities against or granted by any obligor in respect of the Benefited Obligations or any other person;
- (iii) any legal limitation, disability, incapacity or other circumstance relating to any obligor in respect of the Benefited Obligations or any other person or any variation of the terms of this Assignment or any other document (including the other Financing Agreements); or
- (iv) any other act, omission or circumstance which might otherwise adversely affect any of the obligations of the Chargor hereunder.

No failure or delay by the Collateral Agent or any Agent-Related Persons in exercising any right, power or privilege under this Assignment shall operate as a waiver thereof nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

## GOVERNING LAW AND SUBMISSION TO JURISDICTION

- 21.1 LAW: This Assignment and all matters and disputes relating hereto shall be governed and construed in accordance with Scots law.
- 21.2 JURISDICTION: The Chargor irrevocably agrees for the benefit of the Collateral Agent that the courts of Scotland shall have non-exclusive jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Assignment and, for such purposes, irrevocably submits to the non-exclusive jurisdiction of such courts. The submission to the courts of Scotland referred to in the preceding sentence of this Clause 21.2 shall not limit the right of the Chargor to take proceedings in connection with any agreement relating to the Benefited Obligations to which it is a party and which is not governed by Scots law in any other court of competent jurisdiction.
- 21.3 FORUM: The Chargor irrevocably waives any objection which it might now or hereafter have to the courts referred to in Clause 21.2 being nominated as the forum to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Assignment and agrees not to claim that any such court is not a convenient or appropriate forum.
- 21.4 NON-EXCLUSIVE: The submission to the jurisdiction of the courts referred to in Clause 21.2 shall not (and shall not be construed so as to) limit the right of the Collateral Agent to take proceedings against the Chargor in any other court of competent jurisdiction nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction, whether concurrently or not.
- 21.5 PROCESS AGENT: The Chargor agrees that the process by which any suit, action or proceeding is begun may be served on it by being delivered in connection with any suit, action or proceeding in Scotland, to it at c/o Credit Acceptance Corporation UK Limited, Burfree House, Teville Road, Worthing, West Sussex BN11 1UG, England, or, if different, the principal place of business of Credit Acceptance Corporation UK Limited in England for the time being.
- 21.6 WAIVER OF IMMUNITY: To the extent that the Chargor may be entitled in any jurisdiction to claim for itself or its assets, immunity from suit, execution, attachment or other legal process whatsoever, it hereby irrevocably agrees not to claim and hereby irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction.

IN WITNESS whereof these presents typewritten on this and the preceding ten pages are executed for and on behalf of the parties as follows:.

THE CHARGOR

SIGNED  
for and on behalf of the said  
CREDIT ACCEPTANCE  
CORPORATION

at Southfield, MI.....  
on September 10, 2001.....  
by /s/ Douglas W. Busk.....  
and /s/ Charles A. Pearce.....

THE COLLATERAL AGENT

SIGNED  
for and on behalf of  
COMERICA BANK, as Collateral  
Agent for and on behalf of  
the Lenders, the Noteholders and  
the Future Debt Holders

at Detroit, MI.....  
on September 7, 2001.....  
by /s/ Caryn Dorfman.....  
and /s/ Michael P. Stapleton.....

CAC NEVADA

SIGNED for and on behalf of  
CAC NEVADA, INC

at Southfield, MI.....  
on September 10, 2001.....  
by /s/ Douglas W. Busk.....  
and /s/ Charles A. Pearce.....

CAC SCOTLAND

SIGNED for and on behalf of  
CAC SCOTLAND

at Southfield, MI.....  
on September 10, 2001.....  
by /s/ Douglas W. Busk.....  
an officer of Credit Acceptance Corporation  
one of the partners thereof

in the presence of this witness:

/s/ Charles A. Pearce.....  
(witness name) Charles A. Pearce, Secretary

25505 West Twelve Mile Road.....  
Southfield, MI 48034.....  
(witness address)

ASSIGNATION IN SECURITY  
AMONG

CREDIT ACCEPTANCE CORPORATION,

COMERICA BANK,

CAC NEVADA, INC  
AND

CAC SCOTLAND

2001  
GMB.FMJ.C1554.001  
FAS NO 7646

[TODS MURRAY WS SOLICITORS LOGO]

66 Queen Street Edinburgh EH2 4NE  
Tel 0131 226 4771 Fax 0131 225 3676 DX ED58

Also at: 33 Bothwell Street Glasgow G2 6NL Tel 0141 275 4771 Fax 0141 275 4781  
DX 512815-Glasgow Central

Email [maildesk@todsmurray.com](mailto:maildesk@todsmurray.com)  
[www.todsmurray.com](http://www.todsmurray.com)

DEED OF CHARGE,

Dated 7th September, 2001

between

CREDIT ACCEPTANCE CORPORATION,

as the Chargor,

and

COMERICA BANK,

as the Collateral Agent

A & L Goodbody,  
Solicitors,  
International Financial Services Centre,  
North Wall Quay,  
Dublin 1.

THIS DEED OF CHARGE is made on 7th September, 2001  
BETWEEN:

- (1) CREDIT ACCEPTANCE CORPORATION, a Michigan corporation (the "Chargor");  
and
- (2) COMERICA BANK, a bank organised and existing under the laws of Michigan, as agent for the benefit of the Lenders, the Noteholders and the Future Debt Holders (in such capacity, the "Collateral Agent").

WHEREAS:

- (A) The Chargor, Comerica Bank and the other financial institutions signatory thereto, each as "Banks" thereunder (and, in the case of Comerica Bank, in its separate additional capacity as "Issuing Bank" thereunder) (together with any Successor Lenders party thereto from time to time, collectively the "Lenders"), entered into that certain Amended and Restated Credit Agreement dated as of June 11, 2001 (said credit agreement, as amended, restated or otherwise modified from time to time, the "Existing Credit Agreement" and together with any Successor Credit Agreement, the "Credit Agreement").
- (B) The Chargor entered into the separate note purchase agreements with the 1994 Noteholders dated as of October 1, 1994 (collectively, as amended restated or otherwise modified from time to time, the "1994 Note Agreements"), pursuant to which the Second Amended and Restated Senior Notes due November 1, 2001 (collectively, as amended, restated or otherwise modified from time to time, the "1994 Senior Notes") are outstanding.
- (C) The Chargor entered into the separate note purchase agreements with the 1996 Noteholders dated as of August 1, 1996 (collectively, as amended, restated or otherwise modified from time to time, the "1996 Note Agreements"), pursuant to which the Second Amended and Restated Senior Notes due July 1, 2001 (collectively, as amended, restated or otherwise modified from time to time, the "1996 Senior Notes") are outstanding.
- (D) The Chargor entered into the separate note purchase agreements with the 1997 Noteholders dated as of March 25, 1997 (collectively, as amended, restated or otherwise modified from time to time, the "1997 Note Agreements") pursuant to which the Second Amended and Restated Senior Notes due October 1, 2001 (collectively, as amended, restated or otherwise modified from time to time, the "1997 Senior Notes") are outstanding.

- (E) Pursuant to section 7.20 of the Existing Credit Agreement and section 6.23 of the 1994 Note Agreements, the 1996 Note Agreements and the 1997 Note Agreements, the Lenders and the Noteholders, respectively have required that the Chargor grant (or cause to be granted) certain liens and security interests to the Collateral Agent, as contractual representative for the benefit of the Lenders, the Noteholders, and the Future Debt Holders, all to secure the obligations of the Chargor under the Credit Documents, the obligations of the Chargor under the Noteholder Documents and the obligations of the Chargor under the Future Debt Documents.
- (F) The Lenders and the Noteholders have consented to the transactions contemplated hereby and by the Security Documents, and the Lenders and the Noteholders have agreed that the Chargor's obligations under the Credit Agreement, the Note Agreements and the Future Debt Documents shall be equally and ratably secured pursuant to this Deed and the other Security Documents.
- (G) The Chargor has directly and indirectly benefited and will directly and indirectly benefit from the transactions evidenced by and contemplated in the Credit Agreement, the Note Agreements and the Future Debt Documents and has consented to the execution and delivery of that certain Intercreditor Agreement among the Collateral Agent, the Lenders (including Comerica Bank), the Noteholders and the Future Debt Holders, dated as of 15 December 1998 as amended by First Amendment dated as of March 30, 2001 (as further amended from time to time according to the terms thereof, the "Intercreditor Agreement").
- (H) The Lenders, the Noteholders and the Collateral Agent have entered into the Intercreditor Agreement to define the rights, duties, authority and responsibilities of the Collateral Agent, acting on behalf of such parties regarding the Charged Property (as defined below), and the relationship among the parties regarding their equal and ratable interests in the Charged Property.

NOW THIS DEED WITNESSETH AND IT IS HEREBY AGREED as follows:

1. DEFINED TERMS; INTERPRETATION

- (1) In this Deed, unless the context otherwise requires, the following expressions shall have the following meanings:
  - "Charged Property" means all the assets, property and rights charged to the Collateral Agent by the Chargor pursuant to Section 3 of this Deed;
  - "Chargor" is defined in the preamble;

"Collateral Agent" is defined in the preamble;

"Deed" means this Deed of Charge, as amended, modified or supplemented from time to time;

"Initial Shares" is defined in Section 3(1);

"Issuer" means Credit Acceptance Corporation Ireland Limited, a company organised and existing under the laws of Ireland;

"Lien" means any mortgage, charge, pledge, hypothecation, assignment by way of security, deposit agreement, encumbrance, lien (statutory or otherwise), title retention, finance lease, factoring or discounting of debts or other security interest on or over present or future assets of the Person concerned securing any obligation of any Person or any other type of preferential or trust arrangement having a similar effect, including any such security interest which arises or is imposed by operation of law;

"Non-Charged Shares" means all those shares of the Issuer owned or at any time and from time to time acquired by the Chargor which are not Shares charged pursuant hereto;

"Percentage Limitation" means the lesser of (i) all of the shares of the Issuer owned or at any time and from time to time acquired by the Chargor or any of its Subsidiaries and (ii) sixty-five percent (65%) of the aggregate share capital of the Issuer at any time or from time to time issued and outstanding (determined in accordance with Section 956 of the Internal Revenue Code of the United States of America, as amended from time to time);

"Receiver" means any one or more receivers and managers, administrators, liquidators or other insolvency officers appointed in any jurisdiction or (if the Collateral Agent so specifies in the relevant appointment) any such officers appointed by the Collateral Agent pursuant to this Deed in respect of the Chargor or over all or any of the Charged Property;

"Rights" is defined in Section 14(2);

"Shares" is defined in Section 3(2); and

"Transfer Form" means a stock transfer form or other appropriate instrument of



transfer executed by the Chargor as transferor and left undated and with details of the transferee left blank but with details of the transferor and the number and class of shares or securities completed.

(2) In this Deed:

- (a) the parties hereto intend that this document shall take effect as a deed;
- (b) references to the "Chargor", the "Collateral Agent", the "Issuer" and any other person referred to in this Deed shall be construed so as to include their respective successors and permitted transferees and assigns in accordance with their respective interests;
- (c) capitalised terms used but not defined in this Deed (including the preamble hereto) have the same meanings as in the Intercreditor Agreement;
- (d) this Deed is a Financing Agreement and shall be interpreted and construed in accordance with the terms and provisions of the Intercreditor Agreement;
- (e) reference to any document includes that document as amended, novated or supplemented from time to time; and
- (f) words and phrases the definition of which is contained or referred to in section 2 of the Companies Acts, 1963-1999 (and which are not otherwise defined in this Deed) shall be construed as having the meaning thereby attributed to them.

2. COVENANT TO PAY

The Chargor covenants with the Collateral Agent that it will pay the Benefited Obligations as and when the same fall due for payment.

3. CHARGING SECTION

As a continuing security for the payment and discharge of all Benefited Obligations, the Chargor hereby charges and assigns, as legal and beneficial owner, in favour of the Collateral Agent (to the intent that the security hereby created shall be a continuing security in favour of the Collateral Agent in its capacity as such) the following property and rights, both present and future, from time to time owned by the Chargor or in which the Chargor is from time to time interested:

- (1) by way of first fixed charge, all the shares described in Schedule I hereto (the "Initial Shares"), all of the certificates and/or instruments representing such shares and all cash, distributions, dividends, rights, allotments, accretions, benefits and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares (whether by way of conversion, redemption, bonus, preference, option or otherwise);
- (2) by way of first fixed charge, all additional shares of the Issuer at any time and from time to time acquired by the Chargor (collectively with the Initial Shares, the "Shares") in any manner (provided that the aggregate percentage of the share capital of the Issuer encumbered by any and all charges granted in favour of the Collateral Agent by the Chargor or any of its Subsidiaries pursuant hereto shall not at any time exceed the Percentage Limitation), all of the certificates and/or instruments representing such additional shares, and all cash, distributions, dividends, rights, allotments, accretions, benefits and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares (whether by way of conversion, redemption, bonus, preference, option or otherwise);
- (3) by way of first fixed charge, all other property hereafter delivered to the Collateral Agent in substitution for or in addition to any of the foregoing, all certificates and instruments representing or evidencing such property, and all cash, distributions, dividends, rights, allotments, accretions, benefits and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all thereof (whether by way of conversion, redemption, bonus, preference, option or otherwise); and
- (4) by way of first fixed charge, all products and proceeds of all of the foregoing.

The Collateral Agent shall hold the benefit of the covenants, charges and other undertakings given by the Chargor pursuant to this Deed upon trust for the Lenders, the Noteholders and the Future Debt Holders and the Collateral Agent, provided that the sole obligations of the Collateral Agent and of any Agent-Related Persons to the Lenders, the Noteholders and the Future Debt Holders shall be those set out in the Intercreditor Agreement (including, without limitation, section 8 thereof) and neither the Collateral Agent nor any Agent-Related Persons shall be deemed to be a fiduciary hereunder.

#### 4. DELIVERY

The Chargor agrees to deliver to the Collateral Agent, forthwith upon execution of this

Deed (in connection with the Initial Shares) and from time to time (in connection with any other Shares), all share certificates and documents of title relating to the Shares together with Transfer Form(s) relating to all such Shares and covenants with the Collateral Agent to deliver to it all other share certificates, documents of title and Transfer Forms relating to the Charged Property which may at any time come into the possession or control of the Chargor; and prior to the delivery thereof to the Collateral Agent, the Chargor will hold all such certificates, documents of title and Transfer Forms on trust for the Collateral Agent.

5. REPRESENTATIONS AND WARRANTIES

The Chargor represents and warrants to the Collateral Agent on the date of this Deed and shall be deemed to have represented and warranted on each date when any Benefited Obligations is outstanding, in each case in the terms set out below:

- (1) the Chargor is (or at the time of any future delivery, charge, assignment or transfer will be) the legal and beneficial owner of the Charged Property, free and clear of all Liens, other than the security created hereunder;
- (2) the charges and assignments constituted by this Deed create a valid first ranking charge over and, as the case may be, assignment of the Charged Property in favour of the Collateral Agent;
- (3) all the Shares are (and all Shares which in the future become subject to charge hereunder will be) duly authorised, validly issued, fully paid, non-assessable and not subject to any Lien or restriction on transfer imposed under the constitutional documents of the Issuer or otherwise;
- (4) the information contained in Schedule I hereto in connection with the Initial Shares is true and accurate in all respects; and
- (5) the Chargor is not unable to pay its debts as they fall due and is not otherwise insolvent.

6. NEGATIVE PLEDGE AND DISPOSAL RESTRICTIONS

During the continuance of the security constituted by this Deed, and without prejudice to the provisions of the Intercreditor Agreement and the other Financing Agreements, the Chargor will not (without the prior consent in writing of the Collateral Agent):

- (1) create or agree or attempt to create or permit to subsist (in favour of any person

other than the Collateral Agent) any Lien over the whole or any part of the Charged Property or of the Non-Charged Shares or agree (whether on a contingent basis or otherwise) to do so; or

- (2) (whether by a single transaction or a number of related or unrelated transactions and whether at the same time or over a period of time) sell, transfer, lease out, lend or otherwise dispose of or cease to exercise direct control over all or any part of the Charged Property or of the Non-Charged Shares or any interest therein or the right to receive or to be paid the proceeds arising on the disposal of the same, or agree or attempt to do so; or
- (3) dispose of the equity of redemption in respect of all or any part of the Charged Property or of the Non-Charged Shares; or
- (4) except with the written consent of the Collateral Agent, permit the Issuer to issue to any of the Chargor's other Subsidiaries any shares in addition to or in substitution for the Shares or the Non-Charged Shares unless, concurrently with each issuance thereof, any and all such shares are charged in favour of the Collateral Agent pursuant to a deed of charge substantially in the form of this Deed; provided that the aggregate percentage of the share capital of the Issuer required to be encumbered by any and all charges granted in favour of the Collateral Agent by the Chargor or any of its Subsidiaries pursuant hereto shall not exceed the Percentage Limitation.

7. OTHER UNDERTAKINGS

- (1) The Chargor will furnish the Collateral Agent with such information concerning the Charged Property and the Non-Charged Shares as the Collateral Agent may from time to time reasonably request, and will permit the Collateral Agent from time to time during business hours and on reasonable notice (or at any time without notice during the existence of an Event of Default), to inspect, audit and make copies of and extracts from all records and all other papers in the possession of the Chargor which pertain to the Charged Property and/or the Non-Charged Shares.
- (2) The Chargor will not do or cause or permit to be done anything (including, without limitation, by way of any exercise of its rights under Section 8) which may in any way depreciate, jeopardise or otherwise prejudice the value to the Collateral Agent of the Charged Property or the security constituted by this Deed; provided that, so long as no Event of Default (both before and after giving effect thereto) has occurred and is continuing, the Chargor may receive, retain and

dispose of any and all lawful dividends and cash distributions payable in respect of the Charged Property; and further provided that this undertaking will only relate to matters affecting the Charged Property and no breach of this undertaking shall arise as a result of any general deterioration in the financial condition of the Issuer arising as a consequence of any action or omission of the Chargor or the Issuer in relation to the business or assets of the Issuer.

(3) The Chargor hereby declares and agrees that:

- (a) this Deed shall be held by the Collateral Agent as a continuing security and shall not be satisfied by any intermediate payment or satisfaction of any part of the Benefited Obligations and shall remain in full force and effect until all Benefited Obligations have been unconditionally and irrevocably paid and discharged in full to the satisfaction of the Collateral Agent;
- (b) the Collateral Agent shall not be bound to enforce any guarantee or security or proceed to take any other steps against any other Person before enforcing this Deed; and
- (c) this Deed shall be in addition to, and not in substitution for, any other rights which the Collateral Agent or any Lender, Noteholder or Future Debt Holder may now or hereafter have under or by virtue of any guarantee or security or agreement or any Lien or by operation of law or under any collateral or other security now or hereafter held by the Collateral Agent or any Lender, Noteholder or Future Debt Holder or to which the Collateral Agent or any Lender, Noteholder or Future Debt Holder may be entitled.
- (d) Any settlement or discharge under this Deed between the Collateral Agent and the Chargor shall be conditional upon no security or payment to the Collateral Agent or any Lender, Noteholder or Future Debt Holder by the Chargor or any other Person being avoided or set-aside or ordered to be refunded or reduced by virtue of any provision or enactment relating to bankruptcy, insolvency, administration or liquidation for the time being in force, and if such condition is not satisfied (but without limiting the other rights of the Collateral Agent or any Lender, Noteholder or Future Debt Holder hereunder or under applicable law) such settlement or discharge shall be of no effect and the security created by this Deed shall remain and/or shall be reinstated in full force and effect as if such settlement or discharge had not occurred and the Collateral Agent shall, on behalf of the

Lenders, the Noteholders and the Future Debt Holders, be entitled to recover from the Chargor on demand the value of the security or payment so avoided, set-aside, refunded or reduced.

8. VOTING RIGHTS AND DIVIDENDS

- (1) So long as no Event of Default (both before and after giving effect thereto) has occurred and is continuing, the Chargor shall, subject to clause (2) of Section 7, be entitled to exercise any and all voting or consensual rights and powers attaching to the Charged Property.
- (2) So long as no Event of Default (both before and after giving effect thereto) has occurred and is continuing, the Chargor shall, subject to clause (2) of Section 7, be entitled to receive and retain any and all lawful dividends and cash distributions payable in respect of the Charged Property.
- (3) Upon the occurrence of an Event of Default, and for so long as the same shall be continuing, all rights, powers and entitlements which the Chargor is entitled to exercise pursuant to clause (1) or (2) of this Section 8 will immediately be suspended until such Event of Default shall no longer exist, and all such rights, powers and entitlements will thereupon become vested in the Collateral Agent so that the Collateral Agent has the sole and exclusive authority to exercise such rights and powers and to receive such dividends and distributions. All money and other property paid over to or received by the Collateral Agent pursuant to this Section 8 will be retained by it as additional Charged Property and applied in accordance with the provisions of this Deed and the Intercreditor Agreement.

9. COMPLETION OF TRANSFER FORMS

- (1) At any time on or following the occurrence of an Event of Default so long as such Event of Default is continuing, the Collateral Agent may complete the Transfer Forms delivered to it hereunder in favour of itself as transferee or in favour of such other nominee as it may select.
- (2) At any time when any Charged Property is registered in or transferred into the name of the Collateral Agent or its nominee, neither the Collateral Agent nor such nominee will be under any duty to ensure that any dividends or distributions relating to the Charged Property are duly paid or received or to exercise, defend or take any action with respect to any voting, consensual or other rights or powers attaching to the Charged Property including rights which are by way of bonus, preference, option, warrant or otherwise.

10. FURTHER ASSURANCES; POWER OF ATTORNEY

- (1) The Chargor hereby undertakes with the Collateral Agent to take such further acts, enter into such other instruments or documents and otherwise perform such action as may be necessary or as the Collateral Agent may otherwise reasonably request to more fully give effect to the security granted hereunder and any other provision of this Deed.
- (2) The Chargor hereby irrevocably and by way of security appoints the Collateral Agent and each Receiver appointed hereunder and each of their delegates severally as its attorney (with full power of substitution and delegation) in its name and on its behalf and as its act and deed to, after the occurrence and during the continuance of any Event of Default, execute, seal and deliver and otherwise perfect and complete and do any deed, agreement, instrument, Transfer Form or other act or thing which the Chargor ought to execute and do under the terms of this Deed or which may otherwise be required or deemed proper by the Collateral Agent for the purposes of this Deed and to do all acts and things which the Collateral Agent may in its absolute discretion, consider to be necessary or expedient for enabling or assisting the Collateral Agent to exercise any of its powers, rights or discretions hereunder or conferred by law or to do anything that the Chargor is obliged to do under this Deed and the Chargor hereby covenants to ratify and confirm all acts and things done by such attorney.

11. ENFORCEMENT

- (1) The restrictions on the consolidation of mortgages imposed by section 17 of the Conveyancing and Law of Property Act, 1881 will not apply to this Deed or any security granted pursuant to this Deed.
- (2) Section 20 of the Conveyancing and Law of Property Act, 1881 will not apply to this Deed, which shall immediately become enforceable and the power of sale and other powers conferred by section 19 of such Act (as varied or extended by this Deed) will be immediately exercisable at any time after an Event of Default has occurred.
- (3) The powers conferred on mortgagees or receivers by the Conveyancing and Law of Property Act, 1881 will apply to this Deed except insofar as they are expressly or impliedly excluded and if there is any ambiguity or conflict between the powers contained in such Acts and those contained in this Deed, those contained in this Deed will prevail.

- (4) At any time after the security constituted by this Deed has become enforceable or if so requested by the Chargor, the Collateral Agent may by writing under hand signed by any officer or manager of the Collateral Agent appoint any person (or persons) to be a Receiver of all or any part of the Charged Property.
- (5) Any powers conferred upon mortgagees or chargees by the Conveyancing and Law of Property Act, 1881 as hereby varied or extended and all or any rights conferred by this Deed on a Receiver (whether expressly or impliedly) may be exercised by the Collateral Agent without further notice to the Chargor at any time after the security constituted by this Deed has become enforceable and the Collateral Agent may exercise such rights and powers irrespective of whether it has taken possession of or has appointed a Receiver in respect of the Charged Property.
- (6) For the purpose of or pending the discharge of any of the Benefited Obligations, the Collateral Agent may, subject to the terms and conditions of the Intercreditor Agreement, convert any moneys received, recovered or realised in any currency under this Deed (including the proceeds of any previous conversion under this paragraph) from their existing currency of denomination into any other currency at such rate or rates of exchange and at such time as the Collateral Agent thinks fit and shall effect such conversion in such a manner as to minimise the number of currencies to be converted to the extent reasonably practicable.

12. RECEIVER

- (1) Any Receiver appointed hereunder will be the agent of the Chargor and the Chargor will be solely responsible for his acts and defaults and for his remuneration and will be liable on any contracts entered into by him.
- (2) Any Receiver appointed under this Deed will have power, in addition to the powers conferred by the Conveyancing and Law of Property Act, 1881 (which are incorporated into this Deed), and notwithstanding the liquidation of the Chargor, to take possession, collect and get in all or any part of the Charged Property and for that purpose to take any proceedings in the name of the Chargor or otherwise, generally to manage the Charged Property, to make any arrangement or enter into or cancel any contracts relating to the Charged Property, to insure or increase insurance in respect of the Charged Property, to exercise all voting or other rights attaching to the Charged Property in such manner as he may think fit, to redeem any prior liens, to appoint and discharge employees and professionals appointed in relation to the protection of the Charged Property on such terms as he may think



fit, to prosecute, enforce and discontinue all proceedings in the name of the Chargor in relation to the Charged Property, and to do all such other acts and things (including, without limitation, execution of all documents) as may be considered by the Receiver to be conducive to any of the matters or powers set out above and to use the name of the Chargor for such purposes.

- (3) The Collateral Agent may by written notice from time to time remove any Receiver and appoint a new Receiver in his place and may from time to time fix the remuneration of any such Receiver.
- (4) Sections 24(6) and (8) of the Conveyancing and Law of Property Act, 1881 will not apply to a Receiver appointed under this Deed.
- (5) Any money recovered by the Collateral Agent or any Receiver pursuant to this Deed may be kept by them in a separate suspense account for so long and in such manner as they may think fit prior to application in accordance with the terms of this Deed.
- (6) All monies received by the Collateral Agent or any Receiver appointed hereunder shall be applied by it or him in the following order:
  - (a) in payment of the costs, charges and expenses incurred, and payments made, by the Collateral Agent and/or any Receiver in connection with this Deed (including the payment of any preferential debts);
  - (b) in payment of remuneration to the Receiver at such rates as may be agreed between him and the Collateral Agent at or any time after his appointment;
  - (c) in or towards satisfaction of the Benefited Obligations (in such order (subject to the terms of the Intercreditor Agreement) as the Collateral Agent shall require); and
  - (d) the surplus (if any) shall be paid to the Chargor or other person entitled to it.

13. PROTECTION OF THIRD PARTIES

No purchaser from, or other person dealing with, the Collateral Agent and/or any Receiver will be obliged or concerned to enquire whether the right of the Collateral Agent or any Receiver to exercise any of the powers conferred by this Deed has arisen or become exercisable or whether any of the Benefited Obligations remains outstanding and

the receipt of the Collateral Agent or any Receiver shall be an absolute and complete discharge to any such purchaser and will relieve such purchaser of any obligation to see to the application of any monies paid to or by the direction of the Collateral Agent or any Receiver.

14. THE COLLATERAL AGENT'S REMEDIES

- (1) The rights, powers and remedies provided in this Deed are cumulative and are not, nor are they to be construed as, exclusive of any rights, powers or remedies provided by law or otherwise.
- (2) No failure on the part of the Collateral Agent or any Agent-Related Persons to exercise, or delay on its part in exercising, any of its rights, powers and remedies provided by this Deed or by law (collectively the "Rights") shall operate as a waiver thereof, nor shall any single or partial exercise of any of the Rights preclude any further or other exercise of that one of the Rights concerned or the exercise of any other of the Rights.
- (3) The Chargor hereby agrees to indemnify the Collateral Agent and any Agent-Related Persons against all losses, actions, claims, costs, charges, expenses and liabilities incurred by the Collateral Agent and any Agent-Related Persons (including any substitute delegate attorney) in relation to this Deed or the Benefited Obligations (including, without limitation, the costs, charges and expenses incurred in the carrying into effect of this Deed or in the exercise of any of the rights, remedies and powers conferred on the Collateral Agent hereby or in the perfection or enforcement of the security constituted hereby or pursuant hereto) or occasioned by any breach by the Chargor of any of its covenants or obligations to the Collateral Agent and any Agent-Related Persons under this Deed. The Chargor shall so indemnify the Collateral Agent on demand.

15. THE COLLATERAL AGENT'S DISCRETION

- (1) Subject to the terms and conditions of the Intercreditor Agreement, any liberty or power which may be exercised or any determination which may be made hereunder by the Collateral Agent may be exercised or made in the reasonable discretion of the Collateral Agent.
- (2) A certificate by an officer of the Collateral Agent (i) as to the amount for the time being due to the Collateral Agent or any Lender, Noteholder or Future Debt Holder under any Financing Agreement and (ii) as to any sums payable to the

Collateral Agent or any Lender, Noteholder or Future Debt Holder hereunder, shall (save in the case of manifest error) be conclusive and binding upon the Chargor for all purposes.

16. AMENDMENTS

No amendment or waiver of any provision of this Deed and no consent to any departure by the Chargor therefrom shall in any event be effective unless the same shall be in writing and signed or approved in writing by the Collateral Agent in accordance with the provisions of the Intercreditor Agreement and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. In the event of any conflict between this Deed and the Intercreditor Agreement or any of the other Financing Agreements, the provisions of the Intercreditor Agreement or the relevant Financing Agreement shall prevail.

17. NOTICES

All notices and other communications provided to any party hereto in connection with this Deed shall be in writing and the provisions of section 11(a) of the Intercreditor Agreement are hereby incorporated into this Deed with all necessary consequential changes, save that the reference therein to "four business days after deposit in the United States mail" shall be deleted and replaced by "seven business days after deposit in the United States mail".

18. RIGHTS AND REMEDIES CUMULATIVE; WAIVERS

- (1) The rights and remedies of the Collateral Agent provided in this Deed are cumulative and not exclusive of any rights or remedies provided by law.
- (2) A waiver given or consent granted by the Collateral Agent under this Deed will be effective only if given in writing and then only in the instance and for the purpose for which it is given.

19. INVALIDITY OF ANY PROVISION

If any provision of this Deed is or becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions will not be affected or impaired in any way.

20. ASSIGNMENT

The Collateral Agent may at any time assign or otherwise transfer all or any part of its rights under this Deed in accordance with and subject to the terms of the Intercreditor Agreement. The Chargor may not at any time assign or otherwise transfer any of its rights or obligations under this Deed.

21. NOTICE OF SUBSEQUENT CHARGE

If the Collateral Agent receives notice of any subsequent Lien affecting any part of the Charged Property, it may open a new account for the Chargor in its books and if it does not do so then it will, as from the time of receipt of such notice, automatically be treated as if all payments made to it by the Chargor have been credited to a new account of the Chargor and not as having been applied in reduction of the Benefited Obligations.

22. INTENTIONALLY BLANK

23. NO WAIVER

The obligations of the Chargor contained in this Deed will not be affected by any act, omission or circumstance which (save for this provision) may operate so as to release or otherwise exonerate the Chargor from its obligations hereunder or otherwise affect any such obligation, including:

- (1) any time, indulgence or waiver granted to or composition made with any obligor in respect of the Benefited Obligations or any other person;
- (2) the taking, variation, compromise, renewal or release of or failure to enforce any rights, remedies or securities against or granted by any obligor in respect of the Benefited Obligations or any other person;
- (3) any legal limitation, disability, incapacity or other circumstance relating to any obligor in respect of the Benefited Obligations or any other person or any variation of the terms of this Deed or any other document (including the other Financing Agreements); or
- (4) any other act, omission or circumstance which might otherwise adversely affect any of the obligations of the Chargor hereunder.

No failure or delay by the Collateral Agent or any Agent-Related Persons in exercising any right, power or privilege under this Deed shall operate as a waiver thereof nor shall any single or partial exercise of any right, power or privilege preclude any other or further

exercise thereof or the exercise of any other right, power or privilege.

24. COUNTERPARTS

This Deed may be executed in any number of counterparts and all of such counterparts taken together shall constitute one and the same instrument.

25. GOVERNING LAW AND SUBMISSION TO JURISDICTION

- (1) LAW: This Deed and all matters and disputes relating hereto shall be governed and construed in accordance with Irish law.
- (2) JURISDICTION: The Chargor irrevocably agrees for the benefit of the Collateral Agent that the courts of Ireland shall have exclusive jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Deed and, for such purposes, irrevocably submits to the exclusive jurisdiction of such courts. The submission to the courts of Ireland referred to in the preceding sentence of this clause (2) shall not limit the right of the Chargor to take proceedings in connection with any agreement relating to the Benefited Obligations to which it is a party and which is not governed by Irish law in any other court of competent jurisdiction.
- (3) FORUM: The Chargor irrevocably waives any objection which it might now or hereafter have to the courts referred to in clause (2) being nominated as the forum to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Deed and agrees not to claim that any such court is not a convenient or appropriate forum.
- (4) NON-EXCLUSIVE: The submission to the jurisdiction of the courts referred to in clause (2) shall not (and shall not be construed so as to) limit the right of the Collateral Agent to take proceedings against the Chargor in any other court of competent jurisdiction nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction, whether concurrently or not.
- (5) PROCESS AGENT: The Chargor agrees that the process by which any suit, action or proceeding is begun may be served on it by being delivered in connection with any suit, action or proceeding in Ireland, to it at c/o Credit Acceptance Corporation Ireland Limited, 17 Dame Street, Dublin 2 or, if different, the principal place of business of Credit Acceptance Corporation Ireland Limited in Ireland for the time being.

- (6) WAIVER OF IMMUNITY: To the extent that the Chargor may be entitled in any jurisdiction to claim for itself or its assets, immunity from suit, execution, attachment or other legal process whatsoever, it hereby irrevocably agrees not to claim and hereby irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction.

IN WITNESS whereof the parties hereto have caused this Deed to be duly executed, sealed where appropriate, and delivered as at the day and year first before written.

THE CHARGOR )  
 )  
SIGNED AND SEALED )  
as a DEED )  
for and on behalf of )  
CREDIT ACCEPTANCE )  
CORPORATION ) /s/ Douglas W. Busk

THE COLLATERAL AGENT )  
 )  
SIGNED as a DEED )  
for and on behalf of )  
COMERICA BANK, as Collateral )  
Agent for and on behalf of )  
the Lenders, the Noteholders and )  
the Future Debt Holders ) /s/ Caryn Dorfman

ACKNOWLEDGED this 7 day of September 2001

for and on behalf of )  
CREDIT ACCEPTANCE )  
CORPORATION IRELAND )  
LIMITED ) /s/ Mark Thoms

SCHEDULE I

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Issuer	No. of Charged Shares	Charged Shares as % of Total Shares Issued and Outstanding	Total Shares of Issuer Outstanding
Credit Acceptance Corporation Ireland Limited	65	65%	100 shares of IR(pound Sterling)1.00

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